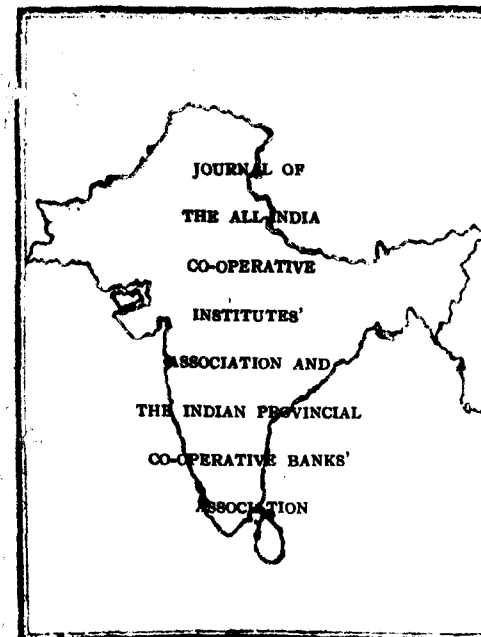


JULY—SEPTEMBER, 1946

The

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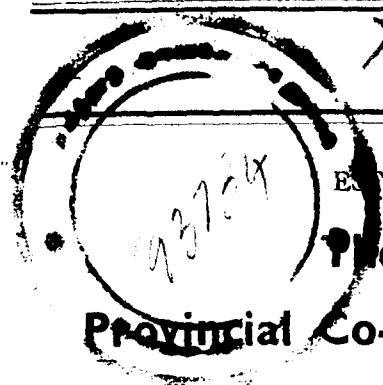
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No. 3

EDITORIAL NOTES

PLEA FOR DUE PLACE FOR INDIA IN THE POST-WAR WORLD

With the successful termination of World War II, the responsibility of the United Nations' Organisation as the guarantor of perpetual peace not only to the war wearied nations but to the humanity as a whole has increased. The constitution of the Economic and Social Council which is charged with the responsibility of achieving universally "(a) Higher standards of living, full employment and conditions of economic and social progress and development; (b) Solutions of international economic, social, health, and related problems, and international cultural and educational co-operation; (c) Universal respect for and observance of human rights and fundamental freedoms for all without distinction as to race, language or religion" is the first step towards the goal. Though the responsibility of giving effect to these declared aims is tied to the Economic and Social Council of the United Nations' Organisation, it cannot be gainsaid that the constituent governments are in any way less responsible for implementing the aims, since the Council cannot achieve any of the objectives without the direct support and active co-operation of all the signatories to the Charter. However, the aims are noble and must satisfy any subject nation especially when backed up by the good-will of freedom loving peoples of the world. But it is not without some measure of dissatisfaction we find that non-self-governing territories are promised, without any time limit, free political institutions only "according to the particular circumstances of each territory and its peoples and their varying stages of advancement". In as-much as the language in which the promise is couched is vague, it may mean anything or nothing. It gives rise to doubt as to the universality of their application, to all nations without favour or prejudice. It is an undisputed fact that the long defunct League of Nations which was organised at the end of World War I with almost an identical end in view failed in achieving its objective, not because it did not pay lip-homage to universally admired sentiments such as self-government, independence, international co-operation, but because the stoic disposition of some of its powerful member-nations owing to some personal reasons stifled its voice against unjustifiable aggression of some nations. This is a bitter fact which the United Nations' Organisation, nay the signatories to the Sanfrancisco Charter cannot afford to forget.

We in India, not as Indians alone but also as members of the International Co-operative Alliance which claims association with the Economic and Social Council of the U.N.O., believing in and practising as we do, in our own humble way, equity, equality and fraternity, cannot conceive any

nation continuing as a subject nation any longer, simply because it has not sufficiently advanced in the eyes of some Imperialist and powerful member governments of the U.N.O. We appeal to the various national co-operative organisations, and the International Co-operative Alliance in particular to advocate unflinchingly the cause of India and to bring to bear on the Economic and Social Council of the United Nations' Organisation as well as the British Government the necessity of instituting a national government in India without undue delay and according her due place in the new order of things that is being shaped. The post-war problems that face the country and demand immediate solution are many and varied, and no alien government can satisfactorily solve them as a national government of the people can alone do.

INDIAN AGRICULTURE AND F. A. O.

To devise ways and means for implementing effectively one of the four freedoms of the Atlantic Charter *viz.* freedom from want without distinction of race or colour, the Food and Agriculture Organisation of the United Nations' Organisation met at Quebec. Representatives of thirty countries from all corners of the world including India attended the Conference and signed the constitution of the Food and Agriculture Organisation (F.A.O.). The agricultural conditions and food situation prevailing in the various countries represented at the Conference and the type of organisation into which, the representatives expected, the F.A.O. to develop for tackling the specific problems of the various countries was discussed at length. The atmosphere that prevailed at the Conference was such that there was an universal feeling that if there should be no further war, poverty, or ill-health want should be rooted out from the face of this earth and that time had come "when tanks were turned into tractors and the factories which manufactured explosives were converted to produce fertilizers and humanity entered an era of peace and plenty." One of the objectives of the F.A.O. is to undertake a comprehensive world survey of production, consumption and international trade in major agricultural products as compared with world needs for improved nutrition. The underlying idea is that information about surplus stocks shall be made available to deficit member-countries and also to ensure a fair and equitable price to the producer so as to avert the tragic effects of another slump. F.A.O. will undertake scientific research, and the results thereof will be compiled and made available to member-countries through a bibliographic service. Through this organisation, extension of material including literature and plans will be made available. F.A.O. will also maintain a panel of experts and will send technical missions to countries which desire their services. In co-operation with the International Bank of Reconstruction and Development it proposes to render help to less developed countries in the field of credit.

Unlike the League of Nations which is a centralised body, the F.A.O. will have regional offices which will facilitate intimate contacts with the peoples and problems of different countries. It is also understood that the

personnel of the F.A.O. will be truly international in character and represent the various regions. It is likely that India too will have a regional office.

It is pleasing to note that India as one of the members of the F.A.O. will be in a position to derive benefit from the results of the scientific researches conducted by the F.A.O. The accumulated experience of countries more advanced in modern methods of agriculture made available through pamphlets, charts, posters, radio discs and films by the F.A.O. and the access to agricultural machinery, plant and animal stock, scientific and technical information through the agency of the F.A.O. will be of decided value and particularly useful to a country like ours, which is woefully short of food, quantitatively and qualitatively. It is estimated that with regard to food grains, India requires 69 million tons of cereals and 12 million tons of pulses, not to mention the deficiency in protective foods, like fruits, vegetables, milk and milk products, eggs. The present level of agricultural production in our country is far below the requirements as ascertained by dietetic experts. The second world war and the recent famine in Bengal have laid bare the weakness of the Indian economy and the miserably low level of food production in the country, and the imperative need to increase the output. Therefore all possible efforts should be made in the direction of securing increased yield per acre of different crops. Only then, can we hope to successfully ward off starvation which stares in the face of millions of our countrymen.

While India hopes to profit by her membership in an organisation like the F.A.O. she has a serious handicap in respect of the largescale application of the beneficial results of modern scientific research to be made available through the agency of the F.A.O. It is the present deplorably small size and fragmented state of our holdings. Again a radical change in the system of land-tenures is a pre-requisite to the large scale application of modern scientific methods of agriculture. Further the non-cultivating agricultural land-owners are steadily increasing, and the toll that is levied by them on the labourers who toil for them kills all initiative and enterprise on the part of the agricultural labourer. The Second Report of the Famine Enquiry Commission has drawn attention to the gravity of this problem and has recommended that the Provincial Governments should set afoot comprehensive enquiries to find out effective measures to remedy the defects.

