



Report of
the Committee
on
Planning
of cooperative
Agricultural Processing

NATIONAL COOPERATIVE DEVELOPMENT CORPORATION

REPORT

of the

COMMITTEE ON PLANNING OF CO-OPERATIVE AGRICULTURAL PROCESSING



National Co-operative Development Corporation
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CONTENTS

<i>Chapter No.</i>		<i>Page No.</i>
I	Introductory. ...	1
II	Review of existing arrangements: Role of State level committees. ...	4
III	Review of existing arrangements: Technical cells. ...	17
IV	Review of existing arrangements: Role of apex marketing societies. ...	20
V	Conclusions and recommendations. ...	22

CHAPTER I

INTRODUCTORY

Constitution and Terms of Reference of the Committee

1. 1 While reviewing the progress of agricultural marketing and processing in the I. A. D. P. Districts for the cooperative year 1964-65, the National Cooperative Development Corporation, in its meeting held on 25th March 1966 resolved as follows :—

“It was stressed that cooperative processing would have to be given greater fillip in I. A. D. P. districts in particular and in the other areas in general. For this purpose, it was considered desirable that suitable measures should be formulated with a view to facilitate planning and implementation of processing programme taking into account all relevant factors such as availability of raw material, viability, size, modern technology, etc. Arrangements would also be necessary for developing expertise among the personnel for manning cooperative agricultural processing units.”

1. 2 To examine the above mentioned aspects, the Corporation constituted a Committee consisting of the following members :—

1. Shri S. D. Misra, Chairman
Vice Chairman of N. C. D. C.,
Union Deputy Minister
for F. A. C. D. & C.,
2. Shri B. Majumdar, Member
Member N. C. D. C. & Chairman,
West Bengal Provincial Cooperative
Bank Ltd.,
3. Shri S. S. Puri, I. A. S., Member-Secretary,
Secretary,
National Cooperative
Development Corporation,
New Delhi.

The Committee was authorised to co-opt such other members as might be necessary.

Deliberations of the Committee

1. 3 Subsequent to the constitution of the Committee, under the instructions of the Chairman, the secretariat of the Corporation undertook collection of factual information from all the States regarding the existing arrangements relating to planning and promotion of agricultural processing units. In the light of this information, a detailed note was prepared. This note formed the basis of deliberations by the Committee which met on 2nd June, 1966 at New Delhi.

1. 4 In order to avail of advice from the experts working in the field, the Committee invited the following officials and non-officials to associate themselves with its deliberations :—

- (i) Shri P. G. Menon,
President,
Kerala State Cooperative Marketing
Federation Limited,
Post Box No. 80,
Calicut-1.
- (ii) Shri Gordhanbhai Shambhubhai Patel,
Chairman, Committee on Cooperative
Processing, Gujarat,
Taluka Matar, District Kaira.
- (iii) Shri B. N. Raman, I. A. S.,
Registrar of Cooperative
Societies, Andhra Pradesh
and Chairman, Committee on Cooperative
Processing, Andhra Pradesh.
- (iv) Agricultural Marketing Adviser,
Directorate of Marketing and Inspection,
New Secretariat Building,
Nagpur.
- (v) Dr. P. K. Kymal,
Executive Director and Technical Adviser,
Subsidiary Food,
Ministry of Food, Agriculture,
Community Development & Cooperation,
Krishi Bhavan, New Delhi.

- (vi) Shri Veda P. Sethi,
Secretary,
National Agricultural Cooperative
Marketing Federation Limited,
E-11, Defence Colony, New Delhi-3.
- (vii) Dr. W. C. Shrishrimal,
Secretary,
Cooperative Industries Commission,
Maharashtra State Cooperative Bank Limited,
9, Bake House Lane, Fort, Bombay-1.
- (viii) M. P. Bhargava,
Managing Director,
Madhya Pradesh State Cooperative
Marketing Society Limited,
Bhopal, Madhya Pradesh.
- (ix) Shri O. P. Sharma,
Honorary Secretary,
U. P. Cooperative Marketing Federation Ltd.,
6, Capper Road, Lucknow.
- (x) Shri N. S. Kulkarni, M. A.
Managing Director,
Maharashtra State Cooperative
Marketing Society Ltd., Bombay.
- (xi) Shri Sohan Singh,
Secretary,
Punjab State Cooperative
Supply and Marketing Federation Ltd.,
Chandigarh.

1.5 After reviewing the existing arrangements in the various States and taking into account the gaps and deficiencies in these arrangements, the Committee formulated a number of conclusions and recommendations. The Committee concluded its deliberations by authorising the Chairman to sign the Report on behalf of all members of the Committee.

CHAPTER II

REVIEW OF EXISTING ARRANGEMENTS : ROLE OF STATE LEVEL COMMITTEES

Recommendation of the Committee on Cooperative Processing

2.1 The Committee on Cooperative Processing which submitted its Report in April, 1961, to the erstwhile National Cooperative Development and Warehousing Board, inter alia, recommended as follows :

“We would suggest that the State Governments set up advisory bodies charged with the responsibility of promoting of cooperative processing societies and having representatives of all interests concerned in the development of cooperative processing and whose active participation would be useful for the healthy growth of processing units. Local co-operators representing interests of cultivators should essentially have a prominent representation on such advisory bodies. This body might also include representatives of the State cooperative bank or district central banks, the State Finance Corporation, the State cooperative union and the State cooperative marketing society. In addition, with a view to ensuring inter-departmental coordination, there should be representatives of the departments of Cooperation, 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 units in each of the commodities concerned, the optimum financial structure for it and the prerequisites 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.”

2.2 The above recommendation was considered in the Conference of State Ministers for Cooperation held in October, 1961 at New Delhi, and was generally endorsed as under :

“As recommended by the Committee on Cooperative Processing each State may consider setting up a special committee or board consisting of officials and non-officials for formulation, promoting and coordinating the programme relating to cooperative processing.”

