

## 8.

# Marketing Co-operative Society

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**Marketing Co-operative Society**

### 8.1 Introduction :

India being an agricultural country, it is said that agriculture is the backbone of Indian economy. On the principles of co-operation, in view to provide fair price to farmers for their agricultural produce and to eliminate middlemen, Marketing co-operative societies are formed. The arrangement of buying the agricultural produce from the farmers and selling them to the consumers and traders is done by this society. These societies are also known as Buying and Selling Society or Marketing Co-operative Society.

There are various drawbacks observed in system of sale of agricultural produce. As the sale of the agricultural produce is carried out by brokers, the farmers are cheated in weights and measurements. The farmers incurs losses due to low price given by brokers. Due to this the farmers don't have any scope to increase or improve agricultural produce. On account of various factors such as lack of knowledge, poverty, illiteracy, insufficient knowledge about market conditions, lack of storage facilities, frequent drought, indebtedness, not getting reasonable price for agricultural product etc. due to this, farmers sell their product at whatever prices are offered to them.

With the motto of providing reasonable price for the agricultural produce and to protect the financial interests of the farmers the society conducting buying-selling activities of agricultural produce on the principles of co-operation farmers comes together and forms a society such societies are known as “Marketing co-operative society” or “Co-operative buying-selling society”.

Marketing co-operative societies have an important place in the development of agricultural sector. So, in this chapter, we will be studying about Marketing Co-operative Society in detail.

### ❑ **Formation of Marketing Co-operative Society:**

The Marketing co-operative societies are formed for supplying the goods from producers to consumers, to sell agricultural produce of the farmers and as well as provides assistance for export quality goods. In India, the first Marketing co-operative society was established in Hubli in the former Mumbai province in the year 1915. Currently, by the end of 2018, there are 1207 Marketing co-operative societies in Maharashtra.

## **8.2 Meaning and definition :**

### ❑ **Meaning:**

The word ‘marketing’ is used very extensively. Marketing includes buying and selling and other related services. This societies purchase goods from the producers and performs necessary functions to supply goods upto consumers.

Marketing co-operative society is formed by the farmers voluntarily. This society helps the farmer members to sell their goods at reasonable prices. This society carries out the function as assembling of agricultural goods, transport and storage of the goods, standardization and grading of agricultural produce and facilitating for suitable market, etc. The society provides seeds of good quality, fertilizers, pesticides, agricultural equipment’s to the farmers so as to increase agricultural produce and also prevents exploitation of farmers in the market. Other than agricultural sector, it has observed that co-operative societies have also been formed in other sectors such as weaving, fishing, cord production, etc. These societies play an important role in conducting fair trade practice.

