

# **R E P O R T**

of the

**COMMITTEE ON COOPERATIVE PROCESSING**

appointed by

**THE NATIONAL COOPERATIVE DEVELOPMENT  
AND WAREHOUSING BOARD**

New Delhi.

APRIL, 1961

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**REPORT**  
of the  
**COMMITTEE OF THE NATIONAL CO-OPERATIVE  
DEVELOPMENT AND WAREHOUSING BOARD ON  
CO-OPERATIVE PROCESSING**

**CHAPTER 1.**

**INTRODUCTION**

1. The National Co-operative Development and Warehousing Board, in its meeting held on 27th August, 1960, decided to appoint a Committee on Co-operative Processing to review the existing position and examine the promotional and organisational aspects of co-operative sugar factories and other processing societies with a view to ensuring their sound and speedy development during the Third Five Year Plan.

**Composition of the Committee:**

2. The Committee appointed by the Board consisted of the following:—

- |                                |   |     |                 |
|--------------------------------|---|-----|-----------------|
| (1) SHRI R. G. SARAIYA,        | Member of the Board   | ... | <i>Chairman</i> |
| (2) SHRI P. S. RAJAGOPAL NAIDU |   | ... | <i>Member</i>   |
| (3) SHRI S. S. PURI,           | Dy. Secretary (Department of Co-operation, Ministry of Community Development and Co-operation |     | <i>Member</i>   |

The Board authorised the Committee to co-opt. other members. In pursuance of this authorisation, the Committee co-opted SHRI H. LINGA REDDY, President of National Federation of Co-operative Sugar Factories and SHRI P. D. KASBEKAR, formerly Joint Registrar (Sugar) and now Deputy Secretary (Finance), Government of Maharashtra.

**Meetings of the Committee**

3. The first meeting of the Committee was held at Bombay on 28th September, 1960. The Committee decided that a rapid survey of the position of important types of processing societies such as rice mills, cotton

gins and oil mills should be undertaken through the officers of the Board and the Ministry. At its second meeting held on 28th October, 1960, the Committee decided to issue questionnaire to all co-operative sugar factories and important processing societies. The questionnaire issued to co-operative sugar factories is at Appendix I, while the questionnaire issued to other processing societies is at Appendix II. The third meeting of the Committee was held at New Delhi on 2nd December, 1960, when the representatives of various co-operative sugar factories, who had assembled for inauguration of the National Federation of Co-operative Sugar Factories, were orally examined about various financial, administrative and managerial problems concerning the sugar factories. The next meeting of the Committee was held at Bombay on 22nd March, 1961. This meeting examined the data collected during field visits carried out by officers of the Board and the Ministry. The Committee held its last meeting on 18th April, 1961 at New Delhi for finalising the report.

#### **Acknowledgement**

4. We are thankful to various institutions, authorities and persons who furnished written or oral evidence to the Committee. A list of such institutions etc. is at Appendix III. We are particularly grateful to SHRI B. Venkatappiah, Deputy Governor of the Reserve Bank of India and Prof. D. R. Gadgil for attending some of our meetings and giving us the benefit of their views on various problems. Finally, we place on our record our appreciation of the assistance rendered by SHRI B. M. Chitnis, Secretary of the Board in compiling and evaluating the data from various institutions. We are also thankful to SARVASHRI V. P. Sethi (Director, Trade), K. P. R. Menon (Dy. Director - Marketing), K. Subramanyom (Dy. Director - Sugar) and K. Sundarajulu (Asstt. Director - Sugar), Ministry of Community Development and Co-operation, who assisted us in our deliberations.

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## CHAPTER II.

### ROLE OF CO-OPERATIVE PROCESSING

1. There is now an increasing awareness of the importance of the role of co-operative processing in economic development in general and in co-operative development in particular. This importance arises from a number of considerations. In the first place, co-operative processing is an indispensable part of co-operative marketing, particularly in regard to cash crops. One of the reasons, why co-operative marketing has made only a limited impact, is the fact that, except in the case of two commodities, namely sugarcane and cotton, processing of agricultural produce on a substantial scale has not yet developed within the co-operative sector. The price-spread between the producer and the consumer is sizeable in the case of commodities which have to be processed before they reach the consumer. Consequently, successful handling of these commodities on a co-operative basis is generally not possible unless their processing is also undertaken by co-operative institutions.

2. There is also a frequent reference to the need for linking of co-operative credit with co-operative marketing. We consider that the necessity for a link between co-operative credit and co-operative processing is equally, if not even more, vital. Well-established co-operative processing units can effectively undertake to recover the loans provided by co-operative credit institutions for production of the relevant agricultural commodity. This has been tried with a large measure of success in the case of co-operative sugar factories in Maharashtra, where co-operative sugar factories are recovering loans advanced by the primary credit societies for raising of sugarcane crop. Thus, adequate development of co-operative processing appears to be a factor, which should accompany large-scale expansion of co-operative credit, particularly for cash crops.

3. Co-operative processing, we visualise, can also have an impact on the growth and functioning of co-operatives which are essentially supply and distributive in character. For instance, even at present, in several parts, the distribution of sugar produced by co-operative sugar factories has been entrusted to co-operative supply agencies and this has been to the mutual benefit of co-operative processing organisations and the co-operative supply institutions. In the Third Plan, a significant programme of developing co-operative consumer stores and their central

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institutions is envisaged. We are of the view that the functioning of such consumer institutions will be considerably facilitated if there is a large-scale development of co-operative processing activity and the co-operative processing units and the consumer institutions establish suitable points of contact.

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## CHAPTER III.

### HISTORICAL BACKGROUND

#### Co-operative Sugar Factories

1. In a sense, the institution of co-operative sugar factories can be traced back to 1933. In 1932, the sugar industry in India was granted protection and this led to efforts for establishing a few mills on co-operative basis. Between 1933 and 1935, four co-operative sugar factories were set up. One of them was in U.P. at Biswan, while the remaining three were located at Thummapala, Ettikopakka and Vuyyuru in the old composite Madras State now included in Andhra Pradesh. With the exception of the factory at Vuyyuru, which had a crushing capacity of 800 tons, the rest were small factories with a capacity varying between 50 tons and 150 tons. Only the factory at Ettikopakka has survived and today it is the oldest co-operative sugar mill in India.

2. For nearly two decades, there was no further development in this direction. An effective starting point for the sugar industry in the co-operative sector was provided by the establishment of co-operative sugar mills at Pravranagar in Maharashtra. This factory was set up in 1950-51 with a capacity of 450 tons. It proved to be such an outstanding success that its management was subsequently able to instal a plant of 1,450 tons. The example of this co-operative mills inspired the growers and State authorities elsewhere to promote similar organisations. Fortunately, this happened to coincide with decontrol of sugar in 1952 and substantial increase in per capita consumption of sugar. To meet this growing demand, the Government of India decided to raise the installed capacity of the industry from 15 lakh tons in 1954 to 25 lakh tons in 1960-61 (to produce 22.5 lakh tons of sugar by the end of the Second plan). A significant feature of this expansion was the policy of Government to encourage co-operative mills by according them preference under the Industries (Development & Regulation) Act. In pursuance of this policy, 13 co-operatives in Bombay and 3 co-operatives in Punjab were granted licences, under the First plan. Again, against the Second plan target, 24 co-operative societies were licenced. Subsequently, the licence of one of these co-operatives was cancelled and, therefore in net effect, the total number of co-operatives licenced against the Second plan target was 23.

3. In August, 1959, the Government of India decided to invite applications for grant of fresh licences against the additional capacity in the sugar industry to be provided in the Third plan. The target for such capacity was initially fixed at 30 lakh tons by the end of the Third plan. Subsequently, the target was raised to 35 lakh tons. In pursuance of this decision, the State Government initiated steps to sponsor applications for establishment of sugar factories in the co-operative sector against the Third plan target. We understand that 57 applications have been received from different States. Against these applications, 15 co-operatives have so far been granted licences against Third plan target.

### **Processing of cotton**

4. In the early part of the present century, cotton trade was exclusively a monopoly of a small number of individuals and foreign firms. In 1917, the disquieting features of the situation were high-lighted by Shri Chhottubhai Balak Pulani through the publication of a book called "How to bring about uplift of the farmers of our villages". In this book, he advocated formation of co-operative societies for pooling of agricultural produce, arranging co-operative finance, installing of gins and presses by co-operative societies and the sale of ginned cotton co-operatively. The same year witnessed the registration of a cotton sale society at Gadag in Karnatak. In 1919, under the leadership of Shri Parshotam Patel, 13 agriculturists formed an association at Sonsek village to sell their cotton jointly. Subsequently, this association was registered under the Co-operative Societies Act. The success of this society gave a stimulus for formation of similar societies at other centres. The general pattern of organisation of these cotton co-operatives in Gujarat and Karnatak areas was that primary cotton sale societies for groups of villages were organised. These societies in turn were affiliated to cotton ginning and pressing societies organised at central places. They were federated into cotton marketing unions, established at the marketing centres of the area.

5. For nearly 4 decades, co-operative processing of cotton was more or less confined to the areas of Karnatak and Gujrat. In 1951, when the All India Rural Credit Survey was carried out, the Committee of Direction made the following observations;

"Very few of the 3,000 odd cotton ginning and pressing factories are owned by the producers. These are on a co-operative basis, and most of these are situated in the Bombay State, which has 14 co-operative ginning and pressing societies. During the year 1951-52, these societies had a membership of 4,853 and a working capital



of about Rs. 56 lakhs. Over 6 lakh maunds of cotton were ginned by them.”

6. In the First Plan period, a few sporadic attempts in the development of cotton processing were witnessed in States other than Bombay. It was, however, in the second plan that a specific target for establishment of cotton processing units was laid down. The plan envisaged organisation of 48 cotton processing units. Against this target, the number of cotton processing units for which financial assistance was actually provided by the National Co-operative Development and Warehousing Board during the second plan period was 84. Out of these, 42 cotton gins and pressing units are reported to have been established in the first 3 years of the second plan. For the rest, full data is not available.

#### **Other processing activities**

7. Processing of agricultural commodities other than cotton and sugarcane has had rather a fitful history. Very little continuous information is available about this activity. In the review of the co-operative movement in India for the period 1954-56, the Reserve Bank of India indicated that in the States of Andhra, Madras and Mysore, a few co-operative marketing societies undertook processing as an adjunct to marketing. These activities included paddy husking, groundnut decorticating and cotton ginning. In Madras, 8 marketing societies undertook such activities. In Madhya Pradesh, 3 co-operative agricultural associations had rice mills of their own and in Coorg (now part of Mysore) one rice mill was installed in 1955-56. In Orissa, processing activities largely comprised oil pressing.

8. In the Second Five year Plan, it was visualised that besides establishment of 48 units for cotton pressing there would be 30 oil pressing societies, 9 jute baling plants and 79 other types of processing units excluding co-operative sugar factories. The progress against these plan provisions is indicated in the next Chapter.

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## CHAPTER IV

### SURVEY OF PRESENT POSITION AND FUTURE PROGRAMME

#### Co-operative sugar factories.

1. During recent years, sugarcane processing on co-operative basis has registered significant progress. Statewise picture in regard to co-operative sugar factories is indicated in Statement at Annexure A'. As already indicated in the preceding chapter, the total number of co-operatives, which have been granted licences for establishment of sugar factories under the Industries (Development and Regulation) Act of 1951 in the First and Second plans period, was 39. In addition, there were 2 co-operatives, which had established their factories prior to 1951. Out of this, 30 factories have gone into production.

2. The following table reveals the rapid expansion of the co-operative sector in the sugar industry:

Year	No. of co-operative factories in production.	Total sugar produced by co-operatives (lakh tons)	Total sugar production in the country (lakh tons)	Share of co-operatives in national production. (Percentage)
1955-56	3	0.02	18.62	0.11%
1956-57	8	0.58	20.28	2.88%
1957-58	14	1.50	19.78	7.5%
1958-59	21	1.79	19.21	9.3%
1959-60	24	2.86	24.21	11.4%
1960-61	31	4.00	27.00	15.0%
(Estimated)				

3. The draft outline of the Third Five Year Plan fixed the target for sugar industry at 3 million tons by the end of the Third Five Year Plan and envisaged setting up of 20 additional co-operative sugar factories against the Third Plan target. The total capacity of the sugar industry by the end of the Second Plan was assessed at about 2.6 million tons. The target for sugar industry for the Third Plan has subsequently been raised to 3.5 million tons. In the context of the revised target for sugar industry, the question of raising the target for co-operative sugar factories was consi-

dered and it was decided that no specific ceiling need be placed on the number of new co-operative sugar factories to be permitted during the Third Plan, but as many as possible might be encouraged provided:

- (a) State Governments are willing, within their total Third Plan ceilings, to find the requisite provision for additional funds for co-operative sugar factories, at the rate of Rs. 25.00 lakhs per factory;
- (b) 75% of the share capital to be collected by members should come from producer-members from within the area of operation of the factories.

