DEVELOPMENT OF AGRICULTURAL MARKETING ON A COOPERATIVE BASIS IN EAST PAKISTAN

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KHANDKER MAHMUDUR RAHMAN
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Khandker Mahmudur Rahman

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CHAPTER I

INTRODUCTION

This is a study of agricultural marketing in less developed areas with a specific focus on the needs of East Pakistan. The province of East Pakistan is a densely populated deltaic region cultivated at low levels of human and natural resource productivity. Improved marketing organization and procedures have the potential of facilitating the intensification of cultivation through the commercialization of agriculture. In the context of East Pakistan, a supporting arrangement of market development would be the promotion of viable farmer organizations which aim at overcoming certain specific weaknesses individual farmers have in the marketplace.

In a subsistence economy where every one depended on his own efforts to supply most of his needs, there was little need for producing things for exchange and, therefore, there could be no trade or market. But with the subsequent increase in the wants of man some form of cooperation was essential. With the gradual specialization of employment when each man took to a particular kind of

work in order to earn his living and with specialization of crafts, there arose a need for some forms of organization whereby products of one group of producers could be exchanged or sold for the goods of other producers. This organization was found in a market place where buyers and sellers could meet for buying and selling of commodities.

In the broad framework of economics, marketing is a part of the productive process providing place, form, and time utilities. Marketing costs thus constitute part of the total costs of production. The producer, the intermediary, and the consumer each looks upon the marketing process from his own individual point of view. The producer is primarily concerned with selling his products at such remunerative prices as would enable him to continue to produce or stay in his business. The various intermediary agencies, such as, the wholesalers, the commission agents, the processors, the shippers, the merchants, and the retailers are mainly concerned with avoidance of losses on account of adverse price fluctuations and the prevention of deterioration of goods lying in their possession. The final link in the process of marketing is the consumer, the satisfaction of whose wants is the objective of marketing. The consumer looks at marketing from the point of view of goods and the prices at which they are offered. Thus each individual beneficiary of the marketing process is concerned with making a private profit. But marketing has a greater significance to the

community as a whole. The goal of all successful marketing must be the cheapening of goods to the ultimate consumer without at the same time adversely affecting the interest of producers. If, as a result of a fall in prices, a consumer can buy more goods and services for the same amount of money, he has gained in his real income. Thus any increase in the efficiency of marketing which has the affect of lowering the costs of distribution and lowering prices to consumers is to be welcomed as it brings about an increase in the national income and welfare. Thus a reduction in the cost of marketing benefits the community as a whole. Improvements in the process of marketing, therefore, deserves serious study.

The agricultural producer is often poor. This is particularly true of the less developed countries of Asia, Latin America, and Africa. Often the farmer loses a considerable part of the value of his product because the marketing system is wasteful and inefficient or because it operates less in his interest than in the interest of others involved in the process--market intermediaries, processors, financiers--whose contribution to production may be less than his but whose economic power may be greater.

Modern marketing is a complex process and a single small farmer is individually in a weak position in the whole process. The situation is different when farmers join together by bringing their produce to a single point,

then pool it, grade it to some uniform standard, or pass it through some process which preserves it or makes it more acceptable to the consumer; store it safely till it is demanded; sell it in bulk, and finally see it safely transported to the buyer. All these activities are the work of marketing cooperatives, a type of organization which has existed in parts of Europe for the past, nearly a century, and which has spread to almost every country in the world. Today there is probably not a single agricultural commodity --grain, fruit, vegetable, fiber, nut, livestock, or fish product which is not somewhere being handled by a cooperative.

In recent years rural development efforts in East Pakistan have proceeded along several lines. Prominent among these is a pilot project, the so-called "Comilla Approach" which emphasizes the pursuit of modernization through the mechanism of cooperative systems involving local primary cooperative societies federated under a central servicing headquarters at the thana level.

As this approach has been expanded beyond the original pilot area, either in replication of the original organization, or in the adaptation of specific aspects of the set-up and procedures of that organization into other formats, the need for usable reference materials on training methods, organization, and operational procedures has been recognized.

This study is aimed directly at meeting this need by providing the draft material for a marketing manual for use in rural development. The paper is organized into six chapters in addition to the introductory chapter. The second chapter deals with the concepts and approaches in the study of marketing. The third chapter deals with the role of marketing in economic development. The fourth gives an overview of the place of cooperatives in marketing. The fifth looks more directly at the contemporary situation of East Pakistan as a specific context with respect to agricultural marketing. Within that context, the sixth chapter examines the development of marketing activities under the cooperative rural development pilot project at Comilla, East Pakistan. The final chapter then draws on the foregoing chapters and presents a draft manual for the organization and development of marketing activities on a cooperative basis in other areas of East Pakistan.

CHAPTER II

THE FRAMEWORK OF THE MARKETING PROBLEM

The interrelationship between rising productivity and development of an adequate marketing system is being increasingly well understood. Prior to World War II, it was widely believed that if the less developed countries of the world only applied the known improved production technology, increasing output and progress would be forthcoming. In order for farmers to adopt such technology, however, they must be able to reap some additional benefits from the increased output--they must be able to sell their products profitably. Without such basic prerequisites as communication, transportation, storage, processing, and financing arrangements, this is not possible. Agricultural production and marketing must develop hand in hand.

This chapter deals with the theoretical framework of the marketing problem. Specifically, it discusses: (1) the definition of marketing, (2) various approaches to the study of the marketing process, and (3) functions of marketing. Some of the basic issues, such as cost of

marketing, marketing efficiency, and methods of marketing are also discussed.

Definition of Marketing

Kohls offers a very concise and workable definition of marketing: "Marketing is the performance of all business activities involved in the flow of goods and services from the point of initial agricultural production until they are in the hands of the ultimate consumer" (36, p. 9). Marketing embraces all operations and institutions involved in the transformation of raw agricultural products; in moving farm products from farms to consumers; in providing production and consumption incentives to producers, marketing firms, and consumers; and in distributing farm supplies to farmers. Thus, agricultural marketing covers assembling, transporting, processing, storing, packaging, wholesaling, financing, retailing, market information, pricing, market organization, competitive relationships, bargaining, buying, selling, procurement, product and process innovation, and exporting of products of farm origin. It also covers the similar counterflow of farm supplies to farmers (62, p. 68).

Conflict of interests can and do arise among the various groups involved in marketing. Farmers are interested in obtaining the highest possible returns from the sale of their products. Consumers are concerned with getting what they want at the lowest possible cost. Various

firms or agencies engaged in doing the various marketing tasks are interested in the profitability of their respective business operations. However, in a society organized in a basically private enterprise framework, the overall "ruler" and "coordinator" of marketing activities, at least implicitly, is the consumer. The end product of all productive processes is consumption. The thesis of the book, Scientific Marketing Management, by P. White is that the beginning and the end of all marketing problems is the consumer (41, p. 48). Patrick J. Robinson gives the opinion that in the 1950's, the marketing concept was being supported by the argument that as a seller's market changes to a buyer's market, it becomes increasingly important to be "tuned in" to the prospective customer's felt needs (68, p. 6). Sissors maintains that markets be identified by consumer needs rather than by product classes (70, p. 97). Theodore Levitt encourages the marketing executive to obtain a new perspective about his business by looking at his company as a "customer-satisfying process" rather than as a "goods-producing process" (47, p. 210).

Not many years ago, the ordering of functions in the American business placed finance first, production second, and sales last. This has changed. In the marketing-oriented era, "We need to build a new management function which would direct and control all the other corporate functions from procurement to production to advertising to sales. This function is marketing" (32, p. 15). In

viewing the entire marketing process, Converse holds that there are two halves in marketing. One half consists of buying, selling, and title transferring activities. The other half consists of physical handling of foods, such as transportation, storage, and sorting (19, p. 14).

Approaches to the Marketing Process Analysis

Three major approaches to the analysis of marketing problems may be identified: (1) the functional approach, (2) the institutional approach, and (3) the behavioral systems approach.

All these are merely ways of breaking down the complex marketing problem into its parts so that it can be better understood.

The Functional Approach

While any listing of the "functions" of marketing may be recognized as arbitrary, a fairly widely accepted classification of functions would be as follows (36, p. 23):

1. Exchange Functions: Buying and Selling
2. Physical Functions: Storage, Transportation, Processing, and Packaging
3. Facilitating Functions: Standardization and Grading, Financing and Credit, Risk-bearing, and Market Intelligence.

Exchange Functions

The exchange functions are those activities involved in the transfer of title of goods.

The buying function usually is associated with other activities such as seeking out the sources of supply, assembling of products, and similar activities associated with purchase of raw materials, semi-finished or finished products.

The selling function should be broadly interpreted. This covers all the various activities, including the transfer of title, which are sometimes called merchandising. Most of the physical arrangements of display of goods, advertising and promotional devices to influence or create demands, decisions regarding the unit of sale, packages, marketing channel, time and place to approach potential buyers, can be included in the selling function.

Physical Functions

The physical functions are those activities that involve handling, movement, and physical change of the actual commodity itself. "They are concerned with solving the problems of when, what, and where in marketing" (36, p. 24).

The storage function is primarily concerned with making goods available at the desired time. It may be the activities of warehouses in holding large quantities of raw materials until they are needed for further processing.

It may be the holding of supplies of finished goods as the inventories of processors, wholesalers, and retailers. Storage makes it possible for goods that are produced during particular seasons to be used throughout the year. Perishable commodities can be preserved in this way for relatively long periods, and products can also be held for a higher price. Storage generally contributes to the stabilizing of the prices of products.

Much of the output of agriculture is harvested during relatively short periods of the year. Grains, vegetables, fruits, cotton, and tobacco are all highly seasonal in nature. Even the production of livestock, eggs, and dairy products, though continuous throughout the year, has wide variations between the high and the low periods of production. Storage tends to equalize the amounts available for consumption throughout the year.

In determining the total costs of storage or of holding commodities, five types of costs may be identified as follows (36, p. 320):

1. The costs necessary to provide and maintain physical facilities for storage. These would include such items as repair, depreciation, and insurance against loss.
2. The interest on the financial investment in the product while it is in storage. Whether money is actually borrowed or not, this is a cost which should be assessed at the rate of interest that

would have to be paid if money were borrowed during the storage period.

3. The cost of quality deterioration and shrinkage during storage. Many commodities either deteriorate in quality or shrink in volume, or both, while in storage.
4. The loss that may result from poor consumer acceptance of the stored as against the fresh product, if both are available at the same time. Examples of frozen meat and stored eggs are cases in point. On the other hand, when the fresh product is not available, such as viable, disease-free seed potatoes at planting time, the stored product enjoys an active demand.
5. The risk that the price of the product might unexpectedly decline. Under these circumstances, the product might have to be sold at less than its value at the time it was placed in storage. The possibility of a favorable movement in prices, on the other hand, is a major factor in encouraging speculative storage.

The periods of high and low prices during the year are inversely related to the periods of high and low production. The amount of seasonal price rise from the seasonal low to the high period is theoretically just enough to cover the costs of carrying the desired amount of the commodity until the time when it is needed. Basic

seasonal price-patterns can, therefore, be affected by changes in storage costs. Any changes that will reduce the costs of holding a commodity will tend to reduce the extent of seasonal price variation (36, p. 328).

The transporation function is concerned with making goods available at a specific place. Satisfactory performance of this function requires the weighing of alternative routes and types of transportation as they might affect transportation costs. Adequate and efficient transportation is a cornerstone of the modern marketing system. The wide variety of foods available in urban markets at all times of the year would not be possible without modern transportation.

Transportation is a cost to those who use it. As such, it is of great importance to both the individual shipper and to the society as a whole. As one of the fixed charges of the marketing margin (that is, the difference between the price paid by the consumer and the price received by the producer), the behavior of transportation costs (like all other costs) influences the changes in the farmer's share of the consumer's food expenditure. Transportation also influences other types of marketing decisions and behavior. The ability to move products is one of the major determinants of the size of the market. Effective and swift transportation services help expand the potential market for products.

The processing function is often not included as a marketing function since it is essentially a form-changing operation. However, in the broad view of agricultural marketing, this activity cannot be overlooked. The processing function would include all of those essentially manufacturing activities that change the basic form of the product, such as, converting paddy into rice, wheat into flour, milk into cheese and butter, and so on.

Facilitating Functions

The facilitating functions are those which make possible the smooth performance of the exchange and physical functions. Without them the modern marketing system would not be possible. They may be called "the grease that makes the wheels of the marketing machine go round" (36, p. 25).

The standardization function is the establishment and maintenance of uniform measurements. These may be measurements of both quality and quantity. This function simplifies buying and selling, since it makes sale by sample and description possible. It is, therefore, one of the activities which make possible mass selling. Effective standardization is basic to an efficient pricing process. Only if a commodity is traded in well-defined units of quality and quantity can a price quotation do this job effectively. In agricultural marketing, two types of standards are of major concern, the standards of weights and measures and those for quality. "Grading" refers to the sorting of

products into various categories established by the standards for quality (36, p. 26).

The financing function is the advancing of money to carry on the various functions of marketing. To the extent that there is a delay between the time of the first sale of raw products and the sale of finished goods to the ultimate consumer, capital is tied up in the operation. Anywhere that storage or delay takes place, someone must finance the holding of goods. Financing may take the form of credit from the various lending agencies or the more subtle form of tying up the owner's capital resources. In either case, it is a necessary activity in modern marketing.

The risk-bearing function is the assumption or avoidance of the possibility of losing pecuniary value of goods during the process of marketing them. The whole marketing process involves risk. Risk is borne by those who take part in marketing and particularly by those who own the goods. Risks can be classified into two broad categories, physical risks and market risks. The physical risks are those which occur from destruction or deterioration of the product itself by fire, accident, flood, theft, cold and heat, etc. Market risks are those which occur because of the changes in value of a product as it is marketed. An unfavorable movement in prices might result in high inventory losses. A change in the operation of competitors might result in a loss of customers. In the case of

physical risks, risk-bearing may take a more conventional form such as the use of insurance (36, p. 25).

The market intelligence function is the job of collecting, interpreting, and disseminating the large variety of data which are necessary for the smooth operation of marketing processes. Efficient marketing cannot operate in an information vacuum. An effective pricing mechanism depends on well-informed buyers and sellers. Successful decisions of how much to pay for commodities or what kind of pricing policy to use in their sale require that a large amount of market knowledge be assembled for study.

The Institutional Approach

This method of analysis attempts to study the various agencies and business structures which perform the marketing functions. Marketing institutions are the wide variety of business organizations which have developed to operate the marketing machinery. The institutional approach considers the nature and character of the various intermediaries and related agencies, and also the arrangement and organization of the marketing machinery.

Marketing intermediaries or middlemen are those individuals or business concerns that specialize in performing the various marketing functions involving goods as they are moved from producers to consumers. They may operate as individual proprietors, partnerships, or

cooperative or non-cooperative corporations. The various groups of intermediaries involved in agricultural marketing are merchant middlemen, wholesalers, retailers, brokers, commission men, processors, shippers, and trade associations, etc.

How the various middlemen and institutions organize or group together is of major importance. The various agencies arrange themselves in specific interrelationships to accomplish the movement of a product from the producer to the final consumer. These arrangements make up what is known as the "marketing channel." Marketing channels can be sorted into two categories, centralized and decentralized channels. A centralized channel is one in which the farmer's products are brought together in large central and terminal markets. The products are purchased by processors or wholesalers from commission men and brokers who act as the farmer's selling agents. A decentralized marketing channel is one that does not utilize such established large market facilities. Instead, processors or other wholesalers purchase either directly from the farmers or at small production area selling points.

The Behavioral Systems Approach

The functional and institutional approaches discussed above are useful in analyzing the existing marketing activities. However, the marketing process is continually

changing in its organization and functional combinations. Understanding and predicting change is a major problem.

A particular marketing firm or an organization of firms can be viewed as a system of behavior. Each is composed of people who are making decisions in an attempt to solve particular problems. If these problems and their behavioral systems for solving them can be classified, a greater understanding of changes that may be forthcoming can be obtained. The analytical view of multiple behavior systems adds the important dimension of people to the rather impersonal functional and institutional analysis. It suggests that market analysis is not the sphere of economics alone. The other social sciences as well as the physical sciences can contribute to the understanding of marketing problems (14, p. 15).

Basic Marketing Issues

In order for the farmer to make correct decisions concerning his operations he should be aware of certain basic questions. Some of the basic issues which the farmer should keep in mind are briefly pointed out as follows.

The farmer and those entrusted with the responsibility of advising and helping him have a great stake in an efficient marketing system. The income from the products that farmers sell depends on the smooth operation of the marketing system. Thomsen emphasizes that an effective

and efficient marketing system from the farmer's viewpoint is one that will induce the production of those products and quantities which, when sold to consumers, will result in maximum returns after the deduction of the minimum marketing charges and farm production costs (72, p. 4).