### ❑ **Definition :**

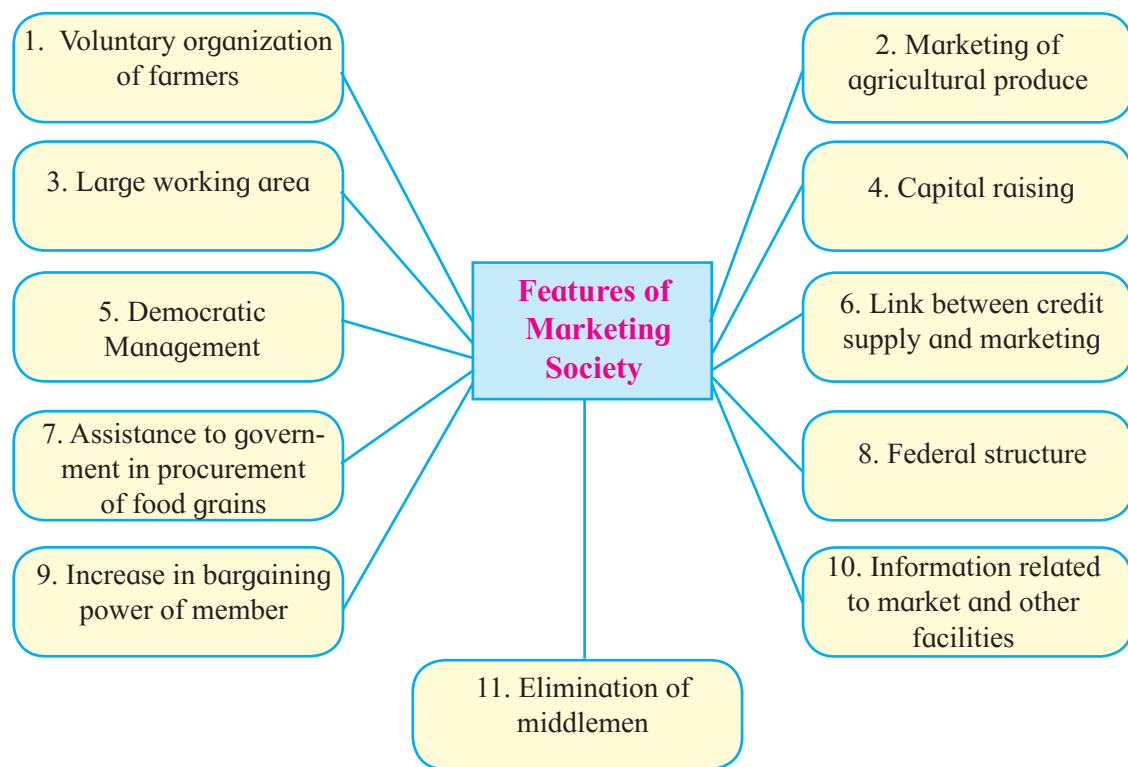
Marketing co-operative society has been defined by various prominent thinkers and experts. In all their definitions importance is given on buying and selling of agricultural produce. Over the period, the role of marketing co-operative society has turned out to be more prominent. Marketing co-operative societies are defined in various ways as below:

- 1. As per Reserve Bank of India :** “Co-operative Marketing is a co-operative association of cultivators formed primarily for the purpose of helping the members to market their produce more profitably than through private trade”.

2. **As per Margaret Digby** : A renowned scholar of Food and Agricultural Organization - “A co-operative marketing is the system in which a group of farmers or market gardeners join together to carry on some or all processes involved in bringing goods from the producer to consumer”.
3. **As per D. B. S. Mathur** : “A marketing cooperative society is a society formed by the farmers to carry out marketing activities on co-operative principles”.

After studying all the above definition we can conclude that it is voluntarily association of cultivators former primarily for the purpose of helping the members to market their produce more profitably and to carry on processes involved in bringing goods from producers to consumers and protects maximum interests of cultivators.

### 8.3 Features / Characteristics of Marketing Co-operative Society :



Marketing co-operative society is formed by the farmers coming together for their economic development. The features of the society are as under:

1. **Voluntary association of farmers** : Marketing co-operative society is a society formed by the farmers coming together voluntarily for their development. The major person residing in working area of the society can be the members of the society. There is no compulsion on any of the individuals to become a member of the society. The society follows the principles of voluntary association. There is no force for cancelation of membership. The membership can be cancelled as per own wish.

