

Notes on Management of Agriculture Cooperatives

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1. Introduction to Agriculture Cooperatives

1. Introduction to Agriculture Cooperatives.

The word “cooperation” literally designates the association of a number of people of small or limited means who organize themselves for self-help and mutual benefit from an enterprise. Cooperation in this context is a joint enterprise of those who are not financially strong and can not survive in competitive and monopolistic market on their own and, therefore, come together to overcome the problem of inadequate financial resources and individual incapability to uplift their economic conditions primarily through mutual and joint effort. In contrast to the assembly of profit seekers in any private institution, the cooperative organization emerges through voluntary association of financially constrained individuals for the sake of their self-help through mutual help without any desire to enrich themselves by exploiting others. It is the inherent potential of unique economic gains of such an approach of mutual and selfless cooperation that it has attained the status of a cooperative movement for the uplift of Indian economy. A cooperative does not aim to earn benefit like other type of organizations but is only to render service to its members. A discussion on agricultural cooperation in this context is purposely aimed to highlight the relevance, current state of cooperation and future prospects of such a cooperation based movement for the betterment of agriculture and farming community of the country.

Definition of Cooperation:

It is difficult to search out a clear-cut definition of cooperation but some Cooperators have tried to define it in the context of circumstances in which the movement was studied by them.

H. Calvert: “Cooperation is a form of organization in which persons voluntarily associate together as human beings on the basis of equality for the promotion of economic interest of themselves”.

According to International Labour Organization, “A Cooperative is an association of persons, usually of limited means, who have voluntarily joined together to achieve a common economic end through the formation of a democratically controlled business organization, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking.”

Objective of Cooperation:

The basic objective of cooperation is to provide services through self-help and mutual help which eliminates exploitation of consumer by trader, the workers by the employer, the borrower by the lender and tenant by landlord.

The objectives can be summarized as under :

1. The members should be prepared to work in a spirit of cooperation
2. There should be equality in all respect
3. There should be no exploitation
4. There should not be any political influence
5. There should not be any regimentation

6. There should be no loss of initiative
7. Capital should not be allowed to dominate
8. Both producer and consumers should feel satisfied of CO-OPERATION

1.1 Principles of cooperation, Cooperative management, Need and features of cooperative management, rural marketing scenario.

1.1A Cooperative Principles :

Introduction

- Since 1895, International Cooperative Alliance (ICA) is the only authentic organization which is defining Cooperation and principles on which cooperative movement is based.
- The ICA has officially declared the co-operative principles twice respectively in 1937 and 1966.
- The third restructuring is made in the year 1995, at Manchester in ICA congress. A statement on co-operative identity was adopted.
- The statement includes the definition of a co-operative, a list of co-operative values and a revised set of co-operative principles which has become the guideline for the co-operative movement of the 21st century.

Cooperative Principles:

Cooperatives around the world generally operate according to the same core principles and values, adopted by the **International Co-operative Alliance** in 1995. Cooperatives trace the roots of these principles to the first modern cooperative founded in Rochdale, England in 1844.

1. Voluntary and Open Membership:

Cooperatives are voluntary organizations, open to all people able to use its services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control:

Cooperatives are democratic organizations controlled by their members—those who buy the goods or use the services of the cooperative—who actively participate in setting policies and making decisions.

3. Members' Economic Participation:

Members contribute equally to, and democratically control, the capital of the cooperative. This benefits members in proportion to the business they conduct with the cooperative rather than on the capital invested.

4. Autonomy and Independence:

Cooperatives are autonomous, self-help organizations controlled by their members. If the co-op enters

into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the members and maintains the cooperative's autonomy.

5_ Education, Training and Information:

Cooperatives provide education and training for members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperative. Members also inform the general public about the nature and benefits of cooperatives.

6. Cooperation among Cooperatives:

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7. Concern for Community:

While focusing on member needs, cooperatives work for the sustainable development of communities through policies and programs accepted by the members.

Evolution of Principles of Cooperation :

Rochdale Principles (1844)	ICA's First Commission (1937)
1. Open membership	<u>Essential principles:</u>
2. Democratic Control	1) Open Membership
3. Fixed Interest on capital	2) Democratic Control
4. Dividend on purchase	3) Fixed Interest on capital
5. Cash trade	4) Dividend on purchase
6. Sell pure and unadulterated goods	<u>Non-Essential principles :</u>
7. Political and Religious Neutrality	5) Cash trade
8. Cooperative Education	6) Political & Religious Neutrality
	7) Cooperative Education
ICA's second commission (1966)	ICA's third commission (1995)
1. Voluntary and open membership	1. Voluntary and open membership

2. Democratic control	2. Democratic member control
3. Limited control on capital	3. Member Economic Patronage
4. Equitable distribution of surplus	4. Autonomy and Independence
5. Cooperative Education	5. Education Training & information
6. Cooperation among cooperatives	6. Cooperation among Cooperatives
	7. Concern for community

1.1B Cooperative Management:

There are several definitions of cooperative management:

By Watzlawick:

“ Cooperative management should be understood as a complex decision –making process within the three levels of management pyramid which aims at achieving a proper balance of success of cooperative enterprise as a business unit as well as social institution.”

By E.V.Mendoza:

“Cooperative management may be defined as the efficient and effective utilization of the resources of a cooperative as a business organization for the purpose of serving the needs of its members within the context of the accepted cooperative principles.”

By Peter Davis :

Peter Davis, the British Cooperator and a special advisor to the ICA Geneva , Global HRD commission who was also associated with ICA’s third principle’s commission, came out with a concrete definition on cooperative management. He says:

“Cooperative management is conducted by men and women responsible for stewardship of the cooperative community; values and assets. They provide leadership and policy development options for the cooperative association based on professional training and cooperative vocation and service. Cooperative management is that part of the cooperative community professionally engaged to support the whole membership in the achievement of the cooperative purpose”.

The above definitions bring the following features of cooperative management.

- Cooperative management is a complex decision making process, and decisions are made at all the three levels of management pyramid.
- The overriding objective of cooperative management is to serve the needs of members.
- The conduct of all the activities must be governed jointly by the two sets of principles namely, a) principles of management and b) principles of cooperation.
- The creation of proper balance between efforts aiming at commercial success and those aimed at maintaining the institutional goals of the cooperative association.
- Like any other management, it seeks to achieve its aim by means of effective and efficient use of resources.

1.1 C The Need for Modern Management to Cooperatives:

1. Cooperatives are expanding fast, increasing their operations, entering new fields, and diversifying their operations, hence they need professional and skilled management.
2. Cooperatives are not monopolistic organizations. They face competitions from private and public sector organizations, hence they have to improve their efficiency, and hence for efficient service warrant the use of management techniques, hence they need modern cooperative management.
3. To improve the business efficiency, cooperatives have to apply modern management principles and tools.
4. To practice the principles of cooperation, cooperatives have to improve their management efficiency.
5. Modern Cooperative management is needed to improve the efficiency of cooperative personnel.

1.1 D Rural marketing scenario:

The rural markets offered a huge potential to the business houses because of their enormous spread and rising consumer demands. Around the world, over 4 billion people survived in rural areas that came to more than 60 percent of the total population. In India also, the ratio of rural to urban population was slightly higher than the world's ratio with 70 percent of them living in rural areas. They domiciled in nearly 6,27,000 villages spread over 3.2 million sq. km. This growing affluence along with good monsoon and the increased agriculture output, increased the total disposable income of rural consumers to 58 percent with two-third of middle income households being in the rural market. About 40 percent of the graduates coming out of Indian Universities were from rural areas. As they are eager to earn more and live better, their aspirations are similar to the urban youth. It is

predicted by industry analysts that the urban households are projected to grow by 4 percent while rural households are expected to grow by 11 percent. If the rural income rose by 1%, then the buying power would correspondingly increase by about Rs. 10,000 crore. The colour televisions, refrigerators, air-conditioners and microwaves have become a household sight in villages and small townships that was long thought of as a luxury and domain of urbanites.

The paradigm shift:

In most of the rural areas in different parts of the country, there is considerable awareness on various latest products that are available in the market. This has been possible due to the penetration of cable and satellite channels that have brought down the world at the finger tips of the common man. The media influenced the mindset of the rural consumer to such an extent that people who had money started purchasing the products unmindful of the costs, just to satisfy their needs as well as their ego. But, the growth of rural market could be attributed to many other reasons that in one way increased the sales as well as the profits of the companies. Some of the important causes for the growth of rural markets are –

- * The rise in disposable income of the rural families
- * The economic boom
- * Timely rains
- * Rural population involved themselves in business other than agriculture
- * Increase white-collar jobs in nearby towns
- * Commercialization of agriculture
- * Saturation of the urban markets
- * Media penetration in rural areas (particularly satellite channels)
- * Globalization
- * Economic liberalization
- * Revolution in the Information Technology
- * Women empowerment
- * Improving infrastructure

However, there was a significant role of the corporate enterprises simultaneously in the development of rural market. Their timely intervention into the rural areas, their appropriate planning, their perception and identification about the growth of rural markets and the use of marketing strategies all have equally contributed for the progress of rural markets. Even though corporate houses were hedged with so many problems in the rural areas, they saw a galore of opportunities in the rural market and converted all the pessimistic characteristics of the rural market into affirmative attributes. They satisfied themselves with the availability of limited infrastructure, saw a sign of prosperity rather than fear during the entry of competitors into the rural markets, showed excitement at the availability of satellite channels in the rural households, visualized their cash bells ringing with the increase in purchasing power of the rural masses that came equivalent to their urban counterparts. They traced a constant rise in the demand for those products that were once confined mostly to the urban houses. But, blame it on the kind of awareness created by the companies – people started using the products for other purposes as seen earlier.

1.2 Factors for success of cooperative management, Objectives and special goals of co-operative management.

1.2 A Factors for success of cooperative management.

- Successful participation of members in the cooperative democracy.
- Vigilance of members over the Board of directors.
- Cordial relationship between the members and the Board and between the Board and paid management.
- Cooperatives should follow the appropriate values.

1.2 B Objectives of Cooperative Management:

- 1) The improvement of the operational efficiency is the fore-most concern of cooperative management, so that the organization is able to compete effectively
- 2) Cooperative management aims at improving the viability of the cooperative society.
- 3) Cooperative management aims at achieving member satisfaction.
- 4) Cooperative organization also aims at community acceptance by carrying out the social responsibilities expected of it.
- 5) Cooperative management also aims at ethical and moral development of the members.
- 6) To fulfill the above objectives, it develops organizational and management competence by professionalizing management and by taking up management development programmes.

1.2 C Special Goals of Cooperative Management

Special goals are the ultimate concern of the cooperatives and to achieve such goals, they may take long time. Such goals cannot be fulfilled within short period. Such special goals are:

- Cooperativisation of the Economy.
- Elimination of Poverty and Unemployment.
- Cooperation among the Cooperatives.
- Be accountable to the society.

1.2 E Changes needed in the functioning of Cooperative Management:

- To improve the performance.
- To become a commercially viable organization.

- To make service to society motive more effective.
- To adopt latest development, strategies..
- To be prepared to face competition.
- To adopt professional management techniques..
- To create better organizational climate.
- To plan for Shaping the future.
- To achieve maximum satisfaction for the members.
- To be accountable to the society.

1.2 D Unique Features of Cooperative Management:

Cooperative management, though applies all management techniques, has its own special features and are as follows

- 1) Cooperatives are Association of Human Beings .
- 2) Democracy in functioning.
- 3) Service to society with Motive
- 4) Equality in all respects.
- 5) Application of principles of cooperation
- 6) Different Aims Systems
- 7) The Control Process Cooperative Management is governed by Cooperative legislation
- 8) Integrating Government Policies.
- 9) State Government Interference
- 10) Tools and Techniques
- 11) It is an art as well as science
- 12) Practice of Cooperative Management is based on knowledge and responsibility
- 13) Cooperative Management involves group efforts at all levels
- 14) Economic Liberalization
- 15) Competition for Cooperatives

Likely questions :

- 1) What is Cooperation? What are the various principles cooperation as authenticated by ICA? Explain them in detail.
- 2) Define Cooperative Management? What is the need of modern management to Cooperatives in India? What are its objectives?
- 3) Write short note on : Special goals of cooperative management.

2. Management in cooperative marketing.

Meaning and Scope of Management :

Management is defined as the accomplishment of desired objectives by establishing an environment favourable to performance by people operating in organized group. In other words management can also be defined as an art and science of organizing and directing the resources of an enterprise towards the achievement of its objectives. This definition is applicable to both co-operative and non cooperative sectors. But it is the responsibility of the co-operative management to aim at success both for the co-operative as a business enterprise, as well as that of an association serving its members. Management functions of co-operatives are performed in such a way that there is a fair balance between the social perspective and economic benefits. In private enterprises the management functions are usually entrusted to a team of top executives who are responsible to the owners or shareholders of the undertaking. The specific nature and the democratic structure of cooperatives, however, require a different set up in which employed executive is only a part.

A co-operative is controlled by a general body of members who are all entitled to attend the meeting and each member holds one vote regardless of his share. Since it is very difficult for the general assembly of members to be involved in actual management of their society, nearly all co-operative laws and rules entrust a special board or committee composed of elected members with the management of the affairs of the co-operatives. To a varying degree these boards delegate certain powers to individual members or employed personnel such as managers, secretaries, accountants etc. who remain however, under the policy guidance of the elected board.

Management includes planning, financing, marketing, etc, each of which mainly depends on the type of the co-operatives. Management should be able to evaluate co-operative objectives by taking into consideration the needs of the members, the resources in the community that could mobilize the existing socio-political and economic condition in the locality in order to set more realistic goals. Management is also responsible for appointing and training staff.

