

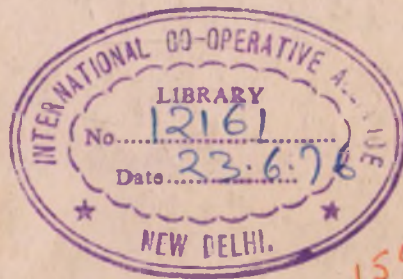
CASE STUDY

ON

GUJRAT STATE COOPERATIVE MARKETING SOCIETY LTD

AHMEDABAD (India)

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New Delhi
May 30, 1974

Jai Prakash

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GUJARAT STATE COOPERATIVE MARKETING SOCIETY LTD.

AHMEDABAD (INDIA)

a) Objects of the Society

The objects of the Society as set forth in the latest bye-laws are:

1. to arrange for the sale of produce of the members to the best advantage;
2. to purchase and sell agricultural produce and farmers' requisites;
3. to undertake and promote either on its own account or on behalf of member-societies or Government, import, export and inter-state trade in agricultural produce and other commodities and allied goods and requisites;
4. to open branches and/or sales depots or agencies in any part of Gujarat State and/or outside the State with the previous permission of the Registrar, Cooperative Societies, Gujarat State;
5. to act as agents on behalf of member-societies for sale of produce and supply of requisites, such as seeds, fertilizers, implements and agricultural machinery;
6. to take and give on rent godowns or cold storages, own godowns and cold storages to facilitate the storing and sale of produce and to do the business of licensed warehouseman;
7. to coordinate and promote marketing and trading activities of marketing and processing societies in the State so as to create an integrated marketing organization and to render them service and guidance;
8. to serve as a bureau for the dissemination of market intelligence;
9. to advance money on the security of produce of members;
10. to act as central purchase and selling agency for members;
11. to do with and for non-members such business subject to such conditions as may be decided upon from time to time by the Board of Directors and to do such other things as are incidental or conducive to the attainment of the above objects;
12. to supervise and guide the work of member societies;
13. to raise funds for conducting the activities of the Society;
14. to undertake training of employees of and to provide personnel for the marketing organizations;
15. to promote the economic interests of the affiliated societies and other members in accordance with cooperative principles and to facilitate the operation of any society registered under the Gujarat Cooperative Societies Act, 1961, or any other Cooperative Societies Act for the time being in force;

16. to call for information and periodical returns and statements from affiliated societies and, if necessary, to arrange for the publication of such statements;
17. to own lands, buildings, fixtures and vehicles and to take or give them on lease or rent for the business of the society;
18. to establish and support or aid in the establishment of funds calculated to benefit employees of the Society or their dependants;
19. to act as agents for the Government and for the public bodies and corporations registered under any Act with the previous sanction of the Registrar, Cooperative Societies, Gujarat State;
20. to subscribe to the share capital of affiliated societies, if and when necessary;
21. to undertake liquidation work of affiliated societies and other marketing societies on conditions laid down by the Registrar, Cooperative Societies, Gujarat State;
22. to consider and, if necessary, to represent the grievances of affiliated societies individually or collectively to the authorities and public bodies;
23. to do such other business as may be conducive for the promotion of agricultural cooperative marketing and processing in Gujarat State;
24. to undertake the work of establishing units, whether free-hold, lease-hold or otherwise, for manufacturing, formulating, and/or processing agricultural implements, granular fertilizers, pesticides and/or other allied requirements.

(b) Analysis if the Society fulfils its aims, completely, partially or is trying for other aims

The Society supplies fertilizers, pesticides, hybrid and other seeds, agricultural machinery, etc. and handles the marketing of agricultural produce, mainly paddy and cotton. In the case of paddy marketing, it enters into partnership with the District Cooperative Purchase and Sale Unions and Taluka (a sub-district) Cooperative purchase and Sale Unions.

The Society acts as agent of the State Government and other Corporations for the procurement/purchase of agricultural produce.

It buys on commission basis agricultural commodities, such as cumin seed, mustard seed, etc. on behalf of the National Agricultural Cooperative Marketing Federation Ltd.

The Society has constructed godowns in various parts of Gujarat for the storage of fertilizers, seeds, pesticides, etc. It has opened 17 sales depots in Gujarat for the sale of agricultural inputs.

The Society operates a pesticides formulation unit, a rice mill and a cotton-seed crushing plant in Gujarat.

It disseminates market intelligence and provides advice and guidance to marketing and processing societies in the State.

Area of Operation

The area of operation of the Society extends to the whole of Gujarat State. The area of Gujarat is 195,985 sq. km. and the population at the 1971 census was 26,697,475 of which rural population was 19,200,975 and urban 7,496,500, with a density of population of 136 per sq. km. The proportion of workers by occupational categories was as follows: cultivator 43.01 per cent, agricultural labourers 22.06 per cent and other categories 34.93 per cent. The area and population of Gujarat represents 6.14 per cent and 4.9 per cent respectively of the area and population of the Indian Union. The State has 217 towns and 18,275 villages spread over 184 talukas in 19 districts.

Agricultural Production in Gujarat

The total land available for use in Gujarat is 18.53 million hectares of which cropped area is 10.19 million hectares. The total irrigated land is 1.06 million hectares, which is about 10.4 per cent of the total cropped area.

Area, production and yield of food and non-food crops in Gujarat for the years 1969-70 to 1972-73 is given in Annexe 'A'. The main food crops are bajra (pearl millet), jowar (sorghum), rice and wheat. The important commercial crops are cotton, groundnut and tobacco. The production of foodgrains increased from 3.20 million metric tonnes in 1969-70 to 4.24 million metric tonnes in 1970-71. Due to the failure of monsoons and the resultant severe drought, the

foodgrains production in 1972-73 had a severe set-back; the production was only 2.21 million tonnes, up from the earlier forecast of 2.10 million tonnes. The production of sugarcane was 180,100 tonnes, cotton 1.38 million bales (180 kgs. each), oilseeds 421,900 tonnes in 1972-73, as against 184,900 tonnes, 2.28 million bales and 1.65 million tonnes respectively in 1971-72. Production of foodgrains falls short of the requirements in Gujarat.

