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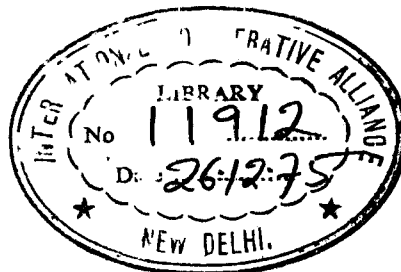


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SEMINAR REPORTS FROM THREE NATIONAL SEMINARS
ON "AGRICULTURAL CO-OPERATIVE MARKETING" IN
INDIA, BANGLADESH AND SRI LANKA
(October - December 1973)



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NCUI/ICA/SCC NATIONAL SEMINAR ON AGRICULTURAL COOPERATIVE MARKETING

in India 8th - 19th October 1973.

The NCUI/ICA/SCC National Seminar on Agricultural Cooperative Marketing was held at the Vaikunth Mehta National Institute of Cooperative Management, Poona, from October 8 to 19, 1973.

The inaugural session was presided over by Prof. D. Jha, Acting Director of VMNICM. It was addressed by Mr. M. D. Joshi, Director, Department of Cooperation, Ministry of Agriculture, New Delhi; Mr. O. Hakelius of the Swedish Cooperative Centre and Mr. Lionel Gunawardana, Joint Director, International Cooperative Alliance, Regional Office and Education Centre, New Delhi. Mr. A. S. Patel, Joint Director, National Cooperative Union of India, moved a vote of thanks.

The following lectured at the seminar:

1. Dr. G.S. Kamat
Head, Department of Cooperative Marketing & Marketing Management
Vaikunth Mehta National Institute of Cooperative Management
Poona.
2. Mr. R.V. Nadkarni
Professor,
Vaikunth Mehta National Institute of Cooperative Management
Poona.
3. Mr. S.R. Bajaj
Technologist (REF)
National Cooperative Development Corporation
New Delhi
4. Mr. M.D. Joshi
Director. (CC)
Ministry of Agriculture, Department of Cooperation
New Delhi
5. Mr. Olle Hakelius
Swedish Cooperative Centre
Stockholm, Sweden.
6. Mr. Lionel Gunawardana
Joint Director
International Cooperative Alliance
New Delhi
7. Mr. M. Kasaoka
Marketing Specialist
International Cooperative Alliance
New Delhi

The seminar reviewed the agricultural cooperative marketing situation in India. It observed that most of the cooperative marketing societies are engaged merely in the procurement of agricultural produce as agents of the Government and in the supply of agricultural inputs and consumer goods. It recommended that the marketing cooperatives should develop business relations with the suppliers in the open market to ensure a regular flow of supplies even when Government supplies are not forthcoming.

The seminar felt that in order to broaden the activities of the marketing societies which are generally engaged in Government-supported activities in the field of procurement and supplies, they should take up such activities as outright purchases, marketing on commission basis, advancing pledge loans, providing custom services, taking up processing activities, farm guidance etc.

The seminar considered the reasons for gaps in Plan programmes and actual achievements of marketing societies. It felt that the targets fixed are sometimes unrealistic and there should be increased involvement of ground-level organisations in planning in order to draw up realistic plans.

The seminar listed lack of efficiency and businesslike attitude of managerial personnel, wrong location of societies, lack of functional coordination and proper business relations between primaries and their federation and also between the cooperatives and the government departments, official political interference, and lack of member involvement in the affairs of the societies as some of the reasons contributing to failure to achieve the Plan targets.

The seminar observed that a number of primary marketing cooperatives are not viable. The matter was considered at length and it was felt that one of the preconditions for achieving viability is the proper location of the societies, taking into consideration the availability of marketable surplus and arrival of agricultural produce in the market centres. The societies should have an adequate area of operations and a sound financial base.

The seminar recommended that the societies should take up diversified business activities including supply and distribution functions and forge effective business links with their constituents and higher level societies as well as with consumer cooperatives. It felt that availability of proper managerial personnel with business acumen would contribute greatly to the successful working of the societies.

The seminar reviewed the working of the existing cooperative credit structure and discussed the desirability or otherwise of routing the production finance through the cooperative marketing organisation.

As far as long-term loans are concerned, the need to continue loaning through existing land development banks was stressed. However, as some of the commodity marketing societies have successfully provided production finance along with the regular marketing business, it was suggested that the possibility of expanding the system to cover a larger area under a phased and planned programme might be explored. Marketing cooperatives are already providing agricultural inputs like fertilizers, insecticides and pesticides, agricultural implements etc. As credit is required to be converted into an input towards production, the marketing cooperatives can legitimately take up the supply of production credit as one of its functions. The routing of production finance through cooperative marketing societies will enable effective planning, integration of credit and marketing, supervised credit recoveries and economic viability from larger business.

Some participants felt that the supply of production finance through marketing cooperatives is not feasible because of the difficulty in organising too many activities. In their view, it may be desirable to combine trading with banking activities. They feared that the elimination of agricultural service cooperatives may result in inadequate on-the-spot supervision both during the preparation of farm plans and recoveries.

However, the seminar was unanimous on the possibility of introducing the system in specialised commodity cooperative marketing societies.

MANAGEMENT TRAINING

The seminar recognised that there is a definite need for imparting management skills to the managers of the primary marketing societies, whose selection should be based on the basic aptitude for business enterprise. It is necessary to identify the training requirements of the programme to make it more meaningful. The objective should be to equip the manager with necessary technical knowledge for successfully discharging the functions of an executive officer of a marketing society.

The seminar recommended that there should be specific emphasis on acquainting the manager with the general principles of cooperation, cooperative marketing and processing, study of agricultural systems, laws relating to and having a bearing on the functioning of cooperative societies and also on book-keeping, accountancy and management principles as applied to personnel management, production management, sales management and financial management. It emphasised the need for giving scientific knowledge of storage. It felt that the training should be job-oriented and practical rather than a mere theoretical exercise.

Regarding the educational programme for members of the Board, the seminar felt that as they were concerned with laying down the broad policies of business of the marketing society, they should be imparted with the knowledge of principles of cooperation, cooperative marketing and planning process with adequate knowledge of the cooperative laws relating to their duties and responsibilities.

In order that the loyalty of the ordinary members to their marketing society may be sustained, the seminar felt that intensive extension methods should be adopted to impart them with the knowledge of basic principles of cooperation and marketing and the responsibilities devolving on and benefits accruing to them as members of the society.

The seminar discussed the operational problems of cooperative marketing in India and felt that the operational efficiency of a cooperative marketing institution is influenced by a variety of factors like structural pattern, financial soundness, state policy and managerial efficiency.

It was of the view that proper location, healthy intercooperative relation among various tiers of cooperative marketing and the coordination with other cooperative institutions have a bearing both on the volume of business and on operational efficiency. While it was agreed that the Cooperative Department has a significant role to play, the seminar felt that the deputation of departmental officers does not help in promoting operational efficiency due to the frequent changes. The inadequacy of the funds at the disposal of the cooperative marketing societies is also a factor which limits expansion of business and the efficiency resulting from large-scale operations.

The seminar was of the view that the most important factor in achieving operational efficiency is the management structure. The technical competence of the chief executive and his relationship with the elected Board and the paid employees will determine the extent of success in planning, organisation and coordination of various operations.

In a developing economy like India, the seminar felt, State policy is of vital importance in creating the infrastructure for growth. The role assigned by the State to cooperative marketing in the procurement of agricultural produce and distribution of agricultural inputs delimits the areas into which business can expand and determines the limit to which operational efficiency can be gained through large-scale operations.