Co-operative: A Business Organization

The co-operative firm is one of the many forms of business organization like joint stock company, public corporation etc. The main concerns of businesses organizations are:

1. Setting up the objectives of the firm;
2. Choosing the membership who will have ultimate control;
3. Mobilizing capital for its various activities;
4. Determining the modes of decision making;
5. Determining reward for capital;

6. Keeping healthy relationship between management and members; and
7. Determining personal policies.

The Challenges before the cooperative management:

The unique character of a co-operative business firm and its complex nature poses greater challenges in running it efficiently if compared to other business organizations. For example, in business, it is sufficient if one has an idea on how to start an enterprise with his own money and ability. But in a co-operative, the promoter should have the ability to persuade reluctant members that it is really worthwhile to start a co-operative.

Another problem in a co-operative is to reconcile the different attitude of members in different situation. Problem also arises in the recruitment of staff. For example, if the board members give priority to people they know, though they may be eligible, it will give rise to problems.

To sum up, while co-operatives share some of the basic aspects of managing a business, they differ widely in many aspects, because of the unique character of the co-operative firm.

The need of management has not attracted the attention of cooperators who are concerned with the spread of co-operative philosophy. So the members are also ignorant of the way in which a co-operative organization is supposed to function. They have no knowledge of the rules and regulations relating to their dealings with society. The necessity of an efficient management is very important in co-operatives because of the following reasons:

1. Failure and poor performance of co-operative institution due to lack of professionalism.
2. Illiteracy among the people, even in members is very high.
3. Allocating job to the right person, according to his ability and skill, is very essential.
4. Efficient discharge of certain duties like conducting meeting, maintaining the accounts, overall supervision, etc.
5. Efficient labour utilization.
6. For the stability and discipline of the co-operatives.
7. To initiate and monitor the institutions.

Solutions for the above reasons:

1. Some specialized activities like credit supply, marketing, processing etc. have to be co-ordinated
2. The members should be trained and educated regarding the principles of co-operation and management
3. To take the responsibility and have the authority and administrative power.
4. To increase efficiency for attaining the goals.

2.1 Integration of principles of management and cooperation, advantages and disadvantages of cooperatives

2. Principles of Management

The process of management consists of certain basic principles.

Some of these are summarized below.

1. Division of work: They mainly deal with the allocation of work according to specialization. In other words, it can be called efficiency in the use of labour.

2. Authority and responsibility: Both are interrelated and complement each other.

3. Discipline: It is the respect for agreement which are directed at achieving obedience and application. It is also an outward mark of respect.

4. Unity or directions: According to this, each group of activities having the same objective must have one head one plan with a corporate body.

5. Subordination of individual to general interest: When the two are found to differ, management must reconcile them.

6. Remuneration: Remuneration and method of payment should be fair and afford the maximum possible satisfaction to employees and employer.

7. Initiative: Initiative is conceived as the thinking out and execution of plan. .

8. Chain of work: This is distributed from highest to the lowest rank. Everyone has significant role in their own work.

9. Organisation: This is a process by which the structure and type of work is determined.

10. Equity: The fairness in dealing with subordinates and public is maintained by the management

11. Stability: Finding unnecessary turn over to be both the cause and effect of bad management.

12. Unity and strength: It emphasizes the need for teamwork and the importance of communication in obtaining it.

All these functions are interrelated and generally represent the managerial function. These managerial functions are planning, organizing, staffing pattern, authority & control, direction, delegation and public dealings. The application of these managerial principles should be oriented to co-operative business ethics, the reconciliation of the goals of efficiency with equity, resolving the conflicting interest of members and the board of directors and yet showing better business results.

Planning in Management

A plan is essentially today's design for tomorrow's action, an outline of the steps to be taken during some future period. Planning mainly decides what to do, how to do, when to do and who is to do it. Planning bridges the gap from where we are to where we want to go. It is an intellectual process, the conscious determination of course of action, the leaning on purpose, facts, and considered estimates.

Without planning, co-operative business decision would become random.

Identifying the different areas of planning in the co-operative enterprises illustrates the breadth of planning. They may be classified as objectives, policies, procedures, rules, budgets, programme and strategies.

1. Objectives

In order to achieve the ultimate aim of the co-operatives some objectives are to be formulated. Objectives are the activities oriented towards the aim. These objectives should be well formulated while planning.

2. Policies

Policies determine the limit of an area within which a decision is to be made and assure that the decision will be consistent with and contributing to objectives. Policies tend to pre-decide issues and consider the general course of action and also give a unified structure to the functioning of co-operatives.

3. Procedures

Objectives and policies are the plans at the statutory level but procedures are truly guides to action. Each responsible person has to follow the procedures for the smooth running of the cooperatives. This is also a part of planning.

4. Rule

It is the principle or regulations governing the procedures. A rule requires that a specific and definite action be taken with respect to a situation. Rules guide the action.

5. Budgets

A budget is a statement of expected results expressed in numerical terms. It may be expressed either in financial term or in terms of man-hours, units of product, machine hours, or any other numerically measurable term.

6. Programmes

Programmes are a complex of policies, procedures, rules, task, assignments, and other elements necessary to carry out a given course of action. In co-operatives these programmes are planned in terms of years.

7. Strategies

It is a part of the plan which determines the method or series of measures for obtaining a specific goal.

The most basic or management functions is planning, the selection of future courses of action for the co-operatives as a whole and each department within it gives shape to the structure and function of the co-operatives.

Organization

Organization is generally defined as the structure and process by 'which a cooperative group allocates its task among its members, identifies relationships and integrates its activities towards common objectives. In order to accomplish goals, carry out plans, and make it possible for people to work effectively, activities must be grouped logically and grants of authority must be made so that conflicts and other frictions do not arise.

Organization is a very important aspect of management. Organization helps in the following, areas of cooperatives:

-It promotes managerial efficiency by fixing priorities and entrusting the duties to definite individuals according to their acknowledge; skill, experience and aptitude.

-Detailed job specialization and fixing up right persons facilities optimum utilization of the human resources.

-Organization promotes co-ordination and integration among the departments, sections, functions and activities.

-It helps to train the managers

-Sound organizational practices can help the enterprise to expand its activities on ever-increasing level.

Co-operative is a special wing of business organization which has both economical and social value. So in a co-operative setting, there is need for a conscious attempt to bring together human, material and moral values under the corporate body.

A suitable organizational set up can be established only when we identify the major objectives of a co-operative as developmental and promotional. The operational success of a co-operative organization depends on many factors but following are the few crucial ones.

1. Leadership

Effective leadership is very important for the success of a co-operative. Leadership has to come from among the members. . Enlightened members participation in the activities and election of capable leader is crucial to get leadership of the desired type.

2. Member participation

In a co-operative, members are the owners of the enterprise and as such their effective participation and patronage is essential for the success of a co-operative. They have to be mobilized, motivated and directed by the cooperative to achieve success in group action.

3. Social setting

The socio-economic background of the people is of great significance in sustaining and promoting co-operative organizations.

4. Sound capital base

Capital base is a measure of the organizational strength of a co-operative. Honest leadership, sound procedures of financial management help to augment resource flow into co-operatives.

5. Professional staff

Lack of professionalism is a great weakness of co-operatives in India. Competent staff is essential to realize organizational goals.

6. Integration

Co-operative structures are by and large federal in character. In this, the links have to be built up from below by affiliating local units at the district/regional level which are again federated to form super structures at the state and national levels. These arrangements are envisaged to provide mutual support and to promote functional co-ordination among the different units.

Staffing Pattern

Staffing or the personnel' function is the corner stone of management. People are a most valuable resource and the only active, dynamic factor of production. Since successful performance by individual largely determines success of the structure, staffing pattern deserves sufficient care and attention, of management.

At fairly early stage, the co-operative that means to grow will have to appoint a full time paid staff. This may not be easy, as the very small society may well fail to make sufficient gross surplus for the cost of a full time employee. The risk of appointing staff first and hoping that the surplus will follow may have to be taken; in such a case a really careful prior estimate of possible future development will, of course, have to be made.

Staffing is a multi-step process. It consists of

- Man power planning
- Recruitment
- Selection
- Training
- Placement
- Induction
- Transfer
- Promotion
- Performance appraisal
- Disciplinary action.

Out of these 10 processes some are very important.

Direction

Mere planning, organizing and staffing are not sufficient for: the co-operatives. But through the function of direction the manager is able to get the employees accomplish their tasks by making them integrate their individual efforts to the interest and objectives of co-operatives.

Directing is the managerial function consisting of all those activities which are concerned directly with influencing, guiding and supervising the subordinates. Essential elements of the directing functions of management are :

1. Issuing instructions and orders. ,
2. Supervising work of subordinates to ensure that their performance conforms to the plan.
3. Guiding counseling and teaching the subordinates the proper way of doing the job.
4. Motivating the subordinates to meet the expectations of senior executives.
5. Maintaining discipline and rewarding effective performance.

Directing does not cease merely with issue of instructions or orders, but it is an art of dealing with people. It revolves round the people. So it can also be called as leading and actuating.

Like every other function, direction also has some principles.

These are enumerated here.

1. Harmony of objectives

A harmony must be maintained between subordinate's objectives and those of the cooperatives. Different view points reflecting in different way should not conflict but be reconciled. Directing is an effective means to do it.

2. Unity or command

It is well known that staff works better if there is minimal division of loyalties, problems of priorities and conflicting orders. This can be possible by bringing the subordinate to be responsible to only one superior.

3. Unit or direction

This signifies the existence of only one head and one plan to achieve the objective by a group of subordinates. Unity of direction constitutes sound organization.

4. Direct supervision

Direction should be accompanied by personnel relationship. Such relationship undoubtedly motivates the subordinates/juniors for effective functioning.

5. Democratic leadership

In co-operatives, direction should not be one man's show rather he should ensure the participation of his subordinates in matters related to their job, functioning, working environment and so on.

The process of directing should be followed by healthy communication, strong motivation and effective leadership.

Concept and Nature of Delegation

Delegation refers to the process by which a superior shares his authority with his subordinates. It makes organization possible and management more effective. The success of the superior depends on his capacity or ability to multiply himself through other personnel. If there are no responsibilities or duties to be divided, and no authority or right to be shared, organizational structure gets nullified.

Delegation is the core of the organizing function which establishes authority, responsibility and relationship between various personnel's. Following are the few advantages of delegation.

1. Media for co-ordination .

Delegation integrates and promotes the structural relationships, staff patterns, functional authorities and various positions.

2. Minimize the burden of executives

Delegation helps the superior to concentrate more on major responsibilities effectively by relieving from time consuming or less important work.

3. Facility of expansion

Delegation provides more facilities to expand the organization by meeting the growing needs of the co-operatives.

4. Development of subordinates

By providing opportunities, to share authorities and responsibilities, delegation motivates the subordinates. They gain experience in the management.

The entire delegation process involves 4 stages.

- The determination of results expected.
- The assignment of task.
- The delegation of authority for accomplishing these tasks.
- The execution of responsibility for their accomplishment.

Based on the experience in management, experts have evolved some guidelines for effective delegation.

1. Delegation of result expected

Authority delegation to an individual manager should be adequate to ensure the ability to accomplish expected result For this, the superior has to set up goals and plans with them or . communicate to them.

2. Functional definition

The authority must be able to define the job, result expected, activities to be undertaken and organization and authority delegated to the subordinates. For defining job and to delegate authority it requires patience, intelligence and clarity of objectives and plans of cooperatives.

3. Scalar principles

If refers to the chain of superiority ranging from the ultimate authority to the lowest rank. The more clearer the line of authority from the top manager to every subordinate position, the more effective will be the responsible decision making and organization communication.

4. Unit of command

An individual has a reporting relationship to single superior.

5. Absoluteness or responsibility

Since responsibility being an obligation owned, both superior and subordinate are responsible for the assignment

6. Democratic control and delegation

Democratic control depends not merely in casting votes but on discussion and informed criticism. The management or board must be prepared to undertake this activity and ensure that it responds to the wishes of the members.

Delegation of authority is vital for ensuring organizational effectiveness, and co-operatives are no exception to this. The democratic management, the legal frame work and sound management culture enrich the process of delegation to the prosperity of co- operatives.

2.1 Integration of principles of management and cooperation and comparison of principles cooperation and management practices.

Principles of Cooperation

Management Practices

Voluntary and Open Membership

- 1) It is open to all eligible membe
- 2) It is open to all eligible members.
- 3) No discrimination in getting services from cooperatives.

Democratic member control

- 1) Democratic control.
- 2) One man one vote.
- 3) Elected Management.
- 4) General Body is supreme.
- 5) Accountability of members and office bearers.

Member Economic Participation

- 1 Members contribute capital and control capital.
- 2 One man one vote.
- 3 Provisions of dividend.
- 4 Creating reserve.
- 5 Supporting other services

Autonomy and Independence.

- 1) Cooperatives are self-help organizations.
- 2) Controlled by members.
- 3) Inviting government help without eroding their Democratic control.

Education, training and Information

- 1) Education to members and office bearers.
- 2) Training to employees. Informing the public about the benefits of cooperation

2.2 Cooperative Management Vs. Joint Stock Company Management.

Points of Difference	Cooperative Society	Joint Stock Company
1) Registration.	Registered under Cooperative Societies Act, 1960. Registered with a view to promote economic interests of the members.	Registered under Companies Act, 1960. Registered to gain profits or promote commerce.
2) Shares	Shares can be given to those who have been admitted as members.	Shares can be purchased by any body.
3) Dividend	Can contribute dividend not exceeding 15 %.	Can contribute dividend at any rate.

4) Disputes.	Dispute between cooperative society and member can be decided by Registrar Cooperative or can be referred to the cooperative court. Civil Court has no jurisdiction to entertain the dispute.	Dispute will have to be referred to Civil Court.
5) Distribution of Surplus assets.	When a cooperative society is wound up, the surplus assets are to be divided as specified under section 110 of the Act.	When a company is wound up the surplus is to be divided among members.
6) Voting	Voting right- One man one vote.	Voting is in proportion to the share holdings.
7) Motive	Service Motive	Profit Motive.

