

## CHAPTER IX

### MARKETING OF JUTE—REGULATED MARKETS—COOPERATIVES

#### Regulated Markets.

Previous Committees had successively recommended the establishment of regulated markets at selected centres, but so far the suggestions have not been implemented. The benefits of a regulated market briefly are:—(1) the provision of cheap storage facilities to the grower, (2) fair deal between buyers and sellers, (3) use of standard weights and measures, (4) abolition of all improper allowances and deductions, (5) reduction of market charges to the minimum, (6) supply of market intelligence to all including growers, and (7) quick settlement of disputes. To this can be added the benefits of grading if there is a provision under law or in terms of accepted trade practice. The Director of Economic Research I.C.J.C. has given us a note (*vide* Appendix V) in which the functions and regulations of such a market are explained.

To be successful such a market can only be set up under authority of a State law and its efficient functioning could be ensured only by its being linked up with a local body or a licensed marketing authority. The U.P. Government are reported to be taking suitable action for setting up such markets.

Although the need for regulated markets has been widely accepted, the limiting factor in their establishment appears to be the cost of the scheme. In view however of the advantages which the growers and the trade will obtain, it should be possible to levy fees which would make the running of the market self-supporting. We, therefore, strongly recommend the establishment of regulated markets at important centres in the jute growing areas of each State. Steps should also be taken to set up approved warehouses at all regulated markets. This will be a further step towards enabling co-operatives to function in the matter of according financial accommodation to cultivators against their crops—a subject on which we are giving our suggestions below.

The fundamental weakness of the agriculturists as a seller arises primarily from the nature of his production and his low holding power. He is often handicapped by chronic indebtedness, and in that condition he has to borrow season after season. To some extent the better prices for agricultural products obtaining since the war period, have reduced his financial dependence. The jute grower must normally sell the bulk of his crop between September and November, and in years of failure of crops or, where he is in debt, even earlier than November, so that he is seldom able to spread out sales over a long period to realise a better price for his crop.

The case for  
cooperatives.

Schemes to alleviate the lot of agriculturists in this respect have been put forward from time to time before different committees of enquiry. The Fawcus Committee received a scheme for a Central buying and selling organisation to control the entire jute crop of Bengal. The scheme involved the setting up of a corporation with a capital of Rs. 10 crores, which was to have the monopoly of buying jute from growers and branches all over the jute growing areas. The main functions of the mofussil societies were to buy crops from jute growers, warehouse them at centres, assort them according to quality and grant advance payment upto 75 percent to the grower, who would be receiving the balance after deducting expenses of the organisation, only on final realisation of the total sale proceeds by the society. A basic feature of the scheme was a Government guarantee of the principal and interest necessary for the corporation. While in sympathy with the scheme, the majority in the Fawcus Committee considered it impracticable and inadvisable on account of the large finance and Government guarantee involved, the high cost of working, shortage of knowledgeable persons to work the sales organisations and the inevitable friction that would be caused by the displacement of intermediaries in the trade. They however endorsed the recommendation that warehouses should be established at the sites of regulated markets, where cultivators could deposit their stocks on payment of a reasonable charge, and on the strength of warehouses receipts obtain discounting facilities from village banks and moneylenders. The warehouses were also expected to furnish adequate provision for grading, so that stock properly graded and supported by warehouse receipts will acquire a proper negotiable value. To begin with, it was suggested by the Committee that warehouses of this

Alternatives  
considered  
by Fawcus  
Committee.

Co-operative  
warehouses.

kind should be established on an experimental basis at all regulated markets, and that Government should pass suitable legislation.

The Fawcus Committee also considered that despite the failure of the co-operative sales societies in the past, centralised marketing would be practical proposition only through the successful working of co-operative institutions at the *primary* markets. They considered a co-operative "collection and delivery service" would be a profitable feature for taking the product from the village to the regulated market. They appreciated that intensive propaganda would be required to make the villagers appreciate the value of co-operation, but were confident that proof of the bargaining strength obtained by growers organised in co-operative, would in itself generate confidence for the expansion of the movement.

The following reply of the I.J.M.A. typically represents the view point of a large section of opinion on the subject:—

"There are grounds in theory for the belief that properly organised and well conducted co-operative sale and transport societies would be of assistance to the cultivators in the marketing of their crops. Such societies are a notable feature of agrarian economy in other countries and have proved their worth. Growers invariably prefer to sell their jute through normal trade channels and would turn to the societies (if they were available) only when times were bad and they could not find a market for their jute elsewhere. Previous experiments of co-operative societies in the jute growing areas have also shown that it is difficult to ensure honest and efficient managerial control".