Sir Manilal B. Nanavati, in his presidential address to the Indian Society of Agricultural Economics, lays the blame of this present deplorable position on the shoulders of the Government of India. He says "The Indian Government's neglect of the land problem is responsible for the poverty of the people and the squalor and misery in the rural areas. Government have deliberately followed this policy of ruralisation as opposed to industrialisation. Having followed this policy, they were unable to adopt measures of agrarian reform; for such reforms would mean releasing a part

of the surplus rural population and finding employment for them elsewhere. This policy has had a doubly disastrous effect. On the one hand the conditions in the villages have grown progressively worse. The entire village was often a slum — in fact some of the villages were dung-heaps. The bolder spirits of the village naturally left the countryside with the result that both agriculture and handicrafts lost their guidance and patronage. On the other hand, new vested interests had been created in the land especially in the zamindari areas and this had barred effectively the path of progress. This war has brought home to us the weakness of the Indian economy. On account of the Bengal famine and the epidemics in other parts of the country in 1943-44, over two million people lost their lives. The influx of destitutes into Calcutta continues even now and papers report from time to time cases of deaths of such destitutes. The Indian Famine Commission has brought out a report in two volumes on this question. The Commission found that the situation of this country in respect of food is fundamentally unsound. The Grow More Food Campaign, in spite of heavy expenditure, has yielded but small results. Prices of food grains are beyond the reach of certain classes of the population. Nutritive and protective foods are not available in desired quantities. Nearly thirty per cent of the population in India is estimated to be suffering from chronic malnutrition and undernutrition. The cessation of the war is not going to ease the situation immediately. The war-devastated countries of Europe have to be fed. There is scarcity of shipping, which will last for a considerable time to come. Our population in the meanwhile, as during recent years, goes on increasing while the general economic condition is not improving. During the last 75 years, continuous deterioration in the condition of the masses has been taking place. In 1880 India had a surplus of five million tons of food grains and now there was a deficit of ten million tons. The consumption of food was then estimated at one and a half pounds per individual, and now it was one pound. The man—land ratio was steadily rising. In 1872, 56 per cent of the population was supported by agriculture: this proportion had now increased to 73 per cent."

We are in entire agreement with Sir Manilal Nanavati regarding the immediate need for agrarian reform, as only then the productivity of the land will be improved and the worker enabled to get the fullest benefit from his holding.

The advantages derived by large sized holdings can be easily understood by a study of some of the details about the American agricultural farms and the modern and scientific methods of agriculture adopted by the American farmers. For the application of modern methods of cultivation as an economic and practical proposition the size of the farm is of utmost importance. The larger the size of the farm the better will be the results. The average size of the American farm is about 160 acres and in some cases the area is about 320 acres and these farms are entirely mechanised so that the entire crop is often being planted, cultivated and harvested with

tractor power and mechanical corn pickers. The typical 160 acre farm in U.S.A. is operated by the owner and his family without the aid of hired labour and only when the farm is about 320 acres in area the help of a hired servant for running the farm is sought. The use of modern machinery, the well planned farm buildings and the soil conditions are the reasons why less of labour is used on American farms. According to the pre-war figures published by the International Institute of Agriculture, Rome, in U.S.A. there were 42 hired farmer workers for every 100 farmers. Family farming is considered to be the backbone of agriculture in U.S.A. which has 6 million farms and 330 million acres in harvested crops. In U.S.S.R. also the successful development of agriculture is due to large tracts of land being cultivated by mechanical power. Collective farming is the essence of Russian agriculture. U.S.S.R. Agricultural Development plan for 1945 makes provision for an increase of 8.1 million hectares in the area under cultivation in 1945 (over 1944) by which 5.9 million hectares will be cultivated by collective farms.

The concern the State shows in U.S.A., Great Britain and U.S.S.R. in the development of agriculture is worth noting. The Government of U.S.A. interests in a very large measure in the development of agriculture by Rural Electrification Administration and by granting subsidies to farmers. The Farm Credit Administration of the Department of Agriculture has invested 120 million dollars of Government money which is operated through 628 productive credit associations which are essentially farmers' co-operative societies. In 1944 the U.S.S.R. Agricultural Bank lent to the Collective farms of the liberated areas more than 265 million roubles in the form of long term loans for the reconstruction of destroyed houses and purchase of cattle. Loans to the extent of 350 million roubles are budgetted for 1945.

The Present state of Indian agriculture is at a very low ebb. Apart from the small extent of the average holding, poverty and illiteracy of the vast majority of the peasantry also contribute in a very large measure to such a sad state of affairs. It is an irony of fate that in a predominantly agricultural country like India, improvement of agricultural economy is moving at a snail's pace. The State should take greater and more active interest in subsidising agriculture, if real and effective development has to take place. For creating the necessary incentive in the cultivator and to impress the agricultural interests on the imperative need for adopting in future the latest methods of agriculture, the State should adopt a policy of free supply of fertilisers and improved strains of seeds for a reasonable period. If a free supply is an impracticable proposition, they may be made available on a subsidized basis.

Now that the Government is making grants of land to the demobilised soldiers, it will be beneficial both to the recipients as well as the agricultural community in general if such grants are made in a collective manner *i.e.* in one particular place for all the recipients in a district so that the collective

holding will be large enough to make the application of latest methods of cultivation feasible and which will practically demonstrate to the countryside the beneficial results of collective or co-operative farming and the use of mechanised methods of cultivation, use of fertilizers and improved variety of seeds.

Co-operators all over the country should deem it their duty to eradicate the evil influences which impede the progress of agriculture and strive to see that India benefits by the experience of such advanced countries like U.S.A., U.S.S.R. and Great Britain in the adoption of latest methods of agriculture and collective farming.

CO-OPERATIVE PROCUREMENT AND DISTRIBUTION OF FOOD GRAINS IN HYDERABAD

Co-operators all over the country will congratulate and pay tributes to H.E.H. the Nizam's Government for the most practical and courageous manner in which it has tackled the food problem. Most appropriately the foremost place has been given to the consideration of the food problem among the post-war development plans and a long-range view has been taken in planning and executing the food policy which touches the entire population so intimately and vitally. What is of importance for co-operators to note is the enlistment of non-official co-operation by the Nizam's Government in implementing its food policy and the co-operative turn it has given to the food administration. Very rightly has the Nizam's Government held the view that the most effective way to check corruption and black markets is to entrust the food administration in a larger measure to popular elements, and to indent on the services of the co-operative organisations in the procurement and distribution of food grains. The village food committees and the food advisory committees set up in all taluks and districts and at the centre were designed in such a way as to maintain close co-operation with all sections of public opinion from village to the city. It is through the application of the co-operative principle to the solution of the food problem that the various shortcomings which manifested themselves are tried to be remedied. The main idea underlying the efforts of the Nizam's Government is to ensure fair prices both to the producer and the consumer and the building up of sufficient stocks of grain so that the people in the deficit areas may not suffer from the pangs of hunger and the merciless activities of the black-marketeers. With this object in view active association, on co-operative basis, of the representatives of the producer, the consumer and the trader with their machinery for the procurement and the distribution of food grains, was considered necessary as it was undoubtedly felt that the co-operative food machinery, where both the producer and the consumer are interested, has distinct and decided advantages over that based on individual effort and enterprise. The plan of action contemplated by the Nizam's Government in this behalf is worth mentioning.

The Hyderabad Commercial Corporation, which was started for the procurement and distribution of food grains, will function permanently but as a co-operative apex or central organisation of a vast network of co-operative organisations having their base in the smallest village of the Dominions. Every village will have a co-operative grain bank. In these grain banks will be pooled one-eighth of the grain sold by the cultivator to the Government. It would mean that one-eighth of the village produce will be retained in the village itself for the benefit of the landless labourers and the petty cultivators who can look to the bank for their seed and food requirements. The grain bank will lend grain to them at a low rate of interest and it is contemplated in course of time to free the people in the village from the clutches of professional moneylenders. Seven hundred such grain banks have come into existence. The ultimate aim is to develop these units as multipurpose village banks and rural reconstruction units. They are also intended to function as agencies for distribution of improved seeds, manures and agricultural implements.

The second link in the chain from the bottom is the taluka co-operative union, to which these grain banks will be affiliated. These taluka co-operative unions are producers' organisations registered under the Co-operative Societies Act. The taluka union will have a branch for every group of 25 or 30 villages and these unions are intended to be multipurpose societies, but their function will be to market the agricultural produce of the taluka and secure the best price for the cultivator. The membership of these bodies consists of all co-operative societies in a taluka as also of individuals residing in the taluka each possessing at least one share of Rs. 10. The taluka unions will be affiliated to the central organisation viz., the Hyderabad Co-operative Corporation.