2.3 Cooperative Management Vs. Private Management.

Points of Difference.	Private Management	Cooperative Management
1) Management	Management by Board of Directors elected by shareholders.	Democratic Management.

2) Voting Rights.	Voting rights in proportion of shareholdings.	One member one vote irrespective of
3) Importance	Importance to Capital and profit making.	Importance to achieve objective as per
4) Decisions	Decisions are taken by Executives/ officers.	Decisions are taken by General Body v authority.
5) Working	Working as per Rules approved by the Company Law Authority.	Working as per Cooperative Societies thereunder and registered bye laws o society.
6) Functions & Authority.	Functions & authorities of each person is decided by Board of directors.	Functions of Managing Committee an clearly spelt out in in the bye laws.
7) Membership	Membership as per the decision of management.	Open membership principle.
8) Use	Generally private management is in big industries, businesses on large scale and industries.	Cooperatives are voluntary organizati small and meager means to cater to t
9) Hierarchy	There is a hierarchy in private management.	All managing committee members are
10) Treatment.	Different types of members get different treatment.	Principle of equality. All members are
11) Dividend	Maximum divided as per profits.	Restriction on divided as per the prov Societies Act.
12) Distribution of Profit	Distribution of Profit as per the decision of management.	Distributive justice.

2.3 Advantages and Disadvantages of Cooperatives

2.3 A Advantages of Cooperatives:

1. Easy to form.
2. No obstruction for membership.
3. Limited liability.
4. Service to society motive.
5. Democratic structure.
6. Stability and continuity.
7. Economic operations.
8. Equal distribution of profits.
9. The State patronage.

2.3 B Disadvantages of Cooperative Society

1. Limited resources.
2. Inefficient administration.
3. Lack of secrecy.
4. Excessive Government interference.
5. Absence of motivation.
6. Disputes and differences.

2.2 Management in direct marketing, private sector marketing, public sector marketing and cooperative sector marketing.

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, and marketing connotes a series of activities involved in moving the goods from the point of production to the point of consumption. Specification, the subject of agricultural marketing includes marketing functions, agencies, channels, efficiency and cost, price spread and market integration, producers surplus etc. The agricultural marketing system is a link between the farm and the non-farm sectors.

Agricultural marketing - introduction

In India Agriculture was practiced formerly on a subsistence basis; the villages were self sufficient, people exchanged their goods, and services within the village on a barter basis. With the development of means of transport and storage facilities, agriculture has become commercial in character, the farmer grows those crops that fetch a better price. 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.

Agricultural marketing involves in its simplest form the buying and selling of agricultural produce. This definition of agricultural marketing may be accepted in olden days, when the village economy was more or less self-sufficient, when the marketing of agricultural produce presented no difficulty, as the farmer sold his produce directly to the consumer on a cash or barter basis. But, in modern times, marketing of agricultural produce is different from that of olden days. In modern marketing, agricultural produce has to undergo a series of transfers or exchanges from one hand to another before it finally reaches the consumer.

The National Commission on Agriculture, defined agricultural marketing as a process which starts with a decision to produce a saleable farm commodity and it involves all aspects of market structure of system, both functional and institutional, based on technical and economic considerations and includes pre and post- harvest operations, assembling, grading, storage, transportation and distribution. The Indian council of Agricultural Research defined involvement of three important functions, namely (a) assembling (concentration) (b) preparation for consumption (processing) and (c) distribution.

II. Importance and Objectives of Agriculture Marketing

The farmer has realized the importance of adopting new techniques of production and is making efforts for more income and higher standards of living. As a consequence, the cropping pattern is no longer dictated by what he needs for his own personal consumption but what is responsive to the market in terms of prices received by him. While the trade is very organised the farmers are not Farmer is not conversant with the complexities of the marketing system which is becoming more and more complicated. The cultivator is handicapped by several disabilities as a seller. He sells his produce at an unfavorable place, time and price.

The *objectives of an efficient marketing system* are:

1. to enable the primary producers to get the best possible returns,
2. to provide facilities for lifting all produce, the farmers are willing, to sell at an incentive price,
3. to reduce the price difference between the primary producer and ultimate consumer, and
4. to make available all products of farm origin to consumers at reasonable price without impairing on the quality of the produce.

III. Facilities Needed for Agricultural Marketing

In order to have best advantage in marketing of his agricultural produce the farmer should enjoy certain basic facilities.

1. He should have proper facilities for storing his goods.
2. He should have holding capacity, in the sense, that he should be able to wait for times when he could get better prices for his produce and not dispose of his stocks immediately after the harvest when the prices are very low.
3. He should have *adequate and cheap transport facilities* which could enable him to take his surplus produce to the mandi rather than dispose it of in the village itself to the village money-lender-cum-merchant at low prices.
4. He should have clear information regarding the **market conditions** as well as about the ruling prices, otherwise may be cheated. There should be organized and regulated markets where the farmer will not be cheated by the -dalals- and -arhatiyas-.
5. The number of intermediaries should be as small as possible, so that the middleman's profits are reduced. This increases the returns to the farmers.

Agricultural marketing systems in India

The existing systems of agricultural marketing in India are as briefly described here.

1. Sale to moneylenders and traders

A considerable part of the total produce is sold by the farmers to the village traders and moneylenders. According to an estimate 85% of wheat, 75% of oil seeds in U.P., 90% of jute in West Bengal and 60% of wheat, 70% of oil seeds and 35% of cotton in Punjab are sold by the farmers in the villages themselves. Often the money lenders act as a commission agent of the wholesale trader.

2. Hats and shanties

Hats are village markets often held once or twice a week, while shanties are also village markets held at longer intervals or on special occasions. The agents of the wholesale merchants, operating in different mandies also visit these markets.

The area covered by a "hat" usually varies from 5 to 10 miles. Most of "hats" are very poorly equipped, are uncovered and lack storage, drainage, and other facilities. It is important to observe that only small and marginal farmers sell their produce in such markets. The big **farmers** with large surplus go to the larger wholesale markets.

3. Mandies or wholesale markets

One wholesale market often serves a number of villages and is generally located in a city. In such mandies, business is carried on by arhatiyas. The farmers sell their produce to these arhatiyas with the help of brokers, who are generally the agents of arhatiyas. Because of the malpractices of these middlemen, problems of transporting the produce from villages to mandies, the small and marginal farmers are hesitant of coming to these mandies.

The arhatiyas of these mandies sell off the produce to the retail merchants. However, paddy, cotton and oilseeds are sold off to the mills for processing. The marketing system for sugarcane is different. The farmers sell their **produce** directly to the sugar mills.

4. Co-operative marketing

To improve the efficiency of the agricultural marketing and to save farmers from the exploitation and malpractices of middlemen, emphasis has been laid on the development of co-operative marketing societies. Such societies are formed by farmers to take advantage of collective bargaining.

A marketing society collects surplus from its members and sell it in the mandi collectively. This improves the bargaining power of the members and they are able to obtain a better price for the produce. In addition to the sale of produce, these societies also serve the members in a number of other ways.

VIII. Improvement of Agricultural Marketing System

Government of India has adopted a number of measures to improve **agricultural marketing**, the important ones being - establishment of regulated markets, construction of warehouses, provision for

grading, and standardization of produce, standardisation of weight and measures, daily broadcasting of market prices of agricultural crops on All India Radio, improvement of transport facilities, etc.

1. Marketing surveys

In the first place the government has undertaken marketing surveys of various goods and has published these surveys. These surveys have brought out the various problems connected with the marketing of goods and have made suggestions for their removal.

2. Grading and standardization

The government has done much to grade and standardize many agricultural goods. Under the Agricultural Produce (Grading and Marketing) Act the Government has set up grading stations for commodities like ghee, flour, eggs, etc. The graded goods are stamped with the seal of the Agricultural Marketing Department -**AGMARK** The «Agmark" goods have a wider market and command better prices.

A Central Quality Control Laboratory has been set up at Nagpur and eight other regional laboratories in different parts of the country with the purpose of testing the quality and quality of agricultural products applying for the Government's "Agmark" have been created The Government is further streamlining quality control enforcement and inspection and improvement in grading.

Inadequacies of Present Indian Marketing System.

Indian system of agricultural marketing suffers from a number of defects. As a consequence, the Indian farmer is deprived 'of a fair price for his produce. The main defects of the agricultural marketing system are discussed here.

1. Improper warehouses

There is an absence of proper ware housing facilities in the villages. Therefore, the farmer is compelled to store his products in pits, mud-vessels, "Kutchu" storehouses, etc. These unscientific methods of storing lead to considerable wastage. Approximately 1.5% of the produce gets rotten and becomes unfit for human consumption. Due to this reason supply in the village market increases substantially and the farmers are not able to get a fair price for their produce. The setting up of **Central Warehousing Corporation and State Warehousing Corporation** has improved the situation to some extent

2. Lack of grading and standardization

Different varieties of agricultural produce are not graded properly. The practice usually prevalent is the one known as "dara" sales wherein heap of all qualities of produce are sold in one common lot Thus the farmer producing better qualities is not assured of a better price. Hence there is no incentive to use better seeds and produce better varieties.

3. Inadequate transport facilities

Transport facilities are highly inadequate in India. Only a small number of villages are joined by railways and pucca roads to mandies. Produce has to be carried on slow moving transport vehicles like bullock carts. Obviously such means of transport cannot be used to carry produce to far-off places and the farmer has to dump his produce in nearby markets even if the price obtained in these markets is considerably low. This is even more true with perishable commodities.

4. Presence of a large number of middlemen

The chain of middlemen in the agricultural marketing is so large that the share of farmers is reduced substantially. For instance, a study of D.D. Sidhan revealed, that farmers obtain only about 53% of the price of rice, 31% being the share of middle men (the remaining 16% being the marketing cost). In the case of vegetables and fruits the share was even less, 39% in the former case and 34% in the latter. The share of middle- men in the case of vegetables was 29.5% and in the case of fruits was 46.5%. Some of the intermediaries in the agricultural marketing system are -village traders, Kutcha arhatiyas, pucca arhatiyas, brokers, wholesalers, retailers, money lenders, etc.

5. Malpractices in unregulated markets

Even now the number of unregulated markets in the country is substantially large. Arhatiyas and brokers, taking advantage of the ignorance, and illiteracy of the farmers, use unfair means to cheat them. The farmers are required to pay arhat (pledging charge) to the arhatiyas, "tulaii" (weight charge) for weighing the produce, "palledari" to unload the bullock-carts and for doing other miscellaneous types of allied works, "garda" for impurities in the produce, and a number of other undefined and unspecified charges. Another malpractice in the mandies relates to the use of wrong weights and measures in the regulated markets. Wrong weights continue to be used in some unregulated markets with the object of cheating the farmers.

6. Inadequate market information

It is often not possible for the farmers to obtain information on exact market prices in different markets. So, they accept, whatever price the traders offer to them. With a view to tackle this problem the government is using the radio and television media to broadcast market prices regularly. The news papers also keep the farmers posted with the latest changes in prices. However the price quotations are sometimes not reliable and sometimes have a great time-lag. The trader generally offers less than the price quoted by the government news media.

7. Inadequate credit facilities

Indian farmer, being poor, tries to sell off the produce immediately after the crop is harvested though prices at that time are very low. The safeguard of the farmer from such "forced sales" is to provide him

credit so that he can wait for better times and better prices. Since such credit facilities are not available, the farmers are forced to take loans from money lenders, while agreeing to pledge their produce to them at less than market prices. The co-operative marketing societies have generally catered to the needs of the large farmers and the small farmers are left at the mercy of the money lenders.

Thus it is not possible to view the present agricultural marketing in India in isolation of (and separated from) the land relations. The regulation of markets broadcasting of prices by All India Radio, improvements in transport system, etc., have undoubtedly benefited the capitalist farmers, and they are now in a better position to obtain favourable prices for their "market produce" but the above mentioned changes have not benefited the small and marginal farmers to any great extent.

Cooperative Marketing System in India

Though the above measures have improved the system of agricultural marketing to some extent, a major part of the benefits has been derived by large farmers, who have adequate marketable surplus. However, the small and marginal farmers continue to sell a major part of their produce to moneylenders to meet their credit needs and these moneylenders 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.

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 form 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.

2. Direct dealing with final buyers

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.

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. 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.

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.

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.

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.

8. Influencing marketing prices

While previously the market prices were determined by the intermediaries and merchants and the helpless farmers were mere spectators force 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.

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.

10. Processing of agricultural produce

The co-operative societies can undertake processing activities like crushing seeds, ginning and pressing of cotton, etc.

In addition to all these advantages, the co-operative marketing system can arouse the spirit of self-confidence and collective action in the farmers without which the programme of agricultural development, howsoever well conceived and implemented, holds no promise to success.

Scientific Marketing of Farm Products

The tendency among the farmers to market their produce has been increasing. Production is complete only when the produce is marketed at a price remunerative to the farmer. Increasing specialization in production of higher marketable/ marketed surplus of the produce and alternative channels of marketing have increased the importance of the marketing activity for the farmers. However, marketing activity should be guided by certain basic principles which are briefly explained. The farmers can gain more if they follow the following principles of scientific marketing.

1. Always bring the produce for sale after cleaning it

Impurities, when present, lower the price offered by the traders-buyers in the market. The fall in price is more than the extent of impurity present in the produce would warrant. Clean produce attracts more buyers.

2. Sell different qualities of products separately

The produce of different varieties should be marketed separately. It has been observed that when different varieties of products are marketed separately, the farmers get a higher price because of the buyers preference for specific varieties.