A knowledge of marketing and its problems will help farmers make decisions that are important to them. These important decisions include: (1) what to produce and how to prepare it for sale, (2) when and where to buy or sell, (3) how much of the marketing job should be done by the farmer himself as an individual or as a member of the group, (4) what can be done to expand markets, (5) which of the different marketing arrangements are desirable, and (6) how can changes necessary to correct undesirable practices be secured?

Cost of Marketing

The difference between the amount consumers pay for the final product and the amount producers receive is generally referred to as the "marketing margin" or "food marketing bill." This bill or margin includes all of the costs of moving the product from the point of production to the point of consumption, of any processing which may be undertaken, and of handling at all levels in the marketing machinery. In other words, it represents the costs of performing the various marketing functions and of operating the various agencies discussed earlier.

Perhaps no category of costs that absorbs a portion of the price paid by the consumer for a product has been as widely discussed or criticized today as the cost of marketing. Manufacturers, farmers, and other primary producers too often consider that an excessive share of profits is appropriated by middlemen and have, therefore, viewed with concern the increasing spread between the producer's price and the ultimate price paid by consumer or the user of a product. They have, therefore, often tried to avoid middlemen by selling direct to consumers. Experience of those who have attempted to eliminate the middlemen by assuming some of his functions has shown that they cannot perform the services as cheaply as the specialists do and ultimately they have found that their current marketing expenses exceeded their previous level when dealing through intermediaries (38, p. 26). The performance of the marketing system must be judged on a relative and not on an absolute basis. The cost could be considered too high only if a cheaper way is available. In highly commercialized industrial economies, there has been a tendency during recent years for marketing costs for many commodities to rise (38, p. 27). But this in itself proves nothing, because, for the same quality of goods, prices charged to the ultimate consumer have tended to decline during recent years (38, p. 27).

Marketing Efficiency

A major part of the marketing process involves the behavior and activities of people. But as people are not infallible, the marketing process does not work perfectly and changes are necessary. The various changes that are proposed are based upon the grounds of improving marketing efficiency.

Now let us examine what is meant by efficient marketing. The outputs of marketing are the consumer satisfaction with the goods and services. The inputs are the various resources of labor, capital, and management that marketing firms use in the process. Efficient marketing, then, can be defined as "the minimization of this input-output ratio." A change that reduces the input costs of performing a particular job without reducing consumer satisfaction with the output of goods or services would clearly be an improvement in efficiency. Whether marketing costs, considered by themselves, are great or small gives little or no indication of the efficiency with which the marketing job is performed. The use of this concept of marketing efficiency is limited by the difficulty of measuring the output of consumer satisfaction. To overcome this, marketing efficiency is usually divided into two different categories, operational or technological efficiency, and pricing or economic efficiency (36, p. 11).

Operational or technological efficiency assumes the essential nature of outputs of goods and services to remain unchanged and focuses on reducing the costs of inputs of performing the job. In other words, costs are lowered per unit of output and the total output of products or services remains unchanged or is increased.

Pricing efficiency is concerned with improving the operation of the buying, selling, and pricing aspects of the marketing process so that it will remain responsive to consumer direction. Perhaps, the best measure of the satisfaction output of the marketing process is what consumers will pay in the marketplace. "Pricing efficiency is a result of the nature of competition and balance of economic power that exists within the marketing process" (36, p. 12). The number of firms serving a market, ability of new firms to enter a market, and the possibility of collusion among firms determine the pricing efficiency. Similarly, such activities as the improvement of market news, grades, and standards will often improve pricing efficiency.

Methods of Marketing

In a primitive and simple exchange economy the producer and the consumer usually come into direct contact with each other, the former for the sale of his product and the latter for the purchase of his requirements. Gradually, the structure of the economy becomes more complex and a host of intermediaries intervene between the

producer and the consumer for the purpose of distributing goods. Kulkarni has identified the following four methods of marketing in the modern business world (38, pp. 9-12):

1. The regular or indirect method: Under this method, the business or the process of marketing is split up into many component parts, each of which is separately carried on by different types of persons independent of one another in matters of decision making concerning management.
2. The direct method: According to this method, the producer and the consumer come into direct contact with each other, and no middlemen are needed to bring them together. This method is only appropriate for perishable products, such as, fruits, vegetables, meat, etc.
3. The integrated method: In this method the process of marketing is divided into different component parts but the various parts are owned and operated by a few concerns or by a single farm instead of being separately and independently carried on by many concerns or units.
4. The cooperative method: The cooperative method of marketing is distinguished from other methods in that it is undertaken primarily for service, and the surplus earnings are distributed among members or patrons in proportion to the contribution they make to earn the surpluses.

Bakken and Schaars define a cooperative sales association as "a voluntary business organization established by its member patrons to market farm products collectively for their direct benefit" (15, p. 3). Cooperative sales associations, also used synonymously with cooperative marketing associations, sell farm products which are produced individually on the farms of the members. Processing, packing, storing, financing, and other marketing functions are carried on by such associations, and the returns to these functions are captured by the organization rather than by external market intermediaries.

A cooperative marketing association is, ideally, governed according to democratic principles and the savings are apportioned to the members on the basis of their patronage. The members, as owners, operators, and contributors of the commodities handled, are the direct beneficiaries of the accrued savings. No intermediary stands to profit at the expense of the members. The group is organized to conduct business according to sound business principles. Their success depends upon the business management skill of its leadership. The cooperative marketing agencies are distinctly different from governmental and private commercial enterprises. Their methods of conducting marketing operations may be different or vary only slightly from those of private tradesmen. Instead of marketing individually and independently and in competition with one another, farmers stand to improve their bargaining position

by pooling their resources and consolidating their selling force in cooperatives. Under this method they do not sell to a private middleman, but through their cooperative.

The immediate purpose of a farmers' cooperative marketing society is to obtain the highest farm price. The objective is, therefore, defined in economic terms; all social considerations are secondary. A cooperative must succeed first as a business organization; it cannot prosper on any other basis. Regardless of any social goal the cooperative must at least equal, if not surpass, its competitors in marketing. No cooperative or private enterprise has ever succeeded for a long period of time by ignoring economic principles. There is nothing intrinsic in the cooperative form of organization that gives it any privileges, any special economic rights or powers, or any extra liberties that a private business does not enjoy. However, in many situations, cooperatives do obtain favorable tax treatment, and liberal financial and technical assistance from governments as a matter of public policy.

It may be pointed out that cooperatives are based upon the fact that in most countries agricultural production is essentially a small unit business without the economic advantages of scale. If there were only large-scale enterprises in agriculture like the large industrial concerns, it is doubtful whether cooperatives would be developed for marketing their products. Large industrialists are able to integrate their production and marketing

functions, and many find it more economical to distribute their own products than to have private intermediaries do it for them. But small independent concerns do not have sufficient volume of goods to market them economically. Therefore, the small farmers are dependent upon a middlemen system which will assemble, grade, pack, store, and perform all other services of marketing.

The major advantages of a well-managed cooperative marketing association may be summed up as follows:

1. Marketing services may be had at lower cost.
2. Better prices may be realized for the producers.
3. Stronger collective bargaining power can be had through group action of producers.
4. Cheaper finance may be available.
5. Mutual interests of producers may be safeguarded.
6. Promotion of the business education among the farmers is facilitated.
7. A sense of mutual responsibility is promoted among producers to their social and economic progress.

These are idealized advantages. Their realization depends on the competitive effectiveness of the management of such associations, when dealing in existing marketing systems.

CHAPTER III

MARKETING IN ECONOMIC DEVELOPMENT

Until about a decade ago, marketing was largely neglected in the literature on economic development. Most theoretical and empirical studies in this area stressed the importance of such issues as capital formation, land reform, educational reform, and improved productive techniques (55, p. 1). Of late, however, this condition has somewhat changed and the subject of marketing is receiving increasing attention.

This chapter discusses the place of marketing in economic development. Emphasis is placed on various issues and institutions of agricultural marketing with special reference to the less developed economies.

Functions of Marketing in Development

In the subsistence stage of development of an economy, the market obviously plays a modest role because a large proportion of all production is consumed on the farm where it is produced. A distinctive feature of the early stages of economic development is the emergence of a more active

market economy. The early progress in this direction is slow and hard. Characteristically, the first goods available for market constitute meager amounts with uncertain and inferior quality of goods. Producers may be located great distances from ultimate consumers. Marketing this initial surplus is an expensive affair. Assembly involves procuring goods in very small lots from a vast number of small producers and transporting them great distances to market. For example, groundnuts are grown by hundreds of thousands of Nigerian farmers most of whom supply less than a half-ton for market (56, p. 84). At the other end of the distribution channel in the less developed economies are consumers who typically buy in very small amounts. For example, in Nigeria, some common lots of retail purchases are "three lumps of sugar, half a cigarette, individual drops of perfume, and a few sticks of matches" (56, p. 85). Marketing in such a supply and demand situation tends to be costly.

However, as development proceeds, some changes take place which enhance the importance of marketing. Three such changes may be identified. First, commercialization expands, i.e., farmers sell a larger proportion of what they produce. Commercialization accelerates partly because urbanization expands the size of the off-farm market and partly because farmers become more specialized in production as they enter the market economy. Second, rising incomes cause growth in demand for such commodities as

fruits, vegetables, milk, and other livestock products which are perishable and entail difficult and costly marketing processes. Third, rising incomes tend to increase the demand for marketing services such as processing, storage, packaging, transportation, etc. Marketing charges become increasingly larger components of total consumer expenditure for farm products. This expenditure can be lowered by increased marketing efficiency (50, p. 331).

There are a number of ways by which an efficient marketing system can promote economic development. An efficient marketing system permits an increase in farm output moving into commercial markets. A great deal of farm output in less developed countries is produced in the subsistence sector. Development efforts seek to monetize the subsistence sectors in part by inducing surpluses which may be sold in commercial markets. Effective marketing intermediaries help this process in several ways. They may make known marketing opportunities of which producers may be unaware, and provide services such as credit, storage, and transportation.

Although producing more crops remains one of the main issues of the less developed countries, they are entering the phase where marketing and distribution are the critical elements in the "war on hunger." Many less developed economies urgently need improvements in their agricultural marketing systems to keep pace with expansion

in agriculture and industry. Changes in technology, consumer demand for farm products, farmer demand for farm supplies, and the growing interdependence of farming and marketing are other stimuli for modernization (62, p. 78). Marketing has been called the most important "multiplier" of economic development. Its improvement makes possible economic integration and utilization of the assets and productive capacity of an economy (24, p. 26). In many less developed economies, 40-65 per cent of the consumers' budget may be spent on food (55, p. 40). Modest improvements in efficiency in food distribution can make possible larger gains in real income, and possibly food price reductions. This may release a part of the consumer's income for expenditure on other commodities and services.

A study on the prospects for world grain production, consumption, and trade concludes that the world probably will continue to have excess production capacity by 1980 (4, p. iii). Any problem of food shortage would arise out of the distribution of productive capacity or of commodities among countries. The problem is not only between countries producing for export and those dependent on imports, but lies within the importing countries also. Archaic marketing facilities, poorly conceived pricing policies, and inadequate food preservation arrangements in the less developed countries contribute to food shortages no less than antiquated farming methods (4, p. iii).

We can identify three major factors which account for the growing pressure on food supplies and on the scale of marketing operations. These are growth of population, rising income levels leading to increased effective demand, and rapid migration of rural people to urban areas of developing countries. Even if a much higher rate of production were attained in the less developed countries, the impact on the food situation in these countries would be slight unless their marketing systems were geared up (61, p. 22). The marketing system would have to respond at a much higher relative rate than production, since a large proportion of the increased output would require commercial marketing (61, p. 22).

It has been pointed out that when agriculture begins to advance rapidly many new or "second generation problems" are created (17, p. 25). Such is the case in a number of countries where rapid increases in grain production are overloading the existing marketing systems. In some areas where farmers traditionally marketed one-third of their crop, their crop increased by one-third as a result of adopting new technologies. This means the marketable surplus has suddenly doubled. Few marketing systems are equipped to handle abrupt increases of this magnitude efficiently. Over the past fifteen years, many of the larger coastal cities in Asia have become increasingly dependent on imported foodstuffs with their populations at times living quite literally from "ship to mouth" (17, p. 25).

As countries begin to generate surpluses in the rural interiors, a distribution system must be developed which will permit movement of such surpluses to the large coastal cities (17, p. 25).

When the wheat harvest is suddenly 35 per cent greater than the previous record, as was the case in India in 1968, the marketable surpluses are bound to strain all the components of the marketing system: storage, transportation, grading and processing operations, and the local market intelligence system. In West Pakistan, land planted to the new IR-8 rice rose from 10,000 acres to nearly a million in one year (1967-68). West Pakistan suddenly found itself with an exportable surplus of rice, but without the processing, transport, and pricing facilities needed to handle an export trade efficiently (18, p. 85).

Four consecutive annual increases in the rice harvest in the Philippines are creating another kind of marketing problem. There they have a pressing need for more drying and warehousing facilities. In the Philippines, not only is the crop considerably larger, but the new, early maturing rices must be harvested during the period of monsoon rain. Traditional methods of drying rice (i.e., in the sun along the roadside) are no longer feasible. Farmers must use mechanical grain driers to dry rice (18, p. 86).

There is relatively little difference in the technologies used in food production by progressive farmers in the rich and the poor countries, even though the size of

operations varies widely. But when it comes to marketing the produce, the technological gap is much larger (18, p. 86). One way of measuring the gap in grain marketing is to compare the technique in India, for example, and the United States. Both countries have the same area of cropland, roughly 340 million acres. On this land, India has 60 million farmers, nearly all of them producing grain. The United States has three million farmers of whom about two million are grain producers. In India, grain changes hands in small quantities, initially between the farmer and the local grain merchant. The negotiation, often quite prolonged, usually takes place with the buyer personally feeling, smelling, and sometimes even tasting the grain. Often the transaction involves only a few sacks of grain. In the United States, grain is scientifically graded as it leaves the farm for such attributes as cleanliness, and moisture and protein content. It is then classified according to detailed specifications established by government marketing agencies and, on the basis of this classification, moves through the marketing system. Vast quantities of grain are bought and sold in the United States without being seen by either buyer or seller. Transactions are often conducted solely on paper. Frequently those who buy the grain may not even know where it is located; only where it is to be delivered. This level of efficiency is possible only if there are grades and standards that buyers and sellers have confidence in and adhere to (18, p. 86).

Marketing Margins

Marketing margins refer to the percentage difference between the price paid by the consumer and the price received by the farmer. The margin per se does not mean much. It has to be viewed in relation to the marketing services provided. The marketing margin has a direct relationship with the volume of marketing services available. In the developed societies, the margin is relatively high because the consumers enjoy greater services. In the low-income countries, on the other hand, the margin is lower because not many services are rendered to the consumers. Because of the low level of income of consumers, there is generally not much demand for various marketing services such as those ordinarily found in high-income societies. With an increase in income, demand for various services rises and the market margin tends to increase. However, though low margin usually indicates a lower level of development, sometimes the margin may be partly a function of efficiency or inefficiency of the marketing system. It may vary because of different factor combinations and costs. In the case of food grains, which comprise two-thirds to three-quarters of agricultural marketings in a typical low-income country, the margin is very low (50, p. 333). This implies that simply reducing the margin cannot in itself have a marked effect on agricultural prices. This is true irrespective of

whether the margin is the product of efficient marketing, inefficient marketing, collusion, or competition (50, p. 333).

A few instances of low market margin may be cited from the Philippines, India, and Pakistan as follows. Table 1 shows the retail and farm prices and the marketing margins of rice in the Philippines. It has been maintained that in the Philippines the market margins for rice are quite low.

Another study shows that the gross margin in purchase of paddy and sale of rice by private traders varied from Rs. 2.22 to Rs. 9.96 per quintal in the selected markets in India (46, p. 15). This margin cannot be considered high by any standard. An estimate by a government agency regarding marketing expenses alone without the inclusion of profit margin for procurement and distribution of wheat in the Punjab worked out to be Rs. 15.00 per quintal (28, p. 9).

Other studies on marketing margins for wheat in the Punjab, Delhi, Uttar Pradesh, Rajasthan, and Madhya Pradesh in India during 1962-1963 and 1963-1964 established that the producer received over 80 per cent of the consumer price (21, p. 98). In the case of raw jute in East Pakistan, the farmer's share was calculated to be 72.17 per cent of the price at port before tax (22, p. 118). These are obviously high percentages compared to the situation in the United States. Over the period of over forty years since 1915, farmers in the United States received an average

TABLE 1.--Marketing margin of rice by region, the Philippines, 1957-1963.