Structure of Farms

The number of holdings and the area according to the various sizes of holdings in Gujarat as on March 31, 1962, is given in Annexe 'B'. The total holdings were 2,241,397 covering an area of 24,105,040 acres (9,754,821 hectares). 31.60 per cent were up to 3 acres with 4.40 per cent of the area, 34.60 per cent over 3 acres and up to 10 acres with 18.79 per cent of the area and 33.80 per cent were over 10 with 76.81 of the area.

The average size of land holding worked out at 4.35 hectares as on March 31, 1962, against 4.22 hectares on the basis of reports of the Farm Management Studies conducted in Surat and Bulsar districts of Gujarat during 1968-69.

Composition of the Marketable Surplus from the Farms

Detailed figures of the composition of the marketable surplus of agricultural produce in Gujarat are not available. However, it has been estimated that the State annually produces more than Rs. 3,000 million worth of agricultural products of which the marketable surplus accounts for Rs. 2,250 million.

Number and Market Share for Other Agencies than the Cooperative in the Marketing of Agricultural Produce and Supply of Production Requisites

Marketing of agricultural produce

About 65 per cent of the total produce marketed in the State is handled by private traders including commission agents. It has not been possible to make an estimate of the number of private traders and their market share in respect of

paddy marketing. An estimated number of 1,000 commission agents market about 65 per cent of the cotton grown in Gujarat.

Supply of production requisites

Fertilizers

There is no private trade in the distribution of nitrogenous fertilizers except for the Gujarat State Fertilizer Co. which markets about 15 per cent of its total sales of fertilizers in Gujarat through its 150 agricultural service centres. The total distribution of nitrogenous fertilizers in Gujarat during 1972-73 has been estimated at 383,000 metric tonnes.

About 1,700 private traders are engaged in the distribution of phosphatic fertilizers, mainly single superphosphate, and they marketed about 50 per cent of the total requirements of 120,000 metric tonnes of phosphatic fertilizers during 1972-73. They also account for about 75 per cent of the total distribution of potassic fertilizers in Gujarat.

Pesticides

About 1,600 private traders market about 25 per cent of the total distribution of pesticides in Gujarat. Pesticides worth Rs. 120 million were distributed in the State during 1973. It may be mentioned that the Government of Gujarat had introduced a subsidy of 25 per cent on sales of pesticides through cooperatives in 1965, which has been withdrawn from April 1, 1974.

Hybrid Seeds

The private traders account for about 1 to 2 per cent of the total distribution of hybrid bajra seeds in Gujarat, which they import from other states. Production and distribution of hybrid bajra seeds has been entrusted to the Society by the State Government.

There is no private trade in the distribution of hybrid castor seeds and 100 per cent distribution is done by the cooperatives.

Chicory Seeds

The private trade is not involved in the distribution of chicory seeds; these are imported by the Society almost every year and distributed directly to the cooperatives, and to factories producing chicory powder according to the instructions of the State Government.

Main Ways of Collection of Marketable Surplus from the Farmers by the Society

Marketable surplus is procured by the Society mainly through the district cooperative purchase and sale unions in the case of paddy. Cotton is procured from the cotton cooperative purchase and sale societies. The Society also buys cotton from the regulated market in Botad and at ginneries at Manavadar in the absence of a market yard.

Government Policy Affecting the External Activities of the Society

The Government of Gujarat institutes levy in paddy, wheat, bajra and groundnut oil on year-to-year basis. However, there is no monopoly procurement in the State. The marketable surplus is reduced to the extent of the levy imposed by the Government. Since the Society markets only limited amounts of paddy and cotton, its marketing activities are not unduly affected by the procurement policies of the State Government.

INTERNAL FACTORSBrief History of the Society

The new State of Gujarat was formed on May 1, 1960, from the north and west (predominantly Gujarati speaking) portion of the bilingual Bombay State as a result of the Bombay Reorganization Act, 1960. The remainder portion of the Bombay State was renamed the State of Maharashtra.

The leading cooperative institutions and cooperative workers decided to have apex cooperative institutions in the new State of Gujarat. The Society was registered on April 19, 1960, before the new State of Gujarat came into being.

As provided in the constitution, the first 15-member Board of Directors of the Society was nominated by the Rural Development Department of the Govt. of Gujarat by its Resolution dated May 1, 1960, for a period of three years which was further extended by a period of six months. Thereafter, the Board is elected as provided in the bye-laws of the Society.

Material Resources of the Society

Land: Owned - Six plots of land with a total area of about 12.5 hectares in various parts of Gujarat for the construction of godowns.

On Lease - A plot of land measuring 5,937 sq. metres has been taken on lease from the Surat District Cooperative Purchase and Sale Union at Sachin for the construction of a godown.

Buildings: Owned

	<u>Cost</u>	<u>Depreciated value</u> <u>as on June 30, 1973</u>
	Rs.	Rs.
Office building at Ahmedabad	738,756	596,530
Guest House building at Ahmedabad	111,100	108,325
Factory buildings for the Pesticides formulation unit and Agricultural implements manufacturing unit	134,081	110,044
20 godowns with a total capacity of 13,500 metric tonnes	2,011,607	1,893,323

In addition, the Society completed construction of 7 more godowns with a total capacity of 5,000 metric tonnes during the period from July 1, 1973 to April 30, 1974.

Machinery: Owned

	<u>Cost</u>	<u>Depreciated value</u> <u>as on June 30, 1973</u>
	Rs.	Rs.
Pulveriser, powder and liquid mixers for the Pesticides unit	115,983	80,353
Lathe, boring machine, sheet-metal press, etc. for the agricultural implements manufacturing unit		

The Society has constructed a rice mill at Sachin which went into operation during January 1974.