The Nizam's Government has also taken on hand a scheme of construction of a network of godowns and warehouses by subsidizing their cost so as to facilitate the storage and marketing of agricultural produce. The development plan of the Nizam's Government which aims at the deofficialisation of their food administration and to help the agriculturist and the consumer in all possible ways by utilising the services of the co-operative machinery will, we are sure, be appreciated by every co-operator in our country.

A DRAFT FIVE-YEAR PLAN FOR CO-OPERATIVE RECONSTRUCTION IN THE CENTRAL PROVINCES AND BERAR

We publish elsewhere the broad outlines of the draft five-year plan for co-operative reconstruction in the Central Provinces and Berar drawn up by Mr. K. N. Nagarkatti, I.C.S., Registrar of Co-operative Societies. Mr. Nagarkatti invites co-operative opinion and criticism on his plan. The plan, in the first instance, aims at remedying the defects, in the existing structure of the co-operative movement in India, which was "started mainly with the *single* object of providing cheap credit to agriculturists", that have been responsible for its failure not only in its chosen object of solving the

problem of debt, but also in extending its activities in the numerous and important directions other than those of credit, after a long trial of over forty years. "The failure of the co-operative credit movement", he says, "was due, firstly, to the almost complete absence of other forms of co-operative activity (such as co-operative production and marketing) with which alone it could have been suitably linked; secondly, to the inelasticity of the credit machinery; and thirdly, to the insufficiency of the scope as well as of the business that was available to the smallest unit, namely, the primary credit society," which is the pivot of the structure.

As remedial measures he suggests the organisation of village (multi-purpose) societies having a jurisdiction of over 5 to 10 villages in the place of the primary credit societies. As per his plan, the village society is essentially a retailing institution which will assist the central bank and acts as its agent in the matter of dispensing agricultural credit without investing its own moneys in this business as it has to finance non-credit business and also as it is risky for the same institution to do both banking and trading. The central bank will do all credit business — short, medium and long term — and deal direct with the borrowers besides financing the tahsil agricultural associations. The village societies in a tahsil will be affiliated to the tahsil agricultural association which will, as a wholesale society for its village societies, stock bulk quantities of consumer goods which are in great demand; set up its own processing industries and maintain efficient transport service of its own; organise assistance to cottage industries; popularise new methods of production and use; set up its own factories, where possible for manufacture of simple things like manurial mixtures, bone-meal, agricultural or other implements, processed foods, etc.; own tractors, etc., for hiring out to cultivators and serve as the medium for propaganda and education for the whole of the area within its jurisdiction. The urban stores and wholesale co-operative stores would play a similar role in urban areas which the rural co-operative units play in rural areas. The provincial apex institutions including the provincial marketing and financing board, which will be a deliberative and administrative body with authority over the entire provincial co-operative organisation, will serve as co-ordinating institutions. "This co-operative organisation when fully built up," Mr. Nagarkatti hopes, "will become a powerful trade union of the producers as well as of the consumers."

At the outset it will be seen that the proposals for reorganisation embody radical and drastic changes and undertaking of such a thorough reorganisation needs a critical study of the details of the plan with a view to find out the practicability or otherwise and the advantages the new system is likely to yield. The arguments advanced with regard to the unworkable nature of the present system of co-operative credit and in support of the changes suggested are no doubt open to criticism. Yet, in our opinion, they merit careful and detailed study by the co-operators.

POST-WAR FOOD POLICY FOR MADRAS

By C. W. B. ZACHARIAS,
University of Madras.

The Provinces of Madras and Bombay form the crux of the Indian food problem. The large deficits in rice and gram in these two provinces constitute two-thirds of the total food deficit of the country, while the other provinces and Indian States account only for one-third of the over-all deficit. The share of Madras is a little more than one-third, and of Bombay a little less than a third. Of all the provinces the problem in Madras is the gravest, and so the food policy adopted in Madras will make an appreciable contribution to the solution of the all-India problem. In addition to rice and gram, Madras is deficient to the extent of a few thousand tons in normal years in sugar, millets and wheat also, but since these deficits are largely met by importation from other provinces they do not go to aggravate the Indian situation.

But the problem as it presents itself now is not merely the problem of covering these deficits, but also the larger one of providing sufficient quantities of food required for a balanced diet. This second aspect is of equal significance to all the provinces, and on the main principles to be followed there can hardly be any difference between province and province or between the centre and the provinces. For this reason also a policy formulated for Madras will be seen to have much relevance to the solution of the Indian problem.

In point of urgency food policy comes first among post-war policies and demands precise and unequivocal formulation even in the immediate post-war period. The continuance of scarcity conditions for some more years does not obviate this necessity, but on the other hand, makes it all the more necessary that there should be a clear enunciation of the ultimate objectives that a policy couched in long-run terms should subserve. The short-run policy is bound to be different from the long-run policy, but the differences will in the main relate to procurement and distribution rather than to production. The production problem remains identically the same in peace time as in war time, viz., increased production of food materials within the country. In this sense there can be no transitional problem. In another and a significant sense there is, no doubt, a transition, a transition from a controlled to a free economy, but at what time such a transition should be effected is a matter for policy to determine and not one which policy can take as given. The question, on reflection, will be seen to turn on the production policy adopted and the progress made towards its fulfilment. Whatever may be the points of divergence between the short-run and the long-run programmes there should be continuity in essentials and the short-run programme must naturally and with little modification lead to the long-range plan. For that a full enunciation of food policy is called for even now.

Such a policy should in the first place be based on the province's potential; secondly, should be related to the economic context in which it will operate; and thirdly, should implement in addition to objectives intrinsic to it the objectives of a wider agricultural policy. The immediate economic context will be marked by the transition from a war to a peace economy, which while creating difficulties will also offer opportunities, and the aim of policy should be to remove the former and avail of the latter. The general economic policy to be followed in the transition will be important, for food policy must fit into the context created by it. The major elements of the desirable economic policy are fairly obvious now and would appear to be the maintenance of full employment and activity and the stabilization of prices and incomes at the existing levels. The long-run context as far as can be foreseen now will be an expanding economy with an increasing population and a rising standard of living. In the international sphere scarcity conditions will generally prevail in the transition period, but once it is over, the re-emergence of competition, especially in food materials, from Burma, Siam and Indo-China, may be taken as a certainty. The desiderata in agricultural policy are (1) the maintenance of a proper balance between agriculture and the other branches of the economy, (2) the establishment of fair terms of trade between agricultural commodities and industrial products and (3) the provision of a larger size of the national income to the agriculturists. Food policy which will affect 80 per cent of the agriculturists must implement these objectives as part of a larger whole, but in addition keep in view certain distinct aims of its own.

The broad aim of food policy should be the production within the province of adequate quantities of the different food materials required for a balanced diet. While a balanced diet will be the ultimate end in view, existing consumption habits will be the basis of the determination of requirements immediately. That self-sufficiency in the matter of food should be ultimately attained in the country, few will dispute. In a pre-eminently agricultural country as large as a sub-continent, dependence on outside supplies should be rightly viewed as an unfortunate maladjustment needing correction in the quickest possible time. India's case is not parallel with the case of highly industrialized countries of the west with populations far in excess of what may be supported with the food raised within. From a position of self-sufficiency the country slid down to one of dependence mainly through the separation of Burma, but that separation has steadily revealed the growing gulf between the two, both economically and politically. Solicitude for Burma or for the interests of Indian *emigres* there need not therefore give countenance to a policy of dependence if on general grounds self-sufficiency is seen to be desirable.