The seminar considered the need for having a common management cadre for cooperative marketing societies. The argument often voiced against the system is that if the manager of a primary cooperative society is drawn from a common cadre he may not have knowledge of such factors as local environments and marketing practices. Besides, the large primary societies consider this an encroachment on their autonomy. In some cases, small societies may be able to bear the increased cost of cadre management. It may be possible that the cadre manager may have a divided loyalty which may sometimes be unfavourable to the society. These are not strong grounds and can be taken care of by adopting suitable safeguards. Indeed, having regard to the fact that lack of proper trained managerial staff is a factor responsible for the unsatisfactory functioning of a large number of societies, the cadre system has to be maintained. It provides scope to draw young, energetic and talented persons possessing taste and temperament for the job from a wide field.

Cadre personnel can work without fear for the betterment of the society because of their security and better service conditions. It would facilitate effective coordination between the apex and primary organisations. Also, cadre personnel will be able to work impartially, without coming under local influence.

The seminar recommended that certain important considerations should be taken into account while formulating the cadre system. For instance, the management cadre should be maintained by the State-level federation. The selection of the personnel should be made in consultation with experts in the field taking into confidence all the marketing societies. To avoid undue resistance by the societies, the existing manager of a society may be taken in the cadre if recommended by the society concerned. The selected persons should be given intensive job-oriented training. Primary societies may be given the option to select a person from a panel of names. Cadre personnel should have regular avenues of promotion and better service conditions. The management of the appointing societies should have disciplinary powers over the manager. It is necessary to have a clear demarcation of functions of the management and the manager.

The seminar considered the major factors involved in drawing a management plan at the primary society level with special reference to linking of production and marketing plans. The prevailing system in the cooperatives hardly envisages the preparation of a management plan which will take into account the credit and marketing requirements of the farmer. It was recommended that the primary marketing societies, while drawing up a management plan, should take into consideration (1) the requirements of production inputs and consumption articles (2) marketable surplus available with the members (3) communication of market trends or supply situation of inputs and consumption articles (4) provision of technical assistance to finalise production plans in relation to availability of finance (5) arrangements for transport and storage, (6) arrangements for marketing within the State or outside and (7) requirements of raw material for processing units, if any.

FEDERAL STRUCTURE

The seminar considered the appropriate management structure of a federal cooperative marketing organisation. It concluded that the structure should be such as to give adequate representation to the primaries in general body and the board management.

The consensus was that there should be one delegate from each primary marketing society on the general body of the federation. On voting rights the opinion divided. Some members favoured the principle of "one vote for one member". Others, however, suggested that delegates may be allowed additional votes up to a maximum of five on the basis of the volume of business and the membership of the societies represented by them.

The seminar was of the opinion that the Board of Directors should be elected in such a way that representation is given to the affiliated societies. It favoured the idea of coopting some directors on the board of the Federation from amongst the personnel of the Cooperative Department, employees of the Federation and financing banks. Coopting of technical experts to tender advice from time to time was also suggested.

The seminar reviewed the functions required to be performed at different stages for the purchase and supply of fertilizers in the cooperative marketing sector. It recommended that the cooperative should play a role specially in (i) the assessment of requirements of fertilizers (ii) tapping of sources (iii) negotiation and purchase of fertilizers at cooperative rates (iv) making of financial arrangements for purchases, storage and transportation with special reference to timings and places, (v) stocking at retail points (vi) communication of farm guidance, publicity, soil testing and (vii) proper equitable distribution.

The seminar considered the role of federations in relation to marketing functions. After a careful study of the present situation in the country and the variations prevailing from State to State, it recommended that the federations should play a paternal role in solving the problems and helping the further development of the marketing societies with special reference to (i) arranging finances (ii) market intelligence, publicity materials etc.,

(iii) storage and transportation facilities, (iv) collaboration in setting up processing units, (v) providing technical advise for running of processing units under technical and promitional cells, (vi) assistance in inter-State and export trade and (vii) coordinating their work to meet the requirements of other cooperative sectors.

The seminar reviewed the problems encountered by the marketing cooperatives in acting as agents of the Government in foodgrains procurement and discussed probable ways to overcome them. It recommended that wherever cooperative marketing societies are strong enough to take up procurement operations, the area should be entrusted exclusively to the cooperatives.

In areas where the cooperative marketing structure is weak, procurement may be operated through other agencies which are capable. There should be clear demarcation of the area of operation of each agency that the technical staff should assist the cooperatives in determining the quality of the produce and necessary provisions should be made for actual and reasonable shortages due to natural driage and other causes.

The seminar considered the type of assistance the cooperatives should receive from the Government to develop their activities. It recommended that the Government should encourage cooperative marketing societies and offer them assistance in the shape of (i) share capital contribution (ii) loan and subsidy for construction of godowns and purchase of vehicles, (iii) contribution to price fluctuation funds of the societies, (iv) standing guarantee for the working capital to be obtained by the marketing societies from the financing agencies, (v) funds for acquisition of machinery and other fixed assets, (vi) preference in the appointment of agency under State Trading and priority in movement of wagons for transport of the goods handled by the cooperatives. The Government should also make available all the facilities and finance required for procurement of agricultural inputs, especially scare items like fertilizers.

In order to safeguard the Government's interests, it may nominate a limited number of directors on the Board. The Government's nominees should be withdrawn as soon as its share capital contribution is retired. When the societies are able to obtain competent managers the Government should not insist on the appointment of officials as managers.

SUPPLY OF MARKET INFORMATION

The seminar discussed various ways of supplying market information to the producers by the cooperative marketing society in liaison with regulated markets. The society is most suitable agency for conveying market intelligence to the producers in comparison to any other agency. This market intelligence should cover various aspects like present prices of major crops, price forecasting, availability of inputs (fertilizers, pesticides etc.) and its quantitative use and sources of supply, requirements of the processing units of the area, plant protection, prospect of inter-State and export trade and consumers' trends. This can well be achieved by relaying daily bulletins by radio about prices of major crops in the bigger markets, daily letters to service societies and progressive farmers, weekly reviews or by telephone.

The seminar felt that bulkiness of foodgrains and seasonal character to meet the steady demands, heterogenous growth, a small marketable surplus and delays arising out of weak infrastructure in shifting the stocks are some of the factors contributing to the cost of transport and storage of foodgrains.

To effect reduction in the cost, it considered it necessary to organise cooperative marketing societies with their own storage and transport arrangements so that the middlemen could be avoided. Other steps which may help in reducing the cost were collection of agricultural produce with the delivery of inputs, integration of other functions of marketing and credit, handling of marketing produce and coordinated management for the storage of different crops, proper packing to avoid waste, the establishment of processing units as an adjunct to marketing cooperatives, modernisation of storage and transport mechanism and supply of goods by the marketing society direct to consumers' societies.

The seminar discussed the operation of quality payment scheme. It observed that higher quality produce is likely to get better returns in the market it is but fair to pass on to the producer the premium price obtained due to the quality. This will act as an incentive to the producer and encourage him to produce quality goods which have a demand from the higher income groups and scope for export. The operation of the scheme involves grading, standardization and branding of products, identification of markets, careful assessment of demand, building of storage and packing arrangements. The scheme has, however, its limitations set by such factors as consumer preferences, cost of production and the additional return the producer can get due to quality production.

CHARACTERISTICS OF MARKETS

The seminar, while reviewing the characteristics of markets that make processing profitable to producers, observed that proper location, better transport facilities, permanent marketable surplus, even distance from consumption and production points and regular supply of raw material for continuous feeding of the processing unit, economic variability of marketing after processing, identification of market intelligence, study of consumer behaviour, study of demand and supply effective planning on all fronts are relevant factors.

The seminar noted that there were two sources open to the cooperatives for collecting market intelligence: (i) internal and (ii) external.