Considering the present trends in the licensing of sugar factories, it is estimated that about 30 co-operative sugar factories might be set up against the Third Plan target.

#### Other processing activities

4. Apart from co-operative sugar factories, Second Five Year Plan provided for a target of establishing 166 processing units (48 cotton gins and 118 others). Against this target, the National Co-operative Development and Warehousing Board provided financial assistance for the establishment of 109 units (50 cotton gins and 59 others) during the first three years of the Second Plan. Out of these 109 units, 97 units were reported to have been actually organised as per details given below:—

Cotton Ginning & Pressing Units	...	42
Groundnut Decorticators	...	6
Rice Mills	...	13
Oil Mills	...	5
Jute Baling plants	...	2
Others	...	29
		97

The annual plans for 1959-60 and 1960-61 provided for setting up of another 281 units as per details below:—

Cotton Ginning & Pressing Units	...	42
Rice Mills and Hullers	...	96
Jute Baling plants	...	15
Oil Crushing Units	...	15
Decorticators	...	20
Other Processing Units	...	93
		281

5. As regards the programme of co-operative processing (other than sugar factories), there are a number of difficulties in assessing their progress. In the first place, information is not available regarding the actual establishment of processing units against those provided in the last two years of the Second Plan. In the statistical statement collected for the co-operative year ending June, 1960, information about the working of processing societies have been compiled for all States except Andhra Pradesh, Assam and Mysore, whose data was not available. These statistical statements reveal the progress made in co-operative processing through independent societies (as distinguished from processing undertaken as an adjunct to their normal operations by marketing societies). No precise information is forthcoming about the processing activities undertaken in the latter form.

6. According to the incomplete information available for the year ending June, 1960, it appears that in various States including Union Territories but excluding Andhra Pradesh, Assam and Mysore, independent processing societies which stood registered at the end of the year was as follows:—

Cotton Processing Societies	...	115
Paddy Husking Societies	...	131
Oil Crushing Societies	...	552
Others	...	240

Of the above societies, the number of societies whose processing units were actually in production, was as follows:—

Cotton Processing	...	103
Paddy Husking	...	67
Oil Crushing	...	388
Others	...	163

7. The quantity of cotton pressed and ginned by societies as, in the year ending June, 1960, reported from some of the States is as follows:—

<i>Name of State</i>	<i>Raw ginned</i> (in thousands of Cwt.)	<i>Quantity of cotton pressed</i> (in thousands of Cwt.)
Gujerat ...	4,357	265
Madras ...	53	8
Mysore ...	44	1
Punjab ...	93	10
Rajasthan ...	21	4

Marketing societies also, in addition, ginned 70,000 bales and pressed 137,000 bales of cotton. Assuming that in 1959-60, the quantity

of cotton processed was approximately 40 lakh bales, the share of co-operatives was 30% in respect of ginning and 9% in respect of pressing.

8. The value of commodities other than cotton processed by the societies during the year ending June, 1960, reported by various States is as follows:—

		(Rs. in thousands)
Bihar	...	1,151
Gujerat	...	346
Kerala	...	255
Madhya Pradesh	...	1,985
Maharashtra	...	20
Punjab	...	1,870
Uttar Pradesh	...	885
West Bengal	...	436
Union Territories	...	486

4. It may be pointed out that the above figures in some respects are obviously misleading. It appears that in some States figures of societies organised under the village industries programme have also been included even though the membership of such societies does not consist of growers but of village artisans. This has particularly happened in the case of oil crushing. In view of this fact, no firm evaluation about the performance of the processing societies is possible.

10. In the Third Five year Plan, various States have provided the following physical targets about co-operative processing:—

Cotton Processing	...	48
Rice Mills	...	36
Rice Hullers	...	411
Jute Baling units	...	29
Oil crushing units	...	33
Decorticators	...	63
Fruit Canning Units:		
(i) Large	...	3
(ii) Small	...	74
Other units	...	86
<b>Total</b>	...	<b>783</b>

## CHAPTER V

### PLANNING AND ORGANISATION

#### **Preliminary planning.**

1. Co-operative law generally requires that, before a co-operative society is registered, one of the factors, which should be taken into account, is, whether it has a reasonable prospect of success. Thus, the need for a preliminary planning and investigation of various factors bearing on the economic prospect is recognised in the case of every co-operative society. This need becomes all the more vital in the case of a processing society which is expected to establish and run an industry in the interest of the producers of the raw material feeding the industry.

2. In the case of co-operative sugar factories, it is obligatory under the law to obtain a licence under the Industries (Development & Regulation) Act, before a factory is established. The grant of this licence is expected to be preceded by scrutiny of the various factors bearing on the proposed industry. While, generally, speaking, necessary planning and investigation appears to have preceded the licencing of co-operative sugar factories, we observe that, in a few cases, the preliminary investigation was not adequately strict. Consequently, in such cases, co-operative sugar factories came up in areas, which were not able to provide enough quantity of sugarcane and in the initial years, about one third to one half of the installed capacity of the factories concerned remained unutilised. In one case, a sugar factory was organised in an area where there was practically no cane cultivation. In another case, the progress of a factory was hampered because the site selected turned out to be defective on account of the soil being unsuitable for installation of heavy machinery.

3. We observe that recently in pursuance of the recommendation made by a seminar on Co-operative Sugar Factories held at Patiala from 26th to 27th February, 1960, the Ministry of Community Development and Co-operation have requested the State Governments to ensure that before new applications for licencing are sponsored, they should satisfy themselves that the proposed factories would be able to broadly fulfil the following conditions:—

- (a) The sugar machinery that is now being fabricated within the country is of standard size having a crushing capacity of one

thousand tons of cane per day. A new factory would require 1.3 lakh tons of sugarcane per season. There should, therefore, be a prospect of raising the production of cane within a radius of 10 miles from the proposed factory from 1.5 lakh to 1.7 lakh tons before it goes into production.

- (b) The existing quality of sugarcane should be such as to ensure an average recovery of 9.5%.
- (c) There should be prospect of improving the quality of cane and raising the average percentage of recovery to about 10% within a period of three to five years.
- (d) Suitable site, with adequate water facilities, should be available for locating the proposed factory.

We agree that the above are essential pre-conditions for a successful co-operative sugar factory. In addition, we would also stress the need for ensuring adequate rail and road communications for facilitating transport of sugarcane from fields to factory and of sugar from factory to consuming centres.

4. We may point out that a new co-operative sugar factory with a standard capacity of 1,000 tons is estimated to cost about Rs. 140 lakhs. With such large capital investment, it becomes all the more necessary that the technical feasibility and the economic viability of co-operative sugar factories are properly investigated before the factories are established. Since bulk of the capital investment is financed by loans, the new co-operative sugar factories necessarily carry, in the initial years, a large burden of interest payable on borrowed capital. This factor coupled with the heavy depreciation on fixed assets must be prominently kept in view while planning the organisation of a co-operative sugar factory.

5. It is obvious that the requisite investigation and scrutiny should precede the grant of a licence for establishment of a co-operative sugar factory. Hence, we would suggest that while the area where a sugar factory should be located should have the prospect of raising the requisite share capital from grower-members, it should not be insisted that a certain amount of share capital should have been collected before draft licence is granted. In fact, we would suggest that the proposed co-operative sugar factory should not be registered until draft licence has been obtained under the Industries (Development & Regulation) Act. This seems necessary in order to ensure that any embarrassing commitments are not made.

6. As regards processing units other than co-operative sugar factories, we observe that in many cases, requisite planning and investigation at the initial stages has been conspicuous by its absence. Some of the processing units were established in circumstances under which their subsequent failure was almost inherent. For instance, in one case, a cotton ginning and pressing society was organised in an area where production of cotton was gradually receding; therefore, in a short time, the co-operative society found itself unable to feed the installed capacity of its factory and had to dispose of its plant. In another case, a co-operative flour mill has been set up in a tract which is not a wheat producing area. In a few cases, the economics of the capital outlay on the processing units was not carefully worked out with the result that, right from the beginning, the units have been facing a recurring deficit.

7. We are of the view that a proper and detailed investigation into the following aspects should be invariably undertaken before setting up new processing units within the co-operative sector:

- (i) The extent of availability of agricultural produce to be processed within the area of operation of the proposed society.
- (ii) The extent to which the need for the proposed processing units is felt by the growers and the prospect of attracting their loyalty.
- (iii) Examination of the estimates of recurring income and expenditure (including interest and depreciation charges) so as to consider the overall economics of the proposed unit.
- (iv) Facilities for transport of raw material and disposal of finished products.

#### **Model Blue-prints.**

8. We observe that in the case of co-operative sugar factories, detailed information is available about model specifications, economics of a minimum viable unit etc., but in the case of other processing societies, no such blue-prints of a model processing unit are forthcoming. We realise that conditions differ from area to area but we would suggest that, taking into account the conditions generally prevalent in the country, blueprints indicating the full details about a model processing unit of each type should be got prepared. These blue-prints should clearly indicate the various factors which have a bearing on the working of the proposed processing activity. The economics of a minimum viable processing unit as also the standard specifications should be indicated. We suggest that such blue-prints may be got prepared by the Ministry of Community



Development and Co-operation (Department of Co-operation). For this purpose, the Ministry may secure the services of one or two technical specialists, who should be useful for the preparation of the blue-prints and in the investigation of the difficulties resulting from implementation of such blue-prints.

#### **Set-up at State level.**

9. In the light of the blue-prints prepared on an All India basis, the State Governments may formulate specific plans of promoting processing activity according to local conditions. In the case of sugar factories, every endeavour should be made to involve the local co-operators through such organisations as State Federation of co-operative sugar factories. We feel that such a promotional body is all the more necessary in the case of processing societies wherein a large number of agricultural commodities are involved. We would suggest the State Governments set up advisory bodies charged with the responsibility of promoting co-operative processing societies and having representatives of all interests concerned in the development of co-operative processing and whose active participation would be useful for the healthy growth of processing units. Local co-operators representing the interests of cultivators should essentially have a prominent representation on such advisory bodies. This body might also include representatives of the State co-operative bank or district central banks, the State Finance Corporation, the State co-operative union and State co-operative marketing society. In addition, with a view to ensuring inter-departmental co-ordination, there should be representatives of the departments of co-operation, finance and industry on this body. It should be the duty of this body to tender advice to State Governments in regard to the optimum size of the processing unit in each of the commodities concerned, the optimum financial structure for it and the pre-requisites to be satisfied before a unit could be considered for establishment. The advisory body could also help Government in formulating annual plans for the establishment of new processing units. It should also be its function to discover weaknesses, if any, in the existing organisations and assist the Government in overcoming them and in avoiding them in subsequent programmes. In short, we visualise that this body would not only be responsible for promoting and planning the processing units, but also help in their proper and successful working.

10. After the processing units have been set up, their working should be watched and evaluated periodically and for this purpose, the National Co-operative Department and Warehousing Board or the

Ministry of Community Development and Co-operation (Department of Co-operation) should employ the necessary staff.

11. We would reiterate the need for ensuring that new processing units in the co-operative sector are established only on the basis of properly investigated and felt need. The programme of processing should not proceed on the basis of some fulfilment of certain targets. It appears to us that, in some cases in the past, processing units have come up merely because a district Assistant Registrar was allotted a certain target and even though his area was not suitable for establishing the processing unit, he was obliged to organise a processing society for the purpose. It is, therefore, not surprising that, in such cases, while financial assistance was released by the Board several years ago, the processing units have not actually been installed or in some cases where the units have been installed, the units have not been actually able to handle adequate volume of business. In order to ensure that such unfortunate cases are not repeated, we suggest that the central assistance for processing programme should not be released automatically. For every processing project involving a capital outlay of Rs. 1 lakh or more, it should be necessary for the State authorities to sponsor a detailed proposal and the project report should be subjected to a preliminary technical scrutiny before the funds are released. We would further suggest that a maximum period of two years should be allowed for the actual utilisation of the assistance released by the National Co-operative Development and Warehousing Board. If, within this period, effective steps are not taken for the installation of the processing unit, the State authorities may be required to refund the amount.