2.3 In pursuance of the above recommendations, State Governments in Assam, Bihar, Gujarat, Mysore, Rajasthan, Uttar Pradesh and Orissa constituted State-level committees on cooperative processing. This subject was again considered in the Conference of the State Ministers for Cooperation held at Hyderabad in June, 1964, which strongly reiterated the previous recommendation of the Conference held in October 1961. Except Punjab, all other States have subsequently set up the State-level committees on cooperative processing. In case of Punjab, the matter is reported to be still under consideration of the State Government.

Maharashtra Cooperative Industries Commission

2.4 Prior to State Ministers' Conference of October, 1961, the Maharashtra State Cooperative Bank set up the Cooperative Industries Commission in June, 1961, with Prof. D. R. Gadgil as Chairman and nine other members, with the main objective of promoting cooperative processing of agricultural produce. The commission functions as a department of the Bank which has allotted separate staff for this work. It has a permanent technologist on its staff and also three special project officers to deal with day-to-day problems of the processing units, to prepare schemes, etc. The Commission has also appointed a panel of technical experts drawn from various fields such as textiles, solvent extraction, paper and pulp, cottonseed oil, etc., representing universities, government departments, industries and other organisations. The Commission seeks technical advice from these experts on the problems connected with its work.

2.5 The Commission adopts a three-stage approach in drawing up plans for establishment of cooperative agricultural processing units. In the first stage, the areas are surveyed with a view to obtaining detailed information, district and taluka-wise, regarding the resources, existing industries and prospects for new cooperative industries. In this task, the information already available with various government departments is largely utilised. In the second stage, a complete picture is drawn showing details

about the raw material available, natural resources, etc. which give an outline regarding the prospects for new industries in various areas. At this stage, attention is given to types of commodities or groups of commodities on the basis of which processing industries have to be established. In the third stage, when the plans are ready, a detailed programme is chalked out for establishing the industries which are immediately possible and those to be undertaken gradually. The task of implementing the schemes is entrusted to different committees.

2.6 The Commission has already collected statistical information for all districts in the State and, on this basis, a few districts were selected, in which detailed studies for setting up processing units on cooperative basis for group of commodities were undertaken.

2.7 The Commission has presently selected three crops, namely, paddy, groundnut and cotton for studying the prospects of establishing processing industries for them. For paddy, it has finalised plans to establish 30 rice mills in Bhandara district. 9 of these have already started functioning. For groundnut, Sangli district has been selected. 30 oil mills and one solvent extraction plant, at the federal level, were planned. Of this 16 oil mills and the solvent extraction plant have already gone into production. As regards cotton, Nanded and Ahmednagar districts have been selected for development of cooperative processing activity.

2.8 The work of the Commission is not confined merely to conducting surveys and submitting reports, but also covers the preparation of draft schemes of development of a long-term nature. In this work, the officials of the cooperative department, the central cooperative banks, growers and other cooperators are fully involved.

2.9 The Commission has also undertaken detailed studies of existing cooperative rice mills in three districts with a view to put their working on sound basis. It also proposes to study the possibilities of establishing other processing industries in respect of tobacco, secil fibre, paper from bamboo and straw, oil from non-edible seeds, dehydration and canning of fruits and vegetables, garlic and onions, etc.

2.10 The Commission undertook a study of Ratnagiri district, a backward district of Maharashtra. As a result of this study, the Commission has decided to assist the extension of bamboo cultivation so that a cooperative paper factory could be established in due course in this backward area. The Commission is also

working on a pilot project in collaboration with the Poona University, for manufacture of improved quality of gur and on another pilot project plant for dehydration of onion in collaboration with the University of Bombay.

2.11 With a view to ensure smooth implementation of the plans drawn up by the Commission, a decision has recently been taken to form separate committee at the district level for certain districts. The Committee will consist of the representatives of the District Central Cooperative Banks, Cooperative Department, Zila Parishads, Agriculture Department, Revenue Department and other important cooperators and leaders. These Committees are expected to ensure the necessary coordination of various agencies, remove the bottle-necks, if any, in implementing and in giving necessary impetus to the cooperative processing industry in the selected district.

Organisation of the State-level Committees

2.12 In pursuance of the recommendation of the Committee on Cooperative Processing and in view of the direction given by the Conference of the Ministers for Cooperation in October, 1961 and in June, 1964, all the States, except Punjab, have constituted the State-level committees. The details regarding their constitution and functioning are as under :—

Andhra Pradesh

2.13 The Government of Andhra Pradesh decided to review the progress made in the programme of cooperative processing at a monthly meeting consisting of the Registrar of Cooperative Societies and other officers concerned under the Chairmanship of Minister for Cooperation. For other purposes, a committee with Registrar of Cooperative Societies as Chairman, two officials and seven non-officials has been constituted in January, 1966. The functions of the Committee are as under :—

- (a) To suggest agro-industries required for improved agriculture;
- (b) To study and evaluate the existing industries and proposed industries and suggest standards regarding size of units, working capital required and standards of products;
- (c) To suggest ways and means of raising finances in respect of each industry;

- (d) To suggest ways and means for securing consultancy services for installing various proposed industries;
- (e) To suggest pattern of organisation and administration suited to each industry.