Regional Markets (Peak Harvest Months)	Mean Retail Price (Pesos/56 Kg. Cavan of Milled Rice)	Mean Farm Price (Pesos/56 Kg. Cavan of Milled Rice)	Market Margin (Pesos/56 Kg. Cavan of Milled Rice)
Ilocos	26.96	19.89	7.07
Cagayan	24.68	17.51	7.17
Central Luzan	28.50	20.02	8.48
Southern Tagalog	30.96	20.88	10.08
Bicol	35.86	17.61	18.25
Eastern Visayas	26.11	20.15	5.96
Western Visayas	27.50	19.08	8.42
N. and E. Mindanao	31.54	20.02	11.52
S. and W. Mindanao	28.89	17.51	11.38

Source: Mahar Mangahas, "The Response of Philippine Rice Farmers to Price" (Unpublished Master's thesis, University of the Philippines, Manila, 1965), p. 110, referred to in Kurt R. Anschel, Russell H. Brannon, and Eldon D. Smith, eds., Agricultural Cooperatives and Markets in Developing Countries (New York: Praeger Special Studies in International Economics and Development, 1969).

of 43 per cent of the consumer's food dollar, while the marketing agencies received 57 per cent of the food dollar (36, p. 114). The American consumer receives many marketing services. The largest proportion of the margin between the Indian producer and consumer prices for wheat (68-96 per cent of the margin) consisted of market costs, taxes and levies, freight charges, and cost of bags. In these same studies it appears that the producer gets a higher share of the retail price during the off season than during harvest periods (21, p. 98). The cost of marketing services varies from product to product, depending on such factors as the degree of processing, and costs of transport and storage. Taking all agricultural commodities and all marketing functions together, the total marketing bill is likely to be at least as much as the primary producer's price. This was recently found to be the case in estimates derived from several Latin American countries (74, p. 84).

Fluctuation of Agricultural Prices

A strong tendency towards price instability is inherent in the marketing of farm products because of the seasonal concentration of output and difficulties in adjusting production closely to demand. Price fluctuations are particularly severe in the less developed countries because most producers are forced to sell immediately after or even before the harvest to meet essential living

expenses or to repay debts. The heavy influx of commodities forces the post-harvest price to a low level. Soon after harvest, the price recovers and rises to a higher level as the new harvest approaches. In Cambodia, for instance, prices of paddy in January and February, just after harvest, are generally about half those prevailing in July and August. In Colombia, the immediate post-harvest price of potatoes is often no more than one-third of that realized later in the season. Many citrus orchard owners in Iran sell their fruit three to five months in advance of maturity in order to obtain cash advances. It has been estimated that if the growers in one village near Meshed, for example, had sold their 1960 crop even at the seasonally low price prevailing at picking time, they would have earned over $10,000 more for it than they actually received (3, p. 142).

However, there are variations in the extent of price fluctuations among different less developed countries and among different commodities within these countries. Certain studies show that seasonal price fluctuations are not very large in some countries (50, p. 334). In these studies it is shown that seasonal price rises, if taken over the average of several years, correspond roughly with storage costs. Thus buying on a random date after harvest and selling on a random date towards the end of the season would provide relatively little profit (53, p. 34). In a study over the period 1950-1961 for a number of markets in India,

and covering rice, wheat, and sorghum, it was found that the seasonal price rise from trough to peak was less than 10 per cent in one-half of the years studied, more than 20 per cent in about a quarter of the years, and there was no rise at all or decline in about a quarter of the years (63, p. 28). A study of sorghum marketing in a principal producing area in India indicates that, on the average, in the seven-year period studied, prices rose seasonally sufficiently to cover the variable costs of storage plus about a 9 per cent margin for covering the fixed cost of the shop and its employees, as well as the return for the merchant's time and skill (44, p. 49).

Market Structure

The pattern of agricultural marketing varies considerably from commodity to commodity and among countries and regions. All familiar marketing channels are represented in the less developed countries. However, it is general for some commodities to change hands three or four times between producer and consumer. Generally, farmers sell products to small merchants and itinerant traders at the village level; the small merchants then take them to wholesale merchants, where they are sold again; and from the wholesale markets the products move to the final consuming markets and to retailers. Farmers with larger holdings may bypass the village merchant and sell directly in the major wholesale market. Rural traders require

relatively small capital and little technical know-how, and this ease of entry into marketing provides competitive conditions. Competition is less intense at the wholesale market level. Here entry is relatively difficult because of capital and management problems, and also because of the controls and restrictions exerted by existing dealers. At the village level, credit may be tied to the marketing function. In individual cases, this tie may provide the basis for exploitation of the farmers with small financial resources (2, p. 245).

Some marketing methods in vogue in some of the traditional economies provide some useful insights into the marketing problems. The methods include the simplest direct producer-consumer relationships, such as a farmer slaughtering a meat animal and hawking the dressed carcass from house to house on a pole in Honduras; sophisticated concentration as in the United Africa Company and its affiliates in parts of West Africa; and the integration of production, processing, and marketing, as for pineapples and mushrooms in Taiwan (2, p. 246). Capital investments and specialization range widely. Farmers stand alongside the roads in Addis Ababa, Ethiopia, on Sundays with eggs and chickens in their hands. Around Manila, the Philippines, and along the road from Colombo to Kandy in Ceylon, permanent stalls have been erected and most of the sellers are specialized retailers purchasing through wholesale channels. In

various South American cities, supermarket chains retail perishables purchased at central wholesale markets, through country buying agencies, or directly from specialized producers on contract. Marketing boards buying directly or through licensed agents have a monopoly of trade in rice in Burma and in maize in several African countries. In many Near Eastern and Latin American countries, marketing boards operate in competition with independent traders to maintain floor prices to producers and to moderate seasonal price peaks for consumers (2, p. 247).

Transportation

Subsistence agriculture is largely independent of transport systems; only when farmers enter the market place do transport systems become important. Commercial agriculture very often begins with the establishment of a good transportation system. Usually the existence of an efficient transportation system promotes the process of commercialization of agriculture.

Over the past decade, USAID, the World Bank and other development assistance agencies have loaned considerable amounts of funds for "farm-to-market roads." These investments probably account for a significant part of the increase in agricultural exports that have taken place recently in the tropical countries. An example is the new highway between the inland city of Curitiba in Brazil, and Paranagua on the coast. The highway was built to improve

the links between the country's vast agricultural hinterland and the world market (18, p. 88).

The Friendship Highway from Bangkok to Korat in Thailand is another example of what a highway can do to agriculture. This highway helped Thailand, traditionally a one-crop (rice) exporter, to become a ranking world exporter of maize (18, p. 89).

In 1957, it was estimated that in Syria, the cost of transportation to Latakia of grain for export immediately after harvest amounted for many farmers to about 40 per cent of the export price of wheat and 50 per cent of that for barley. Production is often restricted to the needs of local village markets until low cost transport facilities make other outlets accessible. In some regions of the Philippines, subsistence crops such as rice and corn are often raised in place of potentially more profitable crops, such as, Manila hemp, partly because of the difficulty of carrying the produce to the market (3, p. 143). Many important agricultural areas are linked with the outside world only during the dry season of the year, and valuable fresh fruit, for example, is wasted as a result of sudden rains. In Thailand, as of 1953, the average distance from a farm to a railroad station was forty-five miles, to a navigable waterway twenty miles, to a road usable during most of the year was six miles (53, p. 12).

Perishable foods, such as, meat, fresh fruits, vegetables, and milk (which call for use of refrigeration) have

special transport needs. Apart from their capital cost, refrigerated vehicles can only be used economically with good roads and railway connections, and with prompt and efficient servicing, which is often difficult to ensure. The problem of assembling an economic cargo and distributing shipments profitably often makes it difficult to introduce refrigerated transport services. Meanwhile, the absence of this link with suitable market is itself the reason for the lack of adequate supplies to justify a service, and a lack of proper distribution facilities. Thus, there are now enough retailers equipped with refrigerated display cabinets in Hong Kong, for example, to handle a consignment of frozen poultry, whereas formerly the periodical arrival of large deliveries of carcass poultry from the mainland brought about a sharp drop in prices because of the need for immediate disposal (3, p. 143).

The mere prospect of road construction can spur commercial production in otherwise subsistence areas. On completion of a new road in East Africa it was found that land had already been cleared and planted in anticipation (1, p. 44). Improvement of the road from the Cataramas Valley in Honduras to San Salvador brought the cost of transporting maize down from 4.5 cents to 2.2 cents per kg., permitting a better return to producers and savings to consumers. Prices of livestock around Fort Lamy, Guinea, rose by 100 per cent following the institution of

an air service to transport meat from this otherwise isolated producing area to the Guinea Coast and Congo cities. Plans for growing crops on the slopes of the Jebel Marra, such as apples, potatoes, grapes, and other crops which could replace imports into Sudan cannot be implemented before construction of a good road or rail connection to the existing railroad. It is claimed that the meat requirements of Lima, Trujillo, and Chiclayo in Peru could be met by intensive production in the Huallaga Valley over the first crest of the Andes. For lack of an access road at present only small quantities of meat are brought out by air, and imports are needed. The construction of about 25,000 miles of secondary roads in East Pakistan in 1963-1964 had the effect both of increasing product prices and of reducing factor costs in many heretofore isolated villages (1, p. 45). Thus roads helped to provide incentives for greater efforts and for additional output on the part of substantial number of farmers.

Storage

It has been estimated that more than 10 million tons of rice was lost in the world in 1947-1948 because of inadequate storage (1, p. 47). According to other estimates, losses in storage from rodents, insects, and other sources vary from a few per cent to as much as one-third (50, p. 328). The extent of loss depends on climate and methods of storage and handling. Substantial product saving can

be brought about by wider application of techniques already available and by further construction of storage, drying, and fumigating facilities.

Owing to their scarcity, the ownership of modern storage facilities is sometimes an issue in less developed countries. Merchants in control of the limited storage available have profited from speculative operations and many countries are turning increasingly to public ownership of storage facilities. That the stimulation of competition by local enterprise can also achieve desirable results in such environments is evidenced by a survey of cold storages in Bihar, India, in 1960. There the rental came down from Rs. 9.00 per maund in 1940's to Rs. 5.00 in 1959 and Rs. 4.00 to Rs. 5.00 in 1960 "due mainly to increase in the number of storages and resulting competition" (26, p. 24). However, in ascribing the change in the rental to increase in competition, the effect of change in the value of money over the period should also be taken into consideration.

The San Lorenzo irrigation and settlement project authority in Peru found it necessary to provide storage for settlers' grain while awaiting sale with the alternative that heavy wastage losses would discourage continued production. Further plantings of mango trees in suitable areas of Colombia were held up because about 20 per cent of the existing crop was wasted for lack of enterprises

to freeze the pulp of those which could not be sold fresh at a profit (1, p. 48).

Processing

Most development plans lay considerable stress on the establishment of processing enterprises. Processing helps avoidance of physical wastage, simplification of transport requirements, spreading of the period of consumption and greater convenience for the consumer. Losses in processing vary greatly with both the commodity and the technique. With small scale traditional methods of rice milling, there may be a loss of about 6-10 per cent more product than with modern methods (50, p. 329). Generally there is no lack of initiative and interest in the developing countries to set up small scale processing operations such as rice husking, flour milling, livestock slaughtering, soft drink preparation and the like. The usual problem is that the enterprises lack the capital to purchase and maintain efficient equipment and other physical facilities which would get the most out of the products they are handling, or else they operate on too small a scale to justify the preservation and sale of potentially valuable by-products. Rice bran, for example, is generally wasted in Ceylon and India (and in other countries as well), and much valuable vegetable oil is lost because of poor processing equipment (1, p. 50). Hides and skins, important foreign exchange earners in the Middle East,

Africa, and Pakistan, lose much of their potential value to these regions because of inefficient flaying, curing, and handling practices (1, p. 50).

Handling and Grading

Lack of care and forethought in handling and packing cause considerable wastage in marketing. Often this is encouraged by traditional sales practices. In the Near East, much fruit is sold on the tree; it is picked up by a contractor who may let out the work to a third party with no direct interest in the price obtained for the crop. In livestock shipments, in some countries of Latin America, for example, and in the shipment of live pigs as dock cargoes to Hong Kong, shrinkage in weight and losses from death and crippling are far in excess of those prevailing over comparable distances in other areas. Such solutions as slaughtering of the livestock near the production point and transportation of their meat to the market under refrigeration are not always feasible (3, p. 144).

Produce of different types and qualities is often sold without regard for varying consumer preferences and willingness to pay for them. Effective market research to determine the nature of these preferences and the adoption of processing, packaging, and distribution procedures adopted to them might permit both greater consumer satisfaction and higher returns to producers.

Market Information

Information on current and prospective market condition is characteristically weak in less developed countries. The large number of small enterprises involved, inefficient communication and illiteracy contribute to this situation. The communication gap is a major limitation on farmers' bargaining power, and also leads wholesale buyers to seek wider margins as a hedge against price changes in distant markets about which they may not know. Lacking information as to the prospective value of produce and where they could sell it advantageously, farmers may not even try to grow and market some crops in current demand for which their land is suitable. Inadequate market information is a frequent cause of physical waste when perishable fruits and vegetables from distant locations are shipped to an already satisfied market. Correct and adequate price and supply information is based on standard definitions of type and quality, uniform weights and measures, and representative lots of produce in the market. At present, many of these attributes are uncertain. Local radio services and newspapers are generally willing to disseminate market information if it can be placed in their hands in time. Collection and interpretation in terms local farmers and traders can understand may, however, require initiative and assistance from some public marketing improvement agency. The cooperation

of local market authorities may also be needed in collecting such information and in broadcasting it. This is one of the responsibilities, for instance, of the market committees set up under the market regulation program in India (3, p. 145).

CHAPTER IV

COOPERATIVES IN AGRICULTURAL MARKETING

Cooperatives have generally come to be recognized as an important segment of an agricultural marketing structure. In many countries they have become quite important as a means of achieving greater efficiency as well as a more equitable distribution of the benefits of development. This chapter seeks to discuss the role of cooperatives in agricultural marketing with reference to the less developed economies. It will deal mainly with the various activities performed by cooperatives, the organization of cooperatives, and the integration of credit and marketing functions.

Objectives of Cooperatives

The main objectives of marketing cooperatives include reduction of marketing margins and costs, improving operational efficiency and influencing supply and demand in the market. Efforts to reduce marketing margins originally concentrated on elimination of the middleman and capturing his profits for the organization's members. This objective stimulated growth of many early cooperatives and provided

some balancing of economic power at the marketplace. Improving operating efficiency became a companion objective. It was discovered that in order to reduce the marketing margins, efficiencies had to be developed in which the cooperative could do the job more economically than other agencies (42, p. 205).

In the context of market imperfection, a cooperative can serve to improve the marketing system. A cooperative might be organized to pursue one or a combination of the economic objectives, viz., (1) provide services at a lower cost, (2) offer an alternative market outlet to offset monopoly in the local market, (3) provide new or improved marketing services, and (4) channel technical information, new practices, and new inputs to producers and better coordinate production and marketing (69, p. 220).

Much of the pressure for establishment of cooperatives grows from the idea that existing marketing agencies take advantage of weak bargaining power of the small farmers and earn a high profit. If the existing agencies operate on relatively narrow margins, cooperatives may have a difficult time competing. This is particularly true if they are dominated by governmental bureaucracy which reduces flexibility and increases costs. In these circumstances cooperatives tend to be in a poor competitive position (50, p. 341). Indeed, they may have little scope for improving market efficiency.

The environment for formation of cooperatives is more favorable if marketing margins are high due to collusive behavior within the private trade or if there is great inefficiency in the private trade for other reasons (49, p. 108).

Cooperative Marketing Situation

In the less developed countries, cooperatives have been promoted as a matter of government policy, and they have been largely supervised and controlled by the government. Under such circumstances, the member tends to be quiescent, contributing little managerial talent, local know-how, or even a guard against corruption. As a result, inefficiency and even corruption in management are common, further reducing local interest in the cooperative. Successful cooperatives must first be built on a solid base of rendering a needed service efficiently.

The main reason for the continued predominance of the private trade in primary marketing in the developing countries is the complex and fragmented nature of the trading operations involved and the problems of staffing, financing, and administration involved in overall public control. Consequently, this is an area in which it has proved difficult for the government authorities to take decisive action toward helping the producer and increasing marketing efficiency. One of the persistent and basic problems in the development of marketing and agriculture

in general is linking the small farmer's operations effectively to the main marketing channels.

Cooperative development is one logical means of improving the situation. If small producers can be helped to organize themselves into cooperative societies and unions for selling their crops and buying their requisites, they have a prospect of better access to markets and a promise of countervailing power in their dealings with traders. Usually support for cooperative enterprise is politically popular since it is seen as favorable to producers and restrictive to the unpopular middlemen. Accordingly, most countries have given at least some support to producers' marketing cooperatives and, for some, the cooperative movement is the chosen instrument for primary marketing development.