#### **Licensing Policy.**

12. With a view to encouraging co-operative processing, the Government of India have decided that in the matter of giving licence for the establishment of rice mills, preference should be given to co-operatives and that permits should be given to private individuals only after ascertaining that there is no co-operative society coming forward to take up rice milling in the area within a reasonable period. In view of the strategic importance, processing activity occupies in the rural economy, we consider that in the interest of the development of the rural co-operative movement, preferential treatment in the matter of licensing of units for the processing of all agricultural commodities should be accorded to co-operatives. Before issuing a licence for a new processing plant, factory or mill in any particular area, Government should ascertain, whether any existing co-operative society or one likely to be formed, is

willing and is in a position to take up the work and in that event, the licence should be issued to the society and not to a private party.

### **Pattern of organisation.**

13. In the case of co-operative sugar factories almost invariably, the factories have been established by separate, specially organised, processing societies. The only exception has been in the case of Kampli Sugar Factory which was established by Bellary Co-operative Stores Ltd. Even this factory is being converted into an independent co-operative and the State and Central Governments have conveyed their approval for such conversion. For obvious reasons, we suggest that co-operative sugar factories should invariably be constituted by separate processing societies and these factories should not be established as an adjunct to the operations of any other society.

14. As regard other processing co-operatives, there is considerable diversity of practice. In many a case, processing units have been set by marketing societies as adjuncts to their normal marketing operations. In several cases, however, separate processing societies have been organised. There are also a few cases, where some multi-purpose societies have set up processing units as part of their normal activities.

15. We have carefully considered the varying patterns and we are inclined to conclude that a certain degree of elasticity in this regard is called for. There are a number of factors which have a bearing on this question. In the first place, various processing activities involve financial and organisational outlay of a different order. For instance, while a cotton-seed crushing factory may involve an outlay of about Rs. 18 lakhs it is possible to establish a small rice huller with an outlay of a few thousand rupees only. Thus, the amount of money and attention needed for establishing and conducting a processing facility differs very widely from activity to activity. Hence, in certain circumstances, where the outlay involved is not much and where the raw material to be processed is very limited, it may be possible and even desirable for processing activity to be undertaken by a suitable well-established village society. Generally speaking, however, processing has to be undertaken at the market level and hence the appropriate agency would be the society located at the market level.

16. As regards the question whether processing at the market level should be undertaken through a marketing society or through a separate independent processing society, we would like to indicate that the question needs consideration from various angles. The organisation of pro-

cessing through a separate independent society is likely to offer a few advantages accompanied by a number of disadvantages. The first advantage would be that, in an independent processing society, it may be easier to raise block capital by way of loan from a financing agency such as State Finance Corporation. The financing agency may generally be somewhat reluctant to give block capital loan to an institution which is carrying on general trading apart from the organisation and management of a particular industry. In the second place marketing societies which are occupied with other activities such as marketing of agricultural produce and distribution of agricultural requisities may not, some times, be in a position to devote necessary attention to their processing activity. This is particularly likely to happen when the processing activity involves a large capital outlay and requires considerable managerial attention. As regards the disadvantages of organising independent processing societies, we would point out that, in the first instance, processing is generally a seasonal activity and hence processing undertaken by marketing society as an adjunct is likely to have a lower over-head cost. In the second place, it is also necessary to emphasise that processing is essentially a stage in marketing. It appears that, generally speaking, there is a considerable advantage, if an organisation proposing to establish a processing unit has gained adequate experience of handling the commodity in the raw form or otherwise getting it processed from private agencies. In this connection, we would like to point out that in several cases independent co-operative processing societies have resorted to outright purchases from the market in order to feed their plants. Apart from the financial risk involved in such transactions, such business is obviously not co-operative in character and if a processing society substantially depends on raw material purchased from the market and not obtained from the members, it cannot be regarded as a genuine co-operative processing institution. The general experience seems to be that co-operative processing, except where the outlay and the establishment involved is very large, has been successful only as a logical development of the operations of a marketing society. We, therefore, suggest that ordinarily processing units for commodities other than sugarcane, should be established by marketing societies. Even in their case, we are of the view that processing should be undertaken by a marketing society only after it has gained some experience of handling the commodity concerned or of getting the commodity processed from private parties.

### **Composition of Membership.**

17. When processing is undertaken by a marketing society, it is

obvious that the question about the composition of membership etc. does not separately arise. However, when processing is undertaken through an independent processing society, the complexion of membership becomes a vital factor. We have, of course, in mind and processing organisations mainly formed by producers of agricultural commodities which the societies may process. This was because our study was mainly confined to the examination of the working of processing units set up by agricultural producers and not of the processing units set up by village artisans or others, which are normally organised and assisted by the All India Khadi & Village Industries Commission or Small Scale Industries Board etc. We are of opinion that these latter types of organisations formed by artisans should not be classified as processing societies. In such cases, even though the activity undertaken consists of processing of agricultural commodity, the object of the co-operative institution is different from that of a processing society. Hence, we would suggest that in future, for purposes of evaluation and compilation of data such societies should be excluded from the category of processing societies.

18. As regards co-operative sugar factories, a statement showing the membership of various sugar factories as on 30th June, 1960 is given at Annexure 'B'. The total membership of various co-operative sugar factories as on that date was as follows:—

Producer members	...	1,09,016
Individual non-producer members	...	6,913
Co-operative institutions	...	9,337
		1,25,266
	Total ...	1,25,266

19. We observe that in a limited number of cases, the membership of non-producer individuals is fairly large. In one case, viz. the Bellary Sugar Factory, this is due to the fact that the factory was set up under the auspices of Bellary Co-operative Store, which retained its original complexion of membership. In other cases, there were no special circumstances requiring admission of individual non-producer members. It appears that the main consideration in admitting them was collection of share capital. We suggest that in order to maintain the co-operative character of sugar factories, it should be ensured that membership essentially consists of producer members. In this context, we would also invite a reference to the decision\* taken by the Board that:—

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\* (Resolution on item No. 6 of the Agenda for the 2nd meeting of the National Co-operative Development and Warehousing Board held on 22-3-1957).

“As a matter of policy, persons taking shares in co-operative sugar factories purely for financial reasons should be kept out. Where non-growers have been admitted as members, the position should be examined and in the absence of strong justification for their retention, a definite programme should be drawn to retire their shares as soon as possible. The set up of every co-operative sugar factory in each State should be carefully examined to ensure that there is no departure from this policy.”

We understand that, in respect of new co-operative sugar factories, that are being established against the Third Plan target, a condition has been imposed that the co-operative must raise 75% of its total share capital (excluding the share-capital contributed by Government) from grower members within the area of operation of the factory. We think this is a healthy condition and should be strictly adhered to.

20. We have noticed that, in a few cases, co-operative institutions of various kinds have been admitted as members of co-operative sugar factories. Considering that co-operative sugar factories as processing organisations must maintain a proper liaison and co-ordination with credit institutions of their area and should assist in the recovery of the production loans out of the sale proceeds of the commodity processed, we visualise that the membership of a co-operative sugar factory should be open to primary credit societies located within the area of operation of the factory. However, we observe that, apart from such credit societies, a large number of co-operatives of various kinds, even from outside the area of operation, have been enrolled as members of co-operative sugar factories. This appears to have been done mainly with a view to raise share capital. We are firmly of the view that for obvious reasons, such a practice, wherever adopted, is undesirable. The membership of the co-operative sugar factory should not be open to individuals and co-operative institutions outside its area of operation.

21. In the preceding paragraph, we have made certain observations about the membership of a co-operative sugar factory. These observations, we consider, should equally apply to the membership of any other independent processing society. In other words, such societies should consist essentially of producer members. In addition, primary village credit societies located in that area may also be admitted as members so as to establish a link between co-operative credit and co-operative processing. We however, do realise that sugar factories should have a liaison with co-operative organisations which are mainly supply and

distributive in character. The sugar factory may have to deal with marketing societies for obtaining its supplies of fertilizers etc. and for sale of the sugar manufactured by them with these as well as consumers' stores. We would suggest that the marketing and consumers' organisations may be enlisted as members of sugar factories for such purposes.

## FINANCE

### Share capital.

1. Ordinarily, there are three sources from which the block capital requirements of processing societies have been found. These are (a) share capital raised from members, (b) share capital contributed by Government and (c) medium/long-term loan. As far as the share capital raised from members is concerned, we would point out that when processing was undertaken as an adjunct to the normal operations of a marketing society, generally no separate or additional share capital was raised by the marketing society from its members. In these circumstances, the burden of block capital requirements was borne by the other sources.

2. We observe that, in a few cases, co-operative sugar factories have been appointing agents for collection of share capital and paying agency commission to them. We consider that such a procedure is repugnant to co-operative principles and should be discontinued. We hope that the burden of collecting share capital would be shared between the promotor members and the various promotional agencies including the extension staff. We also note that in one State a sugar factory obtained medium-term loan from co-operative banks etc. and utilised the amount in giving loans to members for purchase of shares of the factory. We feel that such a procedure is obviously wrong and the byelaws which authorise it should be amended.

3. As regards State contribution to the share capital, we observe that as far as co-operative sugar factories are concerned, the quantum of contribution has been gradually stepped up. At one time, the contribution of State to the share capital of co-operative sugar factories was generally limited to Rs. 10 lakhs. It was subsequently raised to Rs. 15 lakhs and then to Rs. 20 lakhs. Recently, the limit has been raised to Rs. 25 lakhs. In the case of other processing societies, there has been diversity of practices followed by State Governments. In some cases, State Governments have limited share capital participation to Rs. 30,000 or so. In a number of other cases, however, the contribution of State Governments to the share capital of processing societies has been Rs. 1 lakh or even more. In one State, the funds made available by the

National Co-operative Development and Warehousing Board specifically for share capital contribution were advanced to processing societies in the form of Government loans, without obtaining the previous approval of the Board. This is apparently irregular and should be rectified.

4. As regards the terms and conditions on which State Governments have participated in the share capital of processing societies, we have observed a variety of practices. In some cases, the contribution by the State was on a matching basis. In other words, it was limited to the quantum of share capital raised by the processing society from its own members. As a rule, State partnership in the share capital of processing societies did not carry any special privileges for the State. However, in two States, it has been observed that the share capital contributed by the State Government in co-operative sugar factories is treated as "redeemable cumulative preference shares". In two other States, Government has participated in the share capital on condition that it shall have preferential rights as to the return of capital in the event of winding up. We consider that the share capital contributed by the State Government should be at par with the share capital contributed by grower members. It appears that if Government holds cumulative preference share the effect, *inter alia* will be that processing society would be required to pay dividend at a certain guaranteed rate retrospectively even in respect of years, when the society was running in loss. We suggest that such a policy, wherever adopted, should be discontinued.

5. In regard to the share capital from grower members of a co-operative sugar factory, we would like to point out that recently the Reserve Bank of India have sanctioned a medium-term loan of Rs. 10 lakhs for financing of growers with a view to enable them to purchase shares of a co-operative sugar factory. This loan has been sanctioned to a State Co-operative Bank against Government guarantee and will flow through the normal bank channels, namely, the central co-operative bank and primary credit societies. The loan has been provided at the usual bank rate. We consider that this is a very helpful measure and other co-operative sugar factories and State authorities may in suitable cases avail of such assistance.

6. The bulk of the block capital requirements of a co-operative processing society has to be met by long/medium-term loans. A co-operative sugar factory is expected to collect a share capital of about Rs. 20-25 lakhs only from its grower-members before going into production as against a block investment of about Rs. 140 lakhs. It is, therefore, necessary that there should be an automatic mechanism to streng-



then the share capital position of the co-operative and enable to repay the long/medium term loans borrowed from various sources and also retire the Government share capital in due course. In the case of co-operative sugar factories, the Industrial Finance Corporation has been insisting, of late, that the borrowing co-operative should make compulsory deduction from the cane price payable to members at a rate not less than Rs. 3.50 per ton. The byelaws of the co-operative sugar factory should provide for such deductions being made from cane price and these deductions should, in due course, generally be converted into share capital of the member concerned. We recommend that a similar procedure may be adopted in the case of other processing units also.