Assam

2.14 The Government of Assam set up a Committee in May, 1963, with Minister for cooperation as Chairman and Deputy Minister for Cooperation as Vice-chairman. The Secretary to Government and Heads of allied departments, along with non-official executive heads of all the marketing societies are the members. Besides Chairman and Vice-chairman, there are eight official and eight non-official members on the Committee. The functions of the Committee are as under :—

- (a) To advice Government regarding the policies for development of processing cooperatives in the State;
- (b) To suggest ways and means to promote setting up processing cooperatives;
- (c) To suggest measures for coordinating the activities of processing cooperatives for their efficient and smooth functioning;
- (d) To suggest measures for marketing of the product of such cooperative societies;
- (e) To make such other recommendations as the Committee might deem necessary or to advise government on matters relating to cooperative processing as may be referred to it.

Bihar

2.15. The Government of Bihar constituted a Committee on Cooperative Processing with Minister, Cooperation, as the Chairman and eight official and two non-official members as its members. Development Commissioner associates with the Committee as a special invitee. The Committee can co-opt additional members, if necessary. It has been allocated the following assignments :

- (a) To promote special schemes for cooperative processing;
- (b) To advise on implementation of existing schemes on cooperative processing; and
- (c) To review the progress of the cooperative processing units.

Gujarat

2.16. In February, 1964, the State Government of Gujarat set up a Committee for promoting the programme of the cooperative processing. The total members on the Committee is seventeen of which four are officials while all others are non-officials. The Committee is to advise the State Government on the following :

- (a) In regard to the optimum size of the processing unit in each of the commodities concerned;
- (b) In regard to the optimum financial structure of the processing unit;
- (c) In regard to the pre-requisites to be satisfied before a unit could be considered for establishment ;
- (d) To assist government in formulating annual plans for the establishment of new processing units ;
- (e) To find out weaknesses, if any, in the existing organisations ;
- (f) To assist government in overcoming the weaknesses, if any, in the existing organisations ;
- (g) To assist government in avoiding the weaknesses in the subsequent programmes ;
- (h) To assist in the proper and successful working of the processing units ;
- (i) To assist government in solving any problem in respect of processing units which may be referred to the Committee.

Kerala

2.17 The State Government of Kerala set up a State-level committee for the development of cooperative processing with Adviser incharge of Cooperation as the Chairman in December, 1965. There are two official and eight non-official members on the Committee. Chairman of the Rubber Board is also there on the Committee.

Madhya Pradesh

2.18 The State Government of Madhya Pradesh requested the Madhya Pradesh State Cooperative Bank to consider the setting up of a committee on the lines of the Cooperative Industries

Commission of Maharashtra. The Bank has constituted a Co-operative Industries Commission consisting of five members with a view to study the possibilities of establishing cooperative processing and other industrial units.

Madras

2.19 During February, 1964, the State Government of Madras constituted a High Level Committee consisting of seven officials and nine non-officials with the State Minister for Cooperation as its Chairman. The Minister of Home, who is incharge of Agriculture is also on this high level committee. The Committee is to go into the various problems facing the cooperative marketing societies and to give advise for the proper and steady development of cooperative marketing and also to consider the promotion and development of cooperative processing.

Maharashtra

2.20 In Maharashtra, besides the Cooperative Industries Commission set up by the Maharashtra State Cooperative Bank, the State Government has constituted in June, 1965 an Advisory Committee for cooperative processing (other than cooperative sugar factories). The Minister for Cooperation and Deputy Minister for Cooperation are the Chairman and Vice-chairman. There are other five official and eight non-official members on this Committee. Besides Dr. D. R. Gadgil, who is the Chairman of the Cooperative Industries Commission, a representative of the Industries Commission is also on this Committee.

2.21 The function of the Advisory Committee is to advise government in the matter of formulating, promoting and coordinating the programme relating to cooperative processing. It is also to render advice in regard to 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 Committee would help the government in formulating annual plans for the establishment of new processing units, study weaknesses, if any, in the existing processing units, assist government in overcoming them and avoiding them in subsequent programmes. In other words, the advisory committee would not only be responsible for promoting and planning the processing units but also for helping in their proper and successful working.

Mysore

2.22 The State-level committee for cooperative processing

h State Minister for Cooperation as Chairman and Deputy Minister for Cooperation as Vice-chairman was constituted in June, 1964. There are eight other members of which four are officials and four non-officials. The tasks assigned to the committee are as under :—

- (a) It should ensure promoting and coordinating the programme relating to cooperative processing;
- (b) It should be the duty of the Committee to render advice to State Government in regard to the optimum size of processing units 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;
- (c) It is also to help government in formulating annual plans for the establishment of new processing units; and
- (d) It is the function of the committee for promoting and planning the processing units and to help in their proper and successful working.

Orissa

2.23 In Orissa, a Committee has been set up in April, 1964 to promote exclusively cooperative rice milling with Commissioner, Panchayti Raj, as its Chairman. There are six other members on the Committee—all Secretaries or Heads of concerned departments. The functions of the Committee are :

- (a) To prepare and review the master plan for installation of rice mills and hullers ;
- (b) To recommend location of rice mills and hullers to be installed by the private and cooperative industries sectors ;
- (c) To consider organisational, technical, financial and marketing arrangements for the establishment and running of these units in cooperative/industries sectors;
- (d) To review the progress of construction, erection and operation of these units in cooperative/industries sectors; and
- (e) To review the progress of the execution of the Master Plan.

Rajasthan

2.24 In July, 1963, a Standing Committee with Deputy Minister of Cooperation as Chairman was set up by the State Government of Rajasthan. There are four official and four non-official members on this Committee. The Committee will undertake work relating to promotion of programme of cooperative processing.

Uttar Pradesh

2.25 A State-level processing Advisory Board known as 'Uttar Pradesh Cooperative Processing Board' with Minister for Cooperation as its Chairman was set up by the State Government in December, 1963. Besides the Secretaries to the Government and Heads of the concerned technical departments, a few technical experts from other organisations are also on the Board as members. Non-official members are associated with the said Board not only from State-level societies but also from some good working primary processing societies. The total membership on the Board is twenty seven and its functions are as under :—

- (a) The selection of projects and sites for processing units ;
- (b) The approval of plant and machinery to be recommended for purchase by the processing societies ;
- (c) The consideration of inspection reports of the technical experts of the Planning Research and Action Institute and ensuring timely action ;
- (d) To ensure inter-departmental coordination ; and
- (e) To suggest such measures as are essential for proper and successful working and the healthy growth of cooperative processing units.