On Lease: A cottonseed crushing plant has been taken by the Society on lease-cum-partnership basis from the Gujarat State Cooperative Cottonseed Industry Union from November 1, 1972.

Organizational Structure of the Society

(a) Administrative organization of personnel

The Society has the following ten Sections:

- | | |
|---------------------------|--------------------------|
| 1. Administration Section | 6. Groundnut Oil Section |
| 2. Accounts Section | 7. Cotton Section |
| 3. Fertilizer Section | 8. Foodgrains Section |
| 4. Pesticides Section | 9. Oil Engines Section |
| 5. Hybrid Seed Section | 10. Cooperation Section |

The Society was appointed sole distributor of AMUL products manufactured by the Kaira District Cooperative Milk Producers' Union Ltd., Anand (Gujarat), in 1969-70 for the entire State of Gujarat, and had a separate AMUL Section till the end of March 1974, which handled the distribution of AMUL butter, ghee, cheese and milk powder. However, the distributorship of the Society was terminated with effect from April 1, 1974, and the same has been taken over by the Federation of Dairy Cooperatives.

The Chief Executive of the Society is the Manager, who is appointed by the Board of Directors for a maximum period of five years and is eligible for re-appointment. Each Section is headed either by a Deputy Manager/Assistant Manager or an officer with the exception of the Cooperation Section which is headed by an Agricultural Marketing Expert. As of April 30, 1974, the Society had 450 employees including 159 agricultural graduates and two for civil engineering. 25 officials were on deputation from the State Government.

A sketch outlining the internal organizational structure of the Society is given in Annexe 'C'. Some of the details are given below:

Fertilizer Section

This Section handles the distribution of nitrogenous, potassic and complex fertilizers and chemical gypsum. About 67 per cent of the turnover of the Society is accounted for by the sale of fertilizers. As of March 31, 1974, the Society had 195 agents consisting of 17 District Cooperative Purchase and Sale Unions, 64 Taluka Cooperative Purchase and Sale Unions and 114 direct retail societies. About 3,500 cooperatives were engaged in the retail distribution of fertilizers in the State during the year 1973-74.

Pesticides Section

This Section makes purchases of pesticides from the Imperial Chemical Industries and Sandoz. It also manages the Society's Pesticides formulation unit which went into production during March 1969. Own production accounts for about 50 per cent of the sale of pesticides by the Society. It has its own laboratory for the testing of pesticides.

Hybrid Seed Section

It is responsible for the production and distribution of hybrid bajra seeds. It gets the certified seeds from the contract growers which are processed and packed in bags of 1.5 kg. The distribution of hybrid bajra seeds amounted to 2.78 million kgs. in 1971-72 and 3.67 million kgs. in 1972-73.

It has also undertaken the production and distribution of hybrid castor seeds from 1971-72.

In addition, it procures from other States and the National Seeds Corporation hybrid sorghum and hybrid maize foundation seeds, wheat seed, MCU5 cotton seed, and potato seeds. It also imports annually chicory seeds to meet the requirements of farmers and factories producing chicory powder.

Groundnut Oil Section

This Section handles the work of collection, transport, storage and distribution of levy groundnut oil as agent of the Govt. of Gujarat. It also purchases groundnut oil from the open market on behalf of the State Government.

Cotton Section

In cooperation with 79 cotton cooperative sale societies, this Section arranges for the sale of cotton on commission basis to textile mills both on cash and credit. It also makes purchases of about 3,000 bales of cotton worth about Rs. 4 million on its own account.

Foodgrains Section

This Section handles the work of collection of levy wheat and paddy as agent of the Government of Gujarat. It also buys paddy in partnership with the District and Taluka Cooperative Purchase and Sale Unions.

Oil Engines Section

It handles the supply of oil engines, centrifugal pumps, electric motors, starters, etc. for which it has acquired agencies of reputed manufacturers. It keeps only 2 to $2\frac{1}{2}$ per cent commission and the rest is passed on to the cooperatives.

Cooperation Section

The functions of this Section are to maintain liaison with the National Cooperative Development Corporation (NCDC), the Registrar of Cooperative Societies and with the Department of Agriculture and Cooperation of the State Government, to disseminate market intelligence and to provide advice and guidance to the marketing and processing cooperatives in the State.

The Section gives wide publicity to the central sector schemes of the NCDC. It issues daily price reports of major agricultural products in Ahmedabad. Weekly bulletin of the prices of agricultural commodities ruling in most of the regulated markets in Gujarat is also issued.

(b) Democratic Organization of the Society

The entire administration, management and control of the Society vests in the Board of Directors. The Board is elected from amongst the 'A' class members. The membership of the Society consists of 'A' and 'B' classes of members. Agricultural Cooperative credit societies, multipurpose societies and service societies dealing in pooling and marketing of members' produce and having a minimum paid-up capital of Rs. 25,000, marketing and/or processing societies, State-level institutions, district central cooperative banks and other cooperative banks and industrial cooperatives connected with agro-industries, which are registered under the Gujarat Cooperative Societies Act, are eligible to become 'A' class members, and they have to take up shares of Rs. 500 each of the Society. The Society has 653 'A' class members as on June 30, 1973.

Societies or persons with whom the Society has business relations or with whom it is likely to do business are admitted as 'B' class members. Membership of class 'B' carries no right of vote or participation in the management of the Society or in the distribution of its profits or liabilities in the event of liquidation. The Society had 308 'B' class members as on June 30, 1973.