2. **Marketing of agricultural produce :** Marketing co-operative society obtains agricultural produce from farmer members for marketing. This society carries out the function as assembling of agricultural goods, transport and storage of the goods, standardization and grading of agricultural product, getting reasonable price for the product and selling product as well as facilitate availability of goods essential for agriculture and livelihood to farmers such functions are carried out by them. So, measures are taken to save the farmers from loss due to unfair trade practices.
3. **Large working area :** The working area of marketing co-operative society is very large. Members come together from different places. The work of primary marketing society is limited. The work area of District Marketing society is limited upto particular district, that of State Marketing organization is limited upto particular state and the functions of National Co-operative Marketing Federation (NAFED) is all over the nation.
4. **Capital raising :** Marketing co-operative society raises capital by issuing shares to its members. Apart from this the required capital is collected by obtaining loan from various financial institutions.
5. **Democratic management :** The management of marketing co-operative society is carried out in a democratic manner. The day-to-day activities of co-operative society are managed by Board of Directors or Executive committee. Board of Directors are elected among the members. All important decisions of the society are taken in Annual General Meeting of the members.
6. **Link between credit supply and marketing :** Due to marketing co-operative society there is link between credit supply and marketing. Farmers obtain loan from credit co-operative society. After the harvesting season, once the agricultural produce is sold, credit co-operative society recover their dues from the farmers and the balance amount is paid to the farmers. In this way the overdues of credit co-operative society are reduced. Consequently, due to an increase in the percentage of recovery, they are in a position to fulfil the financial needs of other members.
7. **Assistance to government in procurement of food grains :** The citizens of the country need to be provided adequate quantities of food grains and other essential goods for which the Central Government procures food grains from various market places. The marketing co-operative societies across different states helps the government in this work. Since the network of marketing co-operative societies is spread in rural areas and due to cordial relations with farmers, it is possible for the Government to buy food grains.
8. **Federal structure :** In India the structure of marketing co-operatives is federal in nature. The primary marketing co-operative society works at village/ taluka level. At District level District marketing co-operative societies are working. At state level State Co-operative Marketing Federation are working, and at the National level- National Co-operative Marketing Federation (NAFED) are working. In this way the formation of Co-operative society is federal in nature.

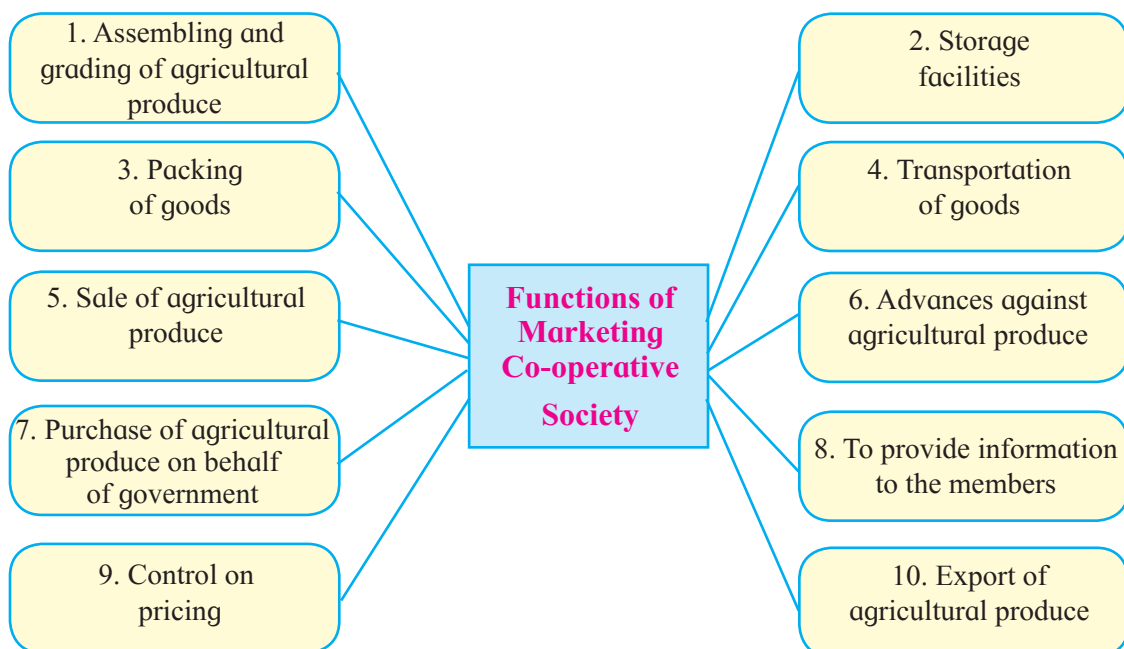
9. **Increase in bargaining power of member :** Marketing Co-operative society helps its members to increase their bargaining power. For example, to get fair price to the agricultural produce of the members, increase in production, provide advances against collateral security of agricultural produce, increase purchasing power and bargaining power of its member's such functions are carried out by the society. Consequently, due to increase in the bargaining power of its members they don't have to face the situation of selling their product at low price to middlemen during financial difficulties.
10. **Information related to market and other facilities :** To provide market information to farmers, to prepare schemes for increase in productivity, to provide seeds, fertilizers, pesticides, to supply essential goods , etc. such facilities are provided by the society.
11. **Elimination of middlemen :** The Marketing co-operative societies are marketing the agricultural produce themselves therefore the farmers are relieved from the exploitation of middlemen. The middlemen are exploiting the farmers in various ways like cheating in weights, calculations, market price, etc. The elimination of middlemen leads to follow fair trade practices due to which the farmers receive fair price for their goods from the consumers and so the marketing co-operative society are economically benefited.