7. We are of opinion that the number of shares held by a member of a co-operative sugar factory should have some relation to the quantity of cane supplies by him. We, however, note that cases might arise when the requisite contribution of share capital on this basis may not be possible. In such cases, we would suggest that the additional share capital that may have to be collected from a member may come out of the cane price payable to him

#### **Loans for Block Investment.**

8. As regards co-operative sugar factories, we are happy to note that a substantial portion of the block capital requirements is being met by Industrial Finance Corporation in the form of long-term loans. These loans are guaranteed by the State and Central Governments on 50 : 50 basis. We understand that recently Industrial Finance Corporation has agreed to provide loans upto 90 lakhs i.e. about 65% of the value of block assets. In the past, Industrial Finance Corporation was sanctioning loans upto about Rs. 75 lakhs per factory. Upto 30th June, 1960, the Industrial Finance Corporation has sanctioned loans to the tune of Rs. 18.88 crores to 32 co-operatives. We hope similar assistance from Industrial Finance Corporation by way of loans will continue to be available to co-operative sugar factories proposed to be set up against the third plan target.

9. As regards other processing societies or marketing societies undertaking processing, it was envisaged that loans assistance would be forthcoming from the State Finance Corporations. We however, observe that such assistance has been available only in a couple of cases. In other cases, processing units have not been able to obtain long-term loans from State Finance Corporations. In some cases, they have resorted to medium-term loans from central co-operative banks. Grant of such medium-term loans by central co-operative banks to processing

societies for block investment is apparently undesirable for various reasons. In the first place, central co-operative bank cannot generally afford such investment. In the second place, the requirements generally are in the nature of long-term loans and not medium-term loans. In view of these considerations, we suggest that the State Finance Corporations should be effectively brought into the picture. In order to induce the State Finance Corporations to finance co-operative processing societies, we suggest that the loans by the Corporations may be guaranteed by the State Governments.

10. As already indicated by us, under the new arrangements, 65% of the block capital requirements of a co-operative sugar factory will henceforth be met by way of long-term loan by Industrial Finance Corporation. For the rest, the co-operative sugar factory has to depend on its share capital raised partly by its members and partly by Government. With regard to other processing units, we would suggest that 60% of the estimated cost may be left to be provided by way of long-term loan by State Finance Corporations, against Government guarantee. The rest of the amount may be raised as share capital. Since we envisage that generally speaking processing will be undertaken as an adjunct by a marketing society, it would be difficult for the marketing society to raise very substantial amounts as additional share capital from the members, who would have already contributed to the share capital of the marketing society. We, therefore, suggest that Government contribution to the share capital of the processing unit should be 40% of the total estimated block capital cost of the unit minus such extra share capital as may be raised by the society from its own members. However, where processing is undertaken through independent processing societies, it may be made obligatory on the processing society to raise share capital either on a matching basis or in areas which are underdeveloped in such a manner that the ratio of capital and Government share capital is atleast 1 : 3.

11. The National Small Industries Corporation is making available modern and up-to-date machines on easy instalment payment system to small industrial units. The applicants are required to pay 20 to 33½% of the value of the machines as earnest money and the balance in half-yearly instalments spread over a period not exceeding eight years. We suggest that the Corporation may make machines available to co-operative processing units also under hire-purchase terms.

12. Under the Credit Guarantee Scheme recently introduced by the Government of India, advances sanctioned by credit institutions to

small-scale industrial units for the purpose of enabling them to acquire fixed assets or equipment or for providing working capital are eligible for guarantee by the guarantee organisation, that is the Reserve Bank of India. We suggest that this scheme may be extended to credit made available to co-operative processing units also.

13. Co-operative marketing societies which have set up processing units are eligible for financial assistance from Government for construction of godowns and for meeting the cost of their managerial staff. Independent processing societies are however eligible only for managerial subsidy. We suggest such processing societies, except co-operative sugar factories, should be given financial assistance for construction of godowns also on the lines on which such assistance is provided to marketing societies.

#### **Provision of working capital.**

14. A processing society requires working capital for payment to producer members against delivery of raw material by them, for purchase of fuel, stocks and spare and also for payment of wages. The co-operatives are obtaining loans from the State/Central co-operative banks or State Bank of India to meet their working capital requirements against pledge of processed goods, gunny bags and other consumable stores. The State Bank of India, we understand, provides accommodation to the co-operatives to the extent of 75% on sugar stocks, 70% on gunny bags and 50% on other consumer stores. The State and Central Co-operative Banks in Maharashtra and Gujerat provide working capital loans to co-operative sugar factories to the extent of 70% on sugar stocks pledged and 30% on gunny bags and other consumable stores. A co-operative can utilise the credit facilities afforded by the banks against pledge of processed goods and against other securities only after it has gone into production and has accumulated necessary stocks. Before it starts production and accumulates stocks, a co-operative would require some initial capital for paying wages, buying stores etc. and for this purpose it would require a clean cash credit. The co-operatives in Maharashtra and Gujerat have been obtaining clean cash credit accommodation from the State/Central co-operative banks for this purpose against the security of the general assets of the factory. We understand that, recently, the State Bank of India have also agreed to provide clean cash credit to co-operatives provided it is guaranteed either by the central co-operative bank concerned or by the State Government. We suggest that, to the extent necessary, the processing societies should be enabled to have adequate clean cash credit

accommodation and the State Governments, wherever necessary, should assist the co-operatives in this regard by offering guarantees etc.

15. We have noted that the loans given by the State Bank of India carry interest at  $\frac{1}{2}\%$  over State Bank of India advance rate, with a minimum of  $5\frac{1}{2}\%$  per annum, whereas some of the State co-operative banks and central co-operative banks have been charging interest at  $6\frac{1}{2}\%$  on clean cash credit and  $6\%$  on loans against pledge of stocks. We would suggest that the State and Central co-operative banks, which finance co-operative sugar factories and other processing societies, should also reduce their interest rates to be on par with the rates of the State Bank of India. We would also like to emphasise that co-operative processing societies must endeavour to build up their own resources and for this purpose we would suggest that such societies should set apart from the profits certain amount which would serve for providing margin for working capital.

#### **Concession in various taxes.**

16. At present, co-operative sugar factories enjoy a holiday under the Income-Tax Act for a period of seven years. Under certain circumstances even the corresponding period for joint stock factories is only five years. This preferential treatment in favour of co-operatives is obviously justified on various considerations. We consider that a similar preferential treatment should be accorded by State authorities to co-operative sugar factories and other processing units in the matter of taxation. In particular, we would suggest that whenever new co-operative sugar factories are being established, the State Government concerned may consider exempting the factory from cane cess. We understand that recently in one State the authorities have agreed to this in principle and have decided to give an equivalent amount by way of subsidy to co-operative sugar factories.

17. Another point we would like to stress is about the imposition of sales tax on the machinery obtained from the consortiums. If the co-operative purchasing the machinery happens to be located in a different State, only Inter-State sales tax is payable. However, when the headquarters of the co-operative and consortium is located within the same State, the sales tax which may be payable in some cases is as high as  $5\%$ . We are of the view that imposition of such a sales tax in these circumstances would have the effect of seriously handicapping the co-operatives concerned. We would suggest that this matter should be re-examined by the authorities concerned so that the sales tax apay-

able by the co-operative for purchase of machinery is not more than the rate at which inter-State sales-tax is charged.

18. We observe that, in some States, the sugarcane obtained by co-operative sugar factories from their members is subjected to imposition of sales tax. We consider that the relationship between a grower-member and his co-operative factory is not that of a seller and a buyer and hence the supply of cane by a grower to his co-operative sugar factory should not be liable to pay sales tax.

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## CHAPTER VII.

### BUSINESS OPERATIONS

1. At present, the co-operative processing units other than sugar factories, are following a diversity of practices. One practice is for the processing society to undertake processing on behalf of members. In other words, in such a case, the society merely charges commission for undertaking processing and does not undertake subsequent marketing. Another practice, which is generally found in well established cotton processing societies in Gujerat is, that societies pool the produce, grade it, carry out processing and sell the produce and subsequently pay the members an average pool price. In several other cases, the business methods followed by processing units are essentially commercial in character. In other words, the society purchases agricultural commodity in the market from members and even non-members. The commodity is sold in the open market again after carrying out the processing operations. In such cases, the processing societies are merely functioning like any other private commercial factories.

2. It appears to us that the ideal business practice, which a processing society should follow, would be to grade the produce, pool it, carry out processing and pay to the members the average pooled price. Such a practice, however, is not likely to commend itself in areas where grower members are not accustomed to it. In such case, we suggest that processing societies may undertake processing on behalf of the members, charge them the requisite commission of processing and thereafter undertake the sale of produce in separate lots. In any case, we would strongly deprecate any attempt to run co-operative processing units like ordinary commercial factories, wherein outright purchases are made from the open market and the processed commodity is subsequently sold in the same manner. In such cases, there is no link between processing society and the primary producer and hence the co-operative character of such processing units, is, to say the least, very doubtful .

3. Even in the case of co-op rative sugar factories, we would like to emphasise that their essential character should be that of co-operative processing society. For sugar industry in general, a certain minimum price of sugarcane is fixed by order of Government. We consider that in the case of co(operative sugar factory, the price may be allowed to be fixed by the board of directors of sugar factory, after taking into account

various factors, such as economics of the factory, the recovery obtained etc. In other words, in the case of co-operative sugar factory, since the proprietorship essentially belongs to growers of sugarcane, intervention by Government in the determination of the cane price should be kept down as far as possible. In this connection, we are happy to note that a number of successful co-operative sugar factories, after the initial stages, have been paying to their grower members, a price which is considerably in excess of minimum price fixed by Government. In these circumstances, we consider that *prima-facie* there is no occasion for application of price linking formula laid down by Government to a co-operative sugar factory.

4. Finally, we would like to stress that in order to build up a proper relationship between the growers and the processing units, it should be necessary for the processing units to attend to various factors, which are conducive to generating spirit of loyalty. In this connection, we were impressed with the practice adopted by co-operative sugar factories of Maharashtra and Gujerat States of making arrangements for the harvesting of sugarcane crops, their carting and transportation to the factory. Such arrangements, in addition to ensuring supply of fresh and good cane to the factory, would also create a feeling of loyalty in the minds of cultivator-members. Further, one of the time-honoured practices has been to distribute a part of the net profit as a bonus to producer members on the basis of raw produce supplied by them. In addition, we consider that co-operative sugar factories and other independent processing societies should also undertake distribution of manure and seed, so as to attract the loyalty of their members. This would also be helpful in ensuring proper yield and quality of the crop. In some cases, in the initial stages, the processing societies may even make supplies available on credit. In due course, however, the provision of credit should become the responsibility of the normal co-operative credit structures.

5. Since processing of an agricultural commodity is generally a seasonal activity, it would be an advantage for co-operatives to have some subsidiary units for processing such additional commodities as are produced by their members. The marketing societies, undertaking processing may gradually cover a variety of commodities rather than confine themselves to one commodity only.

6. We have observed that, in one case, the co-operative sugar factory has been employing individual agents and paying them commission for supply of cane to the factory. In one State, the practice is that

the co-operative sugar factories obtain their cane supply through separate organisations of co-operative cane unions. A co-operative sugar factory, in our view, should directly deal with its individual grower-members and process their produce. We consider that it will not be proper to interpose an intermediary between the individual grower-member and the co-operative processing society.

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## CHAPTER VIII

### MANAGEMENT AND ADMINISTRATION

#### Board of Directors.

1. Co-operative processing societies, sometimes, present peculiar problems of management. Such problems arise partly from the fact that the membership of some of these societies can be very large. For instance, the average membership of a co-operative sugar factory is nearly 2,000. In a few cases, the membership exceeds 10,000 growers. In these circumstances, it is not easy to ensure that there will be a proper liaison between the management and the individual members and that the management will be representative of and responsive to the views of the individual members. In such cases, we consider that it would be an advantage, if the election to the board of directors is held on a regional or zonal basis. In other words, it would not be desirable to expect a general body meeting of such a large number of members to carry out election of the board of directors. Furthermore, the election in such cases should invariably be by ballot and not by 'show of hands'.

2. Ordinarily, in most of the bigger processing societies, particularly co-operative sugar factories, the first board of directors is nominated by State Government or Registrar. The total period of nomination is generally three to five years even though in some cases nomination is made from year to year. However, in a few States, it is provided that the Board of Directors will continue to be nominated until the entire Industrial Finance, Corporation loan is repaid and until Government share capital is redeemed. Such a provision tantamounts to a nomination for an indefinite period. We consider that after the initial period of not more than five years, the board of directors should not continue to be nominated and at least two-thirds of the directors should be elected by the members after this period.