The Board of Directors of the Society consisted of 26 members during 1972-73, composed of the following:

- | | |
|---|----|
| (a) Representatives of cooperative marketing and/or processing societies and/or cooperative agricultural credit societies, multipurpose societies or service societies other than industrial cooperatives - one for each Revenue District provided that at least 5 of the above-mentioned societies are members of the Society. The societies in each district will form a separate constituency and return the required representative | 17 |
| (b) Representative of the Gujarat State Cooperative Bank Ltd. | 1 |
| (c) Representative of the Gujarat State Cooperative Land Development Bank Ltd. | 1 |
| (d) Representative of the District Central Cooperative Banks | 1 |

- (e) Representative of cooperative societies which are not in any of the above constituencies 1
- (f) The Registrar of Cooperative Societies or his representative 1
- (g) Representatives of the Government of Gujarat 2
- (h) Co-opted directors preferably persons having practical experience in cooperative marketing of agricultural produce 2

The directors representing members at (a), (d) and (e) above hold office for a period of three years and at the end of every third year of their office, they retire by rotation in such a way that one-third of them retire every year. The retiring directors are eligible for re-election, provided they are not subject to any disqualifications. The annual general meeting elects the directors in place of the retiring ones.

The directors present at their first meeting after the annual general meeting co-opt persons as directors vide (h) above and thereafter elect their own Chairman and Vice-Chairman.

Executive Committee

The Board of Directors appoint each year an Executive Committee of nine directors consisting of the Chairman, the Vice-Chairman, the Registrar of Cooperative Societies, and any six of the remaining directors, and may delegate to it all or any of its powers.

Sub-Committees

The Executive Committee appoints each year a number of sub-committees consisting of the Chairman, the Vice-Chairman, the Managing Director/Manager, and not less than two other directors with powers to co-opt not more than three representatives who need not be directors of the Society on behalf of societies providing business to the Society, and may delegate to it any or all of the powers vested in it.

The Executive Committee may also appoint a sub-committee or committees of at least 3 directors to consider and dispose of any specific problem or subject.

The Society had seven sub-committees during 1972-73. The membership and functions of these sub-committees are mentioned below:

Name of the Sub-Committee	No. of members	F u n c t i o n s
1. Fertilizer	10	All policy decisions and important matters relating to fertilizer business of the Society.
2. Hybrid Seeds	10	All policy decisions and important matters relating to hybrid seeds business of the Society.
3. Cotton	10	All policy decisions and important matters relating to the cotton business of the Society.
4. Pesticides	5	All policy decisions and important matters relating to pesticides business of the Society.
5. Rates	5	To fix rates of discounts for various items manufactured or dealt in by the Society.
6. Building	5	Purchase of land, construction of godowns or other buildings.
7. Staff	5	All policy decisions and important matters relating to and affecting the staff working in the Society.

Government Policies Affecting the Internal Activities of the Society

The bye-laws of the Society provide for two representatives of the Government of Gujarat on the Board of Directors. In addition, the Registrar of Cooperative Societies, Gujarat State, is the ex-officio member of the Board.

The Government nominees will continue on the Board till such time the share capital contributed by the Government is re-paid. According to the bye-laws of the Society, where the nominees of the Government dissent from the decision of the Board of Directors, the right of appeal will lie to the Govt. of Gujarat and its decision will be binding on the Board of Directors.

Government officials are sent on deputation to the Society at the latter's request.

ECONOMIC FACTORSFinancial Performance

The comparative income statements in Annexe 'D' contain the principal items of income and expenses of the Society for the years ended June 30, 1971 to 1973. A summary of the income statements appear in the Schedule below:

(Schedule I)

	Year ended June 30th					
	1971 Rs.	% to turn- over	1972 Rs.	% to turn- over	1973 Rs.	% to turn- over
Sales	322,897,702		373,725,451		386,175,214	
Gross operating profit	8,143,229	2.52	13,936,692	3.73	14,162,337	3.67
Profits after deducting general and administrative expenses	4,998,577	1.55	9,128,386	2.45	9,180,996	2.38
Interest paid	1,912,242		8,476,225		8,008,320	
Interest received	4,042,415		4,149,011		3,214,859	
Dividends received	29,002		42,903		55,944	
Result of operations before depreciation	7,157,752		4,844,075		4,443,479	
Depreciation	93,559		131,644		149,076	
Result of operations after depreciation but before addition of other income	7,064,193		4,712,431		4,294,403	
Other income	276,666		1,896,927		2,648,319	
Net Profit	5,315,186		5,368,167		5,462,157	

Operations for the three year period ended June 30, 1971 to 1973, disclose steadily increasing sales from Rs. 322,897,702 in 1971 to Rs. 373,725,451 in 1972 recording an increase of 15.74 per cent over 1971; and to Rs. 386,175,214 in 1973 representing an increase of 3.33 per cent over 1972. The gross operating profit steadily increased from Rs. 8,143,229 in 1971 to Rs. 13,936,692 in 1972; and to Rs. 14,162,337 in 1973. The gross operating profit shows a return on turnover of 2.52 per cent in 1971, 3.73 per cent in 1972 and 3.67 per cent in 1973.

Profits after deducting general and administrative expenses steadily increased from Rs. 4,998,557 in 1971 to Rs. 9,128,386 in 1972 and was marginally higher at Rs. 9,180,996 in 1973. This was 1.55 per cent of the turnover in 1971, 2.45 in 1972 and 2.38 in 1973 in line with the gross return on sales.

Profit after interest payments and receipts but before provision for depreciation amounted to Rs. 7,157,752 in 1971, dropped to Rs. 4,844,075 in 1972 and further dropped to Rs. 4,443,479 due to net outgo of interest charges both in 1972 and 1973.

Profit after depreciation but before the addition of other income amounted to Rs. 7,064,193 in 1971, declined to Rs. 4,712,431 in 1972 and to Rs. 4,294,403 in 1973.

With the addition of other income, the net profit after provision for income-tax and bad and doubtful debts steadily expanded from Rs. 5,314,186 in 1971 to Rs. 5,368,167 in 1972 and to Rs. 5,462,157 in 1973.