#### Activity :-

- 1) Marketing co-operative society is important from the farmer's point of view. Discuss.

### 8.4 Functions of Marketing Co-operative Society :





The function of Marketing co-operative society is related with the buying and selling of agricultural produce. Therefore, all functions related to the buying and selling of agricultural produce is covered under this society. The functions of marketing co-operative society are as follows :

1. **Assembling and grading of agricultural produce :** The assembling of agricultural produce is carried out by marketing co-operative society as the offices of the primary marketing co-operative societies is located at taluka place. The farmer members of the society are spread in the rural areas. The agricultural produce of all the farmers are not of similar weight, quality and characteristics. So, after collecting agricultural product standardization and grading is done to fetch better price.
2. **Storage facilities :** If proper storage facility is not available with farmers the agricultural produce is spoiled. Marketing co-operative society provides storage facilities to the farmers for storing the goods till the time they could be sold at a reasonable price. Many farmers don't have the storage facilities. If proper storage facility is available, the quality of the goods is maintained. This storage facility is provided to the famers at a low rate.
3. **Packing of goods :** To facilitate transportation of agricultural produce to the market or godowns and for proper handling of goods it needs proper packing. Due to proper packing quality of goods is maintained, goods are stored in less place and transported at cheaper cost.
4. **Transportation of goods :** Agriculture produce needs to be transported from time to time. To bring agricultural produce from farmers to warehouse, to transport processed goods to warehouse and if transportation of goods is done as per demand then only they will fetch better prices.
5. **Sale of agricultural produce :** The main function of marketing co-operative society is to sell the agricultural produce. These co-operative society sells agricultural product at reasonable prices. In absence of marketing co-operative society, the farmers are cheated while selling the agricultural produce, due to faulty weights, low price, middlemen, etc. the farmers are exploited. Some Marketing co-operative societies sells agricultural produce by establishing consumer stores.
6. **Advances against agricultural produce :** It is not possible for a marketing co-operative society to sell their agricultural produce immediately. If the farmers are in financial need then marketing co-operative society provides advances up to 60% to 70% of the value of agricultural produce on collateral security through District Central Co-operative Banks. Due to this the financial needs of the farmers are fulfilled. In such case the farmers can wait for getting reasonable price for his agricultural produce.
7. **Purchase of agricultural produce on behalf of government :** The government decides minimum support price for the agricultural produce. When the prices of the agricultural goods fall in the market the government purchase the agricultural goods at minimum support price. Such purchase is done by the marketing co-operative society on behalf of

the Government. For e.g. Maharashtra Cotton Monopoly procurement scheme, Onion purchase through NAFED for this primary co-operative marketing societies helps at taluka level.

