

Business Operations of Co-Operative Marketing Societies- A Theoretical Perspective

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ABSTRACT

Co-operative marketing society is a practical economic system of transacting business based on all that is best in its members. It was generally considered that the society dealing with the economic needs of its members may not be in a position to give full attention to their social problems. But this society is not such a manner. It gives equal important to socio-economic betterment aspects. This will able to contribute to the economy of the household and improve their social situation within their community.

Key words: Co-operation, Co-operative marketing and Marketing

INTRODUCTION

Co-operative marketing societies are established for the purpose of collectively marketing the product of the members. They arrange for the sale of the produce brought by the members. These societies also enter the market as buyers. The commodities, thus, purchased are sold again when the prices are higher. Thus the objective of economic development and social welfare can be furthered by canalizing agricultural produce through general co-operative marketing societies. Co-operative marketing societies handle more than one agricultural commodity.

The advantages of handling many commodities are

- (i) It prevents formation of several agencies within area.
- (ii) it increases the volume of business without much addition to overhead cost.
- (iii) It facilitates continuous operations throughout the year; and provides balance to business.

The pattern of organization of co-operative marketing societies is not uniform throughout the country. Excluding NAFED

in some States like Assam, Bihar, Madhya Pradesh, Karnataka, Orissa, Kerala, Rajasthan and West Bengal, there is a two tier pattern of organization, namely primary marketing societies at the base level and apex marketing society at the State level. In other States, there is a three tier system consisting of primary marketing societies at the base level, the central marketing societies at the district level and apex marketing society at the State level.

BUSINESS OPERATIONS OF CO-OPERATIVE MARKETING SOCIETIES

Brief accounts of various business operations performed by co-operative marketing societies are given below:

A. PRIMARY MARKETING SOCIETIES – AT BASE LEVEL

The primary co-operative marketing societies exist at the base of the co-operative marketing structure. These societies market the produce of the farmer members in that area. They may be single commodity or multi commodity societies, depending upon the production of the crops in that area.

They are located in the primary wholesale market, and their field of operations extends to the area from which the produce comes for sale.

1. Commission Agency System

A co-operative marketing society acts as selling agent. It is also called commission business. The society acts as an expert selling agent on behalf of its members on an agreed commission. It creates no risk of loss and capital needs are also low to carry on the agency business. Members can get better prices due to competent selling by society officials. However, members have to bear the risk of loss and society cannot do grading and processing of the produce.

2. Outright Purchase System

The society acts just like the merchandise - buyer for the purpose of resale. It has to bear the risks as an owner. The society will naturally need much larger capital. It purchases the produce from the member, pays him the current market price and then tries to sell the assembled produce after grading, processing, if necessary, at the highest possible price. This method suits small farmers having small surplus, so that they need not to go to local traders to sell their produce. The society can create a special reserve to meet losses due to price fluctuations.

3. Pledge Advance

Co-operative marketing society advances pledge loans in those cases (i) in order to prevent distress sales immediately after harvest, where a cultivator feels that the prevailing market price is not favorable to him (ii) to secure a fair price for his produce and he needs some money for his domestic needs urgently. The slow growth of pledge business is due to the wide variation in the rules and regulations governing these advances. This business involved no risk to the societies.

4. Trade Credit

A co-operative marketing society allows trade credit to the wholesale buyers of agricultural produce sold by the society. The period of such trade credit ranges between 2 and 15 days depending up on the prevalent

local practices. The societies should maintain a confidential record of the credit-worthiness or solvency of buyers.

5. Pooling

The society can act as a market pool. Pooling is the process of physical mingling of the products with a view to sell the products so mingled as a single unit rather than as separate lots or units of each member's account. Pooling implies three steps: (a) physical assembling of products, (b) combining all expenses of operations and (c) distributing net sales proceeds among the members of the pool. Pooling is profitable to the society also it can achieve economies of handling a large volume of goods.

6. Procurement Operations

Producers at the nearby places bring their produce and supply at the Head Office or at the branches. Almost entire quantity of agricultural produce is now being procured from members and non-members. In order to meet the agricultural inputs and other essential goods requirements of buyers, the society procured goods from appropriate institutions.