3. Sell the produce after grading it

Graded produce is sold off quickly. The additional income generated by the adoption of grading and standardization is more than the cost incurred in the process of grading and standardization. This shows that there is an incentive for the farmers for the production of good quality products.

4. Keep abreast of market information

Price information helps him to take decisions about when and where to sell the produce, so that a better price may be obtained.

5. Carry bags/packs of standard weights

Farmers should weigh their produce and fill each bag with a fixed quantity. Majority of the farmers do

not weigh their produce before taking it for sale and suffer loss by way of a possible malpractice in weighing, or they may have to make excess payments in transit (octroi, transport costs, etc.).

6. Avoid immediate post-harvest sales

The prices of the produce touch the lowest level in the peak marketing season. Farmers can get better prices by availing of warehouses facilities existing in their areas. Farmers can meet their cash needs by pledging the warehouse receipt to nationalized banks.

7. Patronize co-operative marketing societies

Farmers can get better prices by sales through a cooperative and marketing society and can avoid the possibility of being cheated. The cost of marketing particularly the transportation cost for farmers having a small quantity of marketable surplus, is minimized, for transportation is arranged co-operatively by the society and the profit earned by the society is shared among its members.

8. Sell the produce in regulated markets

The farmers should take their produce for sale to the nearly regulated markets rather than sell them in village or unregulated markets. In regulated markets marketing charges are on very few items. They get the sales slips in the regulated markets, which show the quantity of the produce marketed and the amount of charges deducted from the values of the produce. Sales slips protect farmers against the malpractices of deliberate erroneous accounting or unauthorized deductions.

A good marketing system is one, where the farmer is assured of a fair price for his produce and this can happen only when the following conditions are obtained.

1. The number of intermediaries between the farmer and the consumer should be small;
2. The farmer has proper storing facilities so that he is not compelled to indulge in distress sales,
3. Efficient transport facilities are available,
4. The malpractices of middlemen are regulated,
5. Farmers are freed from the clutches of village moneylenders and
6. Regular market information is provided to the farmer.

2.3 Comparison of principles of cooperation and management practices.

This is covered in 2.1.

Likely questions:

- 1) Differentiate between Management of Cooperatives and management in Joint Stock Companies?

3. Functional Areas of Cooperative marketing:

3.1 Functional areas of management as applied to cooperatives, broad cooperative laws, institutional net working for cooperatives.

3.1 A Functional areas of management as applied to cooperatives,

Development of co-operation in India

In its modern form, cooperation was introduced in India by the Government in the beginning of 20th century in order to save people from the malpractices of money lenders. It has largely been confined to agriculture, especially for the supply of credit, which till present times remains the major activity of cooperatives. The first legislation on cooperation as the Cooperative Credit Societies Act which was passed in 1904 to form cooperative societies as a result of which cooperative credit societies were set up to provide cheap credit to farmers. But the real beginning of cooperative movement was made from the year 1912 when the defects of Act of 1904 were removed through the Cooperative Societies Act, 1912. The Maclagen Committee (1914) envisaged a three-tier cooperative credit structure with Primary Agricultural Credit Societies (PACS) at the grass root level; Central Cooperative Banks at District/Intermediary level (DCCBs) and State Cooperative Banks (SCBs) at State level. A Cooperative Land Mortgage Bank was for the first time set up in Punjab in 1920 to extend long term loans for development of land and other infrastructure. It was only in 1927 that Townsend Committee recommended formation of Provincial Land Mortgage Bank at Taluka level. After independence many committees were set up by the government to review and recommend changes in policy and structure of the cooperative credit institutions. The cooperative societies were classified as 'rural' and 'urban' with the former having unlimited liability while the latter had both limited and unlimited liability. The cooperative movement in India is now more than a century old and has diversified into various fields and a large number of different types of cooperative have come up.

The cooperative movement has all along been mostly confined to agriculture, and largely for the supply of credit. An account of different types of cooperatives operative in the field of agriculture is given as Box-1. On the whole, the cooperative movement, both in rural and the urban areas, has made large strides forward. There is a large increase in the number of cooperative societies serving various purposes such as supply of credit, marketing of produce, processing of raw material, etc. Most of the progress has, however, taken place in the sphere of agricultural credit. The number of Primary Agricultural Credit Societies, supplying short term credit, and that of Land Development Banks, extending long term loans, have increased considerably. Apart from Central and State Banks & Land Development Banks there are other agencies for financial support to the cooperative sector. These agencies include; the National Bank for Agriculture & Rural Development (NABARD) to supplement the long term resources of cooperative banks; the Rural Electrification Corporation to finance rural electrification; and the National Cooperative Development Corporation (NCDC) for promoting programmes for production, processing, storage and marketing of agricultural produce through cooperative societies. During recent times new dimensions have been added to give a new and progressive direction to the cooperative movement. In addition to provision of credit, cooperative societies have been organized for various other purposes such as for farming, supply of inputs, distribution of consumer goods, etc. In place of single purpose societies, emphasis is now being laid on

multipurpose societies in the form of service cooperatives as a result of which cooperative movement has now become a powerful instrument of rapid growth in rural sector. The government has been promoting this sector right from its start but its involvement has been strengthened especially through provision of educated talented personnel and the right type of leadership. The laws relating to cooperatives and their working are being modified to make these institutions strong both quantitatively and qualitatively.

3.1 B Broad Cooperative Laws in India

Introduction

The laws relating to co-operative societies play a vital role in the development of a co-operative movement. These laws are complementary to co-operative principles. It is necessary to exercise the law in the co-operative structures to pave way for a brighter and stable co-operative movement in India.

History of Co-operative Legislation in India :

Co-operative legislation in India had its origin in the problem of rural indebtedness. The history of co-operative legislation in India evolved over the last 86 years, suggests gradual developments necessitated by the practical problems encountered by the co-operatives and the recommendations of various expert bodies which have gone into working of the co-operatives from time to time. The simple act of 1904 was replaced by voluminous legislations.

Act of 1904

The real beginning of co-operative movement in India was the passing of the Co-operative Societies Act No. X of 1904. It was the result of the efforts of pioneers like Mr. Maclagan and the recommendation of various committees. The act was compiled by Sir Devzil Ibbeston and was enacted by the Government of British India.

The major weakness of this act lies in restricting itself to only credit co-operative in scope because it permitted only the registration of the primary credit societies and non-credit institutions and federal organizations were left out of its purview. **These shortcomings were sought to be removed by another registration known as the Co-operative Societies Act of 1912.** This act has been the base for all other act passed from time to time by various state governments in the country.

Act of 1912

The broad features of this act are mentioned here:

1. A society should have, as its objectives, the promotion of economic interests of its members in accordance with cooperative principles.
2. The minimum number of persons required to form a society was fixed at 10 individuals.

3. In an unlimited liability society one member will have only one vote.
4. No member could have more than 20% of the total share capital.
5. The liability of a member for the debts of a society continues for a period of two years.
6. The societies were permitted to receive deposits and loans even from non-members.
7. The Registrar was given wide powers of conducting an enquiry into the constitution of a society.
8. A society could be inspected by the Registrar, on a requisition by a creditor.

The constitutional reform of 1919

Co-operative legislation entered upon its third phase with constitutional reforms in 1919 under which co-operative became a transferred subject to the provinces and was under the charge of a minister. During the early period provinces made progress in enacting co-operative legislation on lines suitable to their special requirements. Many provinces made amendments to the Central Act of 1912 while some provincial governments took the lead by passing separate enactments of their own.

Multi-units Co-operative Societies Act 1942:

With the development of co-operative movement and with the formation of several states in the country, co-operative societies in one state had to spread its activities to other states as well. Hence the Indian legislature enacted the Multiunit Co-operative Societies Act, 1942 to provide for the incorporation, regulation and winding up of co-operatives societies whose activities are not confined in one state. **This Act was replaced with the enactment of Multi-states Cooperative Societies Act of 1984 by the Central Government.**

Development in post-independent India

The co-operative movement witnessed a large scale expansion after independence. The rural Credit Survey Committee (1954) advocated the need for reorganization of co-operative institutions on the basis of state partnership.

An important landmark in the country was the appointment of the Committee on Co-operative Laws by the Government of India in June, 1956.

Introduction of model bill

In accordance with the terms of reference given, Committee on Co-operative Law furnished a Model Co-operative Societies Bill and Rules and made by-laws for eleven types of co-operative institutions. In framing the model bill, the committee drew mainly from the existing provisions of the Cooperative Societies Acts in force in various states.

The Co-operative Societies Act

The essential provisions of the Co-operative Societies Act that were enacted in early 60's on the lines suggested by the Committee on Co-operative Law are discussed here:

- 1. Registration of societies.** According to most of the states acts, if the Registrar is satisfied that the application for registration is in accordance with the provisions of the act and rules and that the by-laws are in conformity with provision of the Acts and Rules, a society with its objective as the promotion of common economic interest of its members, may be registered. Usually a minimum membership of 10 persons is required to form a primary society.
- 2. Membership.** Most of the new acts provided for appeal against refusal of membership by the managing committee of the society to the Registrar of co-operative societies within certain time limits.
- 3. Settlement of disputes.** Provisions exist in all state acts for settlement of disputes concerning co-operative societies by reference to the Registrar who either decides the disputes himself or refer them to the department officer authorized by the state government in this behalf.
- 4. Amalgamation and division of societies.** Many state acts have provided for amalgamation and division of societies. The new acts have also incorporated expedition, procedures of amalgamation and division to facilitate reorganization of societies for purpose of viability.
- 5. Supervision of managing committees.** Most of the state co-operative acts have a provision for supervision of the managing committee of a cooperative society, if it is found negligent, or acting in a manner prejudicial to the interest of the society
- 6. Prompt execution of awards and orders.** The co-operative legislation in almost all the states provides for execution of awards, decrees and orders through the civil courts or through the revenue department as arrears of land revenues. In some states, the new acts also enable the officers of the co-operative department to recover dues under awards, decrees, orders, etc., in addition to the agency of the revenue department to the civil courts.
- 7. Legal provision for state aid.** The model bill prepared by the committee on Co-operative Law included a chapter regarding state aid to co-operative societies. Various provisions relating to the direct and indirect partnership of the state in co-operative institutions as also for the grant of loans, subsidies, guarantee, etc to co-operative institutions were included in that chapter.
- 8. Provision for inspection and supervision.** In most states, the law provides for supervision and inspection of co-operative societies by the Registrar or any other person authorized by him. Audit is the statutory responsibility of the Registrar in almost all the states.
- 9. Nature of liability.** It is now agreed upon that co-operative societies should have the liberty to decide as to the nature of liability, limited or unlimited to be adopted by them.

10. **Nomination of director by governments.** The generally accepted policy on nomination is that the government should nominate its representative on the board of directors of a co-operative society only if it has contributed to the share capital of the society or has guaranteed repayment of debentures or has made available any other financial assistance on large scale, and that such nomination should be restricted to $\frac{1}{3}$ of the total number of members on the board of directors, or 3, or even less.
11. **Compulsory amendments of by-laws.** The new acts passed by Madhya Pradesh, Maharashtra, Tamil Nadu, Orissa, Andhra Pradesh and Gujarat contain detailed provisions on the power to the Registrar for the direct amendment of by-laws. But such a provision does not exist in the acts of Punjab, Jammu and Kashmir etc.

3.3 Institutional Networking for Cooperatives:

- 1) **The National Cooperative Union of India (NCUI) was established in 1929**

as an apex promotional organization for strengthening of cooperatives.

- 2) **National Cooperative Development and Warehousing Board was set up in 1956.**

- 3) **National Cooperative Development Corporation (NCDC) was established in 1963 under NCDC**

Act 1962 to promote production, marketing and export of agricultural produce. The Corporation's financial assistance is meant to help co-operatives for creation of common infrastructural facilities like godowns, processing units and other income generating assets; it equips co-operatives with equity and margin money for raising bank credit.

NCDC assistance is not individual beneficiary oriented but is meant for institutional development of Cooperatives. NCDC provides financial assistance through State Governments which recommend the proposal of individual society/project to the Corporation. Additionally, NCDC supplements the efforts of State Government by providing direct assistance to individual co-operative societies as well.

- 4) **The Indian Farmers Fertilizer Co-operative Limited (IFFCO) is a unique venture in which the farmers of the country through their own Co-operative Societies created this new institution to safeguard their interests in the production and distribution of fertilizers. Registered in 1967, IFFCO is a Multi-unit Co-operative Society & has made strategic investments in several joint ventures across India & the world, with the sole view of benefiting farmers in India.**

The distribution of IFFCO's fertilizer is undertaken through over 39824 Co-operative Societies. The entire activities of Distribution, Sales and Promotion are coordinated by Marketing Central Office (MKCO) assisted by the Marketing offices in the field. In addition, essential agro-inputs for crop production are made available to the farmers through a chain of 158 Farmers Service Centre (FSC). IFFCO has promoted several institutions and organizations to work for the welfare of farmers, strengthening co-operative movement, improve Indian agriculture.

- 5) **The National Agricultural Cooperative Marketing Federation of India Ltd (Nafed), established in 1958, was setup with the objective of promoting co-operative marketing of agricultural produce to benefit the farmers. It undertakes the purchase, sale and supply of agricultural products, marketing and processing requisites, such as manure, seeds, fertilizer, agricultural implements and machinery, packing machinery, construction requisites, processing machinery for agricultural commodities, forest produce, dairy, wool and other animal products.**
- 6) **National Council for Cooperative Training has been constituted by the National Cooperative Union of India under its bye-laws with the concurrence of Govt. of India, Ministry of Agriculture, Department of Agriculture and Cooperation. The Council is responsible for organizing, directing, monitoring and evaluating the arrangements for cooperative training for the personnel working in the cooperative sector in the country. The main objective of the Council is to organize need based training programmes and facilitate the process of human resource development for cooperatives for the country. It also envisages to conduct research in critical areas of cooperative movement.**

The Council has established its own training structure comprising of the VAMNICOM, Pune at National Level, Five Regional Institutes of Cooperative Management at Chandigarh, Bangalore, Kalyani, Gandhinagar, Patna and 14 Institutes of Cooperative Management located in different parts of the country.