Internal sources of statistics were available within the cooperative sector itself. Information compiled by the marketing society and State and national level federations served as useful market intelligence. External sources of market intelligence could be the daily newspapers, All India, Radio, business and market bulletins issued by market committees and private associations of State Governments and other agencies.

Market intelligence could be collected by a look at the cooperatives' own account books and their publications as also by keeping personal contacts by telephone and by mail.

Processing activities have been accepted as an allied part of marketing and supply activities but it cannot be taken up by all the marketing and supply organisations.

The seminar considered this issue with special reference to location of processing units the experience with regard to location of the processing unit has not been very happy. In some cases the unit is set up far away from the place of production of raw material. Before setting up a processing unit, the location aspect must be examined by the cooperative society in the light of the following factors:

- (1) Enrolement of members
- (2) Availability of raw materials
- (3) Financial arrangements: own funds and borrowings
- (4) Consumer or producer or joint ventures.

The seminar observed that a number of cooperative processing units are not working satisfactorily largely because they were started without undertaking any techno-economic feasibility study.

In this connection, the seminar recommended that apart from availability of the raw material, the product and the type of processing activity should be identified properly with reference to the study of the markets. The study should also cover important aspects like proper allocation of the unit, availability of adequate transport and communication facilities, power supply, availability of skilled and unskilled labour etc. The profitability of the project, having regard to the proposed financial outlay and the scope for economic utilisation of by-products, should also be examined.

The seminar discussed the types of technical and other information which should be communicated to farmers through farm guidance services, taking into consideration the agricultural conditions prevailing in India. It recommended that the farm guidance services should cover information regarding soil improvement and soil testing, farm plans, land improvement, crop rotation, cropping pattern, improved agricultural practices and application of agricultural inputs. They should also provide information regarding farm management, setting up of demonstration plots to show the results of suitable input combinations, market information and knowledge about the incentives and the services provided by the Government, suggestions regarding setting up of agro-service workshops, use of minor irrigation equipment, setting up of processing units for utilising the surplus production, formation of agriculturists into commodity groups to acquaint them with economics of quality payment, besides educational programmes and information regarding scientific storage, techniques of marketing and benefits of mixed farming.

The seminar considered how marketing societies should carry out farm guidance services among farmer-members. It observed that although in most areas of the country the work relating to farm guidance service has more or less been the responsibility of the Government who are providing the services of extension workers and extension officers, the cooperatives were content to remain mere agencies for disbursing credit and arranging supplies of inputs like seeds, fertilizers and pesticides. While the cooperatives will continue to rely on Government agencies in respect of farm guidance services for their members, a stage had come when they should also play their part by extending such services to their members with regard to matter like preparation of production and financial plans, soil testing, setting up of demonstration farms showing effects in uses of fertilizers and adoption of multiple cropping pattern, dissemination of market intelligence and arrangements of agro-services like tractors, harvester combines and aerial spray. Cooperative societies should continuously educate member-farmers on new farming technology and the benefits accruing from it.

There were differences of opinion among the participants on the institution most suited to provide farm guidance services. Should it be the village credit societies or the marketing societies or both? By and large, the seminar was of the view that in this matter a hard and fast line could not be drawn. The general view was that farm guidance services should be provided by the primary marketing cooperative societies with the help of the village primary credit societies on the one hand and the federations and the central banks on the other. The primary credit societies could be entrusted with the responsibility of preparation of production and financial plans with the help of agronomists and other experts appointed by the marketing societies and the credit staff of the bank. The marketing societies could set up a soil testing laboratory in collaboration with the federation.

The federation could set up agro-service centres in selected areas with facilities for servicing of tractors, harvester combines etc. Aerial spraying of pesticides could be taken up by the federations on the same lines as MARKFED in Punjab.

The seminar felt that the cooperatives should maintain close links with the Government agencies engaged in providing farm guidance services with a view to providing exchange of information on new agricultural technology and practices for the larger benefit of member-farmers. Committees could be constituted at the village level, at the level of the marketing society and at the district and State levels with representatives of cooperatives societies and their agricultural experts, extension officers of the Government and progressive farmer members. The marketing federation would do well to take up the role of supervision and guidance. Thus, the Government and the cooperatives have complementary and supplementary roles to play in the provision of farm guidance services.

ICA/SCC/BJSU NATIONAL SEMINAR ON AGRICULTURAL COOPERATIVE MARKETING

in Bangladesh 5th - 15th November 1973.

The National Seminar on Cooperative Marketing of Agricultural Producers was held in Dacca, Bangladesh, under the joint auspices of the Bangladesh Jatiya Samabaya Union, the International Cooperative Alliance and the Swedish Cooperative Centre from November 5 to 15, 1973.

The inaugural session of the seminar was held under the chairmanship of Mr. M. Dewan Farid Gazi, State Minister for Rural Development and Cooperation, Government of the People's Republic of Bangladesh. Mr. Amirul Islam, Minister of State for Food, was the chief guest. In addition to the chairman and the chief guest, the inaugural session was addressed by Mr. M. Fazur Rahman, Vice-Chairman of the Bangladesh Jatiya Samabaya Union, Mr. Olle Hakelius of the Swedish Cooperative Centre, Mr. Lionel Gunawardana, Joint Director of the International Cooperative Alliance, Mr. A.N.M. Eusuf, Registrar of Cooperative Societies, and Mr. M.R. Chowdhury, Director of the Eastern Cooperative Jute Mills Limited.

The following lectured at the seminar :

1. Mr. Kazi Muzir Uddin, Director, Directorate of Agriculture and Marketing Dacca.
2. Mr. A.N.M. Eusuf, Registrar of Cooperative Societies, Dacca.
3. Mr. L.R. Khan, Joint Secretary, Ministry of Agriculture, Dacca.
4. Mr. Immamuddin Ahmed, Deputy General Manager, Eastern Milk Producers' Cooperative Union, Dacca.
5. Mr. M. Fazlur Rahman, Vice-Chairman I, Bangladesh Jatiya Samabaya Union, Dacca.
6. Mr. Ralph Townsend, Adviser, Bangladesh Jatiya Samabaya Union, Dacca.
7. Mr. Olle Hakelius, Swedish Cooperative Centre, Stockholm
8. Mr. Lionel Gunawardana, Joint Director, ICA Regional Office and Education Centre, Dacca.
9. Mr. M. Kasaoka, Marketing Specialist, ICA Regional Office and Education Centre, New Dehli.

Observance of cooperative principles

The seminar considered possible difficulties in the strict observance of the cooperative principles under the conditions prevailing in Bangladesh and took note of the following:

- (i) Some motivation work is necessary to form cooperatives.
- (ii) Some participants observed that in a few cases democratic control is disturbed due to lack of awareness on the part of the members.
- (iii) The physical facility of cooperative education is limited to the extent of governmental assistance. The movement does not have any educational facility.
- (iv) Cooperation amongst different types and tiers of cooperative organisation seems to be inadequate due to internal and external reasons.

Operation of marketing cooperatives

The seminar considered the mode of operation of the marketing cooperatives in the prevailing agricultural situation in Bangladesh. It felt that the operation of the marketing cooperatives should be broadbased both in type and technique. It was pointed out that -

- (i) Large-scale production is not possible due to small and uneven size of members' holdings.
- (ii) The number of agricultural items is large and marketing facilities needed for increasing production and ensuring price incentive.
- (iii) The market for indigenous agricultural items has to be developed and demand for such items has to be created at the consumer level.
- (iv) Operations must continue during the whole year to reduce overhead costs and attain economy of scale gradually.

At present the agricultural societies deal in production input (seed, fertilizers, fuel). Side by side, they can take up marketing of selected agricultural items and gradually increase the number of items.