#### General Manager.

3. The successful erection and functioning of a processing unit, particularly a co-operative sugar factory, is largely dependent on the calibre and competence of the chief executive officer of the factory. Such a functionary is either called a General Manager or Managing Director or Business Manager. We observe that, in Madras and Andhra Pradesh, it is provided in the byelaws of co-operative sugar factories that the Board

of Management shall appoint a Business Manager, who shall always be a Deputy Registrar, nominated by the Registrar of Co-operative Societies. We consider that such a provision is not likely to be conducive to the interests of the co-operative sugar factories. In the first place, a Deputy Registrar, as a junior officer, cannot command the requisite stature and is not likely to carry weight with the State authorities. In fact, he may find it difficult to co-ordinate and regulate the functioning of senior technical officers, such as Chief Engineer and Chief Chemist working in the factory. In the second place, he would not ordinarily possess the necessary experience of organising and running an industrial concern of a big size. Hence, we consider that the General Manager of the co-operative sugar factory should be drawn either from the market or from existing serving officers of Government, provided they command the requisite experience, competence and stature. In this connection, we would commend the practice followed in the old Bombay State, wherein the co-operative sugar factories were required to select the Managing Director out of a panel of names approved by a Committee of Ministers. This panel of names was drawn up after considering applications from private candidates as also the officers from various concerned Government departments, such as Industries, Agriculture and Co-operation.

4. Apart from initial selection of a competent General Manager, it is necessary to ensure a certain amount of security of tenure to him. In the absence of such a security it would be difficult to attract or retain suitable personnel. Hence, we consider that while the power of dismissal of a General Manager should vest in the board of directors of the bigger processing societies, such as co-operative sugar factories, such power should be subject to the approval of the State Government or the State Federation of co-operative sugar factories.

5. We would also like to emphasise the need for appointment of suitable technical personnel and security of their tenure. We would suggest that co-operative sugar factories should have a set of suitable recruitment and service rules so that appointments and conditions of service are not determined on adhoc basis. It would be an advantage if a selection committee is set up for recruiting technical personnel. Technical experts from outside may be invited to give advice to the Selection Committee. It is necessary, in our opinion, that the selection and appointment of technical personnel should be done in a systematic manner and their service conditions formulated in such manner that no unhealthy competition arises between different co-operative sugar factories.

6. Wherever, in a State, the number of co-operative sugar factories and other big processing societies has grown, it would be an advantage, if suitable apex organisations for co-ordinating their work are built up. In particular, we suggest that wherever in a State five or more co-operative sugar factories have gone into production, the State may consider federating them into an apex organisation. Such a federation will be helpful in various ways including joint purchases of spare parts, gunny bags, consideration of common problems and even servicing in the matter of technical difficulties. In addition, we would recommend that in such States, a whole-time senior officer at the State level should be appointed for looking after the work relating to co-operative sugar factories and other big processing societies. The working of such institutions continuously throws up many problems and difficulties and for many years to come, they will constantly need guidance, advice and help from State authorities. Hence, it would be an advantage, if a whole-time senior officer at the State level is available for consultation, advice and guidance.

7. Co-operative processing evidently involves several departments, namely, Agriculture, Industries Co-operation and Cane Department, if any. Hence, the activities of co-operative processing societies are likely to impinge on each of these departments. We are of the view that it would be extremely helpful if a standing arrangement for inter-departmental co-ordination is brought about. In this connection, we observe that in U.P. in 1958, the State Government established a State Processing Board. The Government Order relating to this Board contained the following pertinent observations:—

“There are two equally important aspects of this question. The technical aspect, for example, selection, erection and maintenance of plant and machinery, sugar technology etc. and the co-operative aspect, i.e. organisation of suitable societies with adequate membership, account-keeping, financing and marketing. It is felt that no single department of Government can run such a project without wasteful duplication.”

We consider that, in the present context of the situation, there would be need for a high-powered inter-departmental co-ordination board which should include the representatives of the departments of Industries, Co-operation, Agriculture, Cane and Marketing.

#### **Auditing.**

8. Before we conclude, we should like to make a reference to audit



## APPENDIX I.

# NATIONAL CO-OPERATIVE DEVELOPMENT AND WAREHOUSING BOARD

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### Questionnaire for Co-operative Sugar factories

1. Whether preliminary investigations for setting up the factory were made?
2. Preliminary:
  - (a) Date of organisation:
  - (b) Date of application for registration:
  - (c) Date of registration:
  - (d) Date of application for licence:
  - (e) Date of issue of licence and licensed capacity:
  - (f) Date of placing orders for machinery:
  - (g) Date of commencing erection:
  - (h) Date of going into production:

*Note:* The reasons for the delay, if any, at various stages may be given.

3. Area of operation:—
  - (a) What is the present area from where cane is drawn (i.e. what is the radius within which the cane is grown)?
  - (b) What were the considerations for fixing this area of operation?

- (c) Furnish the following information in respect of other factories in the area within a radius of 40 miles.

<i>Name of the Factory</i>	<i>Crushing capacity</i>	<i>Distance from the Co-operative factory.</i>
(1)	(2)	(3)

**4. Membership and share capital:**

(as on 30.6.1960)

<i>Number</i>	<i>Share capital subscribed</i>	<i>Share capital paid</i>
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(A)

- (i) Grower-members:
- (ii) Non-grower members  
(individual):
- (iii) Co-operative institutions:
  - (a) Primary Co-operative Credit Societies:
  - (b) Central Co-operative Banks:
  - (c) Primary Co-operative Marketing Societies:
  - (d) District Co-operative Marketing Societies:
  - (e) Other types of Co-operative Societies (specify):
- (iv) Others, if any:
- (v) State Governments:
- (vi) Total:

*Note:* Of the total of membership and share capital given above, particulars relating to members outside the area of operations of the factory and the share capital held by them may be indicated separately.

- (B) What is the value of each share?
- (C) Is there any link between the share capital and the cane acreage/cane to be supplied by a member? If so, what is it?
- (D) Does the paid-up share capital indicated above include the amount deducted from cane price from members? If so, what is the rate and extent of such deduction?

5. **Capital cost:**

- (a) What is the total capital cost of the factory upto the date of going into production?

*Cost of Plant upto site:*

- (i) Cost of plant f.o.r. (nearest Railway Station)
- (ii) Custom Duty:
- (iii) Sales Tax, if any
- (iv) Transport and unloading at site:

*Preparation for erection:*

Land  
 Drains and road  
 Water supply  
 Electric installation  
 Workshop equipment  
 Vehicles  
 Foundations  
 Erection stores  
 Weigh-bridges, furniture and fixtures.

*Civil works:*

Railway siding

Factory building and workshop  
 Tanks of (Fresh water) spray pond.  
 Molasses tank etc.  
 Godowns  
 Stores  
 Laboratory building  
 Time office  
 Other administrative buildings  
 Residential quarters: 1. for labourers  
                                   2. for officers  
 Any other type of civil work.

*Erection*

- (i) Supervision.
- (ii) Labour cost.

*General:*

- (i) Interest
- (ii) Bank commission
- (iii) Salaries, wages; and
- (iv) Contingencies.

Total

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- (b) How was the total capital cost at (a) above met?

*Share capital:*

- (i) Members' share capital
- (ii) Government contribution and terms; whether equity or preferential capital or by way of a loan. How and when to be redeemed?

<i>Loans for investment only.</i>	<i>Amount</i>	<i>Period of loan</i>	<i>Rate of interest</i>	<i>Other specific conditions</i>

- (i) Loans drawn from Industrial Finance Co-operation of India:



- (ii) Loans from State Bank of India:
- (iii) Loans from Central Co-operative Bank:
- (iv) Loans from State Co-operative Bank:
- (v) Loans from State Government:
- (vi) Deferred payment of machinery supplied:
- (vii) Loans from others.

Total: \_\_\_\_\_  
\_\_\_\_\_

*Note:* In case of loans from I.F.C., please indicate the date of application for the loan, the date of actual sanction of the loan and the date of disbursement of the amount:

- (c) Indicate briefly whether the factory had any difficulty in obtaining finance promptly for completing the project and how such difficulty was got over ultimately?

#### 6. Raw material:

- (a) What is the total acreage under cane cultivation held by grower members?
- (b) What is the average yield per acre in the area?
- (c) Indicate the cane supply position for the last three seasons in the following form:

*Quantity of cane drawn within a radius of*

<u>1-5 miles</u>	<u>6-10 miles</u>	<u>11-20 miles</u>	<u>21-30 miles</u>	<u>over 30 miles</u>

(What is the maximum distance from which the cane is drawn?)

- (d) Does the factory employ a primary credit/marketing society/cane union or any other agency for obtaining its supply of cane? If so, what are the terms and conditions of such agency and how does it operate?
- (e) Does the factory enter into contract with individual members every season for supply of cane?
- (f) Furnish the following particulars in respect of such contracts:—

<i>Number of members with whom contracts were entered into.</i>	<i>Total quantity of cane contracted for.</i>	<i>Total cane supplied by such members.</i>
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1957-58 season

1958-59 season

1959-60 season

- (g) What action was taken against defaulting members for not delivering cane according to contract?
- (h) What is the quantity of cane purchased by the factory from non-members during each of the last 3 seasons?
- 1957-58 season
- 1958-59 season &
- 1959-60 season
- (i) What are the schemes that have been undertaken since the inception of the factory for cane development in the area?

*Note:* Particulars may be furnished separately in respect of:

- (i) Schemes undertaken by the factory and financial outlay thereon.
- (ii) Schemes undertaken by the factory in collaboration with State Agricultural/Cane department and the expenses incurred by the factory.
- (iii) Schemes undertaken entirely by the State Agricultural/Cane department.

## 7. General management:

### (A) *General Body:*

- (i) How many times has the General Body met during the Co-operative years

1957-58

1958-59 &

1959-60

(Please send a copy of the minutes of the last General Body meeting).

- (ii) What is the attendance in those meetings?

<i>Date of meeting</i>	<i>Number of members eligible to attend the meeting.</i>	<i>Number of members who attended the meeting.</i>
(1)	(2)	(3)

- (iii) How many meetings in these three years were postponed for want of quorum?

- (iv) Enclose a copy each of the subsidiary regulations, if any, passed by the General Body.
- (v) How is the General Body kept informed of the progress made by the factory from time to time?

(B) *Board of Directors:*

- (i) What is the total strength of the Board of Directors?
- (ii) What is the composition of the Board?
  - (a) Representatives of grower-members;
  - (b) Representatives of Co-operative institutions;
  - (c) Representatives of non-grower members;
  - (d) Representatives, if any, of workers;
  - (e) Government nominees;
  - (f) Others, if any, (co-opted members).
- (iii) Furnish the following particulars in respect of the present members of the Board:

<i>Name</i>	<i>Interest represented (Growers, institutions etc.)</i>	<i>For how long he has been a member of the Board.</i>

- (iv) (a) Is there any provision in the bye-laws for nomination of Directors by the Registrar or the Government?
- (b) When was the first Board nominated?
- (c) How many of these nominated persons are not members of the co-operative?
- (d) When were the first election held?
- (v) What are the powers of the Board according to the bye-laws?
- (vi) Has the General Body delegated any further powers to the Board? (Copies of the Resolution of the General Body or subsidiary regulations to be enclosed).
- (vii) Furnish the following particulars in respect of Board meetings held during the Co-operative year 1959-60:—

<i>Date of meeting</i>	<i>Total number of members constituting the Board</i>	<i>Number of State Government's representatives attending the meeting.</i>	<i>Number of others attending the meeting.</i>
(1)	(2)	(3)	(4)

- (viii) (a) Has the Government nominee on the Board powers of veto?
- (b) How many times has such veto powers been exercised?
- (c) Furnish the following information in respect of such resolutions vetoed by the Government nominee:

<u>Resolution</u>	<u>Reason for veto</u>	<u>Ultimate result of veto</u>
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(C) *Executive Committee:*

- (i) Has the Board of Directors constituted an Executive Committee?
- (ii) What is the strength and composition of the Executive Committee?
- (iii) What are the functions specifically delegated to Executive Committee? (A copy of the Resolution or Subsidiary Resolution of the Board or General Body may be enclosed)
- (iv) How many times did the Executive Committee meet during the co-operative year 1959-60?
- (v) How does the Executive Committee keep the Board of Directors informed of its activities?