3.2 Management of Co-op Banks, marketing cooperatives and consumer cooperatives.

3.2 A Management of Co-op Banks:

Introduction

1. Cooperative Banking is biggest unit of cooperative movement in our Country.
2. Equally oldest among all cooperatives. Stared as early as 1904.
3. Cooperative Banking structure consists of three –tier system, viz, a) PACS b) DCCBs c) SCB or Apex Bank.
4. Apart form the above, we have, Agriculture & Rural development Banks (LDBS) and Urban Cooperative banks.
5. SCB is a supreme cooperative banking institution in a state and acts as balancing centre for all DCCBs and raises resources from NABARD and lends to DCCBs. It also provides managerial & constancy services to cooperative banks.

Internal Organization

Internal Organization or Management consists of two wings, viz, a) Non Official Management & is i) General Body ii) Board of Directors iii) President/Chairman and b) Official Management i.e. Paid Servants.

Management Information System for Cooperative Banks:

Management information system is a device used in modern management to provide information needed by the organization. Information consists of classified and interpreted data that are being used for decision making.

1. Cooperative banks need information to up-date their services to the customers as competitive threat is posed by organized commercial banks.
2. Awareness about banking activities among depositors is quite high, to provide efficient & quick services to customers, banks need to keep all types of data and updated information.
3. During the panning of banking programme, planning a deposit mobilization programme etc. warrant to lot of information.
4. To take crcial decision by board and chief executive, updated data is needed .
5. Cooperative banks work under three tire system and have to coordinate their activities while issuing loans, collecting deposits, opening new branches, each unit needs information to coordinate their activities.
6. Controlling function of management monitors and measures the implementation of various programmes, for evaluation of such programmes, classified information is needed.
7. Forecasting is another area of cooperative management which succeeds solely on the information fed.

Types of information needed:

1. Systematic Information: This is a routine information being collected on every week/month/quarter & relate to deposits, advances etc.
2. Non systematic information: Such information do not have any frequency. Collected whenever required.
3. External Information : Relates to banking, economic and related issues.
4. Internal Information: It is additional systematic information like welfare schemes of staff etc.
5. Accounting information: Monitoring of working of the banks is a regular feature. Financial ratios must be worked out on regular basis.

6. Non accounting information: Under this category information like deliberations of Board and general Body , minutes of various meetings, official orders and communication received and replies sent etc. is included.

Agencies involved to collect MIS:

- A. Primary Agricultural Cooperative Societies(PACS)
- B. District Central Cooperative Banks (DCCBs)
- C. State Cooperative Bank (SCB)
- D. District, State and National Cooperative Unions.
- E. Office of the Registrar of Cooperative Societies.
- F. NABARD.

Credit Planning:

Credit plan at Bank's level is a plan which seeks to implement the national plan , consistent with ordinary commercial principle of sound banking that neither more nor less credit is given to the borrower than is revised for an approved purpose.

Aims and Objectives of Credit Planning:

1. Estimation of Credit Requirements.
2. Allocation of Resources.
3. Targets for production.
4. Adequacy of Credit.
5. Productive Utilization of Credit.

Devices used for Credit Planning in Cooperatives:

Credit Planning can not be exercised independently without implementing overall preparation by individual Bank. These devices are :

1. Branch Expansion.
2. Depth Studies. These studies pertains to surveys conducted to identify credit requirements, deposit potential and schemes for credit disbursement.
3. Credit Budgets. The Banks have to prepare credit budgets every year covering all sectors under their control.

4. Performance Budgets. Performance budget is a business plan which involves not only setting up of targets in respect of operations but also planning of profits, evolving of strategies to achieve specific goals and a system of monitoring and control. The targets are based on what is necessary on the basis of official policy, what is feasible on the basis of economic environment and what is desirable on the basis of managerial decision.

Goals of Financial Management in Cooperative Banks:

1. Maximizing Surplus.
2. Minimize Risk.
3. Maintain Control.
4. Achieve Flexibility.

Functions of Financial Management in Cooperative Banks.

The basic function of financial in any organization is maintain liquidity and profitability and various functions are :

1. Raising Funds.
2. Deployment of funds.
3. Forecasting cash flows.
4. Cost control.
5. Pricing.
6. Measuring cost of capital.
7. Forecasting Profits.
8. Managing Assets.
9. Managing Funds.

Performance in Financial Operations:

The performance of the management of the Bank in observing financial discipline of RBI is examined with reference to the following operations:

1. Maintaining the liquid resources at prescribed level viz, Minimum Level and Optimum Level.
2. Maintaining Non Overdue Cover for the borrowings.
3. Timely repayment of dues to higher financing agency.

4. Observing seasonality in recovery.
5. Utilization of credit limits sanctioned.
6. Profitability of the Bank and,
7. Financial Planning and Control techniques of Bank

3.2 B Primary Agricultural Cooperative Societies-PACS Organization, Management and Functions

PACS are the foundations of Indian Cooperative Movement and Agriculture

**580,000 cooperatives of all types;
400 million individual members;
375,000 agricultural cooperatives;
280 million farmer-members**

**Major business:
Credit, input, marketing
Agro-processing
and Farm Extension**

MAJOR SECTORS

Foodgrain production & processing, Dairying incl livestock development, Chemical fertiliser production & distribution, Sugar production & processing, Oilseeds production & processing, Land & Infrastructure development, Cotton and Value-addition, largest warehousing system, Cooperative banking system, and others.

MAJOR PLAYERS:

[a] Indian Farmers Fertilizer Cooperative-IFFCO

48,000 Member-Cooperatives; 50 million individual farmer-members; 5 plants in India; 5 facilities abroad. Covering 37% of national fertilizer needs. Extensive farm extension services.

[b] Sugar Cooperatives

280 Cooperative sugar mills out of 390 mills;

**30 million sugarcane grower-members;
Produce 50% of world sugar; Extensive diversification – alcohol, paper manufacture, power-generation, irrigation, large number of social institutions, strong welfare schemes.**

[c] Dairying

120,000 primary dairy cooperatives;12 million individual dairy-farmers; Status: World’s largest milk production; Large producers like “AMUL”;Wide range of products; 45% share of coop Ice-cream; Animal-care services; Cattle-feed plants; Extensive marketing network;80% dairy-farmers are women.

[d] Cooperative Banking

LT-MT-ST Credit through PACS;32 State Cooperative Banks;850 District/Sub-district Banks;1860 Branches; World’s largest agri credit system; Central financing through NABARD; 8% lending rate subsidy by Govt]; PACS major users for agri production; Investments in LT & land improvement.

PACS Management Structure is simple and farmer-friendly.

FARMER-MEMBERS [make]

GENERAL BODY MEETING [elects]

MANAGING COMMITTEE [elects]

Chairman, Secretary, Treasurer

PACS raise money from district banks for lending to members for purchase of farm inputs – fertilizer, seeds, farm chemicals, farm implements, land improvement, agro-processing, warehousing etc.

District banks raise money from State Cooperative Banks. State Banks raise money from NABARD – a government bank for agriculture and rural development.

80-85% PACS loans are used for agricultural production; PACS are major contributors to national food stock; PACS are major procurement agents of government for food grain stocks [buffer stock]; PACS are major price-stabilizers.

Cooperative Member Education is a major programme to create awareness and strengthen the system. Member education is done by PACS. The programme is carried out by National Cooperative Union of India and State Cooperative Unions.

PACS audit is done by Cooperative Department; Large cooperatives make use of Chartered Accountants.

AUDIT REPORT + ANNUAL REPORT MUST BE APPROVED BY ANNUAL GENERAL BODY MEETING.

PROBLEMS FACED BY PACS

Low level of Member Participation[in business and organization];

Shortage of funds for Inputs; Government controls/interference; Traditional methods of management; Small in size thus in operations; Political influence.

However, Enlightened members through member education try to strengthen PACS by generating positive public opinion and influencing the decisions of government.

CHANGES FOR THE BETTER ARE COMING IN SLOWLY TO IMPROVE COOPERATIVE LEGISLATION AND MAKING THEM COOP & MEMBER-FRIENDLY.

Members, PACS & Banks have MCL; Loan granted on simple PACS Resolution; Recovery at the end of the season; All PACS linked with district central cooperative banks; Concessions in the case of natural disasters or crop failures; Govt also writes off loans when needed.

ALL EFFORTS ARE TO INCREASE AGRICULTURAL PRODUCTION AND PRODUCTIVITY.

3.1 Management of marketing cooperatives and consumer

cooperatives :

3.2 A National Agricultural Cooperative Marketing Federation of India Ltd.(NAFED)

What is NAFED ?

National Agricultural Cooperative Marketing Federation of India Ltd.(NAFED) was established on the auspicious day of Gandhi Jayanti on 2nd October 1958. Nafed is registered under the Multi State Co-operative Societies Act. Nafed was setup with the object to promote Co-operative marketing of Agricultural Produce to benefit the farmers. Agricultural farmers are the main members of Nafed, who have the authority to say in the form of members of the General Body in the working of Nafed.

Objectives of NAFED

The objects of the NAFED shall be

1. To organize, promote and develop marketing, processing and storage of agricultural, horticultural and forest produce,
2. Distribution of agricultural machinery, implements and other inputs,
3. Undertake inter-State, import and export trade, wholesale or retail as the case may be,
4. And to act and assist for technical advice in agricultural production for the promotion and the working of its members and cooperative marketing, processing and supply societies in India.

Activities of NAFED

In furtherance of these objectives, the NAFED may undertake one or more of the following activities :

1. To facilitate, coordinate and promote the marketing and trading activities of the cooperative institutions in agricultural and other commodities, articles and goods;
2. To undertake or promote on its own or on behalf of its member Institutions or the Government or Government Organizations, Inter-State and international trade and commerce and undertake, wherever necessary, sale, purchase, import, export and distribution of agricultural commodities;
3. To undertake purchase, sale and supply of agricultural products, marketing and processing requisites;
4. To act as warehouseman under the Warehousing Act and own and construct its own godowns and cold storages;
5. To act as agent of any Government agency or cooperative institution, for the purchase, sale, storage and distribution of agricultural, horticultural, forest and animal husbandry produce, wool, agricultural requisites and other consumer goods;
6. To act as insurance agent and to undertake all such work which is incidental to the same;
7. To organize consultancy work in various fields for the benefit of the cooperative institutions in general and for its members in particular;
8. To undertake manufacture of agricultural machinery and implements, processing, packing, etc.;
9. To set up storage units for storing various commodities and goods, by itself or in collaboration with any other agency in India or abroad;
10. To maintain transport units of its own or in collaboration with any other organization in India or abroad for movement of goods on land, sea, air etc.;
11. 11.To collaborate with any international agency or a foreign body for development of cooperative marketing, processing and other activities for mutual advantage in India or abroad;
12. 12.To undertake marketing research and dissemination of market intelligence;
13. 13.To subscribe to the share capital of other cooperative institutions as well as other public, joint and private sector enterprises if and when considered necessary for fulfilling the objectives of NAFED.
14. 14. To arrange for the training of employees of marketing/processing/supply cooperative societies;
15. 15.To maintain common cadres/pools of managerial/technical personnel required by the marketing/processing/supply cooperative societies;

16. 16.To establish processing units for processing of agricultural, horticultural and forest produce and wool;
17. 17.To undertake grading, packing and standardization of agricultural produce and other articles;
18. 18.To acquire, take on lease or hire, lands, buildings, fixtures and vehicles and to sell, give on lease or hire them for the business of NAFED.
19. 19.To advance loans to its members and other cooperative institutions on the security of goods or otherwise;
20. 20.To guarantee loans or advances or give undertakings to any Society or Company in which the Federation has a shareholding or financial involvement as a promoter to be able to assist its development or expansion or for starting any industrial undertaking by such societies/companies;
21. 21.To guarantee loans or advances or give undertakings on behalf of any such society or company as mentioned above to any financing institutions;
22. 22.To do all such things or undertake such other business or activities as may be incidental or conducive to the attainment of any or all of the above objects.

Membership of Nafed

SI No.	Category of Members	Total No. of Member as on 31/03/2010
1	State Level Marketing Federations	25
2	Apex Level Marketing Federations	03
3	State Level Tribal and Commodity Federations	24
4	Primary Marketing/ Processing Societies	781
5	Government of India*	01
6	NCCF & Other National Level Coop. Organizations	02
	Total *Government has no equity participation in the share capital of Nafed.	836

Management of Nafed

The management of NAFED vests in the Board of Directors, which includes Chairman and Managing Director. The Board is supported by 2 standing committees - Executive Committee and Business Committee. In addition, the Board can also constitute two more committees/sub-committees as per the provision of the MSCS Act/Rules and Bye-laws of NAFED.

Business of NAFED

1. Internal Trade .

a) Domestic Operations . Domestic operations of Nafed mainly comprise of outright business, joint venture business with member federation/societies, agency & consignment business and implementation of price support scheme/market intervention scheme of the government of India.

b) Warehousing Receipt Based Finance.

2. Govt. Operations of Nafed.

a) Price Support Scheme (PSS).

3. International Trade. a) Exports b) Imports.

4. Industrial Activities. a) Agricultural Inputs b) Industrial And Warehousing Units.

5. Consumer Marketing.

6. Seed. Development of Seed , Planting Material and saplings business continued to be the thrust area of NAFED.

7. Fertilizer. Provide fertilizers to the farmers at reasonable price.

8. Organic Farming.

9. Other activities : a) Futures Trading b) Joint Venture c) Agency Consignment d) Insurance Business of Nafed.

3.2 B Marketing Institutions , Marketing Channels, Contract Farming

Marketing Institutions:

- These are created/promoted by government for improvement of marketing system
- Types of marketing institutions :
 1. Public sector organizations
 2. Farmer's co-operatives

3. Other formal/informal bodies

Public sector organizations:

Function : policy formulation ,implementation ,supervision , facilitation and direct entry in the market.