Unlike the original producers' cooperative movements in Europe, the new versions in developing countries have usually been established with considerable assistance from governments. They have received support in various forms, often including loans, tax privileges, advice and facilities, and legal protection. In particular, in order to reinforce the loyalty of their members, they have often been given local monopoly rights in marketing and processing. However, when a government creates privileged cooperatives in this way, it must also accept the obligation to combat the dangers of inefficiency and injustice to producers by providing adequate supervision.

Because of the rapid rate at which cooperatives have been promoted in some countries and the heavy responsibilities put upon them in relation to their limited resources and experiences, performance has often been disappointing and competition with private traders largely unsuccessful. Where operations are well managed and leadership is sound and enterprising, substantial progress has been made in a number of countries where cooperative methods are relatively new. In some cases, success has to be ascribed largely to special assistance in management. Such assistance cannot be sustained indefinitely. In Africa, this has been the case with the well-run producers' cooperatives at Kigesi in Uganda which has built up a successful trade in vegetables; it was also true of the cooperative ranch at Koma Rock in Kenya. In Niger, too, rural cooperatives are reported to have been expanding very successfully in the marketing of cereals (74, p. 96).

In some other countries such as Tanzania and Tunisia, cooperatives without intensive assistance of this kind have, for several years, been coping with the marketing and processing of crops on a national scale. In India the striking success of the Anand milk producers' cooperative over the past twenty years has attracted worldwide attention. This venture has transformed the living conditions of peasant farmers in the Kaira district of Gujrat. Its business has expanded continuously under excellent local management and in 1967 it handled and

processed more than 70,000 tons of milk for 120,000 producer members. Its remarkable progress shows what may be achieved under suitable conditions and good management (74, p. 96).

In Cyprus, as another example, the cooperative movement has a long history and is a major force in the commercial and industrial life of the country. In several larger Latin American countries there are large and powerful cooperative organizations which are successfully operating major processing and trading businesses.

In Lebanon, the Bekaa Poultry Cooperative packs, grades, and distributes egg and table poultry for some 120 members. Since 1963, it has built up excellent facilities and a reputation for quality products and commercial efficiency. It now supplies a large part of the Lebanese domestic market for eggs and exports about 70 million eggs per year (74, p. 96).

Cooperative buying among farmers or city consumers has developed extensively in some countries, notably in the United States, England, and Sweden, while cooperative selling of farm products is most common in such countries as Denmark, Finland, Canada, and United States. Denmark is the outstanding example of a country in which cooperative marketing of farm products and purchasing of farm supplies have succeeded on a large scale. The various products handled by cooperatives include butter, bacon, eggs, seeds, feedstuffs, fertilizer, cattle, etc. These are handled

by thousands of Danish farmers' cooperative associations. A large proportion of the retail trade in Denmark, Finland, Sweden, and England passes through cooperative channels. Wholesale houses organized on a national and international basis are also operated successfully by cooperatives.

The recent expansion of cooperative marketing systems in countries such as Ceylon, Tanzania, and Senegal reflects a shift away from the idealistic tradition of the Rochdale Pioneers to a more pragmatic model. For instance, as seen in Japan, cooperatives there handle 70 per cent to 80 per cent of the rice marketed. These cooperatives undertake only limited responsibilities as receivers and storage agents for a monopoly government food agency. With a secure base as sole assembling agency, and earning a steady handler's commission, these cooperatives provide credit and sell fertilizer and other supplies to farmers on easy terms. Once capital was accumulated from these low-risk operations, they could take on additional functions such as processing and marketing other crops (2, p. 47).

In some less developed countries, the cooperative movement was initiated with the organization of cooperative marketing societies. Coffee marketing in Tanganyika by the Kilimanjaro Native Cooperative Union Ltd., cocoa marketing in Nigeria, cotton marketing in Uganda, and rice marketing in Malaysia are examples of the case.

Integration of Savings, Credit, and Marketing

It has been found that the efficiency of cooperative finance is considerably increased if the operations of thrift and credit societies are linked with those of marketing societies; or, if the society providing credit operates on a multi-purpose basis.

An FAO study recommends that thrift, credit, and marketing, and with them, the supply of agricultural and, possibly, of household requirements, should be closely interwoven in cooperative organization in rural areas (71, p. 58). Credit by itself has proved to be insufficient. Credit without the adjunct of thrift and mobilization of savings merely results in the substitution of one form of money-lending by another. One of the main reasons why the cooperative movement in British India made little headway was that it confined itself chiefly to the credit function (67, p. 168).

In order to improve the state of rural credit in India, the (Indian) Rural Credit Survey Committee Report formulated in 1954 an "integrated scheme of rural credit" (40, p. 38). The most important feature of this scheme was the idea of full coordination between credit and other economic activities affecting the farmers, such as marketing and processing of agricultural produce. The importance of linking credit with marketing and processing has been recognized as a measure to ensure, on the one hand, recovery of loan advanced to the farmer and, on the other, to ensure

for the farmers a "fair price" for their produce (40, p. 39).

Factors Affecting the Integration of Credit with Marketing

A few years ago, the Reserve Bank of India initiated a scheme for the liberalization of credit facilities to farmers through cooperative credit and service societies. The recovery of the loans was to be from the proceeds of sales made through the cooperative marketing societies. The main objective of this scheme was to coordinate and strengthen the financial structure of the cooperative credit and cooperative marketing societies and help them become viable institutions (31, p. 25).

The Punjab Agricultural University, Ludhiana, India, conducted a case study of some marketing societies and credit and service societies (31, p. 26). The objectives of the study were to examine the nature of the incentives offered by the cooperatives to promote the integration of credit with marketing. The study also intended to identify the factors that influenced the integration of cooperative credit with cooperative marketing. The cooperative organization provided some incentives to promote the integration of credit with marketing. For example, the cooperative marketing societies offered to recover loans due to cooperative credit and service societies from the sale proceeds of the produce sold by farmers through the marketing societies. Besides, the cooperative credit and

service societies offered rebates on the rate of interest to the extent of 1 per cent per annum of loans repaid in this manner. They also gave priority in the matter of advancing credit to those who were involved in the scheme for the integration of credit with marketing. Despite the incentives offered by the cooperatives to promote integration, all farmers did not patronize them in disposing of their produce. The farmers included in the survey were, therefore, asked the reasons for favoring different marketing channels. The percentage distribution of the farmers by reasons for selling their produce through cooperative and non-cooperative channels is shown in Table 2. Most of the farmers assigned more than one reason for patronizing an agency.

The important reasons assigned for the patronage of cooperative marketing societies included rebate in the marketing charges (such as weighment), and the 1 per cent rebate in the rate of interest on cooperative credit. Supplies of such inputs as seeds and fertilizers by the cooperatives also contributed to their patronage by the farmers.

The predominant reasons in favor of patronizing non-cooperative channels were the courteous behavior of the commission agents, availability of interest-free loan from commission agents, hospitality of commission agents, and better and prompt services rendered by these agents in the matter of finalization of sale transactions in the market.

TABLE 2.--Distribution of farmers by reasons for patronizing cooperative and non-cooperative channels for sale of farm produce, Ludhiana, India, 1965-1966.

	Reasons	Farmers Patronizing Cooperatives (Per Cent)	Farmers Patronizing Non-Cooperatives (Per Cent)
1.	Preference in getting cooperative credit	20	. .
2.	Rebate in the rate of interest on cooperative credit	100	. .
3.	50 per cent rebate in marketing charges	100	. .
4.	Availability of interest-free commission agents' credit	. .	90
5.	Price differential	10	40
6.	Courtesy	60	100
7.	Hospitality	. .	80
8.	Better and prompt service	10	80
9.	Supply of seeds and fertilizers	70	. .
10.	Shares in the cooperative marketing society	20	. .
11.	Active help from management of cooperative marketing society in disposal of farm produce	20	. .
12.	Old relations with management of business units	. .	40

Source: A. S. Kahlon and A. C. Sharma, "Integration of Credit with Marketing," Indian Cooperative Review, V, No. 1 (October, 1967), 26.

It would be interesting to know how this affected prices received. The farmers who took loans from the cooperative service and credit societies and yet sold their produce through commission agents were asked the reasons for not selling to cooperative societies. The percentage distribution of these farmers by reasons for not patronizing cooperative marketing societies is reproduced in Table 3. Many farmers indicated more than one reason.

It is evident from Table 3 that quality of service and courtesy were rated very highly by the farmers.

The success of integration of credit with marketing depends upon the operational efficiency of the cooperative marketing societies. The latter, in turn, depends upon such factors as the volume of business, contacts with other business units, incidental services (such as credit and storage facilities rendered to the clients), and the degree of integration of various marketing functions.

TABLE 3.--Distribution of farmers by reasons for not patronizing cooperative societies for sale of farm produce, Ludhiana, India.

	Reasons	Distribution (Per Cent)
1.	Delays in completing formalities in sale transactions	30
2.	Lack of storage facilities with cooperative marketing society	10
3.	Prior debt obligations to other agencies	50
4.	Poor service	90
5.	Discourtesy of marketing society officials	40
6.	Preferential treatment of officials of the marketing society to a selected few	20
7.	Old cordial relations with commission agents	20
8.	Availability of credit from commission agents in addition to that available from credit and service society	20
9.	Lack of adequate credit facility with the cooperative marketing society	10
10.	Lack of previous experience regarding sales through cooperative marketing society	10

Source: A. S. Kahlon and A. C. Sharma, "Integration of Credit with Marketing," Indian Cooperative Review, V, No. 1 (October, 1967), 27.

CHAPTER V

AGRICULTURAL MARKETING IN EAST PAKISTAN

The marketing system of East Pakistan is largely traditional and less productive. Historically, little attempt has been made to organize and improve the marketing system in the province. Some efforts were made by the government to organize some of the marketing functions from time to time, but nothing substantial has really been achieved. While it is true that planned efforts are being made to affect a breakthrough in agricultural production enough attention has not been paid to organizing the marketing sector of the economy. With an increase in agricultural production and with the prospect of surplus production of some of the foodgrains in the near future, the need for a more efficient distribution system is increasing. Indeed, a "modern agriculture" implies a market-oriented agriculture. Now that the elements of production transformation are being developed, the scope of moving towards a "modern agriculture" must include the marketing dimensions if the momentum of production transformation is to be sustained.

This chapter deals briefly with the agricultural marketing situations in East Pakistan with a discussion of the market structure and the other major characteristics of the marketing system.

Types of Markets

There are different kinds of markets in East Pakistan. Broadly speaking, these may be classified into three main types: (1) primary or village markets, (2) secondary or town markets, and (3) terminal or port markets. A brief discussion of these markets may be given as follows.

Primary Markets

These are principal periodical centers of trade in agricultural raw products in the rural areas. This type of market may function as an assembling center as well as a general retail distribution center. These markets include village bazaars, "haats," and fairs. Haats are smaller local village bazaars. Most farm produce that is sold by farmers is exchanged in these markets. Of course, many farmers sell their produce in the secondary markets and also at their homes. The economy of the villages is highly dependent on the operation of the village markets. The village "haats" which are the centers of internal trade are held regularly on certain fixed days of the week.[1]

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[1]Many of the "haats" were founded by local Zamindars (landlords) who took an active interest in their development. With the abolition of the Zamindari system in 1951,

There were about 6,000 village bazaars in the province in 1965 (9, p. 383). In addition, there were about 2,000 "haats" conducting small scale trading (66, p. 238). The average area served by a village market is roughly twenty-five square miles whereas an average "haat" generally serves an area within a five mile radius (66, p. 239). The products handled in these primary markets include rice, vegetables, pulses, spices, poultry and eggs, sugarcane, betelnut, "paan" (betel leaf), coconut, and other food crops as well as jute, tobacco, kapok, and other cash crops. The food crops generally change hands among the people of the area around the market. Cash crops are bought by intermediaries such as Beparis,[1] Farias,[2] and other middlemen traders[3] who arrange to transport the commodities to larger trade centers.

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the "haats" had difficulties in readjusting themselves to the new situation and some were adversely affected (58, p. 144).

[1]Bepari is a peripatetic dealer who buys in villages, village bazaars, and "haats," and sells to some higher intermediaries. He is sometimes also called Paikar.

[2]Faria is practically the same as Bepari. He is a country buyer at the initial stage of assembling the produce from farms or local "haats." He may collect produce from farmers, itinerant traders, wholesalers, and processors.

[3]Two major ones are Aratdars and Dalals. An Aratdar is an intermediary who is usually in possession of godown in some secondary market. He may operate on his own account, or act as a commission agent for buyer and seller. A Dalal is a broker.

Secondary Markets

These are wholesale markets which work as assembling markets in the production areas and as distributing markets in the consuming centers. These markets generally have developed in places having river and railway communications. Some of them, such as Tangail, Feni, and Comilla, have sizeable trade traffic along the highways. The major portion of the internal trade is carried on between the primary and the secondary centers. The area commanded by the secondary markets depends upon the available means of communication and transportation, kinds of commodities handled and the location of the market. Generally, the area commanded by a secondary market varies from ten to twenty miles in radius. There are about 450 such markets in the province. Some of the most important ones are Narayanganj, Chandpur, Mirkhadim, Shirajganj, Bhairab Bazar, Gaibandha, and Sharisabari (9, p. 385).

Terminal Markets

These are organized by the trade agencies and associations, and function in connection with export trade and internal trade. Distribution of commodities received at the port from different sources is the main function of the terminal markets. Most of the export crop finds its way to the two terminal or tertiary markets, the seaports of Chittagong and Chalna. These two trade centers receive and distribute considerable quantities of goods received

from outside, some of which find their way back through the secondary markets to the "haats."

According to the survey of agriculture conducted during 1964-1965, a major volume of sales of crops occurred at the primary markets which were within easy reach of the farms. Besides proximity to the households, sales in these markets do not require much processing of crops, and do not involve much transport cost and time. This is perhaps why primary markets constitute the principal outlet for sales of agricultural products in the province. The volume of sales handled in different levels is shown in Table 4.

TABLE 4.--Volume of sales of agricultural products handled in different market levels, East Pakistan, 1964-1965.

Market Level	Proportion of Total Sales (Per Cent)
Primary markets	60-90
Secondary markets	10-30
Farmyard:	
Jute	11
Paddy and rice	25
Bamboo	41
Sweet potatoes	66

Source: East Pakistan Bureau of Statistics, Master Survey of Agriculture in East Pakistan (6th Round) (Dacca: Government of East Pakistan, 1966), p. 51.

Price Spreads Among Market Channels

The survey further showed that most of the crops sold by the farm families at the farmyard fetched prices lower than those at the primary market by about 10 per cent to 20 per cent. In some cases, the difference was more than 40 per cent. High transport cost, the large number of intermediaries, and absence of organized sales, the lack of adequate storage and processing facilities, the perishable nature of raw produce, and the seasonal nature of production contributed to widening the price spread (25, p. 61). Price differences were more pronounced in the case of crops which are more bulky and perishable and where bulk-buying of crops was not in practice (25, p. 62). Table 5 shows the differences between farmyard price and the primary market price for some major crops.

As far as the price spread between the farmyard and secondary market is concerned, transport costs are relatively high because of the longer transport distance between the farmyard and the secondary market. Secondly, the magnitude of the price difference is greater than that of the primary market (25, p. 61). Table 6 shows the differences between farmyard prices and secondary market prices for some major crops.

The magnitude of the differences in prices received by the growers and those prevailing at the wholesale market was well above the difference in prices prevailing at the

TABLE 5.--Price spread between farmyard and primary market of selected commodities, East Pakistan, 1964-1965.

Commodities	Difference Between Farmyard and Primary Market Prices (Per Cent)
Paddy	10
Rice	17
Jute	13
Sugarcane	26
Oilseeds	14
Spices	15
Tobacco	8
Betelnut	7
Potatoes	17
Eggs	50
Poultry	19
Milk	9
Fish	14

Source: East Pakistan Bureau of Statistics, Master Survey of Agriculture in East Pakistan (6th Round) (Dacca: Government of East Pakistan, 1966), pp. 55-60.

TABLE 6.--Price spread between farmyard and secondary market of selected commodities, East Pakistan, 1964-1965.

Commodities	Difference Between Farmyard and Secondary Market Prices (Per Cent)
Paddy	14
Rice	16
Jute	27
Sugarcane	65
Oilseed	19
Spices	10-17
Tobacco	20
Betelnut	13
Potatoes	20
Eggs	26
Poultry	14
Milk	34
Fish	41

Source: East Pakistan Bureau of Statistics, Master Survey of Agriculture in East Pakistan (6th Round) (Dacca: Government of East Pakistan, 1966), pp. 63-65.

primary market. The extent of difference ranges between 10 and 20 per cent. In the case of certain crops, the difference is as high as 30 to 40 per cent. Along with this, the margin of profit also varied (25, p. 66). The differences between farm price and wholesale market price varied considerably among different commodities. The differences between the two prices are shown for certain commodities in Table 7.