West Bengal

2.26 West Bengal Cooperative Processing Advisory Committee was constituted by the State Government in January, 1966. Secretary to the Government of West Bengal, Cooperative Department, is the Chairman while there are six non-official members and five official members. The functions of the Committee are :—

- (a) To plan, promote and coordinate programme relating to the cooperative processing;

- (b) To suggest and review arrangements for technical supervision and guidance;
- (c) To facilitate inter-departmental coordination and suggest measures for effective implementation of the programme.

Functioning of the State-level Committees

2.27 Some of the State-level Committees which met and transacted business have reported about the work done by them, the details of which are mentioned below briefly:

Assam

2.28 The Assam Advisory Board of Cooperative Processing set up in May, 1963 met only two times and considered the following :

- (a) Cooperative rice mills and supply of adequate paddy to them;
- (b) Cooperative rice mills and their requirement of working capital;
- (c) Policy regarding setting up of new rice mills;
- (d) Selection of areas for the establishment of the two rice mills during the year 1963-64;
- (e) Formation of committee for enquiring into the working of the Phulban and Diphu Ginning Mills;
- (f) The possibility of increasing sugar factories.
- (g) Progress and problems of Cooperative Jute Mill, Nowgong;
- (h) The recommendations of the Sub-committee in respect of the cooperative ginning mills of Phulban;
- (i) Recommendations of the board regarding establishment of rice mills;
- (j) Finance from the Assam Financial Corporation for cooperative rice mills.

Gujarat

2.29 The State Committee on Cooperative Processing Societies of Gujarat which was set up in February, 1964 could meet only once and considered the following :

- (a) Cooperative marketing and processing of cotton;
- (b) Measures to augment cooperative marketing and processing of groundnut;
- (c) Measures to prepare suitable plan for linking credit with marketing of paddy through cooperative marketing and processing of paddy;
- (d) Measures to consider which method of marketing should be adopted for cooperative marketing and processing specially in respect of groundnut and paddy in which difficulties are being experienced;
- (e) Measures to remove difficulties being experienced by the cooperative processing societies in obtaining block capital finance for construction and for purchase of machinery.

Madras

2.30 The High Level Committee on Cooperative Marketing and Processing of Madras constituted in February 1964 met only once and considered the following :

- (a) Review of progress in the development of marketing and processing;
- (b) Difficulties in the development of marketing on account of operation of the Sales Tax Act;
- (c) Outright purchase of agricultural produce and creation of Price Fluctuation Fund;
- (d) Establishment of Market Committee by cooperative marketing societies.

Mysore

2.31 Set up in June 1964, the State-level Committee for development of cooperative processing (other than cooperative sugar factories) met only once and considered the following points ;

- (a) The existing position in regard to the working and progress of the various processing units assisted financially;
- (b) To supervise, guide and to examine the processing units, posts of a Joint Registrar, Cooperative Societies (Processing) and a Mechanical Engineer and other clerical staff were recommended;

- (c) The question of backlog in installation of units was examined and it was proposed to call for a meeting of the representatives of the societies that have not taken adequate steps for installation of the units.

Uttar Pradesh

2.32 The Uttar Pradesh Cooperative Processing Advisory Board constituted in December 1963 could hold only two meetings and considered the following :

- (a) Review of the progress of processing units assisted till the year 1963-64 and 1964-65;
- (b) The problems and difficulties of the processing units;
- (c) Plan for the year 1964-65;
- (d) The programme for the Fourth Plan;
- (e) Delegation of powers to the Registrar in respect of selection of projects and sites;
- (f) Formation of a smaller sub-committee to consider and take decision on emergent matters;
- (g) Formation of cadre for Managers for processing units;
- (h) Setting up of technical cell in cooperative department;
- (i) Consideration of the problems of cooperative processing units particularly the delay in getting required permit under the Rice Mill Industry Regulation Act, 1958;
- (j) Review the progress in establishing of cold storages;
- (k) Approval of the proposals received for the organisation of processing units during the year 1965-66;
- (l) Consideration of the establishment of the following processing units;
 - (i) Cooperative cotton mill, Bulandshahr.
 - (ii) Cooperative fertiliser factory, Mirzapur.
 - (iii) Cooperative dehydration factory, Badaun.
 - (iv) Cooperative solvent extraction factory, Sitapur.
 - (v) Cooperative solvent extraction plant, Etah.

2.33 From the foregoing paragraphs it is observed, that there is no uniformity in the constitution, composition and objects of these committees. For instance in one State such committee consists only of officials while in another it is formed of only non-officials. Thus there is no adequate representation of various interests on some of the State-level committees. As regards functioning of these committees, it is seen that they met generally once in a year. Considering the importance of the work assigned to them the frequency of their meetings was inadequate. Although some of these State-level committees were constituted more than two years back, they were confined in their functioning mostly to very preliminary aspects of the programme on cooperative processing. As such they did not reach a stage where they could take positive decisions in respect of planning and promotion of processing programme such as identification of areas based on scope potential, economic viability and location of units, etc. In implementation of cooperative processing programme also, these committees, by and large, could not take any tangible steps in assisting the individual units. In the absence of suitable administrative and technical staff to assist them, these committees could not undertake the work assigned to them and take integrated and concerted measures.