In the process of organizational tie-up the secondaries may assist the primaries in the matter of price fixation, commission incentive to the persons handling operations, procurement and transport, storage and marketing, processing and development of processing facility and the apex organization may assist the by providing market intelli-

gence and linking them to the consumers' cooperatives in the urban areas.

The seminar felt that marketing societies in Bangladesh generally face the following operational problems:

1. Members' awareness and involvement in the activities of the society.
2. Inadequacy of the volume of the marketable produce.
3. Efficiency and sincerity of the Managing Committee.
4. Inadequacy of own finance and credit facilities.
5. Coordination with different tiers.
6. Availability of facilities required for marketing.
7. Difference in weights and measurements and absence of gradation which create confusion.
8. Price fluctuation of the produce.
9. Disposability of the produce.

Viability of primaries

The seminar considered the preconditions for making a primary marketing cooperative viable and listed them as follows:

1. Members should be well-motivated and disciplined.
2. The marketing activities of the society should be broad-based.
3. The volume of the marketable produce should be adequate.
4. There should be better coordination between different tiers of cooperatives and between different types of cooperatives.
5. The society should have access to the facilities required for marketing.
6. The society should (i) be financially sound, and (ii) have easy access to credit facilities.
7. The produce of the society should be easily disposable.

Preparation of management plans

The seminar considered the factors that should be taken into account while drawing up management plans of cooperative marketing societies. It felt that the objective of the management plan of a marketing cooperative is to match marketing with production. Therefore in drawing up the management plan the society should invite the members to draw up individual production plans. The members' plans should mainly give information regarding:

- (a) area of land, particulars of seasonal crops proposed to be raised, expected yield, marketable surplus etc.
- (b) input requirement, service requirement, facility requirement,
- (c) resources available, financial assistance needed after taking into account the harvesting expenses.
- (d) particulars of estimated income, estimated expenses and annual surplus.

Where most of the members are not educated, they must be allowed to submit the information verbally and the society should make arrangements to record them.

The individual production plans may be scrutinized by a general meeting with the assistance of a technical person for the benefit of the members.

By compiling these individual targets, the society gets its own target in respect of:

- (i) requirement of inputs,
- (ii) requirement of credit in cash,
- (iii) estimate of total yield, marketable surplus, and
- (iv) also the estimate of the quantity of the produce that the members would actually require to market.

After making the rough estimate of production, the procurement and sale programme may be finalized.

The management plan will exhibit the details of the targets, the resources already available and to be made available, cost and revenue and estimated surplus.

Governmental assistance

The seminar felt that the marketing cooperatives should receive the following types of assistance from the Government for development of their activities while maintaining their essential autonomous character:

1. Facilities in respect of credit, warehousing and storage, training, market information, technical knowhow and trained personnel for planning, guidance and operation.
2. Supplies of inputs and equipment.
3. Development of market and market facilities.
4. Maintenance of stability of price.

Some participants were of the view that the marketing cooperatives should receive tax remission and subsidies in respect of transport and supplies. A few participants suggested that the Government may participate in the share capital of the society where the members so desire.

Fertilizer distribution

The present system of purchase and supply of fertilizers prevailing in Bangladesh is as follows: The BADC is the sole importer and distributor of fertilizers. It has godown facilities spread all over the country, more or less in every thana. The BADC, in most cases, distributes fertilizers to the farmers through appointed private dealers. Only in very limited cases it gives dealership to TCCA's (secondary federation at thana level) and only in limited cases the primary agricultural cooperative is allowed dealership of the fertilizers.

In view of the conditions prevailing in Bangladesh, the seminar was of the opinion that the fertilizers can be purchased and supplied to the member-farmers in the following way: The primary societies will assess the requirement of fertilizers of different types and consolidated statements of the requirements will be forwarded to the secondary federation and to the financing institution. The primary society, on receipt of retail dealership, will arrange storage, credit and transport facilities (may use the transport facility of the secondary/apex society) and also for the distribution of the fertilizers and their proper utilization. The secondary society may negotiate with the financial institution for credit facilities and with the BADC authority for the wholesale dealership, proper distribution to the primary society as per allocation and as for godown facilities. The secondary federation may also compile the requirements of the primaries and send the same to the apex, may also arrange transport, storage and credit facilities for the primaries.

The apex society will also arrange for overall policy-making in respect of procurement, supplies and distribution, price fixation, and also in respect of credit, storage and transport facilities.

The seminar felt that the following functions for marketing of (a) foodgrains, and (b) fruits and vegetables should be performed by the different tiers of cooperatives:

1. The primary society will assemble the produce, grade and sort out, and arrange for storage, transport and credit facilities and arrange for selling the produce effectively.
2. The secondary society will arrange for storage facilities, transport, credit, training and processing (where possible) and to sell at profitable price and to disseminate market information.
3. The apex society may provide for training, processing, credit, transport to influence the Government for favourable marketing policy.

The seminar considered the marketing costs of agricultural products with special reference to the marketing of foodgrains and noted that the individual members' marketable surpluses are small with differences in quality. This increases the marketing cost (assembling, packing, storage, processing). It, therefore, recommended that the cooperatives may undertake marketing of homogeneous quality of items having (or likely to be created) larger supply source for economy of assembling, storing, process and marketing and transport cost.

Quality payments

The seminar felt that the quality payment scheme for rice and banana can be introduced by successfully taking the following measures:

1. Study of consumers' preference
2. Extension work
3. Defining the standard pattern for different qualities (especially in respect of rice).
4. Effective methods of differentiation of different qualities.
5. Determination of price of produce of different qualities.
6. Provision for facilities for the increase of the supplies of the quality produce.

The seminar recommended that the quality payment differential should be increased if effective and aggregate demand of that quality increase, supply of quality produce decreases, the cost of production increases or the market price increases.

The quality payment differential should be equal if the effective and aggregate demand of that quality is in equilibrium. It should be less if effective and aggregate demand decreases, marketing cost increases and quality of the product deteriorates for obvious reasons.

Since there is no organized market in Bangladesh, quality payment schemes may not be effective now. But they may become applicable in future.

Market information

The primary sources for market information in Bangladesh are (i) village and urban market places, (ii) itinery merchants (farin, bepari etc), (iii)wholesalers, (iv) hoarders (aratdar) and (v) producers' cooperatives.

The secondary sources are (i) officers of the Argicultural Marketing Directorate and of the Agricultural Information Directorate, (ii) radio, (iii) newspaper, (iv) the Bureau of Statistics, and (v) agricultural journals.

Location of processing plants

The seminar recommended the following factors should be taken into consideration while deciding on the location of processing plants for (a) dairy products, (b) cold storage and (c) packing of fresh fruit and meat:

- (i) Transport cost.
- (ii) Usefulness of the by-products to the producers,
- (iii) (a) Extent of increase in value, and
(b) extent of improvement in quality as a result of processing.
- (iv) Concentration or dispersal of
 - (a) producers
 - (b) consumers.
- (v) (a) Level of test, and
(b) Nature of consumers' preference.
- (vi) Availability of technical personnel.
- (vii) Availability of infrastructural facilities such as access to electricity, transport and communication facilities.

- (viii) Availability of (a) land, and (b) labour
- (ix) Banking facilities.
- (x) Security of the plants etc.

Depending upon the variation of the impact of the factors available for a specific project, the seminar felt that processing plants for dairy products and packing of fresh fruit and meat should be nearer to the consumers and cold storage nearer to the production points.

Farm guidance services

The seminar recommended the following methods in which the marketing societies may carry out the farm guidance services to the farmers:

- (i) By motivating the farmers in respect of -
 - (a) adoption of improved techniques
 - (b) consolidation of holdings
 - (c) conducting soil test
 - (d) production of selected crops, fruits etc.
- (ii) By giving guidance in respect of -
 - (a) production plan
 - (b) farm budget
 - (c) application of different inputs
 - (d) use of different equipment
 - (e) collection of crops, grading, sorting, preservation, packing etc.
- (iii) By providing services such as -
 - (a) market information
 - (b) procurement of supplies etc.