TABLE 7.--Extent of difference between wholesale market price and farmyard price for selected commodities, East Pakistan, 1964-1965.

Commodities	Difference in Prices (Per Cent)
Rice and paddy	8
Pulses	18
Jute	30
Spices	20-30
Vegetables	30
Tobacco	24
Sugarcane	21

Source: East Pakistan Bureau of Statistics, Master Survey of Agriculture in East Pakistan (6th Round) (Dacca: Government of East Pakistan, 1966), p. 66.

In spite of the fact that an average household normally does not have substantial marketable surplus of crops over its subsistence needs, the relationship between the farmyard and the wholesale markets, and the differences of prices therein indicate a growing transition in the rural economy. A comparative study of the data of

the agricultural surveys of 1963-1964 and 1964-1965 suggests a positive tendency towards commercialization or monetization of the rural economy "presumably through a number of intermediaries who not only earn high profits from the crops sold by the rural households but also help bridge the gap of the commodity prices between these markets, and provide necessary commodities for the non-agricultural sector, particularly for the urban dwellers" (25, p. 67).

Major Problems of Agricultural Marketing

There are various kinds of problems in agricultural marketing in East Pakistan. Some of the important ones are briefly discussed as follows.

Inadequate Facilities for Transportation and Communication

The general condition of transportation and communication is poor in East Pakistan. Lack of adequate and good means of transportation between the area of production and the market centers hinders the movement of farm products and makes primary marketing costly. It also leads to the multiplicity of small dealers and intermediaries. Transportation is heavily dependent on waterways. Movement of agricultural products is, therefore, considerably dependent upon country boats driven by manual labor. This makes movement of goods very time-consuming. It is also greatly responsible for the deterioration of

perishable commodities such as vegetables, fruits, fish, etc. In some areas, inland water transport is the only means of communication. There is a good waterways system consisting of about 3,000 perennial route miles which expands to about 4,500 miles during the monsoon. About 75 per cent of the total communication and cargo shipment in East Pakistan is through the inland waterways. Agricultural products constitute the major portion of these cargoes. It is estimated that 70 per cent of the jute is transported by inland waterways (9, p. 386). Though waterways are the most important means of communication and transport, they are not yet sufficiently developed. The extent of mechanization of water transport is very little. According to an estimate made in 1950, the volume of traffic handled by country boats in a year in Pakistan and India was of the order of 15 million tons as against the corresponding figure of 2.5 million tons for the steamer services. It was felt that by properly organizing the boats, their vast potentialities could be developed considerably (9, p. 388). There are five major river ports in the province, Dacca, Narayanganj, Chandpur, Barisal, and Khulna. There are also 1,150 river stations and landing stages which, together with the major river ports, handle about two million tons of cargo annually (9, p. 388). The East Pakistan Inland Water Transport Authority (IWTA) established in 1958 for the purpose of developing, maintaining and controlling the inland water transport has been trying to improve the

condition of these ports and the entire water transport system in the province.

East Pakistan presents a poor picture with respect to roads and road transport. The metalled (hard-top) road mileage is very small. The unmetalled roads are often incapable of vehicular traffic. The roads constructed under the Rural Public Works Program in recent years have slightly improved the situation in the province. The use of trucks or other motor vehicles for carrying agricultural produce is not common. Wherever possible, tricycle rickshaws, and bullock carts are used to transport small quantities of goods. It is very common to find people traveling miles with goods carried with poles on their shoulders, going from their farms to markets or from markets back home.

The railway system of the province is not well-developed. The province has a little over 3 miles of railway per 100,000 population. This is against 8.3 miles for Pakistan as a whole, 11 miles for Indo-Pakistan subcontinent, 224 miles for the United States, 246 miles for the United Kingdom, and 465 miles for Canada (9, p. 390). The use of railway for transportation of agricultural produce is small. Services available in the railways are also not adequate to the needs for agricultural marketing. According to the report of the Pakistan Agricultural Inquiry Committee (1951-1952), the services offered by the railway in the transport of perishable agricultural

produce, such as fruits, vegetables, poultry, and eggs were very poor. The general situation has not substantially improved now from what it was at the time of the report (9, p. 391).

Multiplicity of Intermediaries

There is a long chain of middlemen between the producers and the consumers, each taking a share of the consumer's expenditure. These middlemen mainly perform the functions of assembling, processing, and distribution. Other marketing services performed by them are limited. Seven categories of market functionaries between the producer and the ultimate consumer have been identified by one source (9, p. 391). There is a huge number of them for agricultural commodities. These are Faria, Bepari (Paikar), Aratdar, Dalal, stockist, wholesaler, and retailer (9, p. 391). Some of the market functionaries sometimes undertake more than one function. Producers generally sell their commodities to primary market functionaries such as Farias and Beparis. They sometimes sell directly to other market functionaries or to final consumers. The latter practice is common in the rural markets, especially for commodities other than cash crops.

In jute marketing, the intermediaries face limitations, such as inadequate facilities of transport and communications, lack of credit, and the high degree of risk involved in the trade, particularly on account of

visual estimation of grades and fluctuations of price. "It is doubtful if they or any other agency could perform the services any cheaper" (22, p. iv).

Poor Holding Power of Farmers

The average farmer cannot hold his produce long after harvest, at which time prices are lowest. The immediate needs of the family compel him to dispose of his marketable surplus produce soon after the harvest season. The relatively larger farmers whose production represents only a small fraction of the total may, however, wait for better prices. Credit facilities are also not adequately available, so that the farmer could obtain credit and meet the pressing domestic requirements. Jute is the most important cash crop and this is harvested during a period when his food stock tends to get exhausted. Pressure from creditors is also one of the reasons for early disposal of jute by the growers. All these factors result in the poor holding power of farmers who are thus forced to sell their produce at a very low price.

For illustration, the monthly variations of prices of paddy and rice are shown in Table 8.

TABLE 8.--Prices of paddy and rice, Comilla Kotwali Thana, East Pakistan, 1963-1964.

Months	Median Price Received (Rupees per Maund)	
	Paddy	Rice
May	22	33
June	20	38
July	19	35
August	15	26
September	18	28
October	18.5	28
November	18	30
December	13	26
January	16	26
February	15	25
March	14	25.5
April	20	26

Source: Unpublished data, Nicolaas Luykx.

Lack of Storage Facilities

The holding power of the farmer could be considerably increased if there were adequate storage facilities. Products are usually kept in a poor condition as a result of which loss by insects and rats, etc. or damage to quality is often faced. Grains retained by farmers for their own consumption are generally stored in gunny bags, earthen pots, or bamboo-made baskets. The condition of sheds and godowns used by dealers and some of the lower level market functionaries is poor. The storage facilities of market intermediaries are mostly godowns constructed by corrugated iron sheets in the primary and secondary markets owned by the landlords, businessmen, and traders. These are, in

fact, merely places for assembling and stockpiling of commodities awaiting dispatch to the terminal markets (9, p. 389).

In this context, some of the findings related to storage facilities from the report of the "master survey" of agriculture conducted in East Pakistan during 1964-1965 may be mentioned (25, pp. 71-72). The survey showed that the overwhelming majority of the storages in rural households were woven-split bamboos, bamboo baskets, jars and pitchers, mud-walled "golas," and "golas" made of bamboo and wood, etc. While only two households (out of 3,795) were found to use pucca (of brick and masonry construction) and semi-pucca godowns, about two-fifths of the households were found to use "golas" made of bamboo. A few households used "golas" made of corrugated iron sheets and mud-walled "golas" with earthen floors for preservation of paddy.

The extent of storage loss or damage of crops depended significantly on the type of materials used for storage. It was observed that due to "improper" storing and processing of crops, lack of enough protection against weather conditions, etc., about 2 to 3 per cent of almost all crops stored were lost during 1964-1965 in all types of storages (25, p. 74). The extent of damage of paddy stored in pucca and semi-pucca godowns was over 1 per cent but it was estimated to be 2 to 5 per cent in all other

types of storages. The extent of damage in storage of some crops is shown in Table 9. It appears that the

TABLE 9.--Extent of damage in storage of some agricultural products (all types of storages together), East Pakistan, 1964-1965.

Products	Proportion of Damage (Per Cent)
Rice	2-3
Jute	3
Pulses	3
Oilseeds	2-3
Potatoes	4

Source: East Pakistan Bureau of Statistics, Master Survey of Agriculture in East Pakistan (6th Round) (Dacca: Government of East Pakistan, 1966), p. 74.

storage losses are not generally high, yet it is believed that with better storage facilities available, storage losses could be further reduced in East Pakistan.

Lack of Grading and Standardization

Apart from the identification by crop and varieties within crops, a farmer does not generally grade his produce. If he does not sell directly to the consumer, he is not in a position to appreciate consumer preferences in this respect. There are only a few products, such as jute, tea, hide and skin, which have standard grades. Rice varieties are well known. But most farm products remain largely ungraded. There is hardly any rural markets in which there is a local demand for higher quality

produce. The producer of a graded product usually gets very little premium for the better quality. The quality of the produce is often underestimated by the Farias and other middlemen buyers. In the absence of standardization, bulk buying and selling become difficult.

Fraudulent Practices

The main fraudulent practices prevalent in marketing include use of false weights and measures and levying of a variety of charges. Weights and measures in use present a bewildering variety of standard from place to place. A "seer," for instance, may be considered as being equal to 82 or 85 or sometimes even 140 "tolas" though it is officially equivalent to 80 "tolas." Similarly, a dozen or a score or a hundred may mean a number bigger than the actual arithmetical figure when goods are bought from farmers.

Farias, Aratdars, and wholesalers levy a number of special charges, such as Dhalta,[1] Kayali,[2] Kabari,[3] Brittee

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[1]An allowance in kind deducted in order to compensate the buyer for loss in weight resulting from assorting, bailing, and transporting jute. This allowance is the most common of all those which prevail in jute areas.

[2]A cash allowance levied by buyer in certain markets to cover the weighing expenses.

[3]A deduction in kind made by buyers for the benefit of their staff.

Elahi,[4] Iswar Brittee,[5] etc. They also make a variety of deductions on some plea or other from the sale proceeds of the producers who seem to have no voice in the regulation of the various fees charged (9, p. 394).

Lack of Producers' Organization

Farmers of East Pakistan are not generally organized. They carry on their activities on individual basis in a very highly competitive situation. The number of farmers' cooperatives so far organized in the province is very small. While each farmer in Japan is a member of one or more cooperatives, there are millions of farmers in East Pakistan who are not aware of cooperatives. In Japan, about 70 per cent of the farmers' sales is made through cooperatives. In the Netherlands, 100 per cent of the vegetables and 70 per cent of fruits produced are sold at cooperative auction markets. In the United States, about 23 per cent of the total farm produce is marketed through cooperatives (9, p. 396). Compared to these situations, organized cooperative marketing in East Pakistan is insignificant. The small unorganized farmers are generally in a weak bargaining position facing the more resourceful and sometimes even monopsonistic traders.

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[4]A cash market allowance deducted by jute buyers at secondary markets and said to be intended for charity.

[5]Another market deduction made by jute buyers at secondary markets for religious and charitable institutions, etc.

Inadequate Marketing Intelligence

Farmers, peripatetic dealers, wholesalers, processors, and manufacturers generally have to provide their own marketing information. Marketing information service normally aims at collection of data on production, prices, arrivals, dispatches, stock, export, import, and similar matters affecting supply of, and demand for, agricultural products at different locations. This collected information is then widely disseminated.

Earlier surveys on marketing of jute revealed that 75 per cent of jute raised in the province is disposed of by the farmer at his farm premises with the result that he remains in the dark about the prices prevailing in the assembling markets, not to speak of the terminal markets. He is, therefore, obliged to depend largely upon the dealers who collect his produce.

The Pakistan Agricultural Enquiry Committee in 1952 observed that virtually the only source of information available to agriculturalists in respect to prices was a local dealer in the commodities concerned. Generally the farmers are ignorant of the current prices and their trends in important distant markets, demand and supply at home and abroad, crop forecasts, etc. The farmers make very little use of postal systems, telegraph, telephone, radio and newspapers. Wireless and telegraphic systems are inadequate and telephone is absent in the rural areas. Due

to the high degree of illiteracy in villages, newspapers have not yet earned popularity there. However, the government broadcasts daily market prices prevailing in Dacca city through Dacca radio station. In addition, a weekly bulletin is also issued by the Directorate of Agricultural Marketing. But these are far below the requirement and hardly reach the average farmers (48, p. 2).

Cooperative Marketing

In East Pakistan so far, marketing cooperatives generally have not proved a success. The cooperatives organized at the growers' level for purchases and sales failed for various reasons. Among these reasons are the small volume of business, lack of finance, lack of understanding of objectives and principles of cooperative action, lack of technical knowledge of marketing by the members as well as the management, and an absence of a higher level cooperative organization to support and coordinate their activities in matters of procurement, storage, processing, packaging, and distribution. In this connection, jute cooperatives deserve special mention. The first attempt at marketing of jute on a cooperative basis was made in the 1920's. The jute cooperatives received active support and cooperation from the growers and were making satisfactory progress when they faced keen competition from the trade which was completely in the hands of foreigners. The societies were liquidated in the

1930's as they could not withstand the combined opposition and competition of the foreign shippers, balers, and millers (8, p. 8). The next attempt was made in 1949 when jute trade faced a severe setback as a result of the refusal by India to buy jute from Pakistan. The abnormal and sudden fall in prices severely dislocated the trade and the farmers were in a difficult situation. This led to the promulgation of the Jute Ordinance in 1949 and to the establishment of a Jute Board. The object of the Jute Board was to safeguard foreign trade in jute and the interest of the growers. The Ordinance provided for fixation of minimum prices for sale and purchase of jute. Though the minimum prices of raw jute were fixed, the trade did not respond favorably to the new situation and showed reluctance to operate at the minimum prices. The Jute Board came forward and undertook the purchase of jute at the official minimum rates through appointed agents. However, it could not achieve the desired result because the middlemen traders continued to pay much lower prices than the official minimum rates while entering the official rates in their book of accounts (8, p. 10). This prompted the government to sponsor jute cooperatives as a supplementary agency. Jute cooperatives started functioning as agents of the Jute Board with government finance. The organization was also utilized for purchasing jute from the area of the Indian border as an anti-smuggling measure. Jute cooperatives with their provincial apex organization

thus came into existence and functioned under the direction and patronage of the government (8, p. 8). It may be pointed out that the organization was neither a truly cooperative organization nor a truly business concern. The result was the gradual decline of the jute cooperatives and ultimate liquidation of the provincial apex which sustained serious losses in the business.

The ILO Asian Cooperative Field Mission which surveyed the cooperative movement in East Pakistan sounded a note of warning against using cooperatives for the purposes other than their own. It was observed that "if the government wishes to make a cooperative movement the people's movement in the true sense of the word, it should discontinue using it for odd jobs which are clearly not undertaken in the interest of cooperators but in that of the treasury" (16, p. 38). However, it was not the cooperative marketing which failed but the peculiar organization that grew up in the name of cooperation. In this organization, there was an absence of the cooperative element, and in its functioning there was an absence of business principles.

The activities of cooperative marketing are limited to a few societies. There is a cooperative jute mill which, in fact, is functioning as a jute bailing press. The press works on a commission basis for the baling of jute. There are three or four cooperative rice mills in the province. They process paddy of both members and nonmembers. Besides, there are cooperatives among producers

of tobacco, "paan" (betel leaf), vegetables, and Ganja (a narcotic plant) numbering about nine or ten in the province. But the general condition of their operations is not satisfactory (8, p. 12).

Before independence in 1947, the Reserve Bank of India, on a review of the progress of the cooperative movement, recommended establishment of multi-purpose cooperatives. East Pakistan organized about 4,000 multi-purpose societies within about five years following independence. In 1946, the Reserve Bank of India and the Cooperative Planning Committee suggested reorganization of the primary cooperative credit societies so that in addition to the supply of credit, these might supply seed, cattle feeds, fertilizers, farm implements, and provide marketing facilities. It may, however, be pointed out that though the cooperatives are supposed to be multi-purpose, it has been found that credit operation is their sole or main function. A case study of a Union Multi-purpose Cooperative Society has observed that:

> . . . during these long 12 years [the society was] exclusively concerned with credit operations. Up to March, 1964, the Society distributed 19,419 maunds of fertilizers to the farmers of this area irrespective of their association with the Society. The Society acted only as a distribution agent and its activity in this connection was not limited to its own members only. The Society did not take up any marketing function also prior to its inclusion in the Development Scheme in the early part of this year (20, p. 19).