CHAPTER III

REVIEW OF EXISTING ARRANGEMENTS : TECHNICAL CELLS

Technical Cells in the Office of the Registrars

3.1 Considering the need of technical staff for planning and implementation of various types of agricultural processing units, the conference of State Ministers of Co-operation held at Mysore in July, 1959 had, inter-alia, made the following recommendation ;—

“In working out the proposals an effort should be made to provide at Headquarters of the Registrar, functional specialists for important activities such as..... (ii) Processing units, sugar factories and others.....”

3.2 In the light of the above recommendation, Maharashtra Government created the posts of Joint Registrar of Co-operative Societies (Industries), Textile Expert and a Mechanical Engineer. The Government of Uttar Pradesh also appointed a processing Adviser in the office of the Registrar of Co-operative Societies. State Government of Rajasthan constituted a committee with Joint Director (large scale and chemical industries), Superintending Engineer (Health) and Joint Director (Agriculture) as its members and Registrar of Co-operative Societies as its convenor. In Andhra Pradesh, the services of the technical officer attached to the Industries Department of the Government are provided with the Registrar of Co-operative Societies. The State Government of Orissa have instructed the Orissa Small Industries Corporation Ltd. to assist the Registrar of Co-operative Societies in looking after proper planning, execution and supervision of mechanical and electrical engineering aspect of processing units.

Technical Cell in the Apex Marketing Societies

3.3 The annual conference of Registrars of Co-operative Societies and State Ministers of Co-operation held in Hyderabad in June, 1964, inter-alia, recommended as under :—

“An organisation may be set up in each State by the Apex Marketing Federation for undertaking continuous research and evaluation for bringing about improvements in the marketing and processing techniques adopted by marketing and processing societies.”

3.4 The above subject was further considered by the National Co-operative Development Corporation in its sixth meeting held in October, 1964. The Corporation decided to assist establishment of technical cells in the apex marketing societies of different States. It was envisaged that the cells will be of a composite character and would include specialised staff charged with the following responsibilities :—

- (i) Continuous liaison with the affiliated marketing societies to assist in the implementation of their programmes and assess their progress;
- (ii) Advisory service to the societies on problems connected with the organisation, finances, marketing techniques etc.; and
- (iii) Advise on technical problems concerning co-operative processing units.

It was also decided that the cost of personnel appointed to such cells would be met by the Corporation on a tapering basis—100% for the first two years and 75%, 50% and 25% for the 3rd, 4th and 5th year respectively.

3.5 While inviting proposals from the apex marketing societies of different States for establishment of technical cells, the Corporation intimated that as regards the experts concerned with problems of processing units, it would be necessary to select such individuals who, in addition to possessing basic engineering/technological qualifications, have practical experience in important fields of agricultural processing over a period of eight to ten years in the installation and servicing of processing units. These experts should be able to prepare blue prints and supervise installation of processing units which may be set up by the affiliated marketing/processing societies. Preference should be given to persons who have had experience in respect of processing of two or three types of agricultural commodities which figure prominently in the State's programme of co-operative processing.

3.6 In pursuance of this scheme, apart from the posts sanctioned for work relating to co-operative marketing organisation,

finance, etc., the following technical posts have been sanctioned by the Corporation to the various apex marketing societies specifically for work relating to co-operative processing :—

<i>S. No.</i>	<i>Name of State</i>	<i>Post sanctioned by the Corporation</i>	<i>Scale of pay</i>
1.	Andhra Pradesh	3 Assistant Engineers 2 Draftsmen Processing Expert	Rs. 350-900 Rs. 150-250 Rs. 600-1000
2.	Assam	Expert on Processing	Rs. 500-800
3.	Bihar	Processing Expert	Rs. 700-1250
4.	Gujarat	Processing Expert Overseer-cum-Engineer	Rs. 755-1100 Rs. 450-750
5.	Madhya Pradesh	Processing Expert Engineer Assistant Engineer	Rs. 550-950 Rs. 900-1200 Rs. 550-950
6.	Mysore	Engineer-cum- Technical Officer	Rs. 600-1000
7.	Maharashtra	Processing Expert	Rs. 1200-1600
8.	Madras	Engineering Expert Assistant Engineer	Rs. 1200-1600 Rs. 450-900
9.	Orissa	Processing Expert Assistant Engineer	Rs. 600-1000 Rs. 300-800
10.	Punjab	Processing Expert	Rs. 1000-1500
11.	Rajasthan	Processing Expert	Rs. 950-1400
12.	Uttar Pradesh	Processing Adviser Refrigeration Engineer	Rs. 1000-1500 Rs. 250-850
13.	West Bengal	Rice Mill Expert	Rs. 750-1200

3.7 The National Agricultural Co-operative Marketing Federation, being the federal organisation at the national level of all apex co-operative marketing societies in the country, has also to play an important role in co-ordinating the planning and implementation of processing programme through the Assessment and Technical Cells organised by its members at the State-level. As and when suitable technical hands are available, they are being appointed on these Cells. A post of Marketing Development Officer in the Marketing Information and Research Cell in the scale of Rs. 1300-1600 has been sanctioned by the Corporation and an officer has been appointed to this post. The post of Fruit Technologist is also being filled in shortly.

CHAPTER IV

REVIEW OF EXISTING ARRANGEMENTS : ROLE OF APEX MARKETING SOCIETIES

4.1 In the last one year or so, in a number of States, the apex marketing societies have started evincing positive interest in the planning, promotion and implementation of the programme of co-operative agricultural processing. This interest has been facilitated by the programme of co-operative rice mills financed by the National Co-operative Development Corporation. In order to facilitate early installation of such rice mills, the concerned States were advised by the Corporation to effectively associate the apex marketing societies with the programme of establishment of rice mills. The question of involvement of apex marketing societies in the installation of paddy processing units was considered by the conference of State Ministers of Co-operation held in Bombay in November, 1965 and it was recommended that apex marketing societies of the concerned States should be effectively associated with the programme.