7. Distribution of Agricultural Inputs

Co-operative marketing societies have recorded good progress in the distribution of agricultural inputs. The marketing societies procured agricultural inputs like fertilizers, seeds and implements in advance and distribute them to the farmers at reasonable prices.

B. KERALA STATE CO-OPERATIVE MARKETING FEDERATION (MARKETFED) – AT STATE LEVEL

As the very name suggests, a State Marketing Federation is a state level institution working as the federal body of the central or district co-operative marketing societies in some states or primary co-operative marketing societies in rest of the states.

1. Procurement of Agricultural Goods

Marketing Federation procure agricultural and other produce belonging to its affiliated

societies and their members to their best advantage.

2. Purchase and distribute Agricultural Inputs

Marketing Federation purchase and distribute fertilizer, seeds, insecticides, pesticides and other agricultural farm implements including processing machinery and other agricultural and domestic requirements.

3. Processing Activities

Marketing societies undertake processing activities and established processing units. Combining marketing with processing would surely enable the Marketing Federation to take advantage of better marketing conditions by either selling it as raw material or as processed products. Society can secure better income by adding value to the members produce by processing them according to consumers' requirements.

4. Undertake Inter-State Trade and Export Trade

Marketing Federation appoints agents in various parts of a state or outside the boundaries of a state, for the purpose of inter- state and intra- state trade. Federation undertakes export of agricultural commodities like pepper, cardamom, turmeric, dry ginger, cocoa and tapioca.

5. Undertake Grading and Standardization

Grading results in a set of separate supplies of products which may be regarded as homogeneous in terms of classification based on variety, weight and colour of the products. Its aim is to standardize the products through sorting so as to fetch a higher price.

C. NATIONAL AGRICULTURAL CO-OPERATIVE MARKETING FEDERATION (NAFED) – AT NATIONAL LEVEL

The National Agricultural Co-operative Marketing Federation of India Ltd. (NAFED) is the national level organization of marketing societies in India. It was established on 2nd October 1958. NAFED is registered under the Multi State Co-

operative Societies Act. It was setup with the object to promote Co-operative marketing of Agricultural Produce to benefit the farmers. The objects of the NAFED shall be to organize, promote and develop marketing, processing and storage of agricultural, horticultural and forest produce, distribution of agricultural machinery, implements and other inputs, undertake inter-State, import and export trade

1. Outright Business

In order to ensure remunerative prices to the cultivators for their farm produce, NAFED has been making commercial purchases of agricultural commodities such as spices, pulses, oil & oil seeds, horticulture, onion, cotton, jute goods, poultry, fertilizer, seeds, etc.,

2. Joint Venture Business

Business on joint venture basis is a device through which efforts are made to promote inter co-operative relationship. NAFED's joint venture is generally of the vertical type wherein it joins hands with lower units in undertaking the business in partnership.

3. Agency Business

Under this form of business operation, purchases are made on commission basis in the capacity of an agent of a principal which may be State Government, Public Sector Corporation or the consumers' co-operatives.

4. Consignment Business

Through this type of business operation, NAFED attempts to assist its constituents, mainly co-operative marketing societies in the disposal of their stocks on consignment basis in various terminal markets through its branches located in these markets.

5. Export Operations

NAFED has been exporting agricultural produce to give benefit of higher prices prevailing in the international markets to the farmers. NAFED continued to be one of the canalizing agencies for export of onion

6. Supply of Agricultural Inputs

The Agricultural Inputs Division through its agro Service Centres (ASCS) supplies seeds as its major items along with supplying

spares, agricultural implements, plant protection equipments, batteries, tyres and tubes, pesticides, weedicides and bio fertilizers.

7. Processing Activities

Processing is an essential link in marketing. NAFED established processing units for processing of agricultural, horticultural, forest produce and wool.

CONCLUSION

Co-operative marketing societies have multifarious goals that include helping the agriculturalists for getting higher returns on farm produce. They have potentials to offer numerous employment opportunities to its agriculturalists they are the back bone as well as future hope of the society. All these helps farmers to increase their earning,

thus raising their status in the society and improve their economic condition.

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