Schemes for Marketing Development

The First Five-Year Plan of Pakistan (1955-1960) emphasized the importance of expansion and improvement of marketing services, such as inspecting and grading, providing market information, and extension services.

The Cooperation and Marketing Department of the Central Government issued all-Pakistan survey reports on the marketing of agricultural commodities. The Department was also concerned with the grading of agricultural commodities. Grading of some commodities, such as wool and cotton, was undertaken in West Pakistan and the need for grading for other products, particularly those having export markets, such as jute, fish, oilseeds, tobacco, and hides and skins, was emphasized in the Plan.

The First Plan observed that:

> . . . it will be necessary for the government to provide additional services and facilities such as credit, storage, and managerial skill in marketing. . . . Eventually the marketing system should be based on rural cooperative organization, supplemented by private and governmental enterprises. In the initial stages, the extent of government participation must necessarily be greater than will be necessary when sound cooperative organizations are formed and are operating efficiently (59, pp. 43-44).

With respect to storage facilities, it was estimated in the First Plan that in 1955 the total government storage facilities for foodgrains in East Pakistan were of the order of 400,000 tons. In that year, the government decided to establish and maintain a reserve of 500,000 tons of wheat and 100,000 tons of rice. To make these reserves

workable a total of 900,000 tons of storage capacity was considered necessary. Later, the Plan provided for an additional construction of 75,000 tons of storage capacity for each of the two provinces. The Planning Board recommended a survey for determining the needs of storage for jute and cotton to be undertaken by the Central Cooperation and Marketing Department.

At independence in 1947, most of the cold storage plants of the sub-continent were located in India. One of their important uses was to store seed potatoes for distribution to farmers; the shortage of cold storage plants after independence resulted in a considerable reduction of potato acreage. In East Pakistan alone, the area went down from 99,000 acres in 1947-1948 to 44,000 acres in 1950-1951 (59, p. 45). The cold storage situation was studied in 1954 under the program of the FAO and the Colombo Plan. On the basis of the results of these investigations, the Planning Board recommended that cold storage warehouses should be constructed at Dacca, Santahar, and Chittagong. These storage facilities were meant for storing seed potatoes, and for preserving fresh fruits and fish wherever possible.

The then North Western Railway had in 1955, 342 refrigerated vans which were used for transportation of fruits and other perishables. The First Plan recommended an increase of similar services in the then East Bengal and North Western Railways to facilitate rapid flow of

perishable products from the surplus to the deficit areas. There were no refrigerated ships sailing between East Pakistan ports and Karachi in 1955, with the result that the quantities of perishable products moving between the two wings were very small. When the retail prices of grapes in Karachi was about one or two rupees a "seer," the prices in Dacca were Rs. 10 to Rs. 15 a "seer"; bananas can be found abundantly at low prices in East Pakistan when in West Pakistan supplies are small and prices high.

The facilities for transporting, storage, processing, and marketing of fish are unsatisfactory. As a result, large wastage of fish occurs. For transporting inland catches to the consuming centers, refrigerated railway wagons and steamers with refrigerated space are needed. The Second Five-Year Plan estimated that almost half the fish sent to market deteriorates in varying degrees before it reaches the consumer. The Plan recommended certain facilities in order to reduce this waste. Ice and cold storage facilities were to be provided; three combined cold storage and ice plants were to be built in the province during the Second Plan period. The Plan recommended organization of fishermen's cooperatives in the province after the pattern of the Karachi Fishermen's Cooperative Society (60, p. 105).

Two other important schemes were incorporated in the Second Plan: (1) the development of cooperative credit and marketing structure in East Pakistan, and (2)

development of sugarcane growers' cooperatives. The objective of the first scheme was mainly to streamline the organization and to improve the working and financial position of the credit and marketing cooperatives. The scheme envisaged rehabilitation of the Provincial Cooperative Bank, setting up of a Provincial Marketing Society, rehabilitation of 54 Central Cooperative Banks, development of 30 Central Multi-purpose Societies for marketing, and 500 Union Cooperative Multi-purpose Societies for short-term financing, routing members' produce, and providing farm supplies and daily necessities of life (60, p. 112).

The Provincial Marketing Society started functioning in 1962. The Society was entrusted to implement two schemes, credit and marketing, and consumers' cooperatives. Under the credit and marketing scheme its functions are to coordinate the activities of secondary marketing societies (Central Multi-purpose Societies) and to facilitate pooling of members' produce in surplus areas and distribution of the same in the deficit areas. Its functions also include procurement and distribution of farm supplies and daily necessities of life.

Though in the Third Five-Year Plan the financial allocation was increased for agricultural marketing programs under the public sector, the activities during the Third Plan period were limited to the development and

introduction of commodity grades and improvement of market places and the market intelligence system.

Compared to the actual needs and scope for development of agricultural marketing in the province, very little has so far been accomplished. Agricultural growth rates during the Second and Third Plan periods and those in prospect during the coming years require that measures be taken promptly to rationalize the marketing system and services. Most urgently needed are a system of grades and standards for grain, fruit, livestock products and export crops; improved handling, transport and storage for virtually all products; modern processing facilities for paddy, fruit, vegetables and livestock products; and a vastly improved system of market intelligence. As emphasized by the Food and Agriculture Commission, promoting regulated markets similar to those in the Punjab would be a necessary step towards improving the marketing system (54, p. 302).

Only a beginning has been made in assessing needs and inadequacies in marketing. There are only a few people trained in the various fields of marketing in all of Pakistan. The Third Plan provisions for marketing are basically limited to studies of the present underdeveloped marketing system and its problems. Although it is well-known that periodical gluts and shortages appear in various

commodity markets of Pakistan, there is insufficient information to plan and implement a development program.

In an integrated approach to rural development through village-level and thana-level cooperative institutions, attempts have been made since 1960 in Comilla Kotwali Thana and in about thirty other thanas of East Pakistan to organize and integrate marketing of agricultural products by providing such facilities as credit, bulk buying and selling, processing, transportation, storage, market intelligence and training, etc. The performance of these cooperatives has demonstrated that this system of cooperative arrangements holds great prospects for successfully handling the marketing problems of the small farmers of East Pakistan and for promoting the development of agri-business.

CHAPTER VI

MARKETING UNDER THE COMILLA COOPERATIVE PILOT PROJECT

This chapter deals with the efforts made under the cooperative pilot project of the Pakistan Academy for Rural Development at Comilla, East Pakistan. Among the project's original objectives was to organize and develop marketing activities in Comilla Kotwali Thana on a cooperative basis. The 107-square-mile thana, a unit in the local government system, had been assigned to the Academy as a "rural development laboratory," by the Government of Pakistan. This chapter will specifically emphasize the various marketing functions undertaken by the project such as buying, processing, storage, transportation, financing and credit, selling, marketing intelligence, etc.

Introduction of Cooperatives

Before dealing with the marketing activities of the project, a brief discussion of the cooperative program, in so far as it relates to agricultural development, seems appropriate.

As the rural economy is predominantly agricultural, the cooperative project has given maximum emphasis on increasing agricultural production. The other activities of the program closely integrated with agricultural development are a credit system, a savings program, and the training of farmers. From the very inception, attention has been given to increasing agricultural output by extensive adoption of improved farm practices, introduction of new high-yielding crop varieties, irrigation, and farm mechanization. As a result of all these efforts, the farmers of Comilla Thana have been able to increase the yield per acre, the intensity of cropping, and the effective acreage under crops. This has been evidenced by the various crop surveys conducted by the Academy. In addition to the two traditional rice crops, Aus and Amon, a third crop, Boro, has become increasingly possible in winter with expanded irrigation. Besides, high-yielding IRRI rice varieties, potatoes, vegetables, and Japanese watermelon are now grown in the thana. Introduction of power pumps and deep tubewell irrigation, the use of tractors and other farm equipment, varietal research, and an innovative agricultural extension program have all substantially contributed to the growth of agricultural production in the area. What is more encouraging is that the farmers of the thana are demanding more irrigation water and credit for growing winter crops on a larger scale. This means, given all these facilities, there is

a great prospect for increased production and consequent increase in disposable surplus of paddy and rice in the thana.

Simultaneously with the expansion of field crops such as paddy, potatoes, vegetables, and some fruits, attention was also paid by the cooperatives to the development of poultry and dairy. But substantial progress could not be made in this direction due to various reasons including farmers' lack of interest in poultry and dairy production, their age-old exclusive dependence on cultivation of field crops and lack of knowledge and experience in scientific poultry and dairy management. However, in recent years, experiments on modern poultry and dairy production on a commercial basis have been strengthened, and renewed efforts are being made to introduce poultry and dairy farming in the thana. With an increase in the production of all these farm products the need for various marketing services also increases. Unless adequate marketing facilities are provided, not only the ultimate objective of increased production, viz., increased farm income and consumer satisfaction, will remain unfulfilled, but also the investment made in the productive efforts will be wasted.

Organization and Functions of Cooperatives

The Comilla system of cooperatives is currently a three-tier organization. At the lowest level are the village-based primary agricultural cooperative societies.

These societies are then affiliated to a thana-level federation called the Agricultural Cooperative Federation (ACF). This federation is again affiliated to a central servicing headquarters called the Kotwali Thana Central Cooperative Association (KTCCA) which is also located at the thana level. Originally there was only one thana-level organization, the KTCCA, which handled both the agricultural and the non-agricultural primary societies. With the growth of the volume of activities relating to the primaries, especially agricultural primary societies, a separate federation for agricultural cooperatives was organized. Similarly, for non-agricultural primary cooperatives, another federation was created. Thus the Agricultural Cooperative Federation (ACF) and Special Cooperative Societies Federation (SCSF) came into being. The Central Cooperative emerged to be a confederation with the Agricultural Cooperative Federation, the Special Cooperative Societies Federation and several other cooperatives affiliated with it. It may be mentioned that in other thanas where Comilla-type cooperative projects have been in operation, the organizational set-up is a two-tier one with one thana central cooperative handling both agricultural and non-agricultural activities because the volume of activities there does not need the organization like the one in Comilla. The primary cooperative societies, the Agricultural Cooperative Federation and the Central Association have their respective by-laws duly approved

by the Cooperative Department of the East Pakistan Government and are run by their managing committees. In the case of the primary societies, the committee consists of members elected annually by the general body while in the case of Agricultural Federation and Central Association the committees consist of both elected members and officials appointed by the Government. The elected members of the Agricultural Federation are envisioned as the representatives of the farmers. Though the managing committee of the Federation decides on major issues, the day-to-day business is carried out by its Director who is its executive officer. He, in turn, is supported by a group of inspectors, assistant inspectors, accountants, and other personnel entrusted with various assignments and responsibilities.

The village primary society has a chairman, a manager, and a model farmer elected by the society and an appointed accountant. The manager is responsible for the day-to-day affairs of the society. He is also the man who maintains liaison between the village group and the Agricultural Cooperatives Federations.

The Agricultural Cooperatives Federation has been entrusted with the functions of organizing village cooperatives, their supervision, training, the collection of savings, and the operation of the credit program. The Central Association continues its functions of providing overall guidance, operating a rural banking system, and

serving as an agency for providing various kinds of supplies and other services to farmers through their primary cooperative societies. Besides, the Central Association also undertakes research and experimentation on crop varieties, various farming practices, poultry, and dairy farming, etc.

In the course of the last five or six years, the Central Association has developed an agro-industrial complex with diverse business operations. Originally started in a modest and sometimes a crude way on an experimental basis, some of the business units of the Central Cooperative Association are already on their way to modernization. These include two cold storage plants, an ice plant, a rice processing mill, a feed mill, a creamery and a deep freeze plant, a poultry farm with a slaughter house, and a dairy farm. By developing the processing and storage facilities along with a credit program and institutional buying and selling, the Central Association is trying to modernize the process of agricultural marketing on cooperative basis in an integrated manner. This is a true innovation in the context of East Pakistan.

Industrial Units

In order to derive the full benefit of marketing it was necessary to have processing facilities and cold storage plants. The processing plants, such as, the rice mill, the feed mill, the creamery, etc., would not only

provide market to the agricultural producers but also supply products to consumers. Farmers could participate in such businesses by contributing to the share capital and earning patronage dividends for their capital. Besides, establishment of industrial units would create employment opportunities to the otherwise unemployed or underemployed population (35, p. 27). A short discussion of the major industrial units of the Central Association is given below.

Cold Storages

During the potato harvest season of 1963, an immediate need for a cold storage was keenly felt when some of the village cooperatives grew potatoes on a commercial scale (35, p. 74). As in the case of other agricultural produce, the price of potatoes falls quite low at the harvest time. Thus in 1967, in the Comilla market, the price of table potatoes varied from Rs. 10-17 per maund during the harvesting season (February-March) to Rs. 26-34 during November-December (65, p. 13). Since potatoes are perishable, the Central Cooperative could not store them for later sale. People owning cold storage plants generally buy the stock and get the benefit of the price rise. There was, therefore, a great pressure from these societies for setting up a cold storage. In 1965, the Central Cooperative set up a cold storage at a cost of Rs. 12.9 lakh (about $270,000) with a storage capacity of 30,000 mds. (or 1,000 tons) of potatoes and 2,500 mds. of vegetables and fruits (33, p. 97).

The major objectives of the cold storages were to: (1) provide storage facilities to farmers so that they could get a better price for their produce by deferred sale, (2) provide market for the farmers' produce and thus encourage production, (3) supply good seeds of potatoes to farmers in time and at reasonable prices, (4) supply table potatoes to consumers at a reasonable price, and (5) earn profit for the Central Cooperative and for the farmers who would hold share capital of the cold storage.

The cold storage stores mostly seed and table potatoes. It buys potatoes from village cooperatives, local dealers, and others from several other areas of Comilla and other districts. It also offers space for storage of potatoes on rental to local farmers and others, too. For seed potatoes bought from cooperative members, transportation cost is paid by the cold storage @ Rs. 0.50 per md. The cooperative manager is paid a commission @ Rs. 0.50 per md. for organizing procurement of seed potatoes from farmers, and the farmers are offered a premium of Rs. 2.00 per md. over the prevailing market price. For table potatoes, transportation cost and manager's commission are paid at the same rates but no premium price is paid (6, p. 41).

In the first couple of years the management had encountered some difficulties in organizing the procurement and sale of potatoes. Those problems arose mostly from lack of experience and business management skill.

Sometimes, problems arose from the procedures of grading of potatoes and price fixation. Subsequently, with more experience and increasing interest of cooperative members and of the private traders, the situation improved. The cold storage has turned out to be a profitable venture. In view of increased production of potatoes in the thana and also increasing demand for storage space and supply of potatoes from other areas of the province, the Central Cooperative decided to build another cold storage plant.

Creamery

The creamery plant of the Central Cooperative was set up to provide a steady market for milk at a good price for the members of the village cooperatives and also to encourage the farmers to take to dairy farming. Recently it has been equipped with modern machinery and equipment. A dairy expert from Denmark has helped to build the plant. The products made in the plant are butter, cheddar cheese, processed cheese, cream, skimmed milk, buttermilk, and "ghee" (clarified butter). There is also a deep freeze plant which helps the creamery to spread butter production over the whole year and to procure cream from outsiders in peak season when price is low. It also helps solve the problem of sale of butter in peak season (10, p. 48). Milk is procured from the village cooperatives, the Central Cooperative's own dairy farm and also from other milk-producing areas of the Comilla District. Cream is

obtained from places within Comilla District as well as from other districts.

In addition to the local market, the products, particularly butter and cheese, are sold in Dacca, Chittagong, and several other places. Agents have been appointed in these places for sale of the products on a commission basis.

In developing the present modernized creamery unit several problems were encountered from time to time. The problems included inadequate machinery and equipment, small and irregular supply of milk, insufficient organization of village milk supply, inadequate transportation, lack of experience and technical knowledge in operating a creamery plant, and poor and insufficient organization and management of marketing (34, p. 83). It appears, however, that considerable operational efficiency has now been achieved in the procurement of raw materials, processing, storage, distribution, and record keeping. But much more needs to be done in respect of quality control, reducing cost of production, exploration of market, and promotional efforts.

Rice and Feed Mills

The Central Cooperative is setting up a rice and feed mill equipped with modern machinery supplied by the Danish Government. Work has been in progress for the construction of the unit within the Small Industries Estate located in Comilla Town. The land and services at the

estate are managed by the East Pakistan Small Industries Corporation.

The major objectives of the rice mill are to enable the cooperative members to get a ready market and a reasonable price for their paddy and also to enable them to repay their loans in terms of paddy instead of cash. Besides, by processing paddy into rice, and selling the rice later in the year when the price is higher, the Central Cooperative may earn some revenue, a part of which would go to farmers as dividends according to their share capital.