During the course of our tour, we have consulted various representatives of growers and dealers and also representatives of State Governments on the scope of co-operation. But even those who believe in it explained that past experience had been very disappointing. Some of the successful societies referred to by the previous Committees have become defunct. Three cooperatives in Orissa command membership of a very small fraction of the growers in that area and even they have not been able

to make successful operations in storage and sales of crops. In other places co-operatives have merely been extending financial assistance. At Chapar (Assam) there is a sales society dealing with other primary products, and its activities could be extended to cover jute also.

Our considered view is that for bettering the conditions of the cultivator of primary products the organisation of multipurpose co-operatives is essential and that State Governments should give all possible help for the setting up of such societies. Co-operation offers specially good scope for success in the case of the jute cultivators. In areas where there is concentrated jute cultivation, multi-purpose co-operatives of jute growers should be started, and cover a group of ten to twenty villages which would provide storage accommodation in the main primary markets, render a collection and sales service on behalf of members, arrange for grant of loans against crops deposited, and act generally as middlemen in the regulated markets. Sale of the collective stocks of such co-operatives, with proper grading in the secondary markets, will enable members to secure better prices. The cost of the scheme we envisage would not be prohibitive. Cheap storage accommodation can either be built or hired in primary markets, where such facilities already exist to some extent. The small capital cost, can be advanced by co-operative banks of which the multipurpose societies should also be members. As far as the grower is concerned, since under present conditions there is already a wide margin between the price that he is able to get from the *Faria* or the dealer and the price at which the latter is able to sell the product, an advance payment of 70 to 75 per cent. can be made on his deposit of the crop, the amount depending on the quality or state of the jute. If he is given an assurance that after deducting the expenditure involved and certain legitimate charges for storage and marketing, the balance of sale proceeds will be paid to him by the end of the season, the grower will realise the advantage in joining the co-operatives. Where loans are granted to growers against crops deposited, a portion of the final instalment of the sale price could be kept in the member's account. It would form his deposit capital in the society on which he can even a little interest. It has been shown that the price spread between the amounts received by growers and the amounts that they

Setting up  
of multi-  
purpose  
co-operatives  
for jute.

could have received after making allowance for freight to Calcutta and the cost of marketing services varies between Rs. 3 and Rs. 5 per maund, i.e., 15 to 25 per cent. of the price obtainable by him in the primary market. In the case of even the smallest grower whose output is 10 to 30 maunds only, the saving realisable by thus cutting into the middlemen's margin will be Rs. 30 to Rs. 50 per year. For the bulk of the growers the margin may be even larger. If difficulties are envisaged in getting growers to form co-operatives, the minimum share capital of Rs. 10 could be advanced to them like a *taccavi* loan by Government. This amount can be ultimately recovered out of the sale proceeds of jute. An arrangement of this kind is being tried successfully in the case of Weavers' Co-operatives in Madras. As the additional share which the grower will get out of this margin on final sale will be his nucleus capital or desposit with the society, the scheme can become self financing in a period of five to seven years. The spread would be even larger if the saving in the rate of interest which growers now have to pay to moneylenders, is taken into account. This proposal does not obviously involve the financing of the *entire* crop. Only such growers as would enroll themselves as members will be covered and the membership will grow with the success of the scheme.

We recommend that in the initial stages the scheme may be tried as an experiment in important centres. If loans are granted in the early stage primarily to the small growers who are chronically in debt, this may not strain the resources of the societies. It would not also involve any direct Government guarantee either by way of price support or of reimbursement of loss in the working of the scheme. In States where the co-operative banking system has not developed, the Government should play a more positive role in regard to the formation of these banks. The part played by the co-operative banking system in Assam during the 1952 season to save the weaker units in the tea industry encourages us to think that equal success could be expected from the extension of the co-operative system to the jute growing areas.

Sales tax  
burden to  
be avoided.

It was also mentioned to us that the levy of a sales tax on raw jute in some States is a serious burden and acts as a discriminatory levy. As it is a raw material of an important industry, we consider that State Governments should not levy a sales tax or similar levy on raw jute.

State Governments will no doubt appreciate that as cheap and ample supply of raw jute is the basic condition for expanding production of jute goods and their export and as State Governments themselves are the beneficiaries from the revenue derived from the export duty on jute goods, they should refrain from taxing the raw material. Such regressive incidence is ultimately bound to affect their own interests. The discriminatory feature referred to arises in that no sales tax is payable when dealers or mill agents despatches the raw jute to Calcutta, but when the dealers or even co-operative societies buy for sale or holding of stock within the State limits, they become liable to sales tax. The latter aspect was specially stressed by the Orissa Co-operatives. We recommend that this disability should be removed.