Analysis of the Liquidity Position

Current Ratio

The comparative statements in Annexe 'E' show the principal items of current assets and current liabilities and the current ratio of the Society for the five-year period ended June 30, 1969 to 1973. The total current assets, current liabilities, net working capital and the current ratio for the above period is given in the following schedule:

(Schedule II)

	1969 Rs.	1970 Rs.	1971 Rs.	1972 Rs.	1973 Rs.
Current Assets	90,723,173	110,095,314	191,336,990	146,789,746	81,933,884
Current Liabilities	77,645,333	90,280,119	161,390,188	112,473,537	42,749,045
Net Working Capital	13,077,840	19,815,195	29,946,802	34,307,209	39,184,839
Current Ratio	1.17:1	1.22:1	1.19:1	1.31:1	1.92:1

During the three-year period ended June 30, 1969 to 1971, the current assets increased from Rs. 90,723,173 to Rs. 191,336,990. Practically all this increase was represented by heavier inventories, which were valued at Rs. 45,435,098 in 1969 and at Rs. 137,972,072 in 1971. The valuation of groundnut oil has been done at the distribution price fixed by the State Government, which was lower than the procurement price, the losses being re-imbursed to the Society by the Government. The current assets decreased from Rs. 191,336,990 in 1971 to Rs. 146,780,746. Between the years 1972 and 1973, the current assets substantially dropped by 44.18 per cent from Rs. 146,780,746 to Rs. 81,933,884. In both these years, this was largely due to sharp decrease in inventory.

The current liabilities expanded from Rs. 77,645,333 in 1969 to Rs. 90,280,119 in 1970, and to Rs. 161,390,188 in 1971. The steadily increase in current liabilities was largely due to increase in other accounts payable in 1971, and to the sharp increase in short-term loans from Rs. 48,933,690 in 1970 to Rs. 127,552,887 in 1972. The current liabilities dropped considerably from Rs. 161,390,188 in 1971 to Rs. 112,473,537 in 1972, dropped further to Rs. 42,749,045 in 1973. The steadily decrease in the current liabilities was due practically to a substantial decrease in short-term loans from Rs. 127,552,887 to Rs. 72,384,386 in 1972, which were completely liquidated in 1973.

The net working capital (difference between current assets and current liabilities) steadily increased from Rs. 13,077,840 in 1969 to Rs. 39,184,839 in 1973.

Between the years 1969 and 1970, the current ratio improved from 1.17:1 to 1.22:1, but dropped to 1.19:1 in 1971. It increased to 1.31:1 in 1972 and the increase continued to 1.92:1 in 1973. For the four years ended June 30, 1969 to 1972, each of these ratios were low, and the ratio of 1.17:1 for 1969 was the lowest.

Liquidity Ratio (Acid Test)

The comparative condition of the quick assets, current liabilities and Liquidity Ratio ratio of the Society for the years ended June 30, 1969 to 1973 appear in Schedule III below.

(Schedule III)

	1969 Rs.	1970 Rs.	1971 Rs.	1972 Rs.	1973 Rs.
Quick Assets	43,656,301	44,959,418	51,474,525	69,641,659	70,241,685
Current Liability	77,645,333	90,280,119	161,390,188	112,473,537	42,749,045
Liquidity Ratio	0.56:1	0.50:1	0.31:1	0.62:1	1.64:1

(For composition of the quick assets and current liabilities, please see Annexe E).

During the above period, the quick assets expanded considerably from Rs. 43,656,301 in 1969 to Rs. 70,241,685 in 1973. These assets increased from Rs. 43,656,301 in 1969 to Rs. 44,959,418 in 1970, and to Rs. 51,474,525 in 1971. The quick assets expanded from Rs. 51,474,525 in 1971 to Rs. 69,641,659 in 1972 on account of substantial increase in sundry debtors, and further increased to Rs. 70,241,685 in 1973. In 1973, the sundry debtors have decreased from Rs. 69,641,659 in 1972 to Rs. 42,900,139 but cash has increased from Rs. 2,265,363 in 1972 to Rs. 24,120,435 in 1973.

The analysis of the current liabilities for the period from 1969 to 1973 has already been done under the current ratio. (see p. 16).

The result was a steady drop in the liquidity ratio from 0.56:1 in 1969 to 0.50:1 in 1970 and 0.31:1 in 1971. The ratio improved to 0.62:1 in 1972 and substantially improved to 1.64:1 in 1973.

The liquidity ratio was low for the four year period ending June 30, 1969 to 1972, and the ratio of 0.31:1 in 1971 exceptionally low. During this four year period, the society was not in a position to meet its current liabilities out of its quick assets.

Analysis of the Solidity Position

The comparative statement in Annexe 'F' shows the composition of the total capital, long-term debts, net worth, net fixed assets of the Society for the five year period from June 30, 1969 to 1973, alongwith the ratios for the following three measures used in analysing the solidity position of the Society: (a) Net worth to total capital, (b) Long-term debts to total capital, (c) Net fixed assets to net worth. The total figures for each of these items for the above period appear in the Schedule below:

	1969	1970	1971	(Schedule IV)	
	1969	1970	1971	1972	1973
	Rs.	Rs.	Rs.	Rs.	Rs.
Total capital	14,836,298	21,746,044	32,042,884	37,619,240	44,036,003
Long-term debts	85,532	78,709	1,547,553	1,429,298	1,787,853
Net worth	14,750,766	21,667,335	30,495,331	36,189,942	42,248,150
Net fixed assets	1,786,360	1,955,083	2,108,197	3,480,509	4,761,655
<u>Ratios :</u>					
Net worth to total capital	99.42%	99.64%	95.17%	96.20%	95.94%
Long-term debts to total capital	0.58%	0.36%	4.83%	3.80%	4.06%
Net fixed assets to Net worth	12.11%	9.02%	6.91%	8.62%	11.27%

(a) Net worth to Total capital

During the five-year period ended June 30, 1969 to 1973, the total capital steadily increased from Rs. 14,836,298 in 1969 to Rs. 44,036,003 in 1973 and also the net worth from Rs. 14,750,766 in 1969 to Rs. 42,248,150 in 1973, both due to upward trend in the net profits in each successive year.