Originally the Central Cooperative had set up a combined rice and feed mill in 1964. This will be dismantled when the new unit starts operation. This has not been functioning very efficiently. In the absence of proper machinery and equipment and storage facilities, handling of paddy and rice was not quite efficient. Due to improper handling--packing, storing, parboiling, drying, and milling--considerable wastage took place.

In an attempt to link credit with marketing and to encourage cooperative members to repay their loans borrowed from the Agricultural Cooperative Federation for production purposes, the rice mill pays a premium price over the prevailing market price. In addition, transport cost @ Re. 0.50 per md. to farmers and a commission @ Re. 0.50 per md. to the manager of the village society are also paid in case of repayment of loan in paddy. No such incentives are provided for the sale of paddy for cash. However, on the

whole, success in the experiment of linking credit with marketing has not been very encouraging so far. The exact reasons of inadequate response of farmers are not known. Some of the possible reasons may be the farmer's desire to postpone loan repayment, and his idea of relative convenience in dealing with the cooperative and the private dealers. It would be interesting to explore the reasons why a greater response is not forthcoming.

All the selling of processed rice is done locally. In search for new selling outlets, arrangements were made to sell rice in Comilla Town and in the villages. Ten retail centers were opened at different parts of the town and adjoining areas to selling rice (12, p. 25).

Combined with the rice mill, processing of cattle feed and poultry feed was also introduced. Ingredients for these improved feeds are procured from different places of East Pakistan. Feeds manufactured at the mill are supplied regularly to several poultry and dairy farms of the province including the Central Cooperative's own farms. A small quantity is also sold to local farmers. Under the poultry and dairy projects of the Central Association, attempts are being made to introduce improved feeds to the villages. From the volume of sales and the number of customers it appears that the demand for these feeds which are much cheaper than those available in the province has been increasing among the poultry and cattle farms in the province.

Poultry Farming

Another experiment undertaken by the Central Cooperative was in poultry feeding. Very few poultry farms have been organized by private concerns. Since 1959-1960, efforts were made by the Central Cooperative to set up a poultry unit to demonstrate to the villagers improved methods of commercial poultry rearing and to supply chicks and eggs of high-yielding breeds to farmers. The poultry farm currently has about 8,000 birds (13, p. 41). With the arrival of a Danish poultry expert, the farm has been expanded with more physical facilities and a stock of improved breeds, both layer and broiler, imported from Denmark and West Pakistan.

With a small unit there was practically no difficulty in disposing of poultry birds and eggs to local buyers at the farm yard. However, with a new incubator imported from Denmark and expansion of broiler production the need for an extended market has arisen. Though for eggs and poultry birds, demand continues from the local consumers and poultry raisers, new markets are being sought at other places, particularly Dacca and Chittagong. The marketing unit is now supplying poultry at several major cities. Dressed poultry are sent to Dacca and Chittagong for some hotels. It is felt that there is a prospect for a ready market among the various large cities and foreign consumers at Dacca. A sales agent at Dacca receives products from the poultry farm and stores them in a deep

freeze wherefrom he supplies different customers. The agent is paid a commission on his sales. It has been planned to open another sales depot at Chittagong (13, p. 42).

A slaughter house has been constructed with modern machinery received from Denmark. All the functions of slaughtering, feather picking, cleaning, packaging, deep freezing, and storing of processed birds are done in the slaughter house (57, p. 39).

A broiler rearing unit has been set up in the industrial estate at Comilla. It has also been planned to set up such units among local farmers and private individuals in village homes or small industrial units. At the end of the eight-week cycle, broilers will be about three pounds in weight. Then the rearing units would bring them for sale to the slaughter house. The slaughter house would serve as a ready market for broilers raised by the different rearing units. This way the chicks that will be sold by the farmers of the Central Cooperative will be bought back by the slaughter house (57, p. 40).

Marketing Section

Since March, 1969, a separate marketing unit of the Central Cooperative has been in operation. A Danish marketing expert has been supervising its activities. It has been entrusted with the responsibilities of organizing the sale of paddy, vegetables, potato seeds, and collecting

market information. Previously, a separate marketing intelligence section had been started in the Agricultural Cooperative Federation for supplying cooperative farmers with market news (7, p. 34). A team was formed consisting of selected managers of village societies to collect market information from different markets of the region and disseminate the information to farmers. Later, this section had become involved in marketing of paddy, rice, vegetables, and pineapples (29, p. 30). This could not accomplish much and as such it was soon discontinued (11, p. 33).

It may be observed that since 1962 many ideas were tried for organizing marketing of different products by the Central Cooperative. In doing so, many problems were encountered. Some were temporarily tackled while others could not be successfully handled. Among other shortcomings, the shortage of experienced and trained marketing personnel presented a serious problem. It appears, therefore, that appropriate market studies dealing with demand, prices, promotional needs, etc., should be undertaken for different products. Secondly, marketing should be properly coordinated with production and supply. Finally, attention should be given to training of managerial personnel in various aspects of marketing.

CHAPTER VII

A DRAFT OUTLINE OF A MANUAL FOR THE DEVELOPMENT OF AGRICULTURAL MARKETING ON COOPERATIVE BASIS IN EAST PAKISTAN

Introduction

This chapter presents a draft outline of a manual for developing cooperative agricultural marketing in East Pakistan. This draws considerably from the materials of the preceding chapters and also from the personal experience of the author. A number of issues relevant to development of marketing have been chosen and briefly dealt with. The various issues have been presented in the form of question and answer. Since the list of issues dealt with is very likely neither comprehensive nor exhaustive, additional considerations may still be added.

The Meaning of Marketing and Market Functions

What is Marketing?

Briefly, marketing is the performance of all business activities involved in the flow or distribution of goods and services from the point of production to the

hands of ultimate users or consumers. In agriculture, it includes all operations and institutions involved in moving farm products from farms to consumers. It also includes the flow of farm supplies from producers to farmers.

What Functions Are Performed in Marketing?

Marketing covers a lot of functions, not just buying and selling, as some people think. Thus, in addition to buying and selling, it covers assembly, processing, storage, transportation, standardization and grading, financing, risk-bearing, and market information.

Buying and Selling.--The buying function is usually associated with such activities as seeking out the sources of supply, procurement, and similar activities associated with purchase of raw materials, semi-finished or finished products. Buying is concerned with the transfer of ownership or title.

Selling covers all the various activities including the transfer of title which are sometimes called merchandising. Most of the physical arrangements for the display of goods, advertising, and promotion to influence or create demand, decisions regarding unit of sale, packages, marketing channel, and the time and place to approach potential buyers can be included in the selling function.

Assembly.--Assembling is the function of gathering small quantities into bigger lots. The work starting at the farm continues until the product reaches the consumer. Products, after being collected in big lots in one place, can be dealt with in bulk, with resulting economies of scale. Assembly thus facilitates all the other market functions discussed.

Processing.--Processing is essentially a form-changing operation. This includes those essentially manufacturing activities that change the basic form of the product, such as, converting paddy into rice, wheat into flour, milk into cheese and butter, and so on.

Storage.--The storage function is primarily concerned with making goods available at a desired time. It may be the activities of warehouses in holding raw materials until they are needed for further processing. It may be the holding of supplies of finished goods as the inventories of processors, wholesalers, and retailers. Storage makes it possible for goods that are produced during particular seasons to be used throughout the year. Perishable commodities may be stored under refrigeration or after processing, and held for relatively long periods. Products can also be held for a higher price. Storage generally contributes to the stabilizing of prices of products since commodities need not be sold at the time of low prices if adequate storage is available.

Transportation.--The transportation function is concerned with making goods available at a specific place. Satisfactory performance of this function requires the weighing of alternative routes and types of transportation as they affect costs. The ability to move products is one of the major determinants of the size of the market. Effective and swift transportation services help expand the potential market for products.

Standardization and Grading.--Standardization is the establishment and maintenance of uniform measurements. These may be measurements of both quality and quantity. This function simplifies buying and selling, since it makes sale by sample and description possible. In agricultural marketing, two types of standards are of major concern, the standards of weights and measures, and those for quality. "Grading" refers to the sorting of products into various categories established by the standards for quality.

Financing.--Financing is the advancing of money to carry on the various functions of marketing. To the extent that there is a delay between the time of the first sale of raw products and the sale of finished goods to the ultimate consumer, money is tied up in the operation. Anywhere that storage or delay takes place, someone must finance the holding of goods. Financing may take the form of advances from lending agencies or of tying up the owner's capital resources.

Risk-bearing.--Risk-bearing is the assumption or avoidance of the possibility of losing pecuniary value of goods during the process of marketing them. The whole marketing process involves risk. Risk is borne by those who take part in marketing and particularly by those who own the goods. Risks may occur from destruction or deterioration of the product by fire, accident, flood, theft, etc., and also from changes in the value of the product while it is being marketed.

Market Information.--The market information function involves collection, interpretation, and dissemination of large amounts of data which are necessary for the smooth functioning of marketing processes. Efficient marketing cannot operate in the absence of well-informed buyers and sellers. News regarding prices, demand, supply and stocks, and outlook for the future are among the vital types of information valuable in marketing.

Marketing and Agricultural Development

What Happens as Farmers Shift from Subsistence Orientation to Market Orientation?

In the subsistence stage of economy farmers are largely self-sufficient and turn to the market place only for necessities they are unable to produce (e.g., salt, matches, kerosene, etc.). Because of the kinds of resources available to individuals, the productivity of these

resources can be increased by specializing in the lines of production to which these resources are relatively well adapted. A part of the increased production can be set aside to exchange for other goods. Specialization and trade are a sign of development in agriculture as well as in any other line. The better the functioning and organization of the market system, the greater the facilitation to the development of agriculture.

What Kinds of Production Needs of Farmers Can be Met Through the Market System?

For efficient and modern farming the farmers need to use improved seeds, chemical fertilizers and pesticides, farm machinery and equipment, and credit. Any marketing program should provide for a readily available supply of inputs. These inputs may have special handling requirements. Seeds may need other facilities such as drying and storage. Farm machinery would require servicing facilities.

What Part is Played by the Market Intermediaries in the Market System?

Market intermediaries are those individuals or business concerns that specialize in performing the various marketing functions involved in the purchase and sale of goods as they are moved from producers to consumers. It is commonly difficult for producers and consumers to come into direct contact with each other with the result that business organizations and individuals that specialize in

the transfer of goods between producers and consumers develop. The intermediaries contribute considerably by their services to see that the goods are placed into the hands of consumers at the right time, at the right place, and at prices consumers are willing to pay. However, there is opportunity also for exploitation and if there are too many intermediaries dealing in a product without really rendering much service, this may raise the consumer's price unnecessarily and without benefiting either the consumer or the producer.

Principles of Cooperatives With Special Reference to Marketing

What is Meant by Cooperative Marketing?

Cooperative marketing may be defined as the performance of various marketing functions by a group of people, usually producers, organized together voluntarily into an association based on self-help and mutual help. In a narrow sense, the expression "cooperative marketing" is confined to an association of producers for the joint sale of their producers, or an association of consumers for the joint purchase of their requirements. Cooperative sales or marketing associations refer to farmers' cooperative associations which sell farm products that are produced individually on the farms of the members. Cooperative marketing may also include purchase of farm supplies, and other marketing functions as well.

What Are the Basic Principles of Agricultural Cooperatives as They Relate to Marketing?

A cooperative marketing association is governed according to democratic principles. The benefits received are apportioned to the members on the basis of their patronage. Members, as owners, operators, and contributors of commodities handled, are the direct beneficiaries of the returns to the operation. A cooperative marketing association is essentially a business institution. It is organized to conduct business, and like any business is bound to follow sound business principles. Instead of selling independently and in competition with one another, farmers through their cooperative societies, consolidate their selling force, improve their bargaining position, and pool their resources. Under this system, they no longer sell to a private middleman but rather through their cooperative. The cooperative should be able to meet competition and win trade confidence through efficient and business-like methods of operation. They should have the loyal support of the membership. Besides, a cooperative must serve an economic need. The justification of any such association rests in the fact that its members achieve more satisfactory results from collective efforts than are otherwise obtainable through individual effort.

What Are the Basic Requisites or Essential Factors for the Success of Cooperative Marketing?

For cooperative marketing to have a favorable environment for its successful growth and operation the following major factors seem fundamental.

Felt Need.--If there is a real felt need for marketing to be organized through cooperatives in an area, there is a fair chance of its growth. If the existing marketing facilities are inadequate, inefficient, if the private traders are exploitative, if the farmers are small with uneconomic small-scale operation and weak bargaining power and, if as a result of all these they do not secure economic price of their produce, the producers may find it necessary to organize into cooperatives for various marketing functions.

Benefit.--The cooperative should be able to provide enough economic benefit. If the farmers do not get a better price for their produce or other monetary gain by associating with cooperative, they will not be interested in cooperative organization. Cooperatives cannot survive for long without any material gain for the members.

Adequate Volume of Business.--A cooperative should have adequate volume of business for economic operation. Unless a sufficient volume of business is forthcoming so as to enable a cooperative to operate at a minimum cost,

it cannot survive for long on its own. Marketing services, such as, transportation, storage, packaging, processing, etc., will be costly unless operations are performed on a reasonably large scale. Large volume is also essential to meet the threat of competition of large scale operators. It, therefore, becomes necessary for the members to sell their produce through their cooperative only.

Avoidance of Cooperative Middlemen.--When the cooperative system of marketing reaches a highly developed stage, there may be a tendency to replace the private middlemen with cooperative middlemen who can equally become a big drain upon the producer like the ones whose place they take. The more intermediary secondary stages there are in marketing, the higher the cost of upkeep and less the share of the primary producer. Apart from processing, secondary processes or stages do not create wealth and will have to be paid for only out of the final price realized. Thus lengthy chains in the organization of cooperatives should be avoided.

Suitable Organization.--The success of cooperative marketing depends almost entirely on the suitability and the viability of the institutions involved. The organizational pattern should be such as to cater to the various kinds of needs of the farmers in an integrated manner. Just the function of marketing cannot be separated and performed successfully independent of the other related

needs of the farmers in an area. The organization should provide for coordination, supervision, support, guidance, technical know-how, financial resources, etc.

Efficient Management.--Bad management is often the cause of failure of private enterprises and of cooperatives alike. The needs and problems of management will be different at different levels of the organization. Efficient handling of the operations at every stage needs skill, business acumen, and organizing capacity. It is also necessary to be familiar with the principles of cooperation and the laws and regulations governing cooperatives. The need for leadership is very great at all levels of the organization. If the privileges and responsibilities of members, and the need for their loyalty are to be brought home to the existing and prospective members, it can be done through a few persons who are capable of assuming the leadership of the organization.

Loyalty of Members.--This is very necessary if a cooperative society is to succeed. The private intermediary traders are apt to tempt the farmer by offering better terms than the society does, with a view to wrecking the cooperative enterprise. Unless the members of a cooperative are in a position to overcome such temptation, it would be difficult for a society to succeed. In order to secure loyalty of members, emphasis should be laid on efficient service rather than on contractual obligation

or provision of a penalty in the by-laws. For the success of a marketing cooperative as well as for any other type of cooperative association, well-informed membership is quite essential. It is desirable that members understand the functions, methods, principles underlying the operation of the cooperative, and business policy.

Discipline.--Another important factor for successful cooperative in rural East Pakistan is the need for discipline. As the general membership is not enlightened, provision for enforcement of discipline within the democratic framework is necessary. Along with this, continuous membership education designed to teach basic principles of cooperation and fundamentals of business management, and to promote a sense of responsibility and trust is very essential.

The common causes of failure of cooperatives have been faulty organization, inefficient management, too big an area of operation, insufficient capital, inadequate volume of business, lack of loyalty and interest of members in the affairs of cooperative, lack of discipline, supervision, guidance and support, and even dishonesty among members.

What Are the Major Principles of Business Management That Relate to Marketing?

As experienced and demonstrated at Comilla, some of the major principles would be: (a) developing a suitable and viable organization, (b) operational efficiency, (c)

economic efficiency, (d) records keeping and accounting, and (e) training of managerial and technical personnel. These are some of the vital elements in the basic functions of management, viz., planning, organization, coordination, and control.

What is the Significance of Marketing Efficiency?

The outputs of marketing are the consumer satisfactions with the goods and services. The inputs are the various resources of labor, capital, and management that marketing agencies use in the processes. Efficient marketing, then, can be defined as minimization of this input-output ratio. A change that reduces the input costs of accomplishing a particular job without reducing consumer satisfaction with the output of goods or services would clearly be an improvement in efficiency. To overcome the difficulty of measuring the output of consumer satisfaction, marketing efficiency is usually subdivided into two different categories, technological efficiency and pricing efficiency.

What is the Significance of Technological Efficiency?