4.2 Some of the States have already associated the apex marketing societies in the programme of co-operative rice mills to a substantial extent. Their details are given below.

4.3 In Andhra Pradesh, the Andhra Pradesh Co-operative Marketing Federation has been appointed as the central agency for the construction of 112 rice mills under the National Co-operative Development Corporation scheme on behalf of the co-operative societies. The financial assistance sanctioned so far under the scheme has been disbursed to the above Federation for the purpose.

4.4 In Madhya Pradesh, all the rice mills sanctioned under the National Co-operative Development Corporation Scheme are being set up under the guidance and control of the Apex Marketing Society. The accounts of assets and liabilities of each mill will be maintained separately. After its completion and trial run, each mill will be handed over to the concerned society in a running condition for future operations. While establishing

Promotional and Assessment Cells, the apex society has appointed engineering and processing and other technical experts. It is also being contemplated to set up a regional office of the apex society for the rice zone of the State with necessary technical staff and workshop for the maintenance and repairs of the rice mills. A managerial cadre for the running of rice mills is also being built which, after training, will be posted to the rice mills as they come up.

4.5 In Mysore, the State Government have constituted an Ad-hoc Committee to go into the details of requirements of the societies and problems facing them in regard to setting up of co-operative rice mills. According to the decision of the Ad-hoc Committee, the State marketing society is working as an agent of the marketing/processing societies that have been allotted rice mills. The apex society has entered into contract with the firms for supply of mills and equipment and would arrange to supply them to the concerned societies

4.6 In Madras, the State Government have decided that where primary co-operative marketing/processing societies are not able to undertake the work of setting up of the processing units themselves, the services of the apex marketing society will be utilised. On establishment of Promotional and Assessment Cell in the apex marketing society, the question of its undertaking the establishment of processing units in the areas of primary marketing/processing societies will be taken up.

4.7 In Orissa, the State Rice Mill Co-ordination Committee reviewed the progress so far made in establishing co-operative rice mills. It has been decided that the State co-operative marketing society may be associated with the programme, so that the rice mills located at different distance places may not find it difficult to undertake installation of the units.

4.8 For speedy implementation of rice mill programme, the West Bengal Government have decided to associate the apex marketing society in erection and installation of their units. Accordingly, the primary marketing societies, under the guidance of the apex marketing society have already started implementing the rice mill programme.

4.9 The States of Punjab and Rajasthan have also decided to associate their apex marketing societies with the programme of establishment of rice mills under the National Co-operative Development Corporation Scheme.

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

Need for Planning

5.1 There is a growing awareness that a modicum of planning, in the sense of a systematic determination of the economic need and prospects, ought to precede the organisation of any co-operative enterprise. This is evident, among other things, by the recent accent on consideration of measures which conduce to the economic viability of an agricultural credit co-operative as contrasted to the earlier approach based on a simple formula of "one village, one society." Another significant evidence is furnished by the fact that increasingly co-operative legislation postulates prospects of economic success as one of the preconditions for registration of a co-operative society.

5.2 While a degree of planning is a *sine qua non* for the success of every type of co-operative activity, the extent of planning required for organisation of co-operative agricultural processing by the primary producers is perhaps greater than what is warranted by any other form of co-operation. The need for planning in co-operative processing arises from a variety of factors. In the first place, agricultural processing industries *per se* have their complexities. Their fortunes are invariably tied up with the vagaries attendant upon agriculture. The raw material such as sugarcane, is often liable to dryage, shrinkage and wastage. Hence factors such as distance from the source of raw material can have a crucial impact on the economics of an agricultural processing industry. They also have a bearing on determining the optimum size of the processing unit.

5.3 Apart from the problems which co-operative processing shares with agricultural processing industries in the private sector, the former is also attended by certain difficulties of its own. These include the need for assuring a stabilised supply of raw produce by the members so as to fully feed the installed capacity of the co-operative processing unit so that purchase of such produce from non-members is kept to the minimum if not

altogether eliminated. Furthermore, there is the problem of assessing the requirements of resources, both long-term and short-term, and determining how the resources could be raised internally and borrowed externally. Finally, there is need for prospecting regarding the scope of disposal of the finished product and assessment of the overall economics of the proposed project.

5.4 Sometimes, overzealous co-operators may tend to promote co-operative processing by taking its success for granted. In a report submitted in 1961, the Committee on Co-operative Processing expressed the following words of caution in this regard :—

“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 the recurring deficit.”

Despite the above words of caution, instances are still not lacking when co-operative units have been established without proper advance planning. Among other things, the result often has been under utilisation of installed capacity and consequent adverse effect on the economic viability of the units. We would, therefore, stress that the need for planning of co-operative processing units should be pointedly recognised by the non-official promoters as well as by the State and Central Governmental agencies connected with co-operative processing programme.

Planning of Individual Units

5.5 The concept of a feasibility study is fairly common and popular in the realm of large industrial enterprises. This concept need to be extended to even smaller industrial undertakings involving processing of agricultural produce on co-operative

basis. Before setting up a new processing unit in the co-operative sector, a proper and detailed investigation into the following aspects should be invariably undertaken :—

- (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 unit 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; and
- (iv) Facilities for transport of raw material and disposal of finished products.

5.6 To help sound planning and organisation of individual processing units, the National Co-operative Development Corporation has, from time to time, been formulating model blue prints of various types of processing industries. So far, the blue prints of following types of processing units have been prepared and circulated by the Corporation :—

- (i) Paddy processing units
- (ii) Oil seed processing units
- (iii) Cotton processing units
- (iv) Composite paddy and oil processing units
- (v) Processing of oranges and tomato products
- (vi) Processing of pineapples
- (vii) Processing of tapioca
- (viii) Processing of rice bran
- (ix) Processing of ginger
- (x) Processing of apples and apricots
- (xi) Establishment of absorbent cotton wool plant.