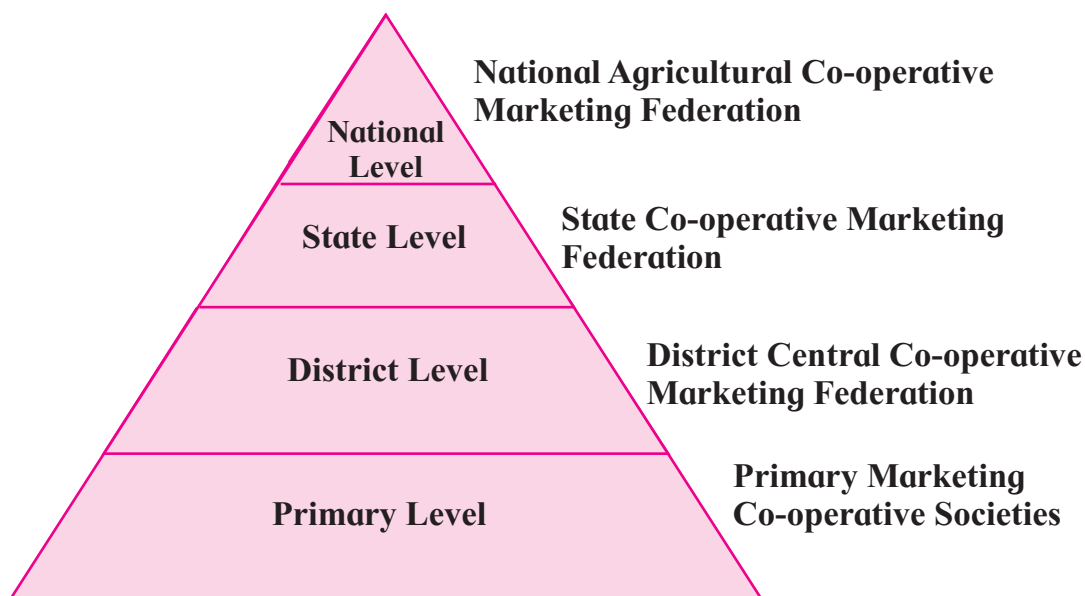
8. **To provide information to the members :** Marketing co-operative societies provides necessary information to their members. Providing information regarding latest production technology, information and guidance relating to market, price of the product, collection, changes in market conditions, demand of goods, supply, exports, etc. such related information is provided by these societies to its members.
9. **Control on pricing :** Marketing co-operative society performs various functions related to assembling, grading, storage etc. of agricultural produce. Due to this there is no place for the interference of middlemen. As per the consumers demand, goods are supplied at reasonable prices. Due to this, there are no fluctuations in the prices of the produce and there is control on prices of the goods in the market.
10. **Export of agricultural produce :** Marketing co-operative societies carry out exports of the agricultural produce. If export quality goods are supplied by the members then the marketing co-operative society helps in exporting the goods and performs functions like proper packing, stamping, marking, preparing bills, etc. Primary Co-operative marketing societies, State marketing co-operative federation with the help of National Co-operative marketing federation (NAFED) export the goods at international level.



**Activity :-**

- 2) Collect information of marketing co-operative society in your area.

### 8.5 Organizational Structure of Marketing Co-operative Societies :



The structure of marketing co-operative societies being federal in nature. In Maharashtra the structure of marketing co-operative societies being is like a pyramid it includes the following societies.