- Examples:

1. Food corporation of India (FCI)
2. Cotton corporation of India (CCI)
3. Jute corporation of India (JCI)
4. Commodity boards
5. Agriculture produce export development authority (APEDA)
6. Marine products export development authority (MPEDA)
7. Commission for agricultural costs and prices (CACP)
8. Department of food and civil supplies
9. State agricultural marketing boards
10. CWCs &SWCs
11. Agriculture produce market committee (APMC)

2. Farmer's co-operatives:

Function : undertaking marketing and processing functions on behalf of the farmers or members of co-operatives:

Four Tier Structure :

- National level marketing co-operatives
- State marketing federations
- District or regional co-operatives
- Primary agriculture marketing co-operatives

Functions of marketing co-operatives:

- ✓ Marketing of farm products
- ✓ Processing of farm products

- ✓ Supply of inputs
- ✓ Supply of credit
- ✓ Improvement in the performance marketing system by increasing competition in marketing system.

Examples : Marketing co-operatives

1. National Agricultural Co-operative Marketing Federation (NAFED)
2. Tribal Co-operative Marketing Federation (TRIFED)
3. State Co-operative Marketing Federation
4. District level co-operatives
5. Primary agricultural co-operative marketing societies
6. Other public sector organizations :

eg. National Dairy Development Board.

National Agricultural Co-operative Marketing Federation (NAFED)

- Apex organization of marketing co-operatives
- Established in October 1958
- Primary objective – to strengthen co-operative marketing structure in the country
- Specific objectives –
 - a. To co-ordinate and promote the marketing activities of affiliated co-operative institution.
 - b. To promote interstate and international trade in agricultural and related commodities
 - c. To make arrangements for the supply of agricultural inputs required by its member co-operatives
 - d. To act as an agency of the government for purchase ,sale,storage and distribution of agricultural products and inputs.

Marketing Channels:

- Agricultural commodities move from the farm gate to consumers through several channels.
- Groups of marketing channels –

- a. Direct from farmers to consumers
- b. Through public agencies or co-operative agencies or co-operative organizations
- c. Through private wholesalers and retailers
- d. Through processors

Characteristics and changes in marketing channels –

- 1.The proportion of total marketed surplus going directly from farmers to consumers continues to be small
- 2.The role of transporters and processors in the marketing channel has considerably increased.
3. Specialization of traders in agricultural marketing, both in terms of commodity or marketing functions has shown an increasing tendency.
- 4.The length of marketing channel has tended to increase in demand for value added services and geographic expansion of markets.
- 5.The share of private trade in handling marketed surplus has continued to be large (co-operatives - 10% ,public agencies 10% whereas private trade 80%)
- 6.Direct marketing by farmers has been encouraged during the last one decade . several states established farmers markets like....
 - ✓ *Apni Mandi* (Punjab)
 - ✓ *Krushak Bazars* (Orrisa)
 - ✓ *Kisan Mandi* (Rajasthan)
 - ✓ *Hadapsar vegetable market* (Pune)
 - ✓ *Raythu bazars* (AP)

Contract Farming

- Definition – This is an advance arrangement / contract between the farmers and the firm where in the farmers produce an agreed quality (and quantity) of the produce which is purchased by the firm at the agreed price and time.
- This contract can be a pure buying arrangement or can extend to supply of inputs and kind of practices adopted.

Benefits of Contract farming

Benefit to farmer

- Reduces price risk ,production risk , marketing cost and uncertainty of credit
- Help in acquiring inputs

Benefit to Contractor

- Helps in ensuring supply of quality product at the right time and at relatively lower cost.

Escorts Krushi Sansar, Mahindra Shubh Labh , Satnam Overseas ,Tata Chemicals, ITC Agro Tech, Punjab, Punjab Agro Industry Corporation have tied up with farmers for assured purchases of such products such as baby corns,tomatoes,chillies,potatoes,banana,basmati rice,soybean,musturd grapes,pomegranate

3.3 Management of Industrial and Processing Cooperatives , and Management of Dairy cooperatives:

3.3 A Management of Industrial and Processing Cooperatives:

Features of Industrial & Processing Cooperatives:

1. These cooperatives are flourishing in the fields of sugar, rice, fruit processing etc.
2. These cooperatives involve huge amount of capital and management expertise.
3. Processing cooperatives like sugar have become the growth centres and stimulate the growth of rural economy. They have raised standard of farmers and have introduced the new prosperity.
4. Modern management techniques & principles must be applied to these cooperatives as they are capital intensive & they must be made commercially viable.
5. Modern management can project them in such a way that they act as catalytic agents for the rural economy.

Organizational Aspects for Industrial & Processing Cooperatives:

1. Location of the unit must be nearer to the raw material areas.
2. The size of the unit, capital involved, machineries needed must be decided.
3. A feasibility study must be conducted. The study must assess availability of RM, need of the growers, transport and other infrastructural facilities available.

4. The help of promotional agencies like NCDC,NAFED etc. must be sought.
5. Technical know how to erect the unit must be decided.
6. The financial needs of the unit must be met from members from their share capital. In additional to this bulk finance could be sought from financial agencies.
7. The personnel needed must be decided, they should be experienced & professional. Management trainee scheme should be implemented to fill up the further posts.
8. The gestation period must be decided. The time schedule to erect the plant must be strictly followed.

Material Management in Industrial and processing Cooperatives:

Procurement of Raw Material: Aspects to be considered :

1. The RM like sugarcane, fruits etc is perishable in nature, hence, should be available nearer to the location.
2. Continuous supply of RM should be assured to avoid underutilization of the capacity.
3. The quality of RM should be good.
4. The cooperatives must propagate improved methods of cultivation among the farmers with help of government machinery, failure in this line will lead total failure of cooperatives.

Components of Material Management:

1. **Material Planning .**
2. **Purchasing.**
3. **Storing.**
4. **Inventory Control.**
5. **Pricing System.**
6. **Capacity Utilization.**

Other Management aspects in Industrial and Processing Cooperatives

Financial Management :

1. These cooperatives need heavy investments in capital costs and working capital requirements. Fixed capital for erection of the units and WC for raw material, maintenance etc. The processing

cooperatives get finance from NCDC, IFC, other agencies etc. The subsidy is also available from government. All these things should be planned correctly to avoid financial crisis.

Personnel Management :

1. Qualified & technical personnel are needed to run such cooperatives.
2. The NCDC & marketing federations have set up of separate technical cells and pool of personnel. Their services are hired by the cooperatives.
3. The cooperatives in processing units need to improve the personnel management .The promotion and incentive systems need a lot of revision.

3.3 B Management of Dairy Cooperatives:

Importance of dairy Cooperatives:

In India more than 1,01,427 primary milk co-operatives with 10 million milk producers are covered under the dairy co-operatives and 176 milk unions are collecting daily about 1.58 corers of liters of milk, which give income to the rural community.

With the Anand Pattern, Dairy cooperatives have been popularized in India and have changed the destiny of India.

Importance of Dairy Cooperatives In India :

1. As a subsidiary occupation , has become a standard source of Income for the farmers.
2. Scattered milk producers are united under the fold of cooperatives and averted from the middlemen.
3. Dairy cooperatives have increased quality & quantity of milk production and made India as the major milk producer of India.
4. Scientific method of rearing of dairy animals has increased productivity and yield per cow.
5. Up to date veterinary services provided by dairy cooperatives have saved the milk animals from traditional diseases.
6. The system of procurement and week end payment have increased the confidence of farmers over their cooperatives.
7. Speedy transport system, chilling plants, by-product manufacturing etc. given new thrust to the dairy cooperatives.
8. Urban population have been assured of continuous supply of quality milk by dairy cooperative.

Procurement Management

1. This is one of the primary functions of dairy cooperatives. The dairy cooperatives have to plan an effective procurement policy every year. The procurement policy is the basis on which all other dairy management activities depend upon.
2. A well planned procurement system ensures the farmers a steady income.
3. Procurement management is a factor that decodes the distribution system i.e. number of outlets, channels of distribution etc.
4. The operations of chilling plants, by-product units etc. depend upon the procurement operations.

Efficient procurement operations ensure the operations in lean and flush season.

Methods of Milk Procurement:

Milk Collection from:

1. Agents.
2. Individual Vendors.
3. Milk Supply Cooperatives.
4. Small Dairy Farms.
5. Milk Collection centre.

The collection centers should be fully equipped with the facilities to assess quantity, FAT and SNF contents of milk.

Mode of Collection

Process and Management

- a) While collecting milk, milk collector examines smell & colour before taking sample. If he suspects any difference, as fresh milk is having sweet smell, he refuses to take sample.
- b) Before the collection process begins, milk collector keeps ready numbered bottles of dippers ready for collection of milk sample. Serial number is given to each milk supplier. This is done for testing Fat & SNF content in the milk. Bulk samples are also taken from each can for this process and observations are noted.
- c) Labels are tied to each can and kept in cool place till arrival of transport vehicle.

- d) The record of observations is kept open for inspection by milk producers and Dairy Supervisory staff.
- e) Each producer is given pass book wherein daily collection details are recorded.

Transport Management

This is an important function of D Dairy Management. Dairy Cooperatives have developed sound network of transport management through their federal organizations. The reasons for sound Transport Management arise due to following reasons :

- a) Milk is perishable commodity.
- b) The distance between producer and consumer is wider and hence efficient transport management is necessary.
- c) Short life of milk is extended by chilling milk and for routing milk from chilling plants warrants efficient transport management.
- d) Daily shortage or surplus can be managed by efficient transport management.
- e) It ensures regular supply of milk to consumers and stabilizes the price of milk in the open market.

Processing of Milk and Product Development

- a) To ascertain the quality of milk & to preserve it for a long time, number of quality tests is conducted before processing.
- b) Some tests carried out at Dairy Dock only & are called as Platform or Primary tests and are Organoleptic test, Clot-on Boiling (COB)Test, Alcohol Test and Sediment Test. Milk is not accepted without such tests.
- c) In addition to above tests, some specific tests for analysis of milk are taken such as fat, acidity, Ph, Ten Minute Reassuring, Detection of preservatives & adulterants and Solids-Not-Tests, etc.

Processing of Milk

- a) After testing, milk received from particular collection centre, dumped into a Dump tank to measure the weight & to check quantity received from Collection Centre with milk cans.
- b) Then milk is sent to Storage Tanks through chillers where raw milk is chilled at 3 to 5 C to keep stable for a period of 4 to 6 hours.
- c) To prevent bacteria & other organisms, milk is subjected to certain technical processes such as Heat Treatment, Harmonization, Separation of Cream, Sterilization of Dairy equipments,, Quality Control etc.

Heat Treatment of Milk Also called Pasteurization or Sterilization of Milk:

The Purpose of Pasteurization

1. To increase milk safety for the consumer by destroying disease causing microorganisms (pathogens) that may be present in milk. If the milk is boiled to a temperature of 145 F for at least 5 minutes but no longer than 20 minutes, all pathogenic organisms except heat resistant organisms are destroyed without affecting the physical, chemical & biological properties of milk.
2. To increase keeping the quality of milk products by destroying spoilage microorganisms and enzymes that contributes to the reduced quality and shelf life of milk.

Homogenization of Milk and Management of Seasonal Fluctuations.

The Homogenization process is used to reduce the size of the fat globules in milk to the extent of 0.002 mm in diameter. Hence, the fat is evenly distributed throughout the milk and cream does not rise in such milk. This milk appears to be more tasty due to greater surface of fat and due to its apparent rich quality, more preferred by consumers.

Management of Seasonal Fluctuations:

Milk production has two seasons, viz, lean and flush season. During winter season, milk production is higher. Dairy cooperatives have to manage demand & supply by applying certain techniques, like surplus milk can be converted into condensed milk powder and by products.

3.4 Role of agricultural cooperatives in rural marketing, Model Act-2003 for agri. Cooperatives.

3.4 A Role of agricultural cooperatives in rural marketing

It has been recognized that co-operative form of organizations can play a significant and predominating role in improving the system of agricultural marketing.

Agricultural co-operative marketing plays a significant role in the following area.

1. Optimization in resource use and output management

An efficient co-operative marketing system can contribute to an increase in the marketable surplus by reducing losses arising out of inefficient processing, storage and transportation.

2. Increase in farm income

An efficient co-operative marketing system guarantees the farmer better price for farm products and induces them to invest their surplus in the purchase of modern inputs so that productivity and production may increase.

3. Widening the markets

An organized and well-knit co-operative marketing system widens the market for the products by taking them to remotest corners of the country i.e. to areas far away from the production points.

4. Growth of agro-based industries

The improved and efficient system of agricultural marketing helps in the growth of agro-based industries and stimulates the overall development process of economy.

5. Employment

A well integrated co-operative marketing system provides employment to millions of persons engaged in various activities, such as packaging, transportation and processing.

These co-operatives can render efficient and useful coordination between producer and consumer which will counteract the exploitation tendencies of the greedy , traders.

Aims & Objectives of Co-operative Marketing

The broad aim of co-operative marketing societies is to rationalize the whole marketing system so that it may be beneficial to the producer. Its immediate objective is to strengthen the bargaining capacity of the cultivator so as to secure him better price and eliminate the superfluous middlemen.

The chief objects and aims of co-operative marketing society are briefly given below.