It is observed that on account of various circumstances, a number of these blue prints have become out of date and, in particular, the capital cost estimates need to be revised. We would suggest that the Corporation may undertake preparation of revised blue prints and arrange for their circulation to the State Governments and other concerned agencies.

5.7 One of the factors which has a bearing on future viability of a processing unit is the pattern of organisation. An appropriate organisational pattern should facilitate business operations, optimise efficiency and also reduce costs. In a co-operative processing unit other allied factors have also to be taken into account such as the desirability of building up loyalty between the members and the processing unit. In regard to these matters, the following observations made by the Committee on Co-operative Processing are relevant.

“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.

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 processing 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 requisites may not sometimes be in a position to devote necessary attention to their processing activity. This is particular-

ly 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 overhead 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 cooperative 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 cooperative 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 cooperative processing institution. The general experience seems to be that cooperative 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."

5.8 The above observations/recommendations made by the Committee on Cooperative Processing were endorsed by the Conference of Registrars of Cooperative Societies and State Ministers of Cooperation held at Bombay in October-November 1965. The Conference also observed that since agricultural processing is often a seasonal activity, processing undertaken by a marketing society as an adjunct is likely to have a lower overhead cost. Furthermore, since the marketing cooperatives are increasingly acquiring broadbased membership with the enrolment of a large number of producers directly as members, processing units undertaken by marketing societies should be able to command direct access to the produce from growers and thereby increasingly develop marketing on the basis of grading and pooling. We suggest that these observations/recommendations should be specifically kept in view while planning the establishment of individual agricultural processing units.

Planning of Integrated Complexes

5.9 While planning an individual cooperative agricultural processing unit is important, such planning becomes more meaningful if the unit itself is conceived as a part of an integrated complex. In such a situation, the efficiency and the viability of the individual units is considerably enhanced. There is also the added advantage that the development of secondary and tertiary stages of processing facilitates operations of primary processing units. This is partly a reflection of the fact that the end products resulting from the secondary and tertiary stages of processing are usually much more stable in terms of demand and prices than the product of the primary stage of processing. This is particularly exemplified by the behaviour of the demand and prices of oil vis-a-vis the derived products such as soap and vanaspati.

5.10 For development of an integrated complex, one of the pre-requisites is the acceptance of the concept of area planning in relation to processing industry. Of late, this concept has been receiving some attention. In June, 1964, the Conference of State Ministers for Cooperation and Registrars of Cooperative Societies, held at Hyderabad, recommended that the State Governments should take steps to draw up area-wise plans for development of cooperative processing. Some progress in this direction has recently been made in different States. In Maharashtra, the Cooperative Industries Commission has done commendable work in drawing up a plan for an integrated complex of processing industries in Bhandara district. The area plan envisages a network of 33 rice mills and a rice bran oil unit. A similar complex of industries has been sought to be developed in Sangli district consisting of 28 oil mills and a solvent extraction plant. It is understood that Nanded and Ahmednagar districts have been selected by the Commission for integrated development of cotton processing industry. A complex of industries based on paddy processing and rice bran oil is in the process of establishment in Raipur district in Madhya Pradesh. A certain degree of area planning has also been undertaken by Gujarat State in the district of Surat.

5.11 While the above development mark out a promising beginning in the direction of area planning with a view to promoting integrated complexes of processing industries, there is considerable need for effective action in all States in this direction. In fact, we would suggest that, keeping in view the tentative allocations available in the Fourth Plan for cooperative agricultural processing industry, the States should undertake preparation of a broad locational plan keeping in view the need for an integrated

growth of industries at the primary, secondary and tertiary levels.

Planning Machinery at the State-level.

5.12 In order to ensure proper planning of cooperative agricultural processing programme, there is obviously need for creating a suitable standing machinery at the State-level. This machinery can be in the form of a Standing Committee/Board/Commission. In this connection, one of the issues that arises relates to the location of such a Standing Committee. Theoretically, such a Committee can be conceived as functioning under the auspices of one of the four different agencies, viz. State Government, Apex Cooperative Bank, Federations of processing units and the Apex Marketing Society. As far as the Standing Committee under the auspices of the State Government is concerned, it will be observed that this was the course of action recommended by the Committee on Cooperative Processing in 1961. In pursuance of this recommendation, almost all the State Governments have set up Standing Committees for this purpose. We have already referred to the constitution and functioning of these Committees in Chapter II. We are not satisfied that this arrangement of Standing Committees under the State Governments has worked satisfactorily. In the first place, these Committees have largely remained inactive, their meetings taking place at rather infrequent intervals. Again the Committees tended to function in a rather routine manner and thus degenerated into one of the numerous inter-departmental Committees. Finally, there has been absence of suitable arrangements for servicing of these Committees. While certain technical cells have been developed in the apex marketing societies, there has been no tie up between these cells and the governmental Committees on cooperative processing.

5.13 As regards location of the Standing Committees/Commissions in the apex cooperative banks, the only significant instance is to be found in Maharashtra where the State Cooperative Bank set up a Cooperative Industries Commission. We have already referred to the constitution and functioning of this Commission in chapter II. This Commission has undoubtedly done a highly commendable and pioneering work in the field of agricultural processing industries. The fact that the Commission was an integral part of the State Cooperative Bank has facilitated the flow of medium-term finance from the Bank for establishment of processing units. It is, however, unlikely that other apex cooperative banks would evince such positive interest in the promotion of cooperative processing activity. The developments in Maharashtra in this regard are essentially a reflection of certain local factors, more particularly the presence of Prof. D. R. Gadgil as

the Chairman of the Bank. The only other State where such an idea has been mooted is Madhya Pradesh.