The seminar felt that the marketing cooperative societies should have relations with their federation in respect of the work of the farm guidance workers in the fields of exchange of market information, policy formalities, training, financing and use of the technical personnel and facilities.

The seminar expressed the opinion that the services of the farm guidance workers of the societies may be coordinated with the Agricultural Extension work of the Government in the preparation of joint work plans, specification of the field of responsibilities of the two sets of workers, understanding and analysing the policies of the Government and the requirements of the member-farmers and casual evaluation of the joint work plans.

The seminar considered the need for farm guidance services in Bangladesh. Following the introduction of high yielding varieties of paddy the farmers need farm guidance facility both in the technical and management aspects. In technical aspect, soil testing, rotation of crops, use of inputs and maintenance of farm equipment were considered most important. In the management aspect, publicity about the need for consolidation of holding and marketing intelligence (input and output), amongst others, were considered important. The seminar considered the existing arrangement for giving guidance to the farmers and recommended that both manpower and facility needs should be augmented - specially the need of technical persons and supply of equipment for soil testing etc.

NCUI/ICA/SCC NATIONAL SEMINAR ON AGRICULTURAL COOPERATIVE MARKETING

in Sri Lanka November 20th - December 7th 1973.

1. The National Seminar on Agricultural Cooperative Marketing was held by the National Cooperative Council of Sri Lanka in collaboration with the Sri Lanka Cooperative Marketing Federation Ltd, the Swedish Cooperative Centre and the International Cooperative Alliance from November 20 to December 7, 1973. The seminar was inaugurated by the Minister of Foreign and Internal Trade, Mr. T.B. Ilangaratne.

Mr. G.S. Dayananda, President, Cooperative Council of Sri Lanka, Mr. R.B. Rajaguru, Commissioner of Cooperative Development, Mr. Olle Hakelius of the Swedish Cooperative Centre and Mr. Lionel Gunawardana, Joint Director, International Cooperative Alliance, Regional Office and Education Centre for South East Asia, addressed the inaugural session.

The following resource persons lectured at the seminar:

1. Mr. O. Hakelius of the Swedish Cooperative Centre.
2. Mr. Lionel Gunawardana, Joint Director, ICA, New Delhi.
3. Mr. M. Kasaoka of the ICA, New Dehli.
4. Mr. W.W.J. Mendis, General Manager, Paddy Marketing Board.
5. Mr. S.P.S. Edirisinghe, Lecturer, School of Cooperation.
6. Mr. O.S.P. Yalagala, Factory and Commercial Manager, National Milk Board (Milk Processing Factory).
7. Dr. J.M. Gunadasa of the Agricultural Research and Training Institute.
8. Mr. R.G.G.O. Gunasekera, Chairman, Cooperative Management Services Centre.
9. Mr. L.M.V. de Silva, Chairman, Sri Lanka Cooperative Marketing Federation.
10. Mr. A.B. Fernando of the Agricultural Farms Division (Department of Agriculture).

2. The seminar discussed the difficulties that may be encountered in applying Cooperative Principles under conditions prevailing in Sri Lanka

(1) The Cooperative Principles are briefly stated as follows:

1. Voluntary and Open Membership
2. Democratic Control
3. Limited interest on Capital
4. Equitable distribution of surplus
5. Cooperative education
6. Cooperation among Cooperatives

There is no difficulty in enforcing Principles 1,3,4 and 5.

(2) Principle No. 2 Democratic Control

Under the provisions made in the Cooperative Act and the By-laws of M.P.C.S. Societies, 9 out of 15 Directors are nominated.

This procedure conflicts with the concept of Democratic Control.

(3) Principle No. 6

All Cooperative Organisations in order to best serve the interest of their members and their communities shall actively cooperate in every practical way with other cooperatives at local national, and international level.

The difficulties encountered are:

- (i) There is no coordination between the Apex organisation and the Primary Society.
- (ii) No planned programme among primary cooperatives.
- (iii) There is no national plan designed by the Apex organisation for the benefit of the Movement.

3. The seminar favoured the formulation of a strategy to cultivate the loyalty of members. Efficient management and provision of long-term economic benefits and of various services to the members should be essential ingredients of such a strategy.

The seminar felt that Government planning for economic development should take into account the following factors:

- (1) As the cooperatives deal with the problems of a large number of people in this developing country in one form or the other, they are in a position to advise the Government in the formulation of plans.
- (2) The cooperatives have a wide network of agencies in the country in the fields of consumer and producer activity and they can be called upon to play their role in plan implementation.

4. The seminar considered the problems involved in coordination the activities of the primaries with their federations. These were identified as follows:

- (1) In a developing economy a single federation is unable to meet the demands of consumer and producer cooperatives.
- (2) Overheads of a vast organisation like the federation may tend to pass down to the producer, unless planned production and coordination exists between the federation and the primaries.
- (3) Federations are not fully equipped to meet seasonal excess production. In other words there is lack of storage and processing plants.
- (4) Trained technical personnel are not available at the federation level to assist the primaries in planning production programmes.

5. At present the multipurpose cooperative in Sri Lanka are managed by Boards of Directors, the majority of the members of which are nominated by the Commissioner of Cooperative Development until such time as the cooperative become financially and administratively sound. Some members, therefore, felt that there is nothing wrong in appointing nine members favoured by the Government at the infancy as the Government is making use of this institution for implementation of certain aspects of the five-year Plan relating to food policy, particularly equitable distribution of basic requirements such as rice, flour, sugar etc. There appeared to be a feeling that as the Government has control over the cooperatives, the cooperative is as good as a State institution.

The seminar wanted steps to be taken to root out this misunderstanding, end the undemocratic way of nominating nine members to the Board and eliminate governmental control over cooperatives. It suggested that official control should be gradually withdrawn as the executive body of the cooperative acquires sufficient experience. Thus as time passes the elected Directors will be in majority. The withdrawal of nominated members should be done in such a way that the viability of the institution is not disturbed. Two of the appointed members may retire every year so that in four years democratic control is achieved. The merit of this scheme is that the implementation of the five-year Plan will not be affected. Even after governmental control ceases, the Government's assistance to cooperative should go on until such time as the society is financially sound. If so desired, the Government may appoint Directors to Board not exceeding three in number to safeguard its interests.

6. The seminar after considering some of the problems the cooperative have to face in carrying out procurement of foodgrains under a monopoly granted by the Government, concluded that there is no efficient organisation in Sri Lanka to compete with the village cooperative society in the procurement of paddy. It noted that -

- (1) Under the monopoly the farmer is compelled to sell his paddy to the cooperative and it should be in readiness to carry out purchasing efficiently and effectively without causing undue delay or inconvenience to the producers.

- (2) Some societies fail to obtain marketing loans from the bank concerned in time.
- (3) Some societies do not possess equipment like weighing machines, bushels, gunny-bags, twine etc.
- (4) To compete with the private trade, the cooperatives have to buy the produce at the field or farm gate (Kamatha) itself soon after the harvest.
- (5) At the time of harvest, the member farmers who are indebted to the society try to avoid selling grains to cooperatives.
- (6) Often, there is undue delay in getting money from the bank after submitting goods receipts.
- (7) Modern techniques of procurement, storage facilities, labour force and adequate transport are not available in the cooperatives.
- (8) Corruption in agencies engaged in paddy procurement discourages the local cooperative managers.
- (9) Corruption in the cooperatives in doing purchases discourages the farmers.
- (10) The margin of commission is generally inadequate.
- (11) Good varieties of paddy like Samba and B G 11/11 are not given a better price by the Paddy Marketing Board. If a better price is given, it will help the society to compete with the private trade to some extent.
- (12) The present system gives room for the farmer to keep any amount of paddy without selling to the cooperatives.
- (13) No allowances for drriage and wastage are given by the cooperatives to the managers.