The argument of dear food is the one argument that may be brought against this policy, but that argument will not have the same force in India as it had in Britain, for the simple reason that the growers of food do not form such a small minority here as they did there. Out of the 78 per cent of the population dependent on agriculture nearly 80 per cent are growers

of food, and so they form not less than 60 per cent of the total population. Small holders without a surplus for sale may not as producers benefit from the high price of food but under the proposals made below they will in course of time become producers of protective foods with substantial surpluses for sale. The percentage likely to benefit as producers therefore will increase with every progress made in food production. When their interests as producers are set off against the interest of the rest as consumers it will be seen that on balance the advantages of dear food outweigh the disadvantages. This, of course, is on the assumption that a policy of self-sufficiency will make food dearer. Such an assumption applicable to the long period is clearly unwarranted, and even as regards the immediate future there can be no certainty that Burmese or Siamese rice or pulses will come into the country at as low prices as before. Uncertainty prevails as regards Burmese costs, while on the other hand there is every likelihood of Indian costs steadily going down as the full effects of the Grow More Food Campaign are realized.

The over-all deficit in India is a bare 5 per cent—a negligible quantity—which can be covered without much difficulty if the appropriate policy is pursued systematically. The poor results of the Grow More Food Campaign so far have to be attributed, as the Famine Enquiry Commission have said, to the lack of fertilizers and irrigational facilities; but the removal of these deficiencies, imperative for any kind of agricultural development, is rendered easier by the return of the conditions of peace. For this province, the deficit is of a larger percentage, about 10 per cent according to official calculations, but between 20 and 25 per cent according to certain others. To make up this leeway without the aid of other provinces is more difficult, but the land area and the man power of the province indicate a potential, far in excess of possibilities in other provinces. Though attainment of self-sufficiency may not be immediately practicable, that aim should nevertheless be steadily pursued. As intensification proceeds, as it surely will, to raise agricultural productivity and provide avenues of employment for the growing population, self-sufficiency in food is almost inevitable. So the adoption of that aim at the present time will merely be a forestalling of what is bound to come in any case.

In trying to increase production within the province, the calculation of requirements should be on the basis of proper nutritional standards. Existing consumption habits are known to be defective in many respects. With the more well-to-do classes the prevalent defect is malnutrition, and with the poorer sections it is under-nourishment. From a study of the analysis of family budgets made in four villages in the Re-survey of Some South Indian Villages by Dr. P. J. Thomas and Mr. K. C. Ramakrishnan it is seen that the caloric value of the food consumed even by the poorer classes of rural folk is fairly high, higher than the required caloric value in a balanced diet, but its composition being unbalanced, proper nourishment is not received. Carbohydrates loom large in the diet of all classes of rural folk, while proteins and fats and vitamins are altogether insufficient. Where

there is a greater substitution of rice by dry grains, as in the case of agricultural labourers, artisans and village menials, the weight of food and its caloric value are both higher. In view of this, the tendency noticed in rural areas towards an increased consumption of rice in lieu of millets has to be deplored. Neither is of protein, fat or vitamin value, but energy value is higher for millets than for rice of equal money value. This is perhaps the most important reason why the small holders as a class consume less food materials and derive less caloric value from the food they consume than agricultural labourers or village artisans. Standing midway between the well-to-do landlords on the one hand and tenants and agricultural labourers on the other, they attempt to model their consumption with the means at their disposal on the habits of the rich. Their cereal consumption is partly made up of rice and partly of dry grains, on the whole rice predominating, with the result that they have little money resources left for expenditure on protein and fat yielding foods. The agricultural labourers, on the other hand, show greater sense in confining their cereal consumption to the cheaper dry grains.

In providing a balanced diet and eradicating the problem of malnutrition, the small holders present a more difficult problem. Possible schemes of subsidized consumption will hardly touch them except children attending schools and nursing and expectant mothers among them. If they are also agricultural labourers, as some of them are during the busy seasons, the insistence on the provision of a good meal by the employers may do something in the direction, but not sufficient to prove an adequate solution of the problem. The real remedy lies in converting them from small holders of low incomes to small holders of higher incomes by the substitution of vegetable growing and dairy farming for cereal cultivation. Intensive culture of high value crops is, from the experience of Britain, Denmark and certain other countries, the only way of generating prosperity among them.

Production Policy

For calculating requirements 2,600 calories of a balanced diet per day per adult given by the Post-War Reconstruction Committee of Council may be adopted. On that basis quantities of food materials required for the estimated population of the province for the current year and for 1950 are given below:—

Year	Estimated Population (Millions)	Population in terms of adults (Millions)	Quantities required for a balanced diet (in Million tons)							
			Cereals	Pulses	Sugar	Vegetables	Fruits	Fats and Oils	Milk (whole)	Meat, Fish and Eggs
1945 ...	52.2	39.1	6.3	1.1	.8	2.3	.8	.58	3.1	.92
1950 ...	55.2	41.6	6.7	1.15	.85	2.4	.85	.63	3.3	.97
Present Production ...	...	...	7.2	.23	.34	1.5		...	1.7	...
...	...	...	...	...	...	...	...	...	...	...

A comparison of the quantities required with the quantities at present produced within the province shows that there is a surplus in cereals, but in all other materials the province has a deficit, the deficit in milk being most pronounced. But immediate deficits calculated on the basis of existing consumption habits exist only in cereals, pulses and sugar.

Cereals

The cereal deficit, according to official estimates, is only 400,000 tons, but according to a calculation I have made elsewhere is normally of the order of 1 million tons.¹ Almost the whole of it is the deficit in rice. In pulses, sugar and wheat the deficits are on official estimates 240,000 tons, 57,000 tons and 70,000 tons respectively. As a result of the Grow More Food Campaign an increase of 130,000 tons in cereal production has been effected, leaving a deficit of 870,000 tons still to be covered. This deficit will be 1.8 million tons if the calculation is based not on effective demand but on an adequate cereal diet. On the basis of a balanced diet, however, the total requirement of cereals within the province for any of the next five years will not exceed the 7 million tons normally produced at present. In view of ultimate requirement being very much less than immediate requirement the policy to be followed in respect of cereal production should be carefully considered. For effecting a full change in the food habits of the people a fairly long period, not less than a generation, is needed, but if attempts are immediately made to initiate the change, in the course of 5 or 10 years some progress towards the goal can be made. Already there is evidence to show that in the consumption of the more well-to-do classes protective foods are fast supplanting cereals, and among cereals wheat is taking a more prominent place than hitherto. With intensive propaganda, supply of protective foods at economic prices and an invocation of a demand for them through schemes of subsidized consumption to be dealt with below, an acceleration of this tendency can be engineered. Simultaneously propaganda must try to check the tendency already noticed above for rice to gain on the millets in the consumption of the poorer sections of the people.

The immediate necessity has to be met through increased production and importation, but both in production and importation the more nourishing cereals should predominate. In view of the uncertainty of supplies from Burma and of the difficulty of securing railway transport for importation from other provinces, the Grow More Food Campaign must be conducted with even greater vigour. Greater reliance on intensive methods as hitherto should characterize the Campaign and wherever possible extension of cultivation into the culturable waste and current fallows should be facilitated through the grant of concessions already on tap. Schemes of seed, manure and implement distribution with the subsidy attached to them must continue on a wider scale and with greater intensification. Irrigation,

¹ Cereal production in Madras; *Journal of the Madras University*, Vol. XV, No. 2,

which is the crux of the problem, should be furthered by the construction of minor irrigation works, such as wells, pending the construction of larger schemes. Equal importance has to be attached to the manufacture of artificial fertilizers within the country and their sale at economic prices. For extension of cultivation into the waste co-operative land reclamation societies should be formed in areas of compact blocks newly assigned for cultivation. Schemes of settling demobilized soldiers in rural areas already drawn up by the Government should also be utilized for an extended production of food. The two conditions that they should grow food and that they should join a land reclamation society, may be imposed on the grant or assignment of land to them.

As intensification proceeds and begins to yield full results further extension of the area under cereals will not be needed. According to calculations made by Dr. Burns,² a 30 per cent increase in the rice yield and a 20 per cent increase in millets can be secured through intensive methods. Since the deficit in cereals is only 20 to 25 per cent, the needed increase can eventually be gained through intensification alone. That means that the 7 million tons of cereals which will be required for a balanced diet for the estimated population of 1950 can all be raised on three quarters of the present acreage under cereals. Immediately, however, the paucity of fertilizers and efficient implements and other requisites of scientific agriculture will moderate the process of intensification and make dependence on extension of cultivation also necessary. Such extension should be to new land, which once brought under cultivation, will continue to be available for agriculture even when cereal acreage is in course of time reduced.