1. **Primary Marketing Co-operative Societies :** These societies are formed at taluka or rural / village level. These societies does assembling, grading, storage of goods, transportation, sale of agricultural produce, provide seeds for members, provide pesticides, issue advances against agricultural produce, etc. such functions are performed. The area of operations of these societies is limited up to taluka level or upto two to four markets. The craftsman, farmers, cottage industrialists located in this area are the members of the societies.
2. **District Central Co-operative Marketing Federation :** Central / District Co-operative Marketing Federation are formed through the Primary Marketing Co-operative Societies. The working area of these societies is entire district. All the primary co-operative marketing societies located in the district are the members of this federation. The society brings in coherence and co-ordination in the working of primary marketing co-operative societies. This federation provides guidance related to sale and storage of agricultural produce and distribution of consumable goods is carried out.
3. **State co-operative marketing federation :** This is the apex marketing institute on the state level. District co-operative marketing societies or central federation come together and form state co-operative marketing federation at state level. These societies not only help in export business but also provides necessary assistance to the government for procurement of food grains. To bring in co-ordination in the work among the state marketing federation, provide guidance to Government and co-operative societies with regard to sale of agricultural produce, to provide loans to district and primary co-operative societies is carried out by state co-operative marketing federation. All the district marketing federations are its members.
4. **National Agricultural Co-operative Marketing Federation (NAFED) :** This federation is formed by all the State co-operative marketing federation of various states of the country. It is also known as NAFED. The federation was established on 2nd October 1958. The headquarters of NAFED is located in Delhi. This society participates in international trade. NAFED represents and functions as a federation of state co-operative marketing societies. The function of NAFED is to bring in coherence and co-ordination among the societies formed on a state level and helps in inter-state and international business. The excess production of any specific crop in a particular state, NAFED purchases the agricultural produce from this state and helps to maintain stability in the prices of such agricultural produce. Along with international business agricultural produce are exported through NAFED. At present, NAFED conducts marketing research and also collects information related to marketing. Market research, news broad casting division and agricultural inputs division has been established. The policy of minimum support price is implemented with the help of NAFED.



In short, to improve financial condition of farmers, provide honor to farmers, provide encouragement for rural development for achieving development of agriculture for this marketing co-operative societies are important.



### NAFED

#### Distinguish between:

#### Processing Co-operative Society and Marketing Co-operative Society:

Sr. No.	Points	Processing Co-operative Society	Marketing Co-operative Society
1)	Meaning	The cooperative society which processes the agricultural produce and sells the end product in market for consumers use is known as Primary Cooperative Society	The agricultural produce earns reasonable price and the financial interests of the farmers is protected with this motto farmers come together for carrying out marketing related tasks on the principles of cooperation by forming a society and such societies are known as Marketing Cooperative Society.
2	Function	To process agricultural goods such as Cotton, Sugarcane, Oilseeds, Fruits. To make market place available for processed goods as well as along with main production also undertake production of by-products.	To make arrangements for assembling, grading, certification, packing and transportation of produce. Marketing of agricultural produce, fetch fair price for the agricultural produce.
3	Objective	The main objective of processing co-operative society is to process on goods.	The main objective of marketing co-operative society is buying and selling of agricultural produce and to get reasonable price.

4	Membership	The farmers growing agricultural produce are its members.	The person who sells the agricultural produce are the members of the marketing co-operative societies.
5	Work area	It is observed that primary marketing society mainly functions in rural areas. Hence, they are known as the foundation of rural industrialization.	This society mainly functions in rural and urban areas.
6	Assistance	By providing assistance for supplementing agricultural related businesses, it provides impetus for development of by-products.	It provides encouragement and guidance for producing agricultural produce of highest quality.

## 8.6 Summary

Even today, the Indian economy is dependent on agriculture to a large extent. Marketing co-operative societies are essential to provide reasonable prices for the agricultural produce to farmers and also to free them from middlemen. These societies are also known as marketing societies. Buying and selling of agricultural produce is the main function of marketing co-operative society. These societies are quite useful for agricultural and rural development.

### ❑ Definition :

Marketing Co-operative Society is a society formed by the farmers on the principles of co-operation for buying and selling of agricultural produce.