The seminar made the following suggestions:

- (1) Societies should be provided with marketing loans, equipment, trained personnel etc in time.
- (2) Reasonable drriage and wastage should be allowed.

- (3) Accurate crop registers should be maintained.
- (4) In surplus areas the bank should be in readiness to grant easy loans and make payments against goods receipts immediately.
- (5) Training classes should be organized by the Paddy Marketing Board to train cooperative managers in handling of grains.
- (6) Member-farmers should be trained in planned production.
- (7) Sufficient transport facilities should be provided.
- (8) Corruption should be eliminated forthwith.
- (9) Leaving a sufficient stock for consumption, the farmer should be compelled to surrender his produce to the cooperatives.
- (10) Better prices should be offered for the small varieties.
- (11) To encourage the cooperatives and managers, the commission on paddy purchases should be increased.

7. The seminar considered the advantages and disadvantages in the seasonal storage of paddy by

- (1) (i) Farmers
 - (ii) Cooperative societies
 - (iii) The Paddy Marketing Board

(2) Farmer

(a) Advantages:

- 1) There are no advantages for the farmer in storing , paddy seasonally.

(b) Disadvantages:

The farmer has a need to dispose of his paddy early for the following reasons:

- (i) The repayable period of the loan is seven to nine months and the loan contract does not permit the farmer to retain the loan unless there are special reasons.
- (ii) The farmer plans for the future on the basis of the proceeds from the sale of produce because of his unsound economic position.

(iii) Driage and wastage and problems in accommodation.

Thus, the farmer is at a disadvantage in storing paddy.

(3) Cooperative Society:

(a) Advantages

There are no advantages for the society in storing paddy for the following reasons:

- (i) Insufficient storage facilities.
- (ii) The society has an obligation to settle the bank loans and interest in time.
- (iii) Overhead expenditure to the society.
- (iv) Driage and wastage.

(4) Paddy Marketing Board:

(a) Advantages:

- (i) The P.M.B. is the sole authority for purchase, hulling and milling of paddy.
- (ii) It possesses technical advice and modern techniques for preservation of paddy.
- (iii) Availability of storage facilities.

(5) If the cooperative are to undertake storage of paddy the following requirements must be fulfilled.

- (a) Provision of necessary storage facilities, The P.M.B. may evolve a scheme to rent out stores to societies.
- (b) Processing of paddy by cooperative owned mills.
- (c) Provision of technical assistance.
- (d) Provision of advance payments by the P.M.B. to the society till the paddy is processed and handed over to the P.M.B. because of tying up of capital

(e) Allowances for wastage and drriage.

The seminar felt that there should be a price incentive to encourage storage by cooperatives.

The seminar considered the three proposals for purchase and sale of rice which the Minister of Trade said were before him. The proposals were-

1. To control the sale price of rice at Rs. 2 per measure in the open market.
2. To make it compulsory for the paddy producers to sell all their produce to the Government.
3. To make it compulsory for certain categories of producers to sell a specified quantity of paddy to Government.

The seminar felt that price control would be difficult to implement and might result in rice not coming to the open market freely, thus causing hardship to the consumer. Also, compelling the paddy producers to sell all their paddy to the Government might act as an disincentive to production. The farmers would resent such compulsion.

The seminar strongly favoured the proposal to make it compulsory for certain categories of producers to sell a specified quantity of paddy to the Government. It felt that all paddy producers, irrespective of the size of the land they cultivated should be required to sell a specified quantity of their produce to the Government. The farmers as much as the other citizens of the country were duty bound to assist the country in overcoming the present difficult situation. They received manure and other inputs at subsidised rates and would not and should not grudge selling a reasonable portion of his produce to the Government at a reasonable price.

Therefore, the seminar recommended that -

All paddy producers should be asked to sell to the Government a specified quantity of paddy. It should be a fixed quantity and not a percentage of yield. The quantity may be fixed on a graduated scale according to the acreage owned or cultivated by the farmer.

The quantity to be sold to the Government should be fixed taking into consideration the location of the land, availability of irrigation facilities etc.

The farmers should be free to sell the rest of the produce in the open market without any restriction.

Cooperatives in addition to functioning as agents of the Paddy Marketing Board should be free to purchase and sell paddy or rice in the open market.

Cooperatives competing in the open market with the private trader will have the salutary effect of the consumer getting good quality rice at reasonable rates.

9. The seminar listed the following factors which need to be taken into account in deciding on the location of certain types of processing units:

- (a) Cold storage: close to the consumer centre.
- (b) Dairy and liquid milk plants: close to the consumer centre.
- (c) Rice Mill: close to the producer centre.
- (d) Juice factory: close to the producer centre.

The following guidelines were laid down with regard to the factors to be considered:

- (1) Transportation facilities and cost: Is the raw material bulky? Is it easier to transport in the form of raw material after processing? In which form will be the transport costs lower so that the price paid to the producer is more?
- (2) The usable by-products: Are these needed more in the producer area or in the consumer market?
- (3) Staple commodities: Does the consumer prefer a change? (In the case of meat, processing at the consumer centre is preferred.)
- (4) Concentration: Are the producers concentrated in one area and the consumers spread out? Or is it vice versa? (The cost of collection and cost of distribution should be taken into account.)

- (5) Availability of electricity water, services on the machinery and technical knowledge, labour.
- (6) Availability of raw material.
- (7) Relative cost of land in relation to other costs.

10. The seminar considered the advantages and disadvantages of carrying out marketing of fruits and vegetables (a) by multipurpose societies and (b) by specialised marketing societies and listed them as follows:

(1) Multipurpose Societies:

- (i) The multipurpose societies' area of operation could normally be smaller than that of specialised marketing societies as the manifold functions they undertake make them viable even with a comparatively smaller area. Collection and disposal of fruits and vegetables in a smaller area are easier and quicker and result in less losses due to deterioration. Distribution of agricultural inputs to members also can be done quicker.
- (ii) The multipurpose societies can command adequate resources to advance funds or to make outright purchase.
- (iii) The manifold activities they undertake make it possible for the multipurpose societies to operate on an economical basis. Economics can be effected by shifting of employees working in fruit and vegetable collection sections in the off-season using lorries which go to bring consumer goods to transport fruits and vegetables in their onwards journeys, arranging for official travelling to attend to several matters, using storage facilities for other needs during off-season, using societies' branches as collecting centres etc. By saving cost in this manner the societies will be able to offer competitive prices.

(b) Disadvantages:

It is possible that marketing of fruits and vegetables may be neglected by a society which may have other priorities.

(2) Specialised Marketing Societies:(a) Advantages:

- (i) The management and staff will concentrate on the specialised functions of production, collection, processing and marketing of these items. A system of marketing intelligence can be better organized.
- (ii) There will be no conflicts at the managerial, directors' and members' levels as everyone will have a common interest.
- (iii) Maximum efficiency can be achieved by using the specialized knowledge available to the specialized agencies and commodity committees.

11. The seminar listed the following as preconditions for making a primary cooperative viable:

(1) Planning

- (i) Should plan to educate the producers in a way to produce as much surplus as possible.
 - (ii) Should request the producers to produce a large variety of commodities according to consumers' demands which will ensure an immediate market.
 - (iii) Should make surveys to ascertain the possibilities for marketing of surplus.
 - (iv) Should have an officer to find out the nature of the market.
- (2) Should arrange to make available adequate funds for transactions (e.g. from the share capital of members and from lending institutions).
 - (3) Should have a very efficient management.
 - (4) Should get the loyalty of member-farmers.
 - (5) Should make available processing facilities, storage facilities and transport facilities when required.