Pulses

In pulses the deficit is 240,000 tons at present, but calculated on the basis of nutritional standards will be 0.75 million tons. Present production also is about 240,000 tons. Doubling the yield is an immediate necessity, not only to cover the deficit but also to increase the fertility of soil. As fertilizing crops they enrich the soil, and should therefore find a prominent place in the agriculture of the province. The present acreage is about 2.9 million which should double immediately and become fourfold in course of time. Existing rate of yield is 500 to 600 lbs. per acre which is undoubtedly capable of increase, but by how much has not been worked out by agricultural experts. Reliance has therefore to be placed on extension. This may be done by the introduction of a proper system of rotation in cereal areas. Immediate possibilities are however limited, and so imports must play a significant part for sometime to come.

Sugar

In sugar the deficit is 57,000 tons at present, but calculated on the basis of a balanced diet will be 0.5 million tons. The present acreage

² Dr. W. Burns—*Technological Possibilities in the Development of Agriculture in India*.

under sugarcane is about 100,000 acres, which is no higher than what it was at the beginning of the inter-war period. That shows that in spite of propaganda and the grant of protection to the sugar industry its cultivation has not caught in the province. (The acreage under other sugar crops is the negligible figure of 8,000 acres.) The disappointing result may be attributed to the greater expense in cultivation and the non-availability of water and nitrogen in sufficient quantities. The yield per acre in this province is the highest in India, very nearly 3 tons of raw sugar or *gur* per acre, which goes to show the high potency the presidency has for an extended cultivation of the crop. The yield per acre nevertheless compares unfavourably with the 4 ton yield of Java or the $4\frac{1}{2}$ ton of Hawaii. To be self-sufficient under a system of high culture the acreage must be doubled to 200,000 acres. This extension can doubtless take place in lands released from cereals in the deltaic regions of the province. Intensification should proceed simultaneously with extension of the area by replacing existing strains by new strains possessing a higher percentage of juice to roughage. Methods of crushing and refinement which are crude at present would also need improvement.

Fruits and Vegetables

Present acreage under fruits and vegetables including the new acreage brought under them as a result of the Grow More Food Campaign is 727,800 acres. No official estimates exist regarding the yield, but it may be placed roughly at $1\frac{1}{2}$ to 2 million tons. The new acreage of 27,800 acres is stated to yield 72,400 tons per annum. At that rate the total yield will be about 2 million tons. From this a deduction of $\frac{1}{2}$ million tons will have to be made to make allowance for lax and inefficient cultivation. The new acreage is all under potatoes and English vegetables and methods of high culture are followed there. Special loans and concessions apply to them and high quality seed and manure are supplied to the cultivators by governmental agencies at reduced prices. The same rate of yield therefore cannot be attributed to the total area under these crops. In addition to internal production there is also importation of fruits, fresh and canned, from other parts of India and from foreign countries, but the quantities involved are negligible.

To reach the target of production under nutritional standards production must be doubled to 3.1 million tons. That means that the total acreage devoted to it should be about $1\frac{1}{2}$ million acres. With increased manuring and more abundant supply of water coupled with improved seed, the acreage may ultimately be reduced to 1 million acres or thereabouts. Much of this acreage must be in the plains for the cultivation of indigenous varieties, especially greens to meet the demands of the poor. In fruit culture there appears to be scope for the increased cultivation of bananas, papayas, pineapple, strawberry and citrus fruits to explore the possibilities of which the Government have appointed a Research Officer. Since however all localities are not equally suitable for cultivation, distribution of the

acreage over the presidency should be effected on a planned basis. In localities of production fruit canning may be developed as a cottage industry.

Immediately an increase in the vegetable area is possible without encroaching on the cereal acreage under the methods adopted under the Grow More Food Campaign of utilizing compounds of institutions, vacant village and town sites, tank beds in the dry season and the backyards of houses. Most of this cultivation will come in the category of home production which as a permanent feature in the agriculture of the province has much to commend itself both as an avenue of occupation and as a source of supplementary income. British example in the War Food Production Drive clearly indicates the high potential that this method has. In the long run, however, a positive diversion of released cereal acreage to market gardening, scattered as widely as possible over the province, should take place. This diversion is best effected through a transformation of small cereal farms into vegetable and fruit gardens. The conversion of smaller holdings into vegetable or fruit gardens, hitherto possible only in suburban areas, will, with a scattering of the market for these products, be rendered remunerative even in rural areas, and in addition make for the more economic utilization of existing submarginal farms. That much may be achieved through such conversion in increasing production and raising incomes, for long an axiom in agricultural economic theory, has received the latest practical confirmation from the war-time allotment holdings of Britain. The device of mixed farming, especially in irrigated tracts, may also be utilized for the purpose of increasing production.

Milk

Of all the different foods milk will offer the most difficult problem. From the nutritional point of view it is the most perfect food and is of special importance to growing children, the sick and the ailing, and to expectant and nursing mothers. It is therefore most desirable that in the food supply of a nation it should constitute as large a proportion as possible. Unfortunately, production in this province is about the lowest in India, only Assam and Bengal recording lower rates of daily output per head of the population. Dr. N. C. Wright's estimate of the daily production of whole milk per head of the population in this province for 1937 was 3.6 oz. which is less than half the daily adult requirement of 8 oz. in a balanced diet.³ Annual production now at 1.7 million tons should thus increase to 3.5 million tons. This has to be achieved through proper feeding, better breeding, control of diseases and through an increase of cattle population. Proper feeding may be expected to give quicker results than the other methods, but it is necessary to guard against an exaggerated idea of the possibility here. Dr. Burn's estimate of a 30 per cent increase through feeding on the best milch fodder is conservative enough to serve as a basis

³N. C. Wright, *Report on the Development of the Cattle and Dairy Industries of India*.

of action. Proper feeding in the opinion of the Animal Husbandry Adviser to the Government of India should consist of the provision of silage, good hay and concentrates to cows in calf and the feeding of calves on skim milk. This will require an extension of the area under fodder crops and an acceleration of the tendency, clearly noticeable in British India in the inter-war period, but less marked in this presidency, for fodder crops to encroach upon cereals. Such extension may be effected through the device of mixed farming for raising such crops as berseem and lucerne which are of high value as milch fodder. In the preparation of good hay, the Forest Department should take a hand, as is done in the Central Provinces, and the preparation and sale of concentrates should be made a responsibility of the Veterinary Department. The oil cakes needed for the manufacture of concentrates will in increasing measure be available in the province as the groundnut oil industry expands sufficiently to crush all the nuts grown here.

Better breeding, better management and control of diseases are estimated by Dr. Burns to increase production by 15 per cent each.⁴ Better breeding will not only have a direct influence on milk production but will indirectly through a more fuller utilization of available fodder contribute to an increase. Better breeds yield more milk with proportionately less consumption of fodder and secure many other economies of organisation as well. Dr. Wright has calculated that by raising the level of production from 7 lbs. to 14 lbs. per day per animal, fodder requirement per lb. is reduced by 50 per cent.⁵ Better breeding requires a more ample provision of stud bulls, demonstration and experimental farms and a more vigorous propaganda. Out of the 89 cattle breeding farms maintained by the Governments in India only four are located in Madras. Of all the provinces in India, Madras seems to be most benighted in this respect. The stud bulls selected should as far as possible be indigenous and chosen on the basis of the milk yield. The search after a dual purpose animal, as the Royal Commission on Agriculture has said, is likely to be a futile search. For the control of breeding as well as the eradication of pests an extension of the activities of the Veterinary Department is called for.

Whatever may be done by better feeding and more scientific breedings increased milk production would appear to depend to a certain extent on an increase of bovine population. The milch animals in Madras, both cows and buffaloes, are less in number in relation to the density of human population than in any other province of India. We have here only 46.8 animals per square mile with a density in human population of 328.5.⁶ In the small holdings of the province the number of milch animals per farm hardly exceeds 2 cows and 2 buffaloes—figures which do not stand comparison with the 9 of Denmark, 12 of U. S. A. and 25 of United Kingdom.