### ❑ Features / Characteristics :

1. Voluntary organization of farmers or cultivators
2. Marketing of agricultural produce
3. Large working area limit
4. Capital raising
5. Democratic management
6. Link between credit supply and management
7. Assistance to government in procurement of food grains
8. Federal structure
9. Increase in bargaining power of member
10. Information related to market and other facilities
11. Elimination of middlemen

❑ **Functions of Marketing co-operative societies:**

1. Assembling and grading of agricultural produce
2. Storage facilities
3. Packing of goods
4. Transportation of goods
5. Sale of agricultural produce
6. Advances against agricultural produce
7. Purchase of agricultural produce on behalf of government
8. To provide information to the members
9. Control on pricing
10. Export of agricultural produce

❑ **Organizational Structure of marketing :**

1. Primary Marketing Co-operative Societies
2. District /Central Co-operative Marketing Federation
3. State co-operative marketing Federation
4. National Agricultural Co-operative Marketing Federation (NAFED)

## 8.7 Key Terms

**1) National Agricultural Co-operative Marketing Federation (NAFED) :**

The society which functions to purchase and sell of agricultural produce at national level on co-operative principles.

## 8.8 Exercise

**Q.1 A) Select the proper option from the options given below and rewrite the sentences:**

1. Grading and standardization of agricultural produce is the function of \_\_\_\_\_ co-operative societies.  
(a) Marketing                      (b) Consumer                      (c) Credit
2. India's first Marketing Co-operative society was established in \_\_\_\_\_.  
(a) Gadag                      (b) Hubli                      (c) Chennai
3. Due to lack of \_\_\_\_\_ facility farmers have to sell their produce at given prices.  
(a) Storage      (b) Middlemen      (c) Agent
4. Main objective of Marketing co-operative society is to purchase and sale of goods on \_\_\_\_\_ principle.  
(a) Trade                      (b) Religious                      (c) Co-operative

5. Marketing co-operative societies along with agricultural marketing performs other functions like \_\_\_\_\_.  
 (a) Economical                      (b) Marketing                      (c) Production
6. Marketing co-operative societies provides \_\_\_\_\_ on security against agricultural produce to the farmers.  
 (a) Advance                      (b) Interest                      (c) Donation
7. Due to Marketing co-operative society farmers are saved from \_\_\_\_\_.  
 (a) Government                      (b) Consumer                      (c) Middlemen
8. Marketing co-operative societies functions for maintaining \_\_\_\_\_ prices in market.  
 (a) Stable                      (b) Fluctuating                      (c) Very low

**B) Match the following:**

Group 'A'	Group 'B'
a. Establishment of NAFED	1. Advances to members
b. Marketing Co-operative society	2. Functions at village level
c. Primary Co-operative Marketing societies	3. Buying and Selling of agricultural produce
d. Security on agricultural produce	4. 1951
e. Head office of NAFED	5. Mumbai
	6. Costly goods to consumers
	7. Functions at district level
	8. Production and sale of Industrial goods
	9. 1958
	10. Delhi

**C) Write a word or a phrase or a term which can substitute each one of the following statements :**

1. The federation working at national level on co-operative principles for marketing of goods.
2. The co-operative society which helps farmers to get fair prices for agricultural produce.
3. The factor eliminated from the market due to the functioning of marketing co-operatives societies.
4. The society along with marketing of agricultural goods provide various services like assembling, grading, standardization, packing, storage, transportation, etc.

5. The society which co-ordinates between agricultural credit and marketing.

**D) State whether the following statements are True or False:**

1. Co-ordination between credit and marketing does not help for recovery of loan.
2. Marketing co-operative society keeps price of agricultural produce stable.
3. Marketing co-operative society increases the bargaining power of farmers.
4. Farmers get reasonable prices from agents than Marketing co-operative societies.
5. Marketing co-operative societies performs function of buying and selling of agricultural produce on government principles.
6. Marketing co-operative society provide loan against security on agricultural produce.
7. Agricultural produce do not get fair price due to Marketing co-operative society.