- (6) Should advertise through newspapers, have bulletins and radio.
- (7) Should engage in broadbased activities.
- (8) Should have close liaison between the primary and the member-farmers and between the primary and the Apex Union.

The seminar was of the view that the viability of a marketing cooperative society depends on the size of the society, its area of operation, the volume of business transacted, the capital required and the management of the society.

12. The seminar considered the operational problems of a primary marketing cooperative society and listed them as follows:

- (1) Defects and shortcomings of planning due to
 - (a) lack of trained personnel
 - (b) inadequate statistics.
- (2) Delays in Government departments and Banks in granting facilities such as:
 - (a) credit
 - (b) seed paddy
 - (c) advice
 - (d) fertilizer
 - (e) agro-chemicals.
- (3) Lack of
 - (a) tractors
 - (b) lorries
 - (c) spare parts.
- (4) Difficulties in getting individual farmers involved in the activities of the society in plan formulation and implementation.
- (5) Lack of system of insurance both of crops and of farmers.
- (6) Lack of sufficient godowns.
- (7) Non-availability of reliable market information.

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- (8) Reluctance of employees to handle agricultural products due to
 - (a) doubts that the society will now allow a sufficient margin or driage and wastage.
 - (b) lack of a system of incentive bonuses and allowances to employees.

13. Taking into consideration the various functions performed in the process of marketing foodgrains and perishables such as fruits, vegetables and milk, the seminar decided that the following stages are necessary for successful cooperative marketing:

- (1) Planning and marketing intelligence to be performed and provided by a central organisation.
- (2) Dressing or semi-processing for the market to be performed by the producer.
- (3) Collection, short-term storing, classification and grading to be the responsibility of a cooperative society at either the primary or the branch level.
- (4) Processing, short-term storing, long-term storing, marketing and distribution to be the function of a central organisation.

14. The seminar considered the functions that are required to be performed at different stages in the marketing process in respect of purchase and supply of inputs and considered the type of federal services that might be needed.

(a) Function at primary level.

- (i) Planned production according to market needs, depending on the available resources:
 - 1. Collection of data and market information;
 - 2. Assessment of acreage to be cultivated; and
 - 3. Supply of inputs, credit facilities, technical advice etc.

(The present procedure for supply of credit should be eliminate delays.)

- (ii) Collection, sorting and grading, according to market needs:
Techniques of collection, quantity to be collected, supply of packing materials etc.
- (iii) Warehousing and transport.
Storage facilities at the primary level with transport facilities at the right time for the right market.

(b) Functions at the federal level.

- (i) Organising production:
Supply of agricultural inputs, agro-chemicals etc.
Supplying these to the primaries at the proper time.
- (ii) Finding markets:
The federation should organise the finding of markets:
whom, when, where and what quantity and price.
- (iii) Organising and processing of farm products:
Technical assistance and processing facilities must be provided by the federation in collaboration with the Central Government.
- (iv) Organising marketing finance:
Short-term marketing loans and assistance should be provided by the federation with the assistance of banks etc.
- (v) Training and public relating:
Providing a market intelligence communication system, educational programmes, radio talks, films etc. In respect trained personnel should be employed to build up the cooperative image.

15. The seminar was of the opinion that the main factors to be considered in drawing up a management plan at the primary society level with special reference to the linking of the production and marketing plans are:

- (1) Capacity of the society;
- (2) Marketable production; and
- (3) Market possibilities.

The capacity of the society will be the limiting factor in production planning and in attaining the production levels. Marketable production will have to be planned to prevent a depression in prices. Production planning may have to be curtailed according to the financial position of the society. The credit requirements of members will limit the society's capital utilisation.

The society should have facilities for storage, processing etc. of surpluses as otherwise the price of the produce will be depressed. The resources of the Apex society will have influence at all stages of marketing.

16. The seminar considered the various cost items involved in assembly, storage and transport and discussed how to reduce them with special reference to food-grains marketing in Sri Lanka. Its findings were as follows:

A. Cost involved assembly.

(1) Localised nature of farms production.

- (i) Collection of crops grown at distant places involves heavy transport costs.

There is also weighing, handling and wastage at different points;

The small size of the farm adds to the cost of assembly.

- (ii) When several varieties of crops are grown in small scale, collection, storage and grading increase the cost of assembly.

B. Storage.

Because of the lack of uniformity in the nature of farms and their production, high collection and delivery costs are involved in storing. Wastage and drings, the area occupied by a particular commodity, interest on capital, banks loans, maintenance costs, depreciation in buildings and the risk involved in marketing adds to the cost of stora

C. Transport

Location and the nature of produce add to the cost of transport. The seminar considered ways of reducing costs with reference to foodgrains marketing in Sri Lanka and made the following suggestions:

17.

(1) Uniformity of production

There should be uniformity in the production of crops. Farmer training programmes should be taken up and market intelligence and advice provided. Technical assistance and other inputs should be provided for intensive cultivation.

(2) Servicing member farmers with inputs and member credit.

Seeds, advice on the application of fertilizers and marketing loans should be provided at the correct time.

(3) Vertical integration of cooperatives.

Trained personnel should educate members in the management of handling commodities to avoid unnecessary losses and wastages. A coordinated plan should be adopted among agricultural cooperatives to make use of their resources in connection with assembly, storage and transport.

A lot of waste could be eliminated and handling charges saved if processing is done at the collection centre itself, particularly in the case of foodgrains.

18. The seminar was of the view that contractual binding of the farmer and the cooperative was possible only when ready outlets for the produce were established. This put the relationship between the society and the members on a business-like level. The obligations on both sides regarding time, place and terms of contract were closely defined and a fixed or a minimum price might be agreed upon. The contract might even be linked with a credit agreement. It could be on quantity basis, the quantity itself varying according to the season. In such a scheme management was easy, planning was possible, the finances were controlled, the price level was maintained and the loyalty of members was thus guaranteed.

19. The seminar felt that the marketing cooperatives could carry out the "dynamic function" as follows:

The main object of a marketing cooperative should be the promotion of marketing for the benefit of member farmers. One of the ways is supplying market information to member-farmers at the correct time. As farmers are away from the society, some methods of communication should be introduced. The following methods were commended:

1. Organising commodity groups.
2. Organising farmer meetings.
3. Circulating news bulletin among member-farmers.
4. Supply of monthly information by the Apex union to the primaries and in turn by the primaries to member-farmers.
5. Supply of knowhow on making the product available to the consumer at the right place, at the right time and in the desired form.
6. Making contractual binding with members.
7. Education the members to implement new techniques in the application of fertilizers, insecticides and pesticides and in processing, packing, transporting etc.

It was felt that the pricing policy should be so formulated that information can be provided regulary.

The seminar was of the view that before establishing a processing plant a market feasibility study should be undertaken taking into account the following factors:

1. Availability of raw material.
2. Running material.
3. Selling potential (consumer demand).
4. Economic possibility or profitability.
5. Location or situation.

1. Availability of raw material:

- (i) Whether raw material is available at that place or in the surrounding area.
- (ii) Whether the available raw material is sufficient to feed the plant throughout the year.
- (iii) The potential to obtain more raw material.

2. Running materials.

- (i) Availability of labour.
- (ii) Availability of electricity, fuel, water etc.
- (iii) Availability of required funds.

3. Selling potential (consumer demand)

- (i) To what extent the consumer demand is already covered.
- (ii) Available area to be covered by the new line of production.
- (iii) Consumer acceptance.

4. Economic possibility for profitability

Can the unit make reasonable profits after covering the costs.

5. Location or situation:

- (i) Availability of land
- (ii) Availability of communication system by way of motorable roads, telephones, post office, rail road, hospitals etc.
- (iii) Climatic conditions.