⁴*Ibid.*

⁵*Ibid.*

⁶N. C. Wright *Ibid.*

Immediately therefore a resort must be had to the importation of milch animals from other provinces. The Government of Sind seem to have agreed to send 500 animals per month to Madras and negotiations are going on for securing another 300 from other provinces and some Indian States. Ultimately a 25 per cent increase in milk production must be secured through an increase in the number of animals.

In the import and breeding policy, however, greater attention should be given to the superiority of the buffalo as a producer of milk. The average lactation yield of the buffalo is twice the cow yield on proportionately less fodder, and it is found in Madras that a buffalo population of 2.3 million yields almost as much milk per year as 4.2 million cows.⁷ The very high daily output of milk of the Punjab (18.3 oz.) is partly attributable to the higher proportion that buffaloes bear to cows there than anywhere else in India. The relative density of cow and buffalo population should therefore alter in favour of the buffalo. There has already been a marked tendency in that direction in British India as a whole since 1915, but that tendency needs acceleration by more positive measures.

At the present time dairy farming in rural areas is organized most economically as a side activity of arable farming. The cows are mostly fed on dry fodder and no expenditure is incurred in terms of labour for their management. The average cost of production hardly exceeds 6 pies per lb.⁸ Contrasted with this low cost are the higher costs ranging between 6½ and 11 pies per lb. and sometimes going up to even 1 anna a lb. of the military dairy farms. In private management as against departmental management these costs may get slightly lowered but such reduction will be hardly sufficient to make production here as economical as in the other type of organization. Specialized dairy farms thus do not seem to have much place in the rural economy of the province except in the suburbs of cities and large towns. In these localities however the existence of lucrative outlets in the shape of urban markets enable farmers to cover the high costs of production. In rural areas therefore milk production is best carried on as a by-industry as hitherto, but it should not be such an insignificant adjunct to arable farming as it has so far been. This particular type of organization has the additional merit of effecting the widest dispersion of milk production over the province, which in view of transport difficulties, high temperatures prevalent all over, lack of water for cooling, etc., is one of the prerequisites of a wider consumption of milk. Village areas must aim at self-sufficiency in milk production. At present, according to the computation made by Dr. Wright, only 1,500 lbs. per day are produced in Indian villages, 75 per cent of which is converted into milk products for sale in towns and part of the remaining 25 per cent also is sent to towns. Village consumption is thus made negligible. In Madras the per capita daily consumption is only 1.6 oz. and in view of what has been said above rural consumption will be even less. To bring

⁷ N. C. Wright *Ibid.*

consumption to the level of 8 oz. per day a great part of the milk produced in the villages must be retained there.

This is best done as indicated above by having recourse to mixed farming. Dr. Wright's suggestion of raising animal products side by side with a system of cropping in which leguminous fodder crops take an important place is undoubtedly the best course under the circumstances, not only for raising sufficient milk but also for increasing the fertility of the soil. The small holdings and even larger farms could take to this course by increasing the number of livestock on the farm and replacing cereal cultivation by fodder crops. Danish example, the foundation of that small agricultural country's prosperity, is sufficient to dispel all doubt regarding the success of this experiment. The number of cattle on these farms should however increase, to facilitate which Government should follow a more liberal loan policy and undertake the importation of good indigenous breeds for sale to the cultivators. The animals may preferably be given to the farmers on the hire purchase system.

In suburban areas milk farms of the pure type, co-operative milk supply societies and unions and even co-operative dairies of the Danish model will have scope for development. There is an urgent need for a more efficient organization of milk supply to urban areas, especially large cities like Madras, Madura, Trichinopoly, Coimbatore, etc. to cope with increasing demand, stop undesirable trade practices and reduce cost of production. Both private dealers and co-operative societies should be supplied with adequate stocks of high yielding animals which yield milk at comparatively less cost in feeding and overhead charges. In the allotments of imported cattle made to different areas the needs of cities should receive special consideration.

In Madras, as all over India, the dry cow is a neglected animal and has to shift for herself. She is usually driven to forest areas where grazing is available in the rainy season. The neglect during the period causes deterioration, the effects of which are seen later in the milk yield and in the power of resistance to pests. Salvaging of dry cows should therefore be an important measure in the rehabilitation of the milk industry. Special co-operative societies may be formed for the purpose and given certain facilities and concessions in forest areas for the grazing of the animals. The dry period in most indigenous breeds is twice as long as the period of lactation. A reduction of the period through the improvement of breed is highly desirable. This and the care of the animal during the inevitable dry period are problems which individual cultivators cannot easily solve themselves.

Meat, Fish and Eggs

Increased production of meat, fish and eggs as alternative sources of proteins, fats and vitamins will close up any lacunae that may exist in the production of other foods. That there will be a demand for these from the

more well-to-do goes without saying. Even the poor with higher incomes than hitherto may increase the demand for these. It is not however possible to say by how much production must increase as no estimate can be made of present production. As a by-product of dairying meat-animals are bound to increase, but a policy of substituting beef animals for milch cattle would be both unprofitable and inadvisable. With the Hindu sentiment against beef and the inferiority of beef to milk in caloric content, there does not seem to be much demand for special measures to raise meat animals. But animals meant for slaughter should increase in weight and fat content for effecting which proper stall feeding before slaughter should be resorted to.

In the rearing of sheep and goats and poultry however there appears to be greater scope. Poultry farming is most inexpensively carried on as a side activity on a small scale in mixed farming. Egg production is proportionately higher in a small flock than in a large one, and greater protection from pests is also given. At present the flocks seem to be too small, and the need doubtless exists for increasing their size. As in the case of milk farms specialised farms of the pure type will be found feasible only in suburban areas. Attempts have already been made under the Grow More Food Campaign to improve poultry farming, and those attempts may well be continued in the post-war period. The rearing of sheep has to be undertaken as a main occupation in farms specially devoted to it, preferably on hill sides. On the slopes and at the bottom of hills in the Eastern and Western Ghats unoccupied tracts exist well fitted for starting such farms. Assignment of such lands at concession rates and the grant of loans by Government agencies will make their inauguration and working economical once a demand for the product at remunerative prices is assured.

Increased production of fish waits upon the development of inland fisheries and the rearing of fish in all irrigational tanks. The ten schemes inaugurated under the Grow More Food Campaign must be supplemented by others of similar character and more quantities of fish made available to the interior. Easily digested and assimilated in the system, fish is considered an excellent source of fats and vitamins and is besides a cheaper substitute for the costly foods. The recommendation made by the Famine Enquiry Commission to increase fish production should therefore be forthwith implemented in the food policy of the province.

Fats and Oils

As a source of fats and oils there is production within the province of groundnut, gingelly and cocoanut in addition to meat, fish, eggs, butter and ghee. The requirement in fats and oils in the nutritional standard adopted is additional to the fat that milk and milk products will yield, and so separate provision in production has to be made for these. Groundnut at present covers an acreage of 8.5 million acres with a normal yield of 1 to 1½ million tons. Nearly half of this is exported to foreign countries. If the whole crop

is crushed within the province the oil yield will be roughly 72 to 90 million gallons. Under gingelly the acreage is 750,000 acres with an yield of 77,000 tons. The oil content will be about 30,000 tons. Exports account only for $\frac{1}{6}$ of the oil produced. Cocoanut acreage is 0.58 million and the yield, 2300 million nuts. The oil content of the nuts in India is higher than in Ceylon, Philippines or West Africa, being about 60 to 70 per cent. Through stoppage of exportation and the extraction of oil from the seeds within the province it will be possible to produce all the oil required for a balanced diet. The additional quantity of oil thus made available will roughly be 36 million gallons, almost the whole of which will be contributed by groundnut. Exports of gingelly and cocoanut oil do not at present exceed 4,000 and 24,000 gallons respectively. What is required therefore is the expansion of the oil extraction industry. That development will incidentally solve the problem of fodder and manure too.