- (vi) (a) Does the Executive Committee take final decisions in all matters or does it merely make its recommendations to the Board?
- (b) The matters in respect of which the Executive Committee merely conveys its recommendations to the Board may be specified.
- (vii) (a) Does the Government nominee, if any, on the Executive Committee exercise veto powers?
- (b) Furnish the following information in respect of resolutions of the Executive Committee vetoed by the Government nominee:—

<i>Resolution which was vetoed</i>	<i>Reasons for veto</i>	<i>Ultimate result of veto</i>
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(D) *Other functional Committee:*

- (i) What are the functional committees (purchase committee etc.) set up by the Board and the Executive Committee?

- (ii) A brief note on the strength and composition of these various committees and also their functions and working may be given.
- (iii) Are the working of these functional committees reviewed by the Executive Committee/Board of Directors or the General Body?

#### 8. Administration:

- (a) (i) Are the Chairman and Vice-Chairman elected by the Board of Directors or the General Body?
- (ii) What are the functions of the Chairman and Vice-Chairman?
- (iii) Are there any other functionaries (Secretary etc.) elected by the Board or Executive Committee from among the members? If so, specify the designations and functions.
- (iv) How are the functions of these elected functionaries co-ordinated and how do they effect a general control over the day-to-day administration?
- (b) (i) Enclose a copy of the Recruitment Rules framed and also a copy of the regulations governing the service conditions.



- (ii) Furnish the following particulars in respect of existing key personnel like General Manager/ Managing - Director, Chief Engineer, Chief Chemist, Cane Superintendent, Accounts Officer etc.

<i>Name</i>	<i>Designation</i>	<i>Qualification</i>	<i>Experience</i>	<i>Date of appointment in the factory.</i>	<i>Scale of pay</i>	<i>Present pay</i>
(1)	(2)	(3)	(4)	(5)	(6)	(7)

- (iii) If there has been a change in these key personnel, particulars may be furnished in the following form:—

<i>Name</i>	<i>Designation</i>	<i>Date of appointment in the factory</i>	<i>Date of leaving the factory</i>	<i>Reasons in brief for leaving the factory</i>
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- (iv) What are the duties and responsibilities of the various key personnel? (Copies of relevant orders, if any, to be furnished)
- (v) Give a brief description of the working of the various departments; viz. cane department, engineering department, processing department, accounts department.

- (vi) How the General Manager/Managing Director co-ordinate, supervise and control the work of all the departments of the mills?

**9. Financial control:**

How is financial control exercised in respect of the following:—

- (i) Purchase of stores;
- (ii) Contracts for building, repairs, electric installation etc.
- (iii) Sale of sugar and by-products;
- (iv) Weighment and transport of cane and payment for cane.

**10. Account-keeping and audit:**

- (i) Who is in-charge of account keeping?
- (ii) How is internal check exercised to prevent double payment etc.?
- (iii) Who conducts the audit?  
(Government officers or private auditor).
- (iv) (a) If a private auditor conducts audit, how is such auditor chosen?  
(b) Is the appointment of a private auditor approved by the General Body?
- (v) Is the audit concurrent or is it taken up after the close of the co-operative year?

- (vi) Does the auditor check all vouchers for expenditure and all receipts or only conducts a test check?
- (vii) Is the audit report, particularly the irregularities pointed out by auditor, discussed by the General Body?
- (viii) Specific action taken by the General Body during the past years on the audit reports may kindly be indicated in the following form:—

<i>Irregularity pointed out by the auditor</i>	<i>Action suggested by the General Body.</i>	<i>Action taken</i>
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- (ix) (a) How are the irregularities pointed out by the auditor rectified?
- (b) Who is made responsible for pursuing action to rectify the irregularities?

**11. Working and financial results of the factory:**

**(A) Working results:**

*Time account:*

*Crushing Season*

1955-56	1956-57	1957-58	1958-59	1959-60
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- (a) Date of commencing crushing:
- (b) Last date of crushing:
- (c) Duration of season (days):
- (d) Total hours of crushing lost due to:

- (i) Cane shortage
- (ii) Mechanical troubles:
- (iii) Troubles in manufacturing process:
- (iv) Others:
- (v) Total:
- (e) Percentage of hours lost to total available:

*Production:*

- (a) Total cane-crushed (Mds.)
- (b) Total sugar made (Mds.)
- (c) Recovery % cane.
- (d) Average crushing per day for the season.

**(B) Financial results:**

- (i) Furnish the following particulars for the co-operative years ended:

(1)	(2)			(3)	(4)	(5)	(6)
<i>Net profit or loss.</i>	<i>Working expenses on</i>			<i>Insurance and interest paid and due.</i>	<i>Cane-cess paid and due.</i>	<i>Excise duty paid.</i>	<i>Total depreciation provided.</i>
	<i>Fuel, oil, chemical and stores</i>	<i>Establishment charges and wages</i>	<i>Expenditure (excluding items 3 to 5)</i>				

30.6.1956

30.6.1957

30.6.1958

30.6.1959

30.6.1960

- (ii) Copies of manufacturing account, Profit & Loss account and Balance Sheet from 30.6.1956 onward may be furnished. Whenever accounts have not been audited, un-audited accounts and Balance Sheet may be furnished.

(iii) How is the price to be paid to grower members for cane supplied by them determined?

(iv) Furnish information in the following form;

<i>Crushing season.</i>	<i>Cane price paid to members</i>		<i>Cane price, if any, fixed by Government</i>
	<i>Ex-factory</i> <i>(per md.)</i>	<i>Ex-field</i> <i>(per md.)</i>	<i>(Ex-factory)</i>
1955-56			
1956-57			
1957-58			
1958-59			
1959-60			

(v) What is the rate, according to the bye-laws, to be deducted from cane price payable to members and how utilised?

(vi) What is the rate prescribed by the Industrial Finance Corporation of India?

(vii) Furnish the following information in respect of deductions made so far:—

<i>Season</i>	<i>Total members' cane crushed.</i>	<i>Rate of deduction per md.</i>	<i>Total deductions made.</i>
1955-56			
1956-57			
1957-58			
1958-59			
1959-60			
Total:			

**(C) Borrowings:****(i) Loans to meet block expenditure:**

	<i>Loans from I.F.C.</i>	<i>Loans from Co-op. Banks</i>	<i>Loans from others (details to be given)</i>	<i>Loans from State Govt.</i>	<i>Deferred payment out- standing</i>
<i>Amount sanctioned as on</i>					
(a)	30.6.1957				
(b)	30.6.1958				
(c)	30.6.1959				
(d)	30.6.1960				
Total					
<i>Amount drawn as on</i>					
(a)	30.6.1957				
(b)	30.6.1958				
(c)	30.6.1959				
(d)	30.6.1960				
Total					
<i>Amount outstanding as on</i>					
(a)	30.6.1957				
(b)	30.6.1958				
(c)	30.6.1959				
(d)	30.6.1960				
Total					

**(ii) Working capital loans:**

	<i>Loan from State Bank of India.</i>	<i>Loan from Co-op. Banks</i>	<i>Loan from State Government</i>	<i>Loan from others (details to be furnished)</i>
<i>Amount sanctioned during the year ended</i>				
(a)	30.6.1957			
(b)	30.6.1958			
(c)	30.6.1959			
(d)	30.6.1960			
Total:				

*Amount drawn  
during the year  
ended*

(a) 30.6.1957

(b) 30.6.1958

(c) 30.6.1959

(d) 30.6.1960

Total:

*Amount outstand-  
ing at the end of  
the year.*

(a) 30.6.1957

(b) 30.6.1958

(c) 30.6.1959

(d) 30.6.1960

Total

(iii) Has the society experienced any difficulty in obtaining loans for working capital?

(iv) Has the society been obtaining loans from Central Co-operative Banks for giving as mature loans to members?

## 12. General:

(i) How are the activities of the factory integrated with those of primary credit/marketing societies in the area?

(ii) Are the loans of primary credit societies in the area to the members recovered from the cane price payable by the factory to such members?

- (iii) Is the factory utilising the services of other co-operatives like consumers' societies for marketing the sugar; if so, furnish details.
- (iv) Does the factory provide any special assistance to the growers by way of distribution of fertilisers etc.? If so, furnish details.
- (v) What are the social and cultural amenities provided by the factory to its members and employees?
- (vi) What is the total number of persons employed by the factory?
- (a) Managerial staff:
- (b) Technical staff:
- (c) Unskilled labourers:
- (d) Seasonal employees:
- Total:
- Does Government exercise any control in the matter of appointment of key personnel like Managing Director, Manager, Chief Engineer etc.
- (vii) (a) Are employees admitted as members?
- (b) If so, what is their number?
- (viii) What are your suggestions for improving the administrative system of a co-operative sugar factory which



should be consistent with the democratic content of the co-operative and at the same time, ensure that the co-operative functions with integrity and efficiency.

(ix) Please send copies of:—

- (a) the annual report
  - (b) the bye-laws as amended up-to-date
  - (c) the balance-sheets
  - (d) the manufacturing and trading account;
  - (e) the profit & loss account
-

**APPENDIX II**  
**NATIONAL CO-OPERATIVE DEVELOPMENT**  
**AND WAREHOUSING BOARD**

**QUESTIONNAIRE FOR PROCESSING SOCIETIES / UNITS**

**I. PRELIMINARY**

1. Name of the Society.
2. Date of registration and date of setting up of processing unit.
3. Date of going into production.
4. Name/names of agricultural commodities processed.
5. Nature of processing activity/ activities undertaken such as:
  - (i) Oil crushing
  - (ii) Cotton ginning
  - (iii) Ground-nut decorticating.
  - (iv) Jute baling.
  - (v) Rice Milling/Hulling etc.
  - (vi) Others, if any.

*Note:* In case of rice-milling, please state if any difficulties in getting licence for setting up a rice-mill were encountered.

**II. MANAGEMENT**

**1. General Body**

- (i) The dates on which the *In 1957-58 In 1958-59 In 1959-60*  
General Body met.
- (ii) What was the strength of *Date Strength Attendance*  
the General Body on the  
dates noted against (i)  
above, and the attendance  
on each date.

- (iii) Did the General Body review the progress made by the unit from time to time? If so, on what dates?

## 2. Board of Directors/Executive Committee

- (i) What was the actual Strength? *In 1957-58 In 1958-59 In 1959-60*
- (ii) The Board consisted of how many:
- (a) elected members.
- (b) nominated members.
- (iii) What was the No. of Directors who represented. *In 1957-58 In 1958-59 In 1959-60*
- (a) Producer members
- (i) Individuals
- (ii) Farming societies.
- (b) Non-producer members
- (i) Individuals.
- (ii) Government.
- (c) Co-operative Institutions
- (i) Financing Bank.
- (ii) Consumer Co-operatives
- (iii) Others.
- (d) Total
- (iv) The dates on which the Board met. *In 1957-58 In 1958-59 In 1959-60*
- (v) What was the strength of the Board on dates noted against column (iv) above and attendance on each date. *Date Strength Attendance*

*Note:* Please attach a latest copy of the Bye-laws of the Society with copies of the annual reports for the last 3 years if available.

### 3. Administration

- (i) Who is in charge of the day-to-day administration.
  - (a) Honorary Secretary.
  - (b) Paid Secretary.
  - (c) Paid Manager.
- (ii) What are his duties and responsibilities (copy of regulations, if any, may be furnished).
- (iii) If paid officer, what are his qualifications and emoluments?
- (iv) What is the designation and emoluments of the Chief Technical Officer?
- (v) What are his duties and responsibilities (copy of regulation, if any, may be furnished).
- (vi) Does the technical officer function independently of the administrative officer or under his (administrative officer's) control.
- (vii) Are the Manager/Paid Secretary and the Chief Technical Officer invested with necessary powers to take decisions and to deal with immediate day-to-day problems etc. in their respective spheres without seeking the approval of the Board every time? If so, on what matters.
- (viii) What is the strength of other than technical staff (whole-time) excluding the Manager?
 