The seminar considered ways in which processing can increase the farmers' returns.

Processing means a sequence of operations or changes undergone in withholding that product or commodity seasonally to create a better market with the view to maximizing farm income and increasing the returns.

Processing may be divided into three groups:

1. Processing to bring into market
2. Diversion of products to the market
3. Conversion of raw materials into eatable forms.

20. The seminar considered the types of technical and other information which should be communicated to the farmers through farming guidance services taking into consideration the agricultural conditions prevailing in Sri Lanka.

Farm guidance services can be demarcated into two categories:

- (a) Technical guidance
- (b) Management guidance.

(a) Technical Guidance

This involves education in and propagation of new production techniques for the development of agriculture. These techniques should be based on researches conducted, taking into account the climate, the nature of the soil, the type of the crop and other conditions prevailing in a particular area.

The farmers should be trained -

- (1) To get the soil tested and the quality of fertilizers etc. needed to achieve optimum results prescribed.
- (2) To supply the necessary information about the correct use of fertilizers, insecticides, pesticides, other agricultural inputs and the techniques of mechanized farming.
- (3) To set up demonstration plots.
- (4) To select crops for economic viability depending on the area, the season, available facilities etc.
- (5) To plan soil improvement methods.
- (6) To diversify the crops.

(b) Management Guidance:

The main aspects of management guidance can be classified under three groups:

- (1) Planning of production and marketing of farm products.
 - (a) Market intelligence and the demand position.
 - (b) Preparation of individual members' plans.
 - (c) Organization of commodity groups.
 - (d) Field surveys and advice to farmers.
- (2) Planning of purchase of agricultural inputs.
 - (a) Assessment of the requirement of agricultural inputs, like fertilizers, seed material, implement etc.
 - (b) Organisation of extension services and technical advice and provision of them at the correct time.

- (3) Estimate of income and expenditure.
 - (a) Assessment of production plan and estimate of income and expenditure.
 - (b) Allocation of funds for various activities for the sound management.

The seminar considered how marketing societies should conduct farming guidance services, what relationship they should have with the federations with regard to this work and how these services should be coordinated with the agricultural extension work of the Government. It made the following suggestions:

- (1) A farm guidance plan should be included in the production and marketing plan of the society.
- (2) The farm guidance plan should -
 - (a) include an assessment of the assistance that can be obtained from the federation and the Government with regard to personnel who can help in farm guidance activities; and
 - (b) provide - (1) technical instructions
(2) management guidance.

Technical Instructions

- (a) Provide information regarding the use of chemicals, fertilizers, agricultural inputs and new production techniques.
- (b) Set up demonstration plots and demonstrations to illustrate farm guidance.
- (c) Make available services sponsored by the Government such as soil-testing, veterinary services and agricultural techniques.

Management Services

- (a) Guide farmers to select crops according to the area and the marketing requirements so as to obtain the maximum income.

- (b) Advise farmers on how to obtain the inputs.
- (c) Prepare a budget for the crops.
- (d) Provide information regarding handling, grading, sorting and processing of the products.
- (e) Organise commodity groups among farmers. Visit the farm regularly to supervise the actual implementation of the plan and usage of the facilities and provide advice needed.

The seminar felt that there should be a two-way system of communication between the society and the marketing federation. A programme in this regard should be drawn up in consultation with the different departments having agricultural extension services, the farmers should be kept informed about the programme. Periodical reports pinpointing developments, shortcoming and deviations in cultivation plans should be obtained.

The seminar concluded that in financing the farms guidance activity of a society the Government was a convenient source for supply of funds, technical aid and the necessary inputs in the initial stages. Finance at low interest rates and availability of technical, advisory, research and extension services would help achieve speedily the transformation of the economy from subsistence level to commercial level. However, Government finances would lead to greater official control, resulting in neglect of the needs of members.

It was noted that the capital contribution available from the society and the farmers would be limited in the initial stage of planning of farm guidance activity. As the farm guidance plan progressed, larger contributions could be made by both. Further, at the latter stage the farmer's financial contribution could be related either to the acreage owned by him or to the services obtained by him from the society.

Farm guidance activity financed jointly by the society and the farmer would create an awareness of the members' responsibility. Although the personnel engaged by the society would work in close collaboration with the farmer, the high cost of maintaining such a service would drain the finances. Staff training in new techniques would add to the costs of the society.

The seminar identified the characteristics of markets that make processing profitable to the producer as follows:

- (1) Availability of the product at a time of short supply (off-season) so as to obtain maximum returns, achieve a steady price level and avoid un-economical sales levels.
- (2) Expansion of the market and exploitation of consumer preference with regard to taste, smell etc.
- (3) Diversification of presentation.
- (4) Bulk supplies to facilitate exploitation on commercial scales.

21. The seminar saw justification in paying the producer in keeping with the quality of his product. An incentive payment of this nature would motivate a producer to "dress" the produce before making it available for marketing. The mechanics of this process would result in the end product being available at a cheaper rate to the consumer while ensuring the producer the maximum return -

- (a) By reducing and minimizing transport, handling and re-raining quality;
- (b) By converting waste and offals to manure and animal feed and thereby providing the farmer a feedback; and
- (c) By making it possible for the consumer to get product within the shortest possible time and thereby avoiding fall to the lower end of the quality scale.

The making available of a product to the consumer as cheap as possible while obtaining for the producer as high a return as possible would help fulfill the goal of cooperative marketing.

Quality payment would ensure fulfilment of the prerequisite for orderly marketing and thus help in the firm establishment of cooperatives.

The seminar thought it was extremely important that the production of quality goods it must keep in line with the demand.

Any waste would add to the costs. In controlling quality, the seminar felt that a mechanical device would be preferable to one based on sight, smell and taste.

The seminar considered a quality payment scheme that for fruits and vegetables and made the following suggestions:

1. Fruits and vegetables have the highest perishable tendency and should be given immediate attention in sorting, grading and processing.

- (a) The raw fruits and vegetables should be separated. The overripe fruits should be removed from the consignment and disposed of quickly.
 - (b) The rest of the consignment could be sorted and graded -
 - (i) according to sizes; and
 - (ii) according to varieties
 - (c) Prices may be paid according to grades keeping in mind the need to encourage farmers to concentrate on the higher grades. However, pricing should be so done that the farmer who produces the lower grades is not victimized.
 - (d) Strict instructions and advice should be given to the farmer in the preparation of the vegetables and fruits he handles to ensure that only produce of marketable quality is accepted.
2. (a) The number of grades should be as few as possible.
- (b) Payments should be made on the market prices of the different grades on a consignment basis or in any other form so that the producer of the better quality gets a higher price.

22. Processing

(1) Certain products are perishables. For instance, vegetables. They need an immediate market because their life span is very short. It is, therefore, necessary to divert them to the market immediately so that they can fetch a good price. Delay in sending them to the market will result in a low price.

Some consumers may not prefer a certain product in its original form. They may prefer it in a different form. This means the original product should be processed to attract the consumer. Examples: canned products such as pineapple and mango. The seasonal glut may affect the farmers' returns. When the product is withheld for processing and market supply is controlled, the farmers get better returns. The waste involved in processing can be utilised in the form of by-products. This, too, goes to increase the farmers' returns.

(2) Conversion of raw material into eatable forms:

Processing of paddy into rice, maize into corn are examples of conversion of raw material into eatable forms. The market demand depends on the form in which the product is presented. It should, therefore, be converted into an easily consumable form.

Fulfilment of the conditions mentioned above will eliminate waste and help achieve market stabilisation. This in turn will increase the returns of the farmers. If market stabilisation is achieved, the farmer-member can plan his production to obtain the best results.