The policy to be followed for hitting these targets should be one of gradual transference of land from cereal cultivation to protective foods. In the absence of protective foods in sufficient quantities any attempt to engineer a modification in the food habits of the people would be only a futile proceeding. The demand for cereals will rule high, and all the land now used for cereal production would be required for that purpose. Slowly however an attempt must be made for reducing cereal production and releasing the land under cereals for the cultivation of protective foods. The first step in this process is the intensification of cereal cultivation. Intensive manuring, popularization of better strains, utilization of improved implements and animals, control of pests and innovations in organization such as the introduction of co-operative farming, consolidation of holdings, large-scale operations, mechanization, etc. are the measures needed for effecting this. The supply of manures, good seeds and implements and the capital required to purchase them should be undertaken by governmental or co-operative organizations as under the Grow More Food Campaign. As intensification proceeds, more and more land now under cereals should be diverted to protective foods. The diversion thus possible with progressive intensification will be roughly 25 per cent of the acreage under cereals. Absolutely the land freed for the cultivation of pulses and sugar and protective foods will roughly be 5 to 6 million acres. Doubling of vegetables and fruits production would demand about a million acres. Doubling of milk production would need for use as grazing lands and for fodder cultivation two to three million acres and the rest will be available for the extension of sugar and pulse cultivation.

For intensifying cultivation however in the required degree the first provision is water through the development of irrigational facilities and next the supply of seed, manure, implements, etc. The immediate effect of this will be an increase in cereal production which will enable the province to be less dependent on outside sources. Soon after or concurrently with this development there should be a diversion, slow in the beginning but faster as the process goes on, from cereals to vegetables, fruits and milk.

Subsidized Consumption

As the production of these increase, a demand for them should be artificially invoked. This is best done through a scheme of subsidized consumption and a policy of higher wages and salaries. Raising of agricultural wages would form part and parcel of a policy of raising the standard of living of the agriculturists, but in order to invoke a demand for the costlier agricultural commodities at high ruling prices industrial wages also should be maintained high. The high levels attained by both agricultural and industrial wages should be retained in the post-war period in accordance with the general economic policy already enunciated, and if in particular cases, as for instance in the case of civilian salaries, which have not risen in correspondence with the rise of prices, corrections are needed to bring them into line with the general level they should be unhesitatingly carried out. To make sure however that the higher wages are expended on the protective foods payment of part of the wages may be made in kind. Industrial labour may be served by the opening of factory canteens where the desirable types of food are made available gratuitously or at concession rates. Agricultural labourers employed in those farms where such foods are grown may get their wages paid partly in kind, and in other farms also the same practice may be introduced.

Though higher wages will in many cases solve the problem, there will yet remain classes of people needing help who do not come under the scheme of higher wages, such as small holders who are not better off than labourers, handicraftsmen plying an independent trade and small retail dealers. Special schemes of subsidy would be needed for these and also for women and children in independent occupations. Free supply of milk and meals to school-going children in both rural and urban areas, sale of milk at concession rates to nursing and expectant mothers, better dieting in hospitals for the poorer non-paying patients will all go to alleviate distress among these. Schemes such as these, for the working of which the State should undertake responsibility, will in the early stages of increased production of protective foods invoke all the demand needed to carry off stocks. For the rest the State will have to depend upon a natural demand for these arising from higher incomes and a rising standard of life.

Price Policy

For attaining the targets of production in the different lines without occasioning deficiencies or excesses and for invoking adequate demand for the quantities produced, a system of controls would be found essential. On the production side the problem is one of making it economical and profitable and on the consumption side it consists in providing sufficient purchasing power for carrying the goods off the market. Both problems largely turn on a suitable price policy. In addition, import and export control, some sort of production control and a scheme of rationing would be needed. The price policy should result in the determination of such

prices as will simultaneously provide the necessary incentives for production and guarantee sufficient incomes to purchase the products as they are brought for sale.

A price policy which will keep food prices at the required level and at the same time implement the aims of the wider agricultural policy indicated above must satisfy five distinct requirements. Prices established under it must in the first place be economic in the sense that they will occasion the production of required quantities; secondly, secure fair terms of trade as between what the growers have to sell and what they have to buy; thirdly, give the agricultural community a larger size of the national income and enable them to raise their standard of living; fourthly, help to keep the income level of the whole community at the height required for the maintenance of full employment; and lastly, do the above four without imposing too great a burden on the consumers. Reconciling these distinct requirements is not so difficult as might at first appear. Maintaining prices at the economic level will also secure a larger size of the national income to the agriculturists if cost of production is made to include a fair remuneration to the cultivator. In much the same way, ensuring fair terms of trade between agriculture and the other branches of the economy will carry with it measures needed to keep general activity and employment constant at the desired level. For this, food prices have to be kept at a defined relationship with the general price level. And if the income level of the general community is maintained high, the burden of high food prices will relatively tend to be moderate. For the lower income groups, however, which spend a larger percentage of their incomes on food the burden may have to be lightened, but that is most effectively done by some scheme of subsidized consumption discussed above rather than by a reduction of producer prices.

Given these multiple objectives in price policy, the questions awaiting investigation are the level at which food prices should be stabilized, how stabilization should be achieved and what specific part the State should play in it. Speaking of cereal prices the Famine Enquiry Commission clearly envisage a reduction of prices in the transitional stage, but to moderate the fall their recommendation is that the target price level to be pursued in the first stage of the transition should be a price level of 240 per cent of the average of the five years ending 1938-39 and in the second stage of the transition this level should serve as a maximum, while the minimum should be 180 per cent of the pre-war level. The target level of 240 per cent closely accords with the food index of 237.6 for the week ended 30th September 1945 prepared by the Economic Adviser to the Government of India with August 1939 as base. Food prices rising throughout the period of scarcity have recently reached that level and the desire of the Commission is that in the first stage of the transition they should be stable at that level, but that in the second period they should gradually fall. The 240 per cent, specifically mentioned, is also seen to be in accord with the general wholesale price index of 244.4 reached in July 1945 but is a little out of harmony

with the wholesale price index of agricultural commodities which was 268.3 in July 1945. In the province of Madras, taking the wholesale prices of cereals in the City of Madras as representative, 240 was reached in April 1945 with August 1939 as base. For the two succeeding months too the index number was the same. It is obvious therefore that the recommendation of the Commission regarding the first stage of the transition will clearly stabilize prices at almost the existing level and maintain a close accord with general prices. But whether thereafter these prices should be allowed to fall is open to grave doubt. Though the Commission appear to have viewed the matter from the point of view of fairness to both producer and consumer, their primary purpose of devising measures to ward off famine in India seems to a certain extent to have coloured their recommendations. If food policy is to be closely related to the general economic policy on the one hand and to the agricultural policy on the other, food prices should not be allowed to fall very greatly from the present level except in the improbable circumstance of an inordinate fall in costs generated by technical improvements. If at the present time they are allowed to fall, raising them up later in accordance with the agricultural policy mentioned earlier, will be fraught with much difficulty. The present period is the most propitious for the inauguration of a new policy.

Accepting existing levels also as desirable levels for stabilization without further question is to overlook the distortions caused in existing prices by the circumstances of the war period, among which the system of controls, the exotic war-time scale of values and the ill-balanced development of the economy are the most important. Stabilization at the existing level doubtless offers the line of least resistance and would appear to be quite appropriate to the general price level, but its application to particular sections has however to be greatly qualified. Price control and rationing have successfully regulated the prices of the two important cereals, rice and wheat, and in the other foods owing to the addition of military demand large increases in price have taken place. These circumstances make it essential that a more detailed examination should be made of these prices before the level for stabilization is chosen.