<i>Indicate designation of the Staff.</i>	<i>Grade, if any</i>	<i>Qualifications if laid down.</i>
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### III. ORGANISATION

#### 1. Structure

- (i) Is the processing unit
  - (a) an independent processing society?
  - (b) an adjunct to marketing or other type of co-operative society?
- (ii) If it is a separate independent processing unit, does it undertake
  - (a) processing alone.
  - (b) processing as well as marketing.
  - (c) If processing alone is undertaken, indicate briefly the factors which prompted the society for setting up a processing unit for the particular commodity/commodities.
- (iii) If the processing unit is an adjunct to marketing society, was it set up
  - (a) at the time of inception of the society.
  - (b) subsequently when processing was found necessary for profitable marketing.
  - (c) when society was diverting its members' produce to a private unit and it was found possible to set up a processing unit of its own.

- (d) Please specify other factors, if any, responsible for setting up the unit.

## 2. Area of Operation

- (i) What is the present area of operation? Indicate briefly the considerations for fixing the area of operation.
- (ii) What are the considerations for fixing the headquarters of the processing unit?
- (iii) Other similar processing units within the area of operation of the society.
- (iv) Are there other Co-operative processing units undertaking processing of agricultural produce within the area of operation of the society? If so, indicate details.

	<i>Distance</i>	<i>Capacity</i>
	<i>from the</i>	<i>in terms of</i>
<i>Location.</i>	<i>headquarters</i>	<i>finished</i>
	<i>of the society.</i>	<i>product.</i>

## 3. Membership and Share Capital

- (i) Producer members
- (a) Individuals
- (b) Village level Co-operative societies, if any.
- (c) Total.
- (ii) Non-producer members
- (a) Individuals.
- (b) Government.
- (c) Total.
- (iii) Co-operative Institutions (other than village level societies). The type and Number of societies may be given.

<i>No.</i>	<i>Paid up share Capital</i>
------------	------------------------------

- (iv) Grand Total.
- (v) Value of each share.
- (vi) Authorised share-capital.
- (vii) Liability of the mebers.

#### IV. OPERATION

##### 1. Capital Cost (Land, Machinery and other Installations)

###### (i) *Land*

- (a) What is the area of land owned/taken on lease by the society.
- (b) Please give the cost of land if purchased and lease terms if taken on lease.
- (c) What is the built-up area in the case of—
  - (i) main processing plant/plants.
  - (ii) Office.
  - (iii) Godowns and other storage structures.
  - (iv) Residential buildings (staff quarters etc.) if any.
- (d) Area of land reserved for further expansion of the processing activities.

###### (ii) *Machinery*

- (a) What is the total cost of machinery installed.
- (b) Please append a Statement showing:
  - (i) Machinery, section-wise.
  - (ii) Cost of each item.
  - (iii) Name/Names of manufacturers.

- (iv) Life of each item of machinery.
- (c) Is there a machinery replacement fund? How is it constituted? Please give the amounts that stood to its credit on 30.6.58/30.6.59/30.6.60. Was any amount utilised out of the fund? If so, please give details.
- (d) What is the strength of technical staff:
  - (i) Permanent.
  - (ii) Seasonal.
- (e) Please furnish particulars of their designations, qualifications, salaries, etc.
- (f) Does the society get any technical assistance from:
  - (i) State Industries Department.
  - (ii) Any other Government agency.
  - (iii) If so, please give brief details.
- (g) Did the society seek expert technical advice before setting up the plant? If so, from whom? Copies of advice obtained from technical experts may be furnished, if readily available.



(iii) *Power*

(a) What is the motive power used:

(i) Coal.

(ii) Oil.

(iii) Electricity.

(iv) Others (specify).

(b) Is power supply adequate or does the society experience any difficulty in securing power to run the unit continuously? If so, please give details.

(c) Did the society have to wait for power supply after erection of machinery? If so, how long and for what reasons?

(iv) From what sources was the capital cost met:

*Amount*

(a) Members share-capital

(b) Borrowings.

(i) From members.

(ii) From Central Financing Agency.

(iii) State Finance Corporation.

(iv) Government.

(v) Other sources, if any (specify)

(vi) Total borrowings.

*Note:* In case of State Finance Corporation state if any difficulty in getting the loan encountered?

(c) Grants, subsidy, etc. if any.

(d) Total.



	<i>Sl. No.</i>	<i>Processing undertaken</i>	<i>Quantity of raw material processed during</i>		
			<i>1957-58</i>	<i>58-59</i>	<i>59-60</i>
1.		On society's own account.			
2.		On a/c of members:			
	(i)	Individuals			
	(ii)	Co-operatives			
3.		On account of non-members:			

---

Total:

(iv)	Sale proceeds of processed produce and by-products.	1957-58	1958-59	1959-60
	(a) Processed on society's own account:			
	(i) Processed produce			
	(ii) By-products.			
	(iii) Total.			
	(b) Processed on behalf of members (figures may be furnished to the extent available).			
	(i) Processed produce			
	(ii) By products			
	(iii) Total			
(v)	How is the raw material procured?			
	(a) Where processing was done on society's own account, the quantity and value of raw material procured	1957-58	1958-59	1959-60
		<i>Qty. Value</i>	<i>Qty. Value</i>	<i>Qty. Value</i>
	(i) By outright purchase from producer members.			

- (ii) Through Co-operatives (Marketing service etc.) operating in the area.
- (iii) Through entering local market.
- (iv) Through private traders, etc.
- (v) Total.
- (b) Where processing was done on behalf of members, the quantity and value of raw material
- |   | 1957-58           | 1958-59           | 1959-60           |
|---|-------------------|-------------------|-------------------|
|   | <i>Qty. Value</i> | <i>Qty. Value</i> | <i>Qty. Value</i> |
| (i) brought by producer members themselves.   |                   |                   |                   |
| (ii) received through service co-operatives etc. acting on behalf of their members. |                   |                   |                   |
| (iii) collected by the processing society itself at village level.                  |                   |                   |                   |
| (iv) Total.   |                   |                   |                   |
- (vi) Is the processing activity carried on:
- (a) throughout the year.
- (b) only during particular season/seasons.
- (vii) No. of working days in a year.
- |                                      | 1957-58 | 1958-59 | 1959-60 |
|--------------------------------------|---------|---------|---------|
| (vii) No. of working days in a year. |         |         |         |
- (viii) If the unit is idle for a part of the year were steps taken or being taken to run it throughout the year? Please give details.

- (ix) Is raw material available in adequate quantities in the society's own area of operation? If not, how is the short gap met by the society?
- (x) (a) What is the total 1957-58 1958-59 1959-60  
 acreage under the cultivation of crop/crops processed by the society, held by members, and total yield in this area.
- (b) What is the estimated surplus of produce with producer members, say as on 30.6.1959?
- (c) What is the percentage of surplus produce of producer members processed by the society as on 30.6.1959.
- (d) Are there adequate storage facilities for:  
 (i) raw material.  
 (ii) processed produce.

#### 4. Marketing of Processed Prouce.

- (i) Furnish quantity and value 1957-58 1958-59 1959-60  
 of processed produce dis- Qty. Value Qty. Value Qty. Value  
 posed of:
- (a) through the society's own sale depots or branches.
- (b) through marketing societies / consumer stores in its own area.

- (c) through consumer stores/marketing societies in the adjoining areas.
  - (d) through regional and apex marketing institutions.
  - (e) through local traders.
  - (f) through traders at terminal markets.
  - (g) Total.
- (ii) Does the society undertake hedging activity; if so, give particulars.
- (a) Name of the market where hedging is undertaken.
  - (b) Whether the society sells directly in the forward market or sells through local agent.
  - (c) Give details as per table below, for the last three seasons.

<i>Total quantity produced during the season.</i>	<i>Quantity hedged in the forward market</i>	<i>Quantity actually delivered during the season.</i>	<i>Gross profit and loss in the transaction in terms of Rupees.</i>
---	--	---	---

- (iii) Are adequate transport facilities available for the transport of processed produce to the markets? Difficulties, if any, and efforts made to remove them may be indicated.

## 5. Linking of Credit with Marketing

- (i) What is the number of village credit societies linked to the processing/marketing society.

(ii) What is the amount of production loans issued by the credit societies, the quantity of produce brought by them to the processing/marketing society, and the amount of credit recovered through the processing / marketing society during the last three years.

1957-58      1958-59      1959-60

(a) Production loans issued.

(b) Quantity of produce brought.

(c) Amount of production loans recovered.

## V. GENERAL

1. What are the working and financial results of the unit during the last three years? Copies of balance sheets for those years may be furnished.
2. What are the major difficulties of the unit and what steps are proposed to be taken to solve them?
3. How are the members associated with the detailed working of the plant/unit?
4. What are the reactions of the private trade in the area to this co-operative activity?
5. What are the reactions of the producer members? Are they loyal to the society? If not, the reasons therefor?

6. Have the processed products of the society established reputation in the consuming markets? How do they compare with the products of similar plants/units run by private individuals/concerns?
  7. Does the interest of the processing society come into conflict or overlap with the interests of another co-operative in the area, engaged in the same or similar activity? If so, what steps are proposed to be taken to remove them.
  8. From the experience gained so far what special steps are considered necessary to make processing an effective link in the marketing of agricultural produce.
  9. Any other suggestions with regard to the processing of agricultural produce with a view to ensuring profitable marketing.
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### APPENDIX III

List of Institutions, authorities and persons who furnished evidence to the Committee on Co-operative Processing.

#### INSTITUTIONS.

##### I. Sugar factories:

###### *Maharashtra*

1. M/s. Shriram Sahakari Sakhar Karkhana Ltd.,  
Phaltan, District North Satara.
2. M/s. The Girna Sahakari Sakhar Karkhana Ltd.,  
Malegaon, District Nasik.
3. M/s. Chhatrapati Shivaji Sahakari Sakhar Karkhana Ltd.,  
Sansar, District Poona.

###### *Mysore.*

4. M/s. Hiranyakeshi Sahakari Sakhare Karkhane Ltd.,  
Sankeshwar, District Belgaum.

###### *Madras.*

5. M/s. North Arcot District Co-operative Sugar Mills,  
Vellore, District North Arcot.
6. M/s. Amravathi Co-operative Sugar Mills Ltd.,  
A. K. Puthur, P.O., (via) Kaniyur, District Coimbatore.
7. M/s. The Maduarantakam Co-operative Sugar Mills Ltd.,  
Padalam Post, Chingleput District.

###### *Andhra Pradesh.*

8. M/s. The Etikoppaka Co-operative Agricultural & Industrial Society  
Ltd., Etikoppaka, District Visakhapatnam.
9. M/s. Chodavaram Co-operative Agricultural & Industrial Society  
Ltd., Chodavaram, District Visakhapatnam.
10. M/s. Palakol Co-operative Agricultural & Industrial Society Ltd.,  
Palakol Post, Narasapur Taluk, Distt. West Godavari.
11. M/s. The Chittoor Co-operative Sugars Ltd., Chittoor.
12. M/s. The Tandava Co-operative Sugar Factory, Tuni,  
District East Godavari.
13. M/s. The Anakapalle Co-operative Sugar Factory,  
District Visakhapatnam.

*Punjab.*

14. M/s. The Morinda Co-operative Sugar Mills Ltd.,  
Morinda, District Ambala.
15. M/s. The Batala Desh Sewak Co-operative Sugar Mills Ltd.,  
Batala, District Gurdaspur.

**II. Other societies:***Andhra Pradesh.*

1. Maddikera Co-operative Marketing Society Ltd.,
2. Siripuram Co-operative Marketing Society Ltd.,
3. Guntakal Co-operative Marketing Society Ltd.,
4. Adoni Co-operative Marketing Society Ltd.,
5. Nandyal Co-operative Marketing Society Ltd.,
6. West Godavari District Co-operative Marketing Federation Ltd.,
7. Tadepalligudem Co-operative Marketing Society Ltd.,
8. Bhimavara Co-operative Marketing Society Ltd.,

*Assam.*

9. Garo Hills Co-operative Cotton Ginning Mills Ltd.,

*Maharashtra.*

10. Sethkari Sahakari Ginning & Pressing Society Ltd., Amravati.
11. Vividh Karyakari Sahakari Society Ltd., Karajgaon.
12. Igatpuri Taluka Co-operative Purchase & Sale Union Ltd.,
13. Sangamner Taluka Co-operative Oil Mill Ltd.,
14. Karjat Bhat Giran Sahakari Society Ltd.,
15. Washi Vibhag Paddy Processing Co-operative Society Ltd.,
16. Sahakari Bhatachi Girani Ltd., Bhiwandi.
17. Khed Taluka Co-operative Oil Mill Ltd.,
18. Vengurla Co-operative Cashew Processing Society Ltd.,

*Gujarat.*

19. Broach District Co-operative Cotton Sale, Ginning & Pressing Society Ltd.,
20. Haldar Vibhag Sahakari Ginning, Pressing and Cotton sale Society Ltd.,
21. Karjan Co-operative Cotton Sale, Ginning & Pressing Society Ltd.,
22. Itola Khedut Ginning & Pressing Co-operative Society Ltd.