1. Strengthen the bargaining capacity of the cultivator.
2. Secure the member a better price for their produce.
3. Eliminate superfluous middlemen.
4. Provide members the needed finance.
5. Persuade the farmer to grow better quality goods.
6. Stabilize the price.
7. Develop fair trading practices.
8. Provide the facility of grading and transportation.
9. Act as an agent of government for procurement and implementation of price support policy.

10. Promote the economic interest of its members by encouraging self help, thrift and better farming among members.
11. Act as a distributive center for agricultural requisites such as seeds, implements etc.
12. Help in the expansion of co-operative credit programme by linking marketing with credit.

A. Control of market

The marketing society will be in a position of control of a large column of business, it will succeed in effecting real economics in services like assembling, grading, storing, risk bearing etc.

B. Better prices

The marketing societies will enable the farmer to get more prices for his produce as they will strengthen his bargaining capacity.

C. Safeguards against price rise

A co-operative society will not speculate and will be a safeguard against price rise, as its object is not to increase prices but to keep them steady.

D. Credit facilities

As a marketing co-operative society is in a position to obtain finance at lower rate of interest from central co-operative banks and other agencies, it would be possible for it to provide credit facilities to farmer at reasonable terms.

E. Supply of quality goods

The consumers will also be benefited by the marketing societies. At a fair price, they will get better quality goods which have been properly graded and tested by these societies.

F. Help in growing better crops

By providing agricultural requisites like fertilizers, seeds, pesticides, etc., a marketing society also helps its members to grow the best crops and thus to increase its yields.

G. Division of surplus

The profit of a marketing society becomes the property of members and the same is divided in proportion to the contribution they have made to the co-operatives.

H. Educative value

Co-operative marketing has been strongly advocated because of its highly educative influence. No influence is so important in the economic education of farmers as their own efforts in co-operative marketing. They also serve an important function in supplying information on many issues which affect the economic status of farmers.

3.4 B Model Act-2003 fo agri. Cooperatives.

APMC MODEL ACT-2003

Flow of Presentation

- INTRODUCTION (AGRICULTURE MARKETING)
- AGRICULTURAL MARKETING CONSTRAINTS
- INITIATIVE OF MARKETING REFORMS
- APMC OBJECTIVE}
- SALIENT FEATURES OF MODEL ACT
- AMENDMENTS OF APMC MODEL ACT
- IMPACT OF APMC AMENDMENT
- STATUS OF APMC AMENDMENT

SOME FACTS:

- ❖ There are in all 34,335 markets in the country but out of that only 7,289 markets are having proper marketing facilities.
- ❖ There are 27,294 rural periodic market of which about 15% of function are under the ambit of regulation of marketing committee.
- ❖ The cold storage units are available only in 9% of the markets.
- ❖ Less than one third of the markets have grading facilities.
- ❖ Two third of the markets have both open and covered auction market platform.

AGRICULTURE MARKETING

- Agricultural marketing can be defined as an act comprising of all activities involved in supply of farm inputs to the farmers and movement of agricultural products from the farms to the consumer.
- It involves packaging, grading, processing, storage, transport, channels of distribution and all other functions in the process

AGTRICULTURAL MARKETING CONSTRAINTS

- Predominantly marginal or small farmers

- Hence small marketable surpluses & limited bargaining power
- Poor availability of markets & monopolistic tendencies of APMCs
- Inadequate infrastructure in wholesale markets/ rural primary markets
- Multiple and exploitative intermediaries low returns
- Fragmented supply chain, poor cold chain & high post-harvest losses
- Lack of cleaning, grading, packaging & quality certification facilities
- Limited access to market information and marketing opportunities

INITIATIVES OF MARKETING REFORMS

- A. Amendments in APMC Acts suggested by Expert Committee on Market Reforms constituted by the Ministry of Agriculture (Report in June,2001)
- B. Expert Committee recommendations discussed in the National Conference of State Agriculture Marketing Ministers on 27.09.2002
- C. Committee headed by Additional Secretary(AM), GOI including State Representatives set up to draft a Model Law for Agri-Marketing
- D. Model APMC Act finalized on 09.09.2003 by the Committee and circulated to States by Central Government.
- E. Model Rules based on the Model Act circulated to States by the Ministry in November,2007
- F. NDC has resolved on 29th May,2007 for completion of amendments in APMC Acts and notification of Rules there under by March,2008

APMC-OBJECTIVE

The main objective of Agricultural Produce Marketing Act was to ensure farmers get a proper price and traders & brokers are not free to exploit producers by buying their produce at a lower price. The "mandis" (markets) governed by the Act also offered farmers transportation, storage, grading, besides guaranteeing a just price.

SALIENT FEATURES OF MODEL ACT FOR STATE APMC ACT-2003

1. Legal person, grower and local authorities permitted to establish new market in new area
2. No compulsion on grower to sell their produce through existing regulates market. Establishment of direct purchases centers, consumer/farmer market for direct sale.
3. Promotion of public private partnership in the management and development of agricultural market.

4. A separate constitution for separate market for commodities like onion, fruits, vegetable and flower. A separate chapter to regulate and promote contract farming, arrangements in the country.
5. Prohibition of commission agency in any transaction of agricultural commodities with the producers.
6. Market committee to promote contract farming, direct marketing and farmer consumer markets.
7. State marketing board to promote standardization, grading, quality certification, market led extension and trading of farmers and market functionaries in marketing related areas.
8. Constitution state marketing standard bureau for promotion of grading standardization and quality certification of agricultural produce.

AMENDMENTS IN MODEL ACT

- Allow establishment of Private or Cooperative markets/Farmer-consumer markets/ Direct marketing
- Safeguard the interest of the farmers through provisions for Contract Farming
- Prohibition of Commission Agents for agriculturists and no deduction to be made towards commission.
- PPP in management & extension activities/ Promotion of e-trading/Electronic Spot Exchanges
- Encouraging professional management in APMCs
- Promotion of Grading & Standardization.

Status of APMC Act Amendments

States/ UTs having Amended Acts –

1. Andhra Pradesh (26.10.05)
2. Arunachal Pradesh (09.05.06)
3. Assam (19.01.07)
4. Chhattisgarh (10.02.06)
5. Goa (06.08.07)
6. Gujarat (01.05.07)

7. Himachal Pradesh (26.05.05)
8. Karnataka (16.08.07)
9. Madhya Pradesh (15.06.03)
10. Maharashtra (11.07.06)
11. Nagaland (08.09.05)
12. Orissa (17.05.06)
13. Rajasthan (18.11.05)
14. Sikkim (20.04.05) &
15. Tripura (11.05.07)

Reportedly no Amendment Needed –

1. Tamil Nadu
2. States/ UTs with no APMC Act –
3. (1) Bihar (repealed w.e.f. 01.09.2006),
4. (2) Kerala, (5) Manipur and UTs of (6) Andaman & Nicobar Islands, (7) Dadra & Nagar Haveli, (8) Daman & Diu & (9) Lakshadweep

Partially Amended –

- (1) Punjab/ (2) UT of Chandigarh (Only private markets & contract farming)
- (3) Haryana (Only Contract Farming) & (4) NCT of Delhi (Only Direct Marketing)

Amendment Bills under finalization –

5. (1) Jharkhand, (2) Uttarakhand, (3) U.P., (4) West Bengal, (5) NCT of Delhi & (6) Puducherry

Remaining States –

- (1) Haryana, (2) J&K, (3) Meghalaya & (4) Mizoram

Likely questions :

- 1) What is NAFED? What are its objectives & activities?
- 2) What is APMC Model Act 2003, what are its salient features?
- 3) Write short notes on :

- a) Management of PACS
- b) Management of coop. dairy societies
- c) Management of coop. sugar factories.
- d) Management of DCCB.

4. Issues in Cooperative Management

4.1 Managerial problems of Indian cooperatives, Democracy in cooperatives, Govt. schemes and interventions

4.1 A Managerial problems of Indian cooperatives

Introduction

1. Modern Management techniques are yet to be used by Indian cooperatives.
2. The concern for better service and productivity is ignored.
3. Democracy in Cooperatives is costing viability of cooperatives.
4. Management incompetence in cooperatives makes them dormant and unable to grow.
5. Multiplicity of control by State Government and RBI, paved the way for improper control of cooperatives.
6. Continuous interference of Government made the cooperatives, a sister concern of Government.
7. Lack of delegation of power as well as diffusion of power have created confusion in the Management.
8. Elected leadership is not well aware of about the principles and goals of cooperatives.

Important Managerial Problems in Indian Cooperatives

- 1) Policies and Decisions are Directed.

The cooperative movement is initiated and nurtured by government, hence policies and decisions are directed by them.

- 2) Weaker leadership.
- 3) No vigilance in Cooperative Democracy.

In Indian cooperative movement, the democratic institutions like General Body & Board of Directors are not properly functioning. Members do not attend the General Body Meetings. Lack of awareness in members about fundamentals of cooperation.

- 4) Lack of Professionalization.

The personnel in cooperatives look amateurish and the Modern personnel management techniques are yet to percolate over many of our cooperatives.

5)Autonomy of the Cooperatives.

In India, interference of Government in administration of Cooperatives has become a historical incidence rather than practical necessity.

6) Lack of self Reliance in Resources.

In India, the Cooperatives are still depending on Government and RBI.

7) Un-dynamic Federal Institution.

In keeping the Cooperative democracy alive, the federal institutions have to play a predominant role, which is lacking in Indian circumstances. Freedom & autonomy in cooperatives are shared by all the institutions in a federal set up. The apex institutions must try to help the lower level affiliated societies by way of providing them enough financial resources, managerial and technical guidance and keeping away the interference of outside agencies. In India, many federal institutions are dormant. Recently steps have been taken to revitalize many of the Central & State cooperative Banks.

4.1 B Democracy in Cooperatives

Introduction

- a. Democracy in cooperatives implies the adoption of all the salient principles of democracy.
- b. Cooperative democracy must ensure the fundamental rights, namely, equality of opportunity, liberty & freedom of opportunity.
- c. As an institution could be distinguished from other business organizations, these distinctions are drawn basically from democratic functioning of cooperatives, cooperatives as voluntary institutions could be hollow, without adoption of democratic principles in their management and functioning.

The Implications of Democratic Control in Cooperatives.

The principles of democratic control implies the following:

1. As the cooperative is sponsored by the member-users, its dominant interest should be satisfaction of the needs of the members.
2. The management of the society rests with the Board of Directors elected by the members in the General Body. The Board is responsible to the member for its performance.
3. In cooperative democracy, equal opportunity is given to all and one man and one vote is the watchword.

Autonomy in exercising the rights must be ensured to the members. Closely related with autonomy of individuals is the autonomy of individual cooperatives. They should be free from external interference.

Factors Responsible for the Success of Cooperative Democracy.

1. Vigilant Membership.
2. Enlightened Board of Directors.
3. Size of the Society.
4. Members' Interest and Involvement.

Factors which Affect the cooperative Democracy In India.

1. Several socio-economic factors affect the operation of democracy in our Country. These factors operate vigorously in rural areas than in urban areas.
2. Ignorance & illiteracy made out cooperative democracy inactive especially among the rural cooperatives.
3. Political penetration in the administration of the cooperatives has sapped the vitals of cooperative democracy.
4. Government's interference in the management of the societies has affected the democratic management of the societies. As a partner in share capital, it nominates own directors who instead of helping the management tend to disrupt the managerial decisions. The Registrar of cooperatives have ample powers to interfere the management of societies.

4.1 C Government Schemes and interventions:

OUTLINE

- A) Schemes offered by Ministry of Agriculture, Government of India
- B) Schemes Of National Co-operative Development Corporation

A) Schemes of Ministry Of Agriculture, Government of India

1) Scheme for Development of Agricultural Marketing Infrastructure , Grading and Standardization

- ✓ **Reform linked investment scheme** : To encourage rapid devt. of infrastructure projects in agricultural and allied sectors including dairy , meat , fisheries and minor forest produce.
- ✓ **Investment subsidy** :25% of the capital cost up to Rs 50 lakh on each project providing direct service delivery to producers/ farming community in Post harvest mgmt./Mktg. of their produce.

- ✓ In case of North Eastern states , hilly and tribal areas and to SC/ST entrepreneurs and their co-operatives investment subsidy shall be 33.33% of the capital cost up to Rs 60 lakh.

2) Central Sector Scheme - Agmark Grading and Standardisation

Objectives of the scheme

- Promotion of Grading and Standardization of agricultural and allied commodities under Agricultural Produce (Grading & Marking) Act, 1937.

Eligibility

- Parties desirous to grade their commodities under Agmark have to obtain Certificate of Authorization.
- For the purpose, they should have adequate infrastructure to process the commodity and access to an approved laboratory for the determination of quality and safety factors.

Commodities under Certification of Agmark

- **Butter**
- **Ghee**
- **Vegetable Oils**
- **Honey**
- **Wheat Atta**
- **Blended Edible**
- **Ground Spices**
- **Vegetable Oils**
- **Fat**
- **Spread Cotton**

3) CENTRAL GOVERNMENTR SCHEME - AGRICULTURAL MARKETING INFORMATION NETWORK

Objectives

- ✓ To establish a nationwide information network for speedy collection and dissemination of market data for its efficient and timely utilization;
- ✓ To ensure flow of regular and reliable data to the producers, traders and consumers to derive maximum advantage out of their sales and purchases, and to increase efficiency in marketing by effective improvement in the existing market information system.

Pattern of assistance :

- 100% grant by Ministry of Agriculture, Government of India.

Eligibility

- The eligible markets are identified in consultation with State Governments based on their volume handled and commercial importance in commodity flow of the Region/ State.

B) Schemes Of National Co-operative Development Corporation (NCDC)

Post harvest operations

- **Strengthening of share capital base of fruit and vegetable cooperatives.**

Under this scheme, assistance up to Rs.10 lakhs is provided for increasing the capital base of the beneficiary cooperative societies for improving their marketing operations.