The figures disclosed that the net worth amounted to 99.42 per cent of the total capital in 1969, 99.64 per cent in 1970, 95.17 per cent in 1971, 96.20 per cent in 1972 and 95.94 per cent in 1973. The ownership funds (equity) represent a minimum of 95.00 per cent of the total capital of the society during the above period.

(b) Long-term debts to total capital

The figure for the year ended June 30, 1969, revealed of Rs. 85,532 of outstanding long-term debt. By 1970, the long-term debts had been reduced to Rs. 78,709. It increased to Rs. 1,547,553 in 1971, then reduced to Rs. 1,429,298 in 1972 and again increased to Rs. 1,787,553 in 1973. The total capital steadily increased as indicated at (a) above.

There is a divergent trend in the outstanding long-term debts and a steady improvement in the total capital. The long-term debts represented 0.58 per cent of the total capital in 1969, 0.36 per cent in 1970, 4.83 per cent in 1971, 3.80 per cent in 1972 and 4.06 per cent in 1973. This reflects sound long-term financial policy.

(c) Net Fixed Assets to Net Worth

Between the years 1969 and 1973, the fixed assets, net after depreciation but including additions and improvements, increased steadily from Rs. 1,786,360 in 1969 to Rs. 4,761,655 in 1973. During the same period the net worth increased steadily vide (a) above.

In 1969, the net fixed assets were 12.11 per cent of the net worth, 9.02 per cent in 1970, 6.91 per cent in 1971, 8.62 per cent in 1972 and 11.22 per cent in 1973.

The net fixed assets of the Society form a maximum of 11.22 per cent of the net worth during the above period, and that the ownership funds are not tied up to any large extent in the fixed assets and more amount is available for investment in current assets. There is little risk from the point of view of creditors.

Events of importance in the development of the Society

The following are the good events in the development of the Society, which have been listed in chronological order:

1961	Government of Gujarat appoints the Society as the sole distributor of fertilizers from the Central Fertilizer Pool.
1963	Completion of construction of office building
end 1963	Elected Board of Directors takes over the management of the Society.
1963-64	Purchase of a godown building
1967	Sole distributorship of the Gujarat State Fertilizer Co. for distribution of its fertilizers in Gujarat
1967	The Government of Gujarat entrusts the work of production and distribution of hybrid bajra seeds to the Society.
1967-68	Opening of the first four depots by the Society for the sale of fertilizers, hybrid seeds, pesticides, agricultural implements, etc.
1968-69	Agricultural implements manufacturing unit goes into production
March 1969	Pesticides formulation unit starts production
1970-71	Construction of own godowns starts
1971	Agreement with IFFCO for distribution of its fertilizers in Gujarat for a period of 15 years.
1971-72	Production and distribution of hybrid castor seeds
Nov. 1972	Operation of a cottonseed crushing plant on lease-cum-partnership basis
Jan. 1974	Rice mill goes into operation

The unfavourable events for the Society were the closure of the agricultural implements factory from June 1973, and the termination of the distributorship of AMUL products from April 1, 1974, which has been taken over by the Federation of Dairy Cooperatives.

FUTURE DEVELOPMENTOfficial plans within or outside the Cooperative Movement

The Society plans to intensify its present activities by increasing the number of its sales depots, expansion of its pesticides formulation unit and construction of more godowns.

Some thought has been given by the Society for providing work to the cooperative rice mills in the State for processing rice, which are at the mercy of the private traders. No decision has been taken by the Society in this regard in view of the large investment involved in the purchase of paddy.

Judgement of the future of the Society

Judging from the availability of competent personnel, ample resources and sufficient storage space in various parts of Gujarat, there is scope for increasing the marketing activity.

Due to the general shortage of fertilizers in the country, the Society has been experiencing difficulty in securing adequate quantities of fertilizers since 1973. In terms of 1973 constant prices, it will adversely affect the value of sales of fertilizers of the Society. However, due to the upward revision of the prices of fertilizers, the value of sales will show an improvement in 1974-75 over the previous year, though the quantity of fertilizers supplied will record a reduction.

As 54 per cent of the area under bajra cultivation in Gujarat during 1972-73 has been covered by the hybrid bajra programme, it leaves enough scope for the expansion of the hybrid bajra scheme.

ANNEXE 'A'

Area and Production of important food and non-food crops in Gujarat State for the years 1969-70 to 1972-73

Area: Thousand hectares
Production: Thousand Metric tonnes

Commodity	1969-70		1970-71		1971-72		1972-73	
	Area	Production	Area	Prod.	Area	Prod.	Area	Prod.
RICE	467	440	489	598	475	518	405	148
WHEAT	431	595	577	939	575	397	371	545
COARSEMUM	1340	376	1331	497	1197	493	1015	213
MAIZE	263	265	275	444	269	432	251	256
RAGI	58	40	53	49	52	49	50	25
KODRA	99	75	98	90	89	84	83	37
BARLEY	7	46	8	44	8	52	5	43
OTHER CEREALS	103	62	62	45	65	49	55	30
TOTAL CEREALS	4798	3202	4678	4241	4505	4061	3951	2102
GRAM	54	25	53	40	57	40	34	28
TUR	91	42	86	41	86	44	86	34
OTHER PULSES	302	79	284	81	286	77	260	50
TOTAL PULSES	447	146	423	165	429	161	379	112
TOTAL FOOD-GRAINS	5244	3348	5101	4406	4935	4222	4330	2215
SUGARCANE	48	2762	37	1937	36	1849	38	1801
CHILLIES	17	12	23	15	18	13	18	9
POTATOES	3	61	4	96	4	110	3	79
GROUNDNUT	1657	1040	1758	1836	1778	1541	1741	349
CASTOR	45	15	49	39	53	47	49	33
SESAMUM	120	31	124	52	121	43	101	20
RAPE & MUSTARD	39	15	35	16	35	16	43	19
TOTAL OILSEEDS	1873	1101	1967	1943	1988	1646	1935	422
COTTON	1738	1642 [§]	1582	1571 [§]	1847	2280 [§]	1790	1383 [§]
TOBACCO	96	105	87	113	85	116	87	110

NOTE: § Thousand bales of 180 kg. each. SOURCE: Directorate of Agriculture, Gujarat State. Figures for 1970-71 to 1972-73 are based on final forecast reports.