Technological or operational efficiency assumes the essential nature of outputs of goods and services to remain unchanged and stresses on reducing the costs of inputs in doing a job. Methods of reducing the amount of labor necessary in handling and storing, reducing damage during

transportation, reducing spoilage by proper packaging, etc., promote operational efficiency. Knowledge of engineering, chemistry, and labor and business management helps achieve technological efficiency.

What is the Implication of Pricing Efficiency?

Pricing or economic efficiency is concerned with improving the operation of the buying, selling, and pricing aspects of the marketing process so that it will remain responsive to consumer direction. Probably, the best measure of the satisfaction output is what consumers will pay in the market place. Pricing efficiency is a result of the nature of competition and balance of economic power that exists within the marketing process.

What Are the Advantages of Linking Credit with Marketing?

It is advantageous for the farmer who is also a borrower to have credit linked with marketing instead of having them operate separately. The farmers can repay their loans in terms of the produce--paddy or potatoes, for instance, instead of cash. In case of cash repayment of loans, the farmers may have to sell their produce themselves which may not be so easy. Besides, if the marketing agency is a cooperative and if it has processing facilities, it can process the paddy, for instance, and sell rice later at a good price. Any profit made out of the business will be returned to farmers as dividends. In

addition, sometimes farmers may secure a premium price for their produce if it is deposited towards repayment of loans. Such an advantage is not available to those who sell for cash.

Marketing in East Pakistan

Why is Marketing Important for Improving East Pakistan Agriculture?

In East Pakistan, agricultural output has been rising in recent years mostly due to improved technology. The disposable surplus is increasing and agriculture is becoming more and more commercialized, i.e., farmers sell a larger proportion of what they produce. Commercialization accelerates partly because urbanization expands the size of the off-farm market and partly because farmers become more specialized in production as they enter the market economy. Also, rising incomes cause growth in demand for commodities which characteristically are more sought after by individuals with higher incomes.

These kinds of commodities involve difficult and costly marketing processes. Besides, rising incomes tend to increase demand for marketing services, such as processing, storage, etc. Modest improvements in efficiency in distribution of goods can make possible large gains in real income. If the marketing system of East Pakistan is not properly organized and its efficiency improved, both the producer and the consumer will suffer. The producer

will not earn a good price for his product and the consumer will have to pay a high price without receiving adequate marketing services. Therefore, the capacity of the marketing system would have to expand faster than production, since a large proportion of the increased output would require commercial marketing.

What Are the Major Weaknesses of East Pakistan Farmers in Marketing?

Most of the weaknesses of the individual farmer of East Pakistan arise from the smallness of his operation. A small farmer acting by himself has a poor bargaining position because he is in competition with numerous other farmers in the market place. He has a poor holding capacity (low financial reserves). The general environment in which he operates has a number of shortcomings including shortage of credit facilities, inadequate facilities for transportation and communication, multiplicity of intermediaries, lack of storage and processing facilities, lack of uniform grades and standards, fraudulent marketing practices, inadequate marketing information service, and the absence of producers' organizations.

How Do Local Markets ("Haats" and Bazaars) Affect Marketing in East Pakistan?

These are principal periodical centers of the trade in agricultural raw products in rural areas. They function as assembling centers as well as general retail distribution

centers. Most farm produce that is sold by farmers is exchanged in "haats." The economy of the villages is highly dependent on the operation of these village "haats" and bazaars. Because of their general lack of organization and facilities these local markets impede development to the extent that they are inefficient.

What Are the Advantages of Cooperative Marketing in the Context of East Pakistan?

A cooperative society of producers is an attempt at self-help to overcome the difficulties arising out of the smallness of operations and to undertake some functions performed by the private intermediaries and other servicing agencies. The major advantages of cooperative may be summarized as follows:

Economy in the Cost of Marketing.--When farmers organize to sell through their cooperative, they will be able to eliminate the small assembling merchants and deal directly in the wholesale market and thus be able to economize on the cost of assembling of small lots. It may be possible for a cooperative enterprise to render services at a lower cost than private intermediaries and to eliminate those intermediaries who are superfluous.

Better Prices for Producers.--If a cooperative is able to handle a large volume of business, it is possible to get marketing functions such as storage, grading, and

transportation performed at a lower cost. When marketing costs are reduced, it will be in a position to secure better return to the producer who markets his products through the society.

Advantages of Collective Bargaining Power.--In addition to the price advantage which an association of farmers along cooperative lines can bring with it on account of the fact that it controls a large volume of a limited supply, a marketing cooperative will be in a position to secure advantages which arise from its collective bargaining power also.

Steady Supplies and Stabilization of Prices.--An important service which a marketing cooperative performs when it operates in the wholesale market is in contributing to the stabilization of prices over long periods by adjusting the flow of goods to the market according to demand. When it is thus in a position to control the flow, it will be in a position to even out the seasonal fluctuation in prices also. Immediately after the harvest, it can collect produce from farmers and store it or hold it over for some time and gradually release the same in the market with a view to avoiding a glut.

Cheaper Finance.--A cooperative is in a position to obtain cheaper credit from financing agencies. It is, therefore, able to reduce the cost of marketing in so far

as marketing finance is concerned. For an individual farmer who is a small producer with small means it is difficult to get finance directly from public credit agencies.

Improvement in the Quality of Products.--One of the reasons for the outstanding success of cooperative marketing societies in the advanced economies is the part played by such societies in making products conform to the desires of the market. When a marketing cooperative handles a large volume of produce, it will be in a position to grade the products of members and persuade them to grow those varieties of products for which there is a great demand in the market. The cooperative by paying the members according to the quality of products provides a direct inducement to them to grow better varieties of products.

Business Education.--Cooperative marketing teaches farmers business methods and gives them business education. The operation of marketing cooperatives teaches cultivators that agriculture is a form of business and the marketing is closely akin to the problem of production.

The Comilla Experience in Cooperative Marketing

How is the Comilla Cooperative System Organized?

The Comilla system of cooperatives is a three-tier organization. At the lowest level are the village-based primary cooperative societies. These societies are affiliated to a thana level federation called Agricultural Cooperative Federation (ACF). This federation is again affiliated to a higher organization called Kotwali Thana Central Cooperative Association (KTCCA) which is also located at the thana level. KTCCA consists of a number of cooperatives including the Special Cooperative Societies Federation (SCSF). The primary cooperative societies, the ACF, SFSF, and KTCCA all have their respective by-laws duly approved by the Government of East Pakistan and are run by their respective managing committees. In the case of the primary societies, the committee consists of members elected annually by the general body while in the case of ACF and KTCCA the committees consist of both elected members and officials appointed by the Government. The elected members of the ACF are the representatives of the farmers. Though the managing committee of the ACF decides on the major policies, the routine affairs are carried out by its director assisted by a group of other personnel. The primary society's affairs are conducted mainly by its manager, model farmer, and chairman.

Why Has There Been Emphasis of Farmers' Organization?

It was realized from the beginning that unless the small farmers were organized together into a well-knit group it would be difficult to affect any improvement in their material condition. Once they are organized they can pool their small resources and take group action to meet the various needs which they cannot fulfill individually. Cooperative organizations can enjoy many advantages in matters of securing credit, arranging various farm supplies, expensive farm machinery and equipment, organizing marketing of produce, training, and many other services. Organized into a cooperative, farmers with meager resources, can also undertake different businesses and share profits for themselves.

What Functions Are Performed by the Village Cooperative and the Central Cooperative, Particularly in Respect of Marketing?

The cooperative organizations at both the village and thana levels are closely integrated multi-purpose ones. The functions of the village cooperative include mobilizing savings, channeling loans, supplying various farm inputs, providing extension education, organizing sale of members' produce, etc. The village cooperative cannot perform all these functions independently on its own due to various reasons such as the relatively small scale of operation, lack of financial resources, management personnel,

technical know-how, physical facilities, etc. Therefore, the Central Cooperative, which is the supporting organization of the primaries, has to perform certain functions such as arranging and advancing credit, mobilizing savings, arranging various kinds of supplies and services, organizing training, etc. The Central Cooperative undertakes various marketing functions, such as, buying of farmers' produce through the village cooperatives, storage, processing, selling, and providing market information, etc. The products dealt in include paddy, rice, potatoes, milk and creamery products, eggs and poultry, and sometimes fruits and vegetables. With regard to inputs, the cooperative deals in seeds, farm machinery and equipment, fertilizers, credit, etc.

What Has Been the Experience at Comilla with Marketing?

Response from Farmers.--Generally speaking, the response to the idea of marketing of produce through the cooperative has been quite favorable. However, there are farmers who traditionally like to sell their produce to private dealers or intermediaries. They want to avoid formalities, grading, standardization, and quality differentiation. Some of them want to avoid timely repayment of their loans in the form of commodities. Some also make unreasonable demands for premium prices for produce sold through the cooperatives.

Organization.--The need for organizing marketing at the village level has been felt. The farmers should work in unity with discipline. This is a very basic need. If, for instance, the primary source of supply or procurement is not properly organized, many difficulties arise. Secondly, the functional relationship between the primary cooperatives and the Central Cooperative should be smoothly maintained. In the matters of organization, supervision, and support, the primary cooperatives are in great need for an organization such as the Central Cooperative. The need for coordination between the primary and the central cooperative is very great. Finally, the need for internal coordination, that is, coordination among the various units, for example, Agricultural Cooperative Federation and the cold storage or the rice mill, is also very great. In planning and organizing procurement and purchase, the sections concerned should have close coordination.

Personnel Needs.--It is not easy to get trained personnel for general management as well as various technical operations. The Central Cooperative should, therefore, arrange to develop its own personnel by on-the-job practical training.

Need for Modernization.--The process of handling of products, especially, storage and processing, needs to be improved with modern machinery and equipment. With crude and archaic machinery it is not possible to achieve

efficiency. Also, the volume of operation needs to be expanded. Otherwise, operational and economic efficiencies are difficult to accomplish.

Record Keeping.--It is of fundamental importance to keep adequate records of various operations. Without proper records and periodical analyses thereof it is difficult to plan, organize, and control activities. Systematic recording should be emphasized by the various units involved in production, supply, and marketing. To facilitate decision-making, records should be made available timely and regularly to the management.

How is Paddy Marketing Organized and What Lessons Have Been Learned from the Rice Mill Operation at Comilla?

Paddy is bought from cooperative members to provide them a market. The cooperative members also sell paddy to the Central Cooperative in repayment of loans. They are customarily given a higher price than the prevailing market price. Sometimes, paddy is bought from non-members as well. The paddy is stored at the godown of the rice mill. Then for processing the paddy into rice, the rice mill does the necessary parboiling and drying. Husking is done according to the demand for rice. The processed rice is then sold locally in the Comilla town market to retailers and at the mill to consumers.

The idea of linking credit with paddy marketing has not gained enough popularity among the cooperative members. Though some members repay their loans in paddy, many still prefer to sell their paddy to private traders. As an incentive for loan repayment in paddy, the rice mill offers a higher price than the prevailing market price to the members, and a commission to the manager of the village cooperative for procurement of the paddy. The manager is also allowed transportation cost for the purpose.

The physical facilities at the mill, such as, machinery and equipment for processing, drying, storage, etc. have not been efficient. As a result, the quality of the processed rice has suffered. The rice mill set up recently equipped with modern machinery is expected to improve the operation.

The general management of the mill has not been quite efficient. There have been problems in organizing procurement, accounting, and record keeping, as well as in organizing the disposal of rice.

Why Do Many Farmers Frequently Prefer to Deal with Private Traders?

There are several reasons for this. Traditionally, the farmers have been dealing with the private traders whom they know quite well. They do not generally consider it worthwhile to carry their small saleable produce to the cities or towns. The relationship between the farmers and

the traders is usually very informal and personal. Therefore, the farmers find it more convenient to sell to the private dealers than to the cooperatives. Sometimes, on account of their indebtedness, some farmers sell their crop to the moneylender-cum-trader in the village and no surplus produce is left for sale to cooperatives or to other markets. Besides, some farmers who have borrowed money from their cooperatives do not like to sell their produce to these cooperatives, for they think they would be asked to repay their loans in terms of the produce. Therefore, they avoid cooperatives and deal with the private traders in order to postpone loan repayment as long as possible.

Why Has There Been Emphasis on a Program of Rural Credit?

The average farmer of East Pakistan is poor. He does not possess enough cash money after meeting his consumption requirements to be able to buy farm supplies such as fertilizers, good seeds, or to rent machinery. Without providing for relatively easy credit, it is difficult for farmers to invest in improved methods of farming. Besides, with credit available, the holding capacity of the farmers would increase so that they can secure a better price for their produce by selling their produce at the season when prices are higher instead of selling immediately after harvesting.

How is Potato Marketing Organized and What Has Been the Experience with the Cold Storage Operation at Comilla?

During or immediately after harvesting, potatoes are bought by the cold storage from the cooperative members. Both table and seed potatoes are procured. The cold storage pays a higher price to the members than the market price. Potatoes are released later for sale when the price is higher. Most of the sales occur locally. Local farmers, private dealers and farmers from several other cooperative project areas also rent space in the cold storage for potatoes.

Potatoes are strictly sorted and graded on the basis of their size and freedom from disease and damage. Care is taken to have quality control. Some farmers have been complaining about the strictness in grading of the potatoes by the cold storage management. However, the operation experienced some losses in storage. Adjustments may be necessary in helping farmers dispose of that portion of their produce which is substandard.

How is the Marketing of Milk and Dairy Products Organized at Comilla?

The Central Cooperative's creamery plant buys milk from cooperative members. Special loans are offered to members for rearing dairy cows and increasing milk production. But the supply of milk from the local villages is very small. Therefore, milk is also procured from

outlying areas at a distance. Cream is also procured from distant places. The various creamery products are sold both locally and in big cities. There are commission agents in Dacca and Chittagong to supply butter and cheese there. The Central Cooperative is also exploring markets for these products in West Pakistan.

Problems in dairy processing include organization of the supply of milk from villages, quality control of the products, and organization of selling outlets. Efforts need to be directed to ensuring a regular and enough supply of milk, improving and maintaining the quality of the products, and the exploration of markets for the products.

What Has Been the Experience with Marketing of Eggs and Poultry at Comilla?

In the business of eggs and poultry the farmers have not yet been involved because the volume production of egg and poultry in the villages is very small. The Central Cooperative is, therefore, dealing with the eggs and poultry of its own farm. A small amount of eggs, and birds is sold locally. Most of the dressed chickens are disposed of in hotels at Dacca and Chittagong. However, a plan has been underway to have farmers produce more poultry of improved breeds. They will be able to sell their broiler chickens to the Central Cooperative which will arrange to sell dressed chickens in the big markets.

How Does the Central Cooperative Finance its Various Business Operations?

In addition to the paid up share capital subscribed to by the cooperative members, the initial capital investment requirements were made available from loans obtained from two commercial banks, Industrial Development Bank of Pakistan, the Agricultural Development Bank of Pakistan, and by a grant of the Ford Foundation. Recently some funds were received as grants from the Danish Government. It is hoped that the businesses will gradually move towards self-sufficiency.

Organization of Marketing in Other Areas

Is it Desirable to Duplicate Exactly the Pattern Followed in Comilla Kotwali Thana?

Exact duplication is neither desirable nor necessary. Activities will need to be adapted to the particular area. Organizationally, the basic pattern will be the same with village cooperatives and a thana central cooperative. But the scope of activities will vary. For example, to set up a creamery plant, it is necessary to have an adequate supply of milk to run it on an economic scale, substantial capital for machinery, and an extensive market for the products. Similarly, for a large cold storage plant, it is necessary to have enough supply of potatoes and a large capital investment. In the absence of these conditions in the thana headquarters it is not initially possible to have

these industrial units. However, depending on the supply of milk or potatoes, creamery and cold storage plants may be set up by some of the Kotwali Thana Central Cooperatives (i.e., at district headquarters). Since paddy is grown all over the province and rice has a province-wide market, rice mills can perhaps be set up in most of the thanas. Besides, the Thana Central Cooperatives throughout the province can handle buying and selling of a number of products, such as, vegetables, fruits, potatoes, milk, sugarcane, etc. without going into the processing business. As regards the marketing of farm supplies, the arrangement could be the same in the other thanas as it is in Comilla.

How Can a Training Program be Developed for the Project Personnel Involved Organizing Market in the Other Thanas?

A suitable pre-service training program can be organized at the Comilla Academy and the Comilla Thana Training and Development Center. Both theoretical and practical aspects will need to be emphasized. For practical training, the trainees may be put to different business units of the Central Cooperative by rotation for a reasonable period of time. They would be familiarized with the various functions and principles of marketing, perhaps with some understanding of the principles of business management in general.

On-the-job follow-up training can be conducted in each thana in collaboration with the pilot project staff at Comilla.

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