- **Margin money assistance for raising working capital .**

Assistance is provided to enable raising working capital from Banks for increasing business operations. This assistance is available to State Federations, District Level Federations and Commodity Marketing Societies.

- **Assistance for purchase of transport vehicles .**

The Corporation provides assistance to the beneficiary societies for purchase of transport vehicles for moving stocks from growing areas to consuming centers.

- ▶ **Construction of packing and grading sheds and godowns**

Assistance is provided to cooperatives at the primary level, as well as mandi level, for construction of godowns and sheds.

- ▶ **Construction of Cold Storages & Ice Plants.**

Assistance to the cooperatives for the establishment of new cold storages and also for expansion/modernization of the existing units as well as for setting up of ice plant

- ▶ **Creation of marketing infrastructure including retailing**

Assistance is provided to create marketing infrastructure including that for retailing.

Capital Investment Subsidy Scheme for construction /expansion / modernization of cold storages and storages for horticulture produce

The cost of 5000 MT capacity for new cold storage and expansion of existing capacity would not exceed to Rs.2.00 crore. Back-Ended Subsidy @ 25% would not exceed Rs.50.00 lakh per project, including for the CA/MA Stores and Projects of higher capacity.

- ▶ However, for the projects in the North-Eastern States @ 33.33%. However, maximum subsidy admissible would be Rs.60.00 lakhs.
- ▶ For modernization and re-habilitation BES @ Rs.1000/ton and for storage like onions @ Rs.2000/ton capacity created/to be created is also available under the scheme.

- ▶ Initially, the amount of subsidy would also be sanctioned as loan to the State Govt. for which a separate account would be maintained by the State Govt.
- ▶ No interest on such loan would be charged by NDCDC till the completion of the unit in stipulated period of 18 months. On completion, this loan will be converted into subsidy.

Likely questions :

- 1) Explain in detail important managerial problems in Indian cooperatives.

5. Structure of cooperatives.

5.1 Board of Directors, its role and functions, General Body-mouth piece of cooperative management

5.1A Board of Directors, its role and functions :

Introduction :

Board of Directors represents the general body and members of the Board are elected by the Board.

Though general body is the supreme body in the cooperative democracy, it is the Board which plans things, takes important policy decisions and ensures policies framed. They draw their powers on behalf of members and act on behalf of the members. The board meets often than general body, usually once in a month and more times when required.

Functions of Board

The main functions of Board are to frame policies, review the results and to maintain good relationship between the paid management and the members.

1. Framing Policies. Cooperatives are working in competition and hence must expand their activities for which they must frame pragmatic policies. The policies must be explainable in nature and paid management must be able to implement such policies.
2. Reviewing Results. The paid management implements the policies framed by the Board. This needs to review by the Board at every important stage.
3. Maintaining cordial relationship between the Paid Management and the Members.
4. Board should assume responsibility for all operations. It is accountable to the members for success or failure.
5. The Board as trustee, should safeguard and manage the of the cooperative in the interest of all members.
6. The Board should interpret the objective of the society to the management.
7. The Board should change the policies with the change in situations.
8. The Board should appoint the competent ant chief officials to implement the policies.
9. The Board should delegate responsibility and authority to the chief executive for implementation of policies.

10. The Board should approve the Budgets, receive reports, accounts and operational statements from the executive. Scrutinize them carefully and ensure that the set objectives are achieved.
11. The Board should take steps to keep informed the members fully the activities undertaken, their progress, problems faced etc. from time to time.

5.2 General Body –mouth piece of cooperative management.

Introduction:

- General Body of a cooperative is the supreme body as it vests ultimate power and control over the society.
- The GB represented by the members of the society elects the Board of Directors and through them the society is managed.
- It is not taking any policy decision, policy decisions taken by Board must be brought to its notice.
- Powers to the GB are vested in all Cooperative societies Acts.
- The powers not mentioned in the Acts and by-laws of the society, are amended by the General Body to suit the changing needs of the society.

Powers of General Body

- ❖ The GB is the supreme authority and must be directed in the right line by the members .
- ❖ Board is held responsible for the GB for all the activities of the society.
- ❖ The GB is having the powers to remove the directors of the Board if they do not perform well by electing new directors.
- ❖ The General Body is usually held once in a year and business is transacted. If members are willing, it can be held more than once.
- ❖ The GB is called for different purposes and decides the mode of calling.

Purposes of Calling General Body Meeting

- A. Ordinary General Body Meeting: This is held once in a year and this is covered as routine procedure. During this meeting, audit and annual reports are approved & budget is approved.
- B. Special General Body Meeting: This is held at any time to transact special type of business. Usually such meetings are held to amend the rules or bye-laws, to rise the minimum level of share capital or to amalgamate with other society etc.

- C. Election General Body Meeting: Such meeting is held to elect Board of Directors. The members are informed about this meeting well in advance. The mode of election is laid down in the Act, Rules and Bye-laws.

Powers of General Body as specified by Dr.O.R.Krishnasami

- I) Routine Powers exercised in the Annual & Election General Meetings.
1. Approval of budget for the ensuring year.
 2. Election of committee members in the place of retiring members and removal of committee members.
 3. Consideration of audit and annual reports.
 4. Disposal of net profit.
 5. Consideration of any complaints which individual member may prefer against the committee.
 6. The returns that may be prescribed by Government or the Registrar.
 7. Affiliation of the society to or disaffiliation of it from another registered society.
- II) Specific Powers.
- 8) The amendment or repeal of any existing by-law by a simple majority.
 - 9) Division of society into two or more societies by a two-thirds majority.
 - 10) Amalgamation of the society with another society by a two-thirds majority.
 - 11) Mutual transfer of assets and liabilities with another society or societies by a two-thirds majority.
 - 12) Conversion of society into a different classes by a two-thirds majority.
 - 13) Expulsion of a member by a two-thirds majority.

a. How to judge operating efficiency of cooperatives:

Concept:

- ▶ Efficiency is the watchword of modern management. It is of special importance to cooperatives because of their twin elements in their objectives and operation, namely, Association and Enterprise; and the need to achieve a blend of success in both.
- ▶ Operational efficiency in cooperatives cannot be measured using single tool or criteria.
- ▶ Study of Balance Sheet alone cannot ensure measuring operational efficiency.

- ▶ Things which cannot be quantified like prompt service, loyalty, personnel efficiency are also tools of measuring OE.

Criteria for Judging OE for Cooperatives:

1. Audit reports and annual reports.

These are the standard tools used to measure the operational efficiency of cooperatives. Every cooperative society is audited by Government's Department of Cooperation. Such reports highlight the financial and other position of cooperative organizations. Society is graded under A, B or C classification of audit denoting efficiency under the descending order. These reports are published and give a picture of the efficient functioning.

2. Budget.

All cooperatives prepare budgets. The performance of the budget in terms of achievement must be watched and this can help to measure the efficiency.

3. Working Capital Management.

Efficient working capital management or current assets management is an important portfolio of financial management of cooperatives. Liquidity and profitability of an organization is maintained out efficient working capital management.

4. Ratio Analysis:

Ratio analysis is a statistical tool through which relationship between number of variables is found or measured. It is expressed in terms of percentage, fraction, or comparison between numbers. Ratios like debt-equity asset ratios, profit ratios, operating ratios etc. are some of the ratios which can be applied to cooperatives for judging financial management efficiency.

5. Self reliance in resources:

This is one of the criteria through the efficiency of a cooperative is measured. As cooperatives are users/ members' organizations, they should not depend on government for their requirements. Without financial autonomy, cooperatives cannot attain independent cooperative democracy. Hence, cooperative must raise resources from their members and in the open market.

6. Recovery Performance.

In case of credit cooperatives, over dues, challenges growth of cooperatives. Liquidity is eroded by over dues and weakens the financial standing. As annual credit turnover depends on the ploughing back the same resources, prompt recovery is an indicator for the operational efficiency of the cooperative.

7. Personnel Efficiency.

As the service is the main motto of cooperatives, they have to maintain an efficient personnel structure and personnel management.

8. Vertical and Horizontal Growth.

The growth of an organization presupposes expansion of activities in volumes as well as adding new units under its fold.

9. Leadership.

Efficient leadership and enlightened Board can be assets to the cooperative. Cooperatives being voluntary organizations have to nurse such non-official leadership. Only efficient leader can provide efficient management. Hence, the ultimate success of the cooperative depends up on honest, dedicated and efficient leaders.

Measurement Parameters of Operational Efficiency

The criteria of Operational Efficiency discussed so far can be converted into a set of measurement parameters and ratios, which have been developed for precise measurement and evaluation. They are:

1) Efficiency in Output:

- a) Achievement of Target
- a) Operational cost (as % to sale)
- b) Unit cost
- c) Standard cost

2) Efficiency in Cost:

- a) Operational cost (as % to sale)
- b) Unit cost
- c) Standard cost

3) Profitability :

- a) Return on sale
- b) Return on investment.
- c) Percentage of gross profit to sales
- d) Percentage of net profit to sales

4) Liquidity Testes (Ratios):

- a) Current assets: Current Liabilities
- b) Liquid Assets: Current Liabilities
- c) Percentage of receivables to assets
- d) Percentage of receivables .

5) Solvency Tests :

- a) Debt-equity ratio
- b) Own equity to total Capitalization
- c) Coverage ratio .

6)Service to Members:

- a) Member Turnover
- b) Drop out
- c) Service Surplus
- d) Patronage Refund

Impact of LPG Policy on Indian Cooperatives

Liberalization, Privatization and Globalization (LPG)

Introduction

1. Due to the LPG Policy Government has less interference in the economy.
2. Economic development is as per the rule of market situation.
3. All problems in the matter of economy are solved through the marketing and pricing system.
4. In India in the year 1991, the LPG Policy is adopted.
5. The new LPG Policy has forced the economy to widen its activities at Global level.

Liberalization- Meaning

The term Liberalization depends upon marketing system, open economic policy and open business competition. Having free business of any country with another and having no restrictions on private sector of any nation is liberalization.

According to William and Mole: “ Having freedom to enter and emerge in any sector of economic production, investment and disbursement is liberalization”.

According to V.N.Artri: Economic liberalization means more extensive use of the price mechanism that would reduce the anti-export bias of the trade regime. The distortions in the economy should be minimized, if not fully abolished in order to increase efficiency and competition in the Country.

Characteristics of Liberalization

1. Removing barriers between marketing system and open business competition.
2. To quash license system in import export business.
3. To extract restriction on production and investment.
4. Giving free entry to industries in marketing.

Therefore, in short, the economic process of loosening restriction and control on the economy is called as liberalization.

Privatization – Meaning

“Giving complete outlet to the privates sectors in the national economy, cancelling control and bonds on private sectors is called Privatization”.

According to D.R.Pendse: “ The process of decreasing Government involvement in national economic deal is known as privatization”. According to David Harold: “Privatization is the substitution of the market system of allocation for the non-market systems”.

Characteristics of Privatization

1. To let entry to private sectors in the sectors reserved for public sectors.
2. Involving private management in the public project management.
3. Accepting open door policy.
4. Increasing Government production.
5. Decreasing loss of Government industries.
6. Giving autonomy to public projects.

Globalization – Meaning

“The different countries of the world try to achieve common objectives through mutual cooperation and adoption of common base for their economic activities is called as Globalization”.

“All countries have opened their markets without any control for mutual trade transactions, this open policy is called as Globalization”.

According to Deepak Nayyar: “Developing economic dealings out of Public boundaries of states is Globalization”.

According to Russi Modi: “Globalization is two way traffic, first it means free competition and high productivity using new technology and second, selling goods in the single market of the whole world”.

Characteristics of Globalization

1. Extending Marketing.
2. Equaling global economy.
3. Accepting open door policy in industries of business.
4. To set free the social and cultural transaction along with economic sectors.

Impact of LPG Policy/Global Economy on Cooperative Movement

1. **Production Process/ system** : Modern mechanical equipments are used in global production system. But the Cooperatives are using labour technology. The objective of the cooperatives is to build employment using traditional production technology. If they want to retain in global economy, the cooperatives should use modern technology for production, otherwise they will not remain the open economy.
2. **Capital**: The capital of cooperative society is limited. Prominently weak and common people are involved in cooperative movement. The capacity building capital is very weak in cooperative society. Comparatively, multinational companies are rich in capital & building capital. Therefore, such companies are hazardous to existence of cooperative movement in global economy.
3. **Impact on Market**: There is diversity in the production of multinational companies. It has market for its goods. The advertisement techniques are used in large quantity. So, it dominates the market in the country. Cooperative societies have only local market.
4. **Government grants/ auxiliary**: Central and State Government help cooperative societies by funds, grants and also help by giving exemption in taxes, buying shares, building loans etc. Due to globalization governments involvement is decreasing from the cooperative fields and if government help is decreased or stopped, the Cooperatives will face the difficulty.
5. **Obstacles in Rural development**: Cooperative societies have done constructive work in in rural area. During the last 11 years, cooperative movement has changed rural economical, social &

educational field. But due to globalization, MNCs have reached the rural market in India. Cooperatives have to face stiff competition with the products of MNCs.

6. Organizational impact: The organizational impact of cooperatives is limited. The expansion of Cooperatives is not as big as MNCs. So, cooperatives should come together to make organizational impact through federations.
7. Skillful administration: There is a lack of intelligent, efficient and trained management and administration in cooperative societies in comparison with the MNCs. All MNCs are having professional management in their administration which is lacking in cooperatives.

Likely questions :

- 1) What are the criteria for assessing the operational efficiency in cooperatives?
- 2) It is said that General Body is the Mouthpiece of cooperative management, please elaborate.
- 3) What do you mean by LPG Policy, what is the meaning & characteristics of each parameter? What is the impact of LPG policy on Indian cooperatives?

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