ANNEXE 'B'

Land Holders and Land Holdings in Gujarat State
as on March 31, 1962

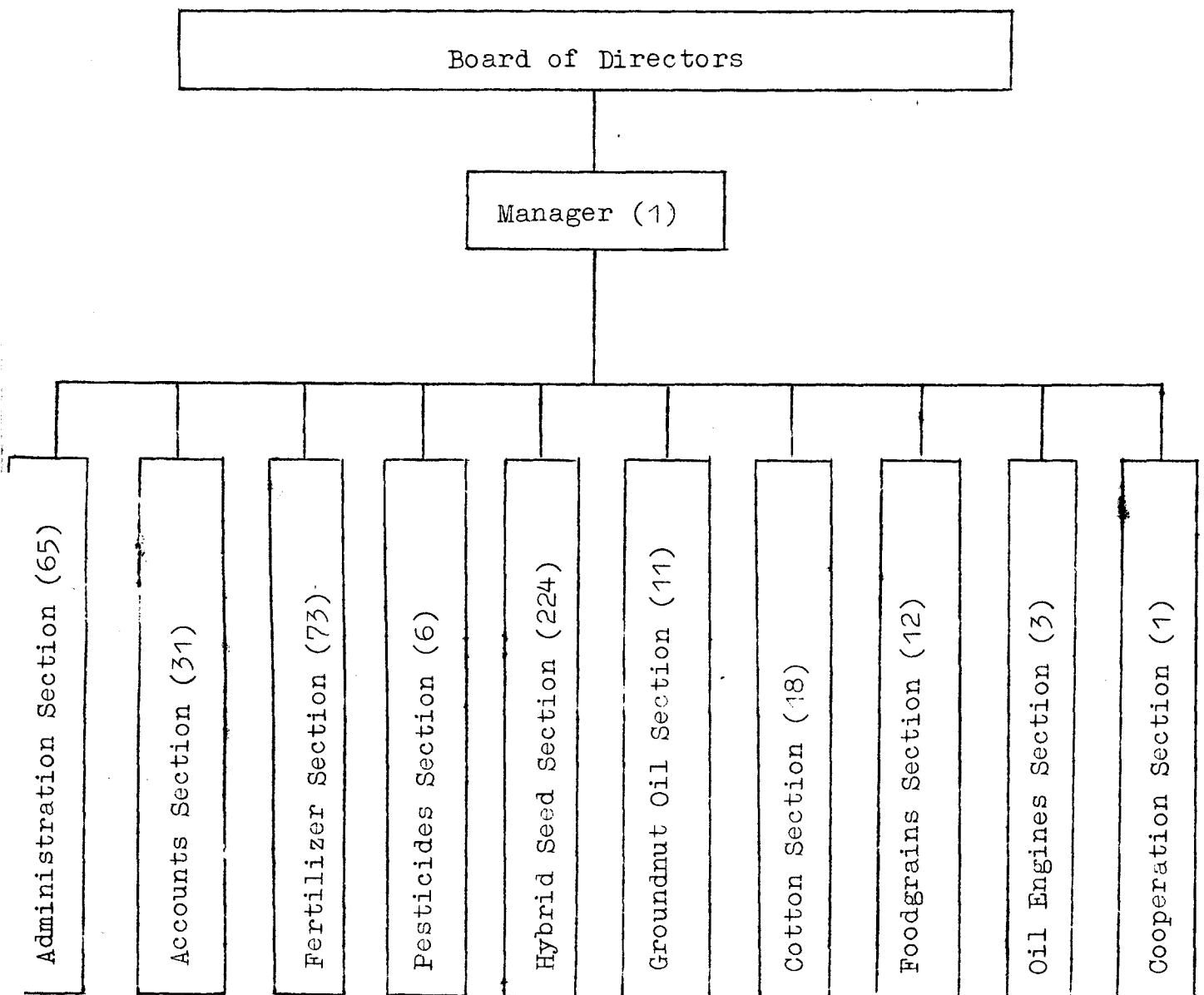
Size of holding	No. of holders	Percentage to total	Area (in acres)	Percentage to total
Upto 1 acre	247,707	11.0	139,367	0.58
Over 1 acre to 2 acres	245,062	10.90	372,361	1.55
Over 2 to 3 acres	217,067	9.70	546,369	2.27
Over 3 to 4 acres	188,410	8.40	656,644	2.72
Over 4 to 5 acres	160,273	7.20	731,781	3.04
Over 5 to 10 acres	426,753	19.00	3,138,383	13.03
Over 10 to 15 acres	248,313	11.10	3,065,348	12.71
Over 15 to 20 acres	158,942	7.10	27,273,551	11.31
Over 20 to 25 acres	111,690	5.00	2,526,341	10.48
Over 25 to 56 acres	198,412	8.90	7,107,533	29.48
Over 56 to 80 acres	27,799	1.20	1,743,704	7.23
Over 80 to 108 acres	7,308	0.30	646,310	2.68
Over 108 acres to 132 acres	1,869	0.10	222,363	0.92
Over 132 acres	1,792	0.10	481,221	2.00
All sizes	2,241,397	100.00	24,105,040	100.00

Source: Handbook of Basic Statistics, Gujarat State, 1963-64

Bureau of Economic and Statistics, Govt. of Gujarat, Ahmedabad, 1966.

Organisational Structure

The Gujrat State Cooperative Marketing Society Limited



Note: Number of persons working in each section as on April 30 1974 have been shown within brackets. 3 Persons working in AMUL Section have not been shown, as the distributorship of AMUL products has been discontinued from April 1 1974. 2 Persons engaged in Civil construction work have also not been shown.