23. Una Taluka Kharid Vechan Sahakari Sangh Ltd.,
24. Gadu Juth Marketing-cum-Processing Co-operative Society Ltd.,

*Kerala.*

25. Sea Island Cotton Growers, Co-operative Society Ltd., Trichur.
26. Coconut Processing & Marketing Society Ltd., Chavara.
27. North Malabar District Co-operative Marketing Society Ltd.,

*Madras.*

28. Ariyalur Co-operative Marketing Society Ltd.,
29. Kallakurichi Co-operative Marketing Society Ltd.,
30. Srivilliputhur Uganda Cotton Growers' Co-operative Marketing Society Ltd.,
31. Theni Co-operative Sale Society Ltd.,
32. Salem Co-operative Marketing Society Ltd.,
33. Gobichettipalayam Co-operative Sale Society Ltd.,
34. Tiruchengode Co-operative Marketing Society Ltd.,

*Madhya Pradesh.*

35. Raipur District Co-operative Processing & Marketing Society Ltd.
36. Mahasamund Kisan Co-operative Rice Mills Ltd.,
37. Balaghat District Co-operative Processing & Marketing Society Ltd.,
38. Adarsh Kattha Co-operative Society Ltd., Beohari.

*Mysore.*

39. Co-operative Cotton Processing Society Ltd., Arsikere.
40. Jagalur Oil Industries & Cotton Ginning Co-operative Processing Society Ltd.
41. Kunigal Taluk Agricultural Produce Co-operative Marketing Society Ltd.,

*Punjab.*

42. Mullanpur Co-operative Marketing-cum-Processing Society Ltd.,
43. The Bhucho Co-operative Marketing-cum-Processing Society Ltd.,
44. Abohar Co-operative Cotton Ginning & Pressing Society Ltd.,
45. Nuh Co-operative Marketing-cum-Processing (Oil Mill) Society Ltd.,
46. Dera Baba Nanak Co-operative Marketing-cum-Processing Society Ltd.,

*Uttar Pradesh.*

47. Madhoganj Groundnut Co-operative Marketing-cum-Processing Society Ltd.,
48. Food Processing Co-operative Society Ltd., Mahewa.
49. Atarra Paddy Marketing-cum-Processing Co-operative Society Ltd.,
50. Bilaspur Paddy Marketing & Processing Co-operative Society Ltd.,

*West Bengal.*

51. Baroipur Co-operative Fruit Processing & Marketing Society Ltd.

**AUTHORITIES****Registrars of Co-operative Societies of:**

1. Kerala.
2. Maharashtra.
3. Madhya Pradesh.
4. Uttar Pradesh.
5. Punjab.
6. Andhra Pradesh.
7. Rajasthan.
8. Assam.

**PERSONS.**

Name	Sugar factory represented
1. SHRI S. A. GHATGE	Maharashtra Rajya Sahakari Sakhar Karkhana Sangh.
2. SHRI V. M. RAMASWAMI MUDALIAR	North Arcot District Co-operative Sugar Mills Ltd., Madras State.
3. SHRI N. MOUNAGURUSWAMI	Amravati Co-operative Sugar Mills Ltd., Madras State.
4. SHRI R. SRINIVASAN	Madurantakam Co-operative Sugar Mills Ltd., Madras State.
5. SHRI S. I. PATIL	Shri Hiranyakeshi Sahakari Sakkare Karkhane, Niyamit, Sankeshwar (Mysore State).
6. SHRI C. BANGARA RAJU	The Ettikoppaka Co-operative Agricultural & Industrial Society Ltd., Andhra Pradesh.

7. SHRI C. V. SURYANARAYANA RAJU    The Chodavaram Co-operative  
Agricultural & Industrial Society  
Ltd., Andhra Pradesh.
  8. SHRI KISHAN CHANDRA            The Kisan Co-operative Sugar  
Mills Ltd., Uttar Pradesh.
  9. SHRI LACHHMAN SINGH            Batala Desh Sewak Co-opera-  
tive Sugar Mills Ltd., Punjab.
  10. SHRI SUNDER LAL                Morinda Co-operative Sugar  
Mills Ltd., Punjab.
-

## ANNEXURE

STATEMENT SHOWING STATE-WISE  
OF CO-OPERATIVE

<i>S. No.</i>	<i>State</i>	<i>No. of factories established before the Industries D. &amp; R. Act, 1951.</i>	<i>No. of Co-operative factories licensed during the I Plan.</i>	<i>No. of Co-operative factories licensed during the II Plan, against II Plan target of 35.</i>
1	2	3	4	5
1.	Andhra Pradesh	1	—	6
2.	Assam	—	—	1
3.	Bihar	—	—	1
4.	Maharashtra	1	12	1
5.	Gujarat	—	1	2
6.	Madras	—	—	3
7.	Mysore	—	—	3
8.	Orissa	—	—	1
9.	Punjab	—	3	2
10.	Uttar Pradesh	—	—	3
11.	Madhya Pradesh	—	—	—
12.	Rajasthan	—	—	—
13.	West Bengal	—	—	—
14.	Kerala	—	—	—
15.	Jammu & Kashmir	—	—	—
Total:		2	16	23

'A'

**PROGRESS IN THE ESTABLISHMENT  
SUGAR FACTORIES**

<i>Total No. of Co-operative factories so far licensed (Total of Cols. 3, 4 &amp; 5).</i>	<i>No. of factories in pro- duction on 1.2.'61.</i>	<i>No. of factories under erection.</i>	<i>No. of factories to which plants etc. have yet to be allotted.</i>	<i>No. of factories to which it has been decided to issue licences against III Plan target</i>
6	7	8	9	10
7	2	5	—	2
1	1	—	—	—
1	—	—	1	—
14	14	—	—	6
3	2	1	—	—
3	3	—	—	3
3	2	1	—	—
1	—	1	—	—
5	3	2	—	1
3	2	1	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	2
—	—	—	—	—
41	29	11	1	14

ANNEXURE  
CO-OPERATIVE  
Membership and share capital

S. No.	Name of factory	Producer members.		Non-producer members.		Co-operative institutions.	
		No.	Amount of share capital	No.	Amount of share capital	No.	Amount of share capital
1	2	3	4	5	6	7	8
<b>Assam</b>							
1.	Assam Co-op Sugar Mills.	3,519	4.95	2,550	5.25	910	2.46
<b>Bihar</b>							
2.	Purnea	1,303	1.48	—	—	1,642	7.95
<b>Madras</b>							
3.	Madurantakam	2,541	13.24	3	0.09	1	10.00
4.	North Arcot	2,379	11.00	1	0.002	1	5.00
5.	Amaravati	1,354	19.93	—	—	4	0.18
<b>Mysore</b>							
6.	Bellary	1,122	1.49	1,508	6.56	104	1.04
7.	Sankeswar	1,544	8.70	9	0.30	128	1.79
8.	Pandavapura	4,153	11.62	423	0.80	29	0.48
<b>Orissa</b>							
9.	Aska	1,805	2.38	419	0.55	111	2.06
<b>Punjab</b>							
10.	Janta	9,018	18.36	627	0.68	24,31	10.70
11.	Haryana	8,464	13.83	267	0.29	1,332	15.76
12.	Panipat	10,656	12.42	—	—	397	9.30
13.	Morinda	9,662	8.76	89	0.05	847	8.75
14.	Batala	6,146	8.05	359	0.43	771	13.49
<b>Uttar Pradesh</b>							
15.	Baghpat	*2,800	3.87	86	0.30	45	11.03
16.	Sarsawa	*2,965	8.55	—	—	7	0.35
17.	Bazpur	*1,133	10.52	—	—	96	16.27



'B'

**SUGAR FACTORIES**  
**position on June 30, 1960.**

(Rs. in lakhs)

<i>Government contribution</i>	<i>Total</i>		<i>I.F.C. loan sanctioned.</i>	REMARKS
	<i>No. of members</i>	<i>Amount of share capital</i>		
9	10	11	12	13
27.00	6,980	39.66	60.00	
10.00	2,946	19.43	—	
20.00	2,546	43.33	50.00	
15.00	2,382	31.002	55.00	
20.00	1,359	40.11	55.00	
25.00	3,335	37.09	60.00	
10.00	1,682	20.79	75.00	
15.00	4,606	27.90	60.00	
20.00	2,336	24.99	—	
20.00	12,077	49.74	45.00	
20.00	10,064	49.88	55.00	
20.00	11,054	41.72	51.00	
12.00	10,598	29.56	—	
10.10	7,277	32.07	—	
14.997	2,932	30.197	60.00	
15.00	2,973	23.90	—	
20.00	1,230	46.79	75.00	

## ANNEXURE 'B' (Contd.)

S. No.	Name of factory	Producer members.		Non-producer members.		Co-operative institutions.	
		No.	Amount of share capital	No.	Amount of share capital	No.	Amount of share capital
1	2	3	4	5	6	7	8
<b>Andhra Pradesh</b>							
18.	Ettikoppaka	2,116	13.53	4	0.04	—	—
19.	Chodavaram	3,871	10.73	38	0.67	—	—
20.	Amadalavalasa	1,344	9.66	43	1.12	15	0.29
21.	Palakol	1,550	8.15	—	—	3	0.04
22.	Chittoor	3,062	7.13	55	0.155	2	2.005
23.	Tandava	1,558	4.96	22	0.03	—	—
24.	Anakapalle	—	—	—	—	—	—
<b>Gujarat</b>							
25.	Bardoli (Khedut)	1,835	18.90	40	2.31	8	0.88
26.	Kodinar	1,356	14.53	4	0.05	57	1.12
27.	Gandevi	1,444	5.28	237	2.22	21	2.50
<b>Maharashtra</b>							
28.	Pravara	1,421	37.26	3	0.02	18	0.40
29.	Bhogawati	1,674	18.37	—	—	23	0.62
30.	Kopergaon	937	38.44	7	0.05	28	0.56
31.	Malegaon	1,411	21.92	—	—	17	0.46
32.	Rahuri	1,415	26.06	—	—	22	0.55
33.	Warna	1,767	15.03	21	0.16	31	0.87
34.	Panchganga	1,687	14.65	32	0.18	63	11.65
35.	Karegaon (Ashok)	1,128	23.65	—	—	23	0.68
36.	Ganesh (Rahata)	1,714	27.11	2	0.02	35	0.85
37.	Shriram	1,460	23.45	64	1.16	18	0.40
38.	Girna	1,181	17.19	24	0.96	—	—
39.	Shivaji	705	16.79	—	—	10	0.35
40.	Krishna	1,778	17.79	8	0.18	40	0.79
41.	Shetkari	1,438	10.82	38	0.34	47	0.91
Total:		1,09,016	562.68	6,913	24.967	9,337	132.055

\*As on March 31, 1960.

<i>Government contribution</i>	<i>Total</i>		<i>I.F.C. loan sanctioned.</i>	REMARKS
	<i>No. of members</i>	<i>Amount of share capital</i>		
9	10	11	12	13
—	2,120	13.57	—	
20.00	3,910	31.40	75.00	
20.00	1,403	31.07	75.00	
20.00	1,554	28.19	75.00	
20.00	3,070	29.29	75.00	
—	1,560	4.99	—	
—	—	—	—	
10.00	1,884	32.09	52.50	
10.00	1,418	25.70	60.00	
8.00	1,703	18.00	—	
10.00	1,443	47.68	56.00	
10.00	1,698	29.01	65.00	
10.00	937	49.05	40.00	
10.00	1,429	32.38	52.50	
10.00	1,437	36.61	50.00	
10.00	1,820	26.06	65.00	
10.00	1,783	25.98	65.00	
10.00	1,152	34.33	52.50	
10.00	1,752	37.98	52.50	
10.00	1,543	35.01	47.50	
10.00	1,206	28.15	65.00	
10.00	716	27.14	24.00	
20.00	1,827	38.76	75.00	
10.00	1,524	22.07	65.00	
552.097	1,25,304	1271.799	1888.50	

**CHECKED**  
**2003-04**