**E) Complete the following sentences:**

1. Due to marketing co-operative society \_\_\_\_\_are eliminated.
2. Marketing co-operative society provides \_\_\_\_\_on mortgage through District Central Co-operative Bank.
3. The head office of NAFED is at \_\_\_\_\_.
4. Grading and standardization is the function of \_\_\_\_\_co-operative society.
5. The function of marketing co-operative society is to keep prices of agricultural goods\_\_\_\_\_
6. Marketing co-operative society increases bargaining power of \_\_\_\_\_.
7. The main object of Marketing co-operative society is buying and selling of agricultural produce on \_\_\_\_\_principle.
8. India's first marketing co-operative society was established in the year\_\_\_\_\_.

**F) Select the correct option:**

1. District Marketing Federation	<input type="text"/>
2. <input type="text"/>	State level
3. Co-ordination between credit and marketing	<input type="text"/>
4. <input type="text"/>	Oil from oilseeds
5. Mortgage of agricultural produce	<input type="text"/>
6. <input type="text"/>	Head office of NAFED



**G) Answer in one sentence:**

1. What is marketing?
2. On what security Marketing co-operative society provides loan to the farmers?
3. Which functions are performed by marketing co-operative society along with buying and selling of agriculture goods?
4. For what reason the farmers have to sell their agricultural produce at the given price?
5. What is NAFED?

**H) Correct the underlined word and rewrite the following sentences:**

1. Due to marketing co-operative societies farmers are relieved from Consumers.
2. Marketing co-operative societies increases the bargaining power of Middlemen.
3. First Marketing co-operative society in India was established at Madras.
4. The working of Marketing co-operative society is on the basis of Dictatorship.
5. Marketing co-operative societies works for Instability of prices for agricultural produce.

**I) Find the odd one:**

1. a) Assembling of agricultural produce.  
b) Construction of house.  
c) Packing of agricultural produce  
d) Transportation of agricultural produce
2. a) NAFED  
b) Partnership firm  
c) State Co-operative Marketing Federation  
d) District Central Co-operative Marketing Federation.

**J) Arrange in proper order:**

1. a) Packing                      b) Sale of agricultural produce  
c) Grading                      d) Assembling

**Q.2. Explain the following key terms:**

1. NAFED
2. Marketing co-operative society
3. State Co-operative Marketing Federation
4. District Central Co-operative Marketing Federation.
5. Primary Marketing Co-operative Societies.

**Q.3. Application based/ Self-opinion question:**

1. Farmers are exploited by the traders and middlemen.
2. Importance of Marketing co-operative societies is increasing
3. Due to Marketing co-operative society the standard of living of the farmers is improved.

**Q.4. Difference Between:**

1. Processing co-operative societies and Marketing co-operative societies
2. Credit co-operative societies and Marketing co-operative societies
3. Service co-operative societies and Marketing co-operative societies

**Q.5. Write short notes:**

1. Features of Marketing co-operative societies
2. National Agricultural Co-operative Marketing Federation (NAFED)
3. Marketing Co-operative Society
4. Functions of Marketing co-operative societies

**Q.6. Give Reasons:**

1. Marketing co-operative society plays an important role in the development of agriculture sector.
2. Due to marketing co-operative societies middlemen are eliminated.
3. Marketing co-operative societies are important from the farmers point of view.
4. The objective of Marketing co-operative society is to provide reasonable prices for agricultural produce.
5. Marketing co-operative societies increases the bargaining power of the farmer.
6. Due to Marketing co-operative society the economic exploitation from the businessmen is stopped.

**Q.7. Answer in Short:**

1. State the functions of Marketing co-operative societies.
2. State the meaning and definition of Marketing co-operative societies
3. State the features of Marketing co-operative societies.

**Q.8. Long answers:**

1. What is Marketing Co-operative society? Explain its features.
2. Define Marketing co-operative societies and explain its functions in detail.