5.14 The third alternative, viz. planning machinery being created under functional federations, is not a feasible one at this stage. It is only in the realm of cooperative sugar factories that State and National level federations have come. In other spheres of cooperative processing, no separate functional federations have yet been organised at the State or National levels.

5.15 Finally, welcome to the last alternative, viz. creation of State-level Standing Committees under the apex marketing societies. We consider that, taking all factors into account, the balance of advantage would lie in a Standing Committee on Cooperative Processing being set up by each apex marketing society. Increasingly, most of the processing units are set up as adjuncts to the primary marketing societies which are already affiliated to the apex marketing society. In this context, in a sense, the apex marketing society can be taken to be a functional federation of processing units. Furthermore the apex marketing societies have recently been aided by the National Cooperative Development Corporation to create technical cells. The personnel appointed to these cells can, with advantage, be utilised to service the Standing Committee on Cooperative Processing. Lastly, entrusting the responsibility of planning processing programme to the apex marketing society would give the added advantage of facilitating implementation of the programme thus planned. In Chapter IV, we have already referred to a very remarkable trend under which apex marketing societies in several States have assumed responsibility for procuring machinery and erection of processing plants on behalf of their affiliated units.

5.16 For the considerations mentioned above, we would urge that the various Committees or Boards created by the State Governments for planning of cooperative agricultural processing programme may be replaced by Standing Committees to be constituted by the apex marketing societies. In order to make these Committees adequately useful and effective, their composition must be broad-based and carefully conceived. Apart from interested non-official cooperators, the Committee should also include the Director of Agriculture, so that in planning programme of cooperative processing units sufficient cognizance is taken of the agriculture department's programme for expansion of agricultural production in particular areas and specified crops. Similarly, the Director of Industries should invariably be associated with the Committee. This would, among other things, facilitate

flow of finance towards capital cost from sources such as the State-aided Industries project and provisions earmarked for rural industries projects. Incidentally we would like to observe here that cooperative agricultural processing programme in the States has had practically no benefit from these sources of funds. Other departments which may be included in the Committee would be the Department of agricultural marketing, if there is a separate directorate to this effect. From the institutional side the Committee should include representatives from the State Cooperative Bank, the State Finance Corporation as well as any functional commodity federation concerned with cooperative marketing and processing. The Chief Executive Officer of the apex marketing society should invariably be the Member-Secretary of the Standing Committee.

5.17 As already suggested, we would like the Standing Committee on Cooperative Processing to be serviced by the technical staff that has been appointed by apex marketing societies with the assistance from the National Cooperative Development Corporation. In areas offering necessary potential for development of certain types of processing units there would be need for strengthening of these cells by appointment of suitable experts. Such experts should also be provided with adequate assistance of junior technical staff for survey, field investigation, compilation of data, preparation of project reports, follow-up action etc.

Planning Machinery at the National Level

5.18 Responsibility for planning and promotion of cooperative agricultural processing stands entrusted statutorily to the National Cooperative Development Corporation. For adequate discharge of this responsibility the personnel in the Corporation would need further strengthening. Certain recommendations on the subject have already been made by the Dantwala Committee on Cooperative Marketing and these might be taken note of while formulating specific measures. Alongside it is also suggested that National Cooperative Development Corporation should actively associate itself with the State-level Committees on cooperative processing.

5.19 At the national level, the role of the National Agricultural Cooperative Marketing Federation, which is an All-India Federation of State Marketing Societies, needs to be explicitly recognised. Recently some financial aid has been provided by the National Cooperative Development Corporation to the Federation for creation of promotional cells in the field of agricultural supplies and processing of fruits and

vegetables. We would suggest that the NAFED should work out specific proposals for enlarging its role in the matter of technical know-how particularly in relation to such processing industries which offer scope for development in more than one State.

5.20 In order to fully exploit the technical staff appointed by various apex marketing societies we would suggest that the full particulars be compiled and circulated by the National Cooperative Development Corporation to all States so that the services of experts available with one apex marketing society can also be utilised as far as possible by other apex societies. From time to time these experts may be brought together for enabling them to exchange their experiences.

5.21 In view of growing importance of secondary processing in the cooperative sector, emphasis is being given on planning and promotion of such processing cooperatives. Consequently, a need is felt about preparation of their project reports. The job is often highly specialised and complicated. Ordinarily it cannot be assigned to an individual technician or to technical cells located in the apex marketing cooperatives or in the government departments. In accelerating promotional activities in secondary processing, non-availability of project reports is one of the major bottle-necks. It is, therefore, suggested that National Cooperative Development Corporation should assign this work as and when need arises to the specialised firms for this purpose and incur necessary expenses.

Managerial Personnel for Processing Units :

5.22 It is hardly necessary for us to stress that in the planning, installation and operation of cooperative processing units, management will constitute one of the most significant inputs. The ability of the cooperatives to have access to suitable managerial personnel will, therefore, have a vital bearing on the success of the processing programme. This is a sphere in which a positive initiative will have to be taken by the apex marketing societies and State-level functional federations, wherever they exist. In the Fourth Five Year Plan, a scheme has already been approved for enabling apex marketing societies to create pool of personnel for loaning them to affiliated societies. This scheme is also intended to cover the requirements of managerial personnel of processing units. While the utility of scheme for providing marketing personnel is obvious, it is necessary that the scheme may be implemented on a priority basis as far as managerial personnel of processing units are concerned. In the case of new

recruits as well as existing incumbents, it will be useful to put the managerial personnel through specialised training. In this connection, it is suggested that, on the lines of course of Business Management at present being run for personnel of consumers stores, another course may be organised specifically designed to meet the requirements of personnel manning cooperative processing units.