ANNEXE 'D'

Financial Performance of the Gujarat State Cooperative Marketing Society Ltd. for the years 1970-71 to 1972-73

Year ending June 30th

	1970-71	% to turn- over	1971-72	% to turn- over	1972-73	% to turn- over
	Rs.		Rs.		Rs.	
Sales	322,897,702		373,725,451		386,175,214	
Purchases	<u>321,227,345</u>		<u>377,134,116</u>		<u>398,519,367</u>	
	1,670,357		- 3,408,665		-12,344,153	
Add commission on cotton sales	136,050		24,986		74,064	
Fertilizer storage	767,448		1,206,019		2,122,098	
Amount of loss received from Govt. of Gujarat in respect of levy groundnut oil.	5,569,374		15,998,216		24,310,428	
Joint venture rice profit.	-		116,136		-	
Gross operating profit	8,143,229	2.52	13,936,692	3.73	14,162,337	3.67
Salaries & wages	1,420,597		1,897,884		2,384,091	
Other expenses	<u>1,724,055</u>		<u>2,910,422</u>		<u>2,597,250</u>	
	3,144,652		4,808,306		4,981,341	
Profits after deducting general & administrative expenses	4,998,577	1.55	9,128,386	2.45	9,180,996	2.38
Interest paid	1,912,242		8,476,225		8,008,320	
Interest received	4,042,415		4,149,011		3,214,859	
Dividends received	29,002		42,903		55,944	
Result of operations before depreciation & before addition of other income	7,157,752		4,844,075		4,443,479	
Depreciation	93,559		131,644		149,076	
Result of operations after depreciation & before addition of other income	7,064,193		4,712,431		4,294,403	
Add other income	<u>276,666</u>		<u>1,896,927</u>		<u>2,648,319</u>	
	<u>7,340,859</u>		<u>6,749,564</u>		<u>6,942,722</u>	
Net Profit	5,315,186		5,368,167		5,462,157	

ANNEXE 'F'

Current assets, Current liabilities and quick assets of
the Gujarat State Cooperative Marketing Society Limited
for the years 1968-69 to 1972-73

Year ending June 30th

	1968-69	1969-70	1970-71	1971-72	1972-73
<u>Current assets</u>	Rs.	Rs.	Rs.	Rs.	Rs.
Cash	1,603,320	2,440,966	1,576,813	2,265,363	24,120,435
Investments	576,200	1,129,711	2,795,111	2,270,111	3,221,111
Sundry debtors	41,476,781	41,388,741	47,102,601	65,106,185	42,900,139
Inventory	45,435,098	63,747,256	137,972,072	75,380,986	9,631,816
Adv. payment of I. Tax	1,624,198	1,378,636	1,888,418	1,858,201	2,060,383
Prepaid Ins. Premium	7,576	10,004	1,975	NIL	NIL
TOTAL	90,723,173	110,095,314	191,336,990	146,780,746	81,933,884
<u>Current Liabilities</u>					
Short-term loans	43,395,500	48,933,690	127,552,887	72,384,386	NIL
Trade creditors	21,025,422	9,204,269	16,218,352	20,080,938	15,538,351
Deposits	304,400	480,700	337,396	705,645	364,121
Liability for expenses	1,383,178	3,353,780	2,715,227	7,124,241	2,263,370
Other a/cs. payable	9,904,892	26,502,100	11,226,506	9,865,065	21,380,515
Staff Provident Fund	21,204	25,630	31,175	37,275	44,176
Unclaimed dividends	5,137	8,110	13,793	25,987	8,302
Taxation Provision	1,605,600	1,771,850	3,294,852	2,250,000	3,150,000
TOTAL	77,645,333	90,280,119	161,390,188	112,473,537	42,749,045
Not current assets	13,077,840	19,815,195	29,946,802	34,307,209	39,184,839
<u>Quick assets</u>					
Cash	1,603,320	2,440,996	1,576,813	2,265,363	24,120,435
Investments	576,200	1,129,711	2,795,111	2,270,111	3,221,111
Sundry debtors	41,476,781	41,388,741	47,102,601	65,106,185	42,900,139
TOTAL	43,656,301	44,959,418	51,474,525	69,641,659	70,241,685
Curr. Ratio	1.17: 1	1.22: 1	1.10: 1	1.31: 1	1.92: 1
Acid Test	0.56: 1	0.50: 1	0.32: 1	0.62: 1	1.64: 1

Annexe 'F'

Total capital, Long-term debts, Net worth and
Net Fixed Assets of the Gujarat State Cooperative
Marketing Society Limited for the years 1968-69
to 1972-73

Year ending June 30th

	1968-69	1969-70	1970-71	1971-72	1972-73
	Rs.	Rs.	Rs.	RS.	Rs.
<u>Total Capital :</u>					
Equity capital	1,394,600	1,796,300	2,230,300	2,387,500	2,672,600
Preferred capital	1,080,000	3,930,000	6,530,000	6,824,400	7,439,800
Reserves	9,731,872	11,875,386	16,409,429	21,607,236	26,637,401
Long-term loans	85,532	78,709	1,547,553	1,429,298	1,787,853
Earned surplus	2,544,294	4,065,649	5,326,602	5,370,806	5,498,349
Total Capital	14,836,298	21,746,044	32,042,884	37,619,240	44,036,003
Long-term debts	85,532	78,709	1,547,553	1,429,298	1,787,853
Net worth	14,750,766	21,667,335	30,495,331	36,189,942	42,248,150
<u>Net fixed assets</u>	1,786,360	1,955,083	2,108,197	3,480,509	4,761,655
<u>Ratios :</u>					
a) Net worth to total capital	99.42%	99.64%	95.17%	96.20%	95.94%
b) Long-term debts to total capital	0.58%	0.36%	4.83%	3.80%	4.06%
c) Net fixed assets to net worth	12.11%	9.02%	6.91%	8.62%	11.27%