The criteria to be adopted are, as the Bombay Plan has suggested, cost of cultivation and rural cost of living. Only under this twin criteria will stabilized prices be on the one hand economic and on the other sufficiently remunerative to the cultivators. Present prices in most cases will on investigation be found to cover cost of production, but such cost may not always include the desirable scale of remuneration to the cultivator. In cases where the scale of remuneration is seen to be out of accord with the cost of living based on the existing standard of living, a revision of prices will be called for. The existing standard of living has to be adopted as basis for the reason that it offers something definite to go upon, unlike the desirable standard which cannot be predetermined except in vague terms

and is attainable only in the course of years. However to forthwith implement the objective of policy mentioned earlier, *viz.*, to alter the terms of trade in favour of the agriculturists, industrial prices should be rigidly prevented from rising though agricultural prices may be slightly tilted upwards. This will turn the balance slightly in favour of the agriculturists. But the real benefit to the standard of life of the rural folk must come rather through a reduction of cost of production and cost of living which better organization and more efficient methods in both agriculture and industry will eventually bring in. Such improvements in production by lowering industrial prices and agricultural costs without a corresponding reduction in agricultural prices will enlarge the margin between price and cost and between agricultural income and cost of living and make possible a rise in their standard of living.

To apply these criteria, indices of cost of production and cost of living would need to be prepared. The index of cost of production should be for each product separately, but the index of rural cost of living should be a general index applicable to the presidency as a whole. The level of particular prices should be compared with the indices and the change indicated in individual prices either upward or downward by this comparison should be immediately given effect to. This policy may mean on the whole dearer food for the consumers, but unless such a sacrifice is imposed on the community the desired aim cannot be attained.

The prices so determined should be declared to be guaranteed minimum producer prices at which the commodities may be bought or sold. The minimum should be a range of prices rather than one price if qualitative differences in the products exist. They should be capable of revision too if circumstances should demand it. A guarantee applicable to unlimited quantities is necessary to ensure the sale at minimum prices of the total quantities produced. In the absence of such a guarantee, though prices may get stabilized at chosen levels, any maladjustment of demand and supply caused by vagaries of the season, which may happen even under the most efficient methods of production control will leave some of the least efficient producers holding the bag. At the fixed price their supplies will remain unsold, and they will be virtually prevented by law from lowering the price. To safeguard them against losses a guarantee must operate on all quantities produced.

The guarantee will carry with it the obligation of the Government to purchase redundant stock at the fixed price and build up buffer stocks for unloading at a later date. If vagaries of the season are the only cause of maladjustment, unloading without loss can be carried out in a year of poor yield. Good and bad years regularly recur in the agricultural cycle and the excess of a good year can conveniently be sold in a bad year. Difficulties would however arise in periods of depression when the maladjustment is due not to annual alterations in supply but a steady fall in the purchasing

power of the people. Disposal of buffer stocks during such periods will require special measures if the guaranteed price is to remain unaffected. In the immediate post-war period this trouble need not be expected to arise under the general economic policy indicated above.

Intervention in the commodity market will only be an extension of the functions the Government will regularly be discharging to give effect to their schemes of subsidized consumption. Such purchases are however advisedly made from the growers directly, to minimize the cost to the Government and to provide for a sufficient rate of profit when sales are ultimately effected. The regular maintenance of buffer stocks will require the building of warehouses and elevators in different parts of the presidency and the keeping of grain in good condition. The storage accommodation already provided by the Government with Central Government aid under the existing system of distribution will quite serve the purpose. If on occasions unloading of buffer stocks for sale in the market is found impracticable in the face of the guaranteed price, those stocks should be utilized for making free deliveries in areas of special distress as was done in U.S.A. under the Agricultural Adjustment Administration, and the loss incurred thereby should be met out of general revenues.

The Famine Enquiry Commission's recommendation that in the second stage of the transition there should be maximum prices is ostensibly to provide against a rising market, but the circumstances visualized by the Commission as likely to prevail then are not such as to give much countenance to this fear. Before the transition starts and even in the first stage of the transition when scarcity conditions generally prevail all over the world, a rising market is a real danger, but that has to be countered by a continuance of the control system and rationing now in existence. There does not therefore seem to be any special need for perpetuating the system of maximum prices once a fairly close adjustment of supply to demand becomes increasingly possible. The maintenance of buffer stocks by the Government will be a sufficient guarantee against rising prices, as the experience of every country which has resorted to that practice clearly shows. If however maximum prices are thought necessary to safeguard the interest of the consumers, their level must be higher than what the Commission have suggested and further, they should relate to consumer prices. In the case of protective foods, where buffer stocks will not exist, through a sudden visitation of pests, the supply position may be seriously affected, but in such cases it is questionable whether ceiling prices will be the proper solution, unless the ceilings are fixed fairly high. In the first place, under normal conditions the adjustment of supply to demand in the case of protective foods is bound to be more perfect than in cereals and therefore a falling off in supply through a pest will have the result of not only raising their prices but also of seriously curtailing the quantity that each producer has for sale. If the producer is to be ensured a stable income he should be allowed to sell at the higher ruling prices. Secondly, ceiling prices will

hardly touch the problem of equitable distribution of available supplies, its effect being merely to moderate the price rise and make supplies available at moderate prices to the more resourceful, not necessarily the wealthier, and the less scrupulous consumers. But here also consumers' interests may require the fixing of ceilings, but ceilings which will reconcile the interests of consumers and producers will be rather high. In normal years they will hardly come into operation, but in abnormal years they will effectively safeguard consumers' interests.

Price stabilization does not however obviate the necessity for producers to act in concert in the marketing of their produce. Though producer prices will be fixed, joint or collective marketing through co-operative societies will secure for them the economies of marketing in addition to preventing any illegal exploitation by middlemen. In protective foods local sales will predominate, but even there there will be economies worth having especially in grading. In cereals and pulses and also in sugar the economies to be secured will be considerable. Therefore the formation of marketing societies should be undertaken in all rural areas. For protective foods the multi-purpose society recommended by the Famine Commission will do, but for cereals or pulses special marketing societies are called for.

Production Control

A price policy to be effective should be followed up by an appropriate control of production. Targets of production being given, control measures should be devised for ensuring the production of just the quantities needed. In view of the inherent tendency of the Indian cultivator to stick to his traditional crop, the change over from cereals to protective foods will be a slow and doubtful process unless some control is exercised over production. This control should on the one hand restrict the area under cereals and on the other expand the acreage under protective foods and effect the widest distribution of this acreage over the province. This is best done through insisting on the small holders effecting a complete diversion and the larger holders practising mixed farming. The small holdings if transferred from cereals to protective foods have a chance of survival as economic holdings, and so from the point of view of their own advantage the change will be found desirable. To give effect to this policy a plan of diversion in quantitative terms should be formulated for the whole presidency and allotments made to each district and each taluk and each village. Village allotments being known, what should be annually transferred may be determined, and beginning with the smallest holdings the diversion should be carried out upto the larger ones till the allotted quota is covered. In effecting diversion however suitability of soil and availability of irrigational facility should be a prime consideration. The small holders of a village may be invited to effect the transference and from among those agreeing to do so the controlling authority should select the required member on the basis of the facilities mentioned above. In the absence of voluntary diversion arbitrary diversion will have to be resorted to for which adequate power

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should be vested in the controlling authority. Lands thus diverted should be exclusively used for vegetable or fruit cultivation. As far as possible the method of persuasion should be tried before compulsion is resorted to. If necessary, inducements in the shape of revenue or water-rate concessions or a money subsidy may be offered. Loans for the purchase of seed and manure and for fencing should be given by the State on liberal terms.

For increasing the area under mixed farming a more elaborate technique somewhat on the lines of the Agricultural Adjustment technique of U. S. A. may be required. Mixed farming will be profitable only in larger farms and in those cases the requirement is that a quota of livestock is maintained and a certain acreage set apart for growing feeding stuffs. Here also village quotas must be fixed and individual quotas determined on that basis. Voluntary signing up to restrict the area under cereals or money crops and devote the released acreage to the purpose designed should be invited in every village. To stimulate voluntary compliance, a subsidy should be offered to those who sign for an excess over the quota and non-signers must be penalized by a levy on their excess acreage under cereals. The funds for the subsidy should come from a levy imposed on the non-signers. The same device should be adopted for transferring land from cereals to sugar or pulses.

The voluntary method of control, as the American experience under the New Deal conclusively shows, is very successful in a context of low prices when any measure which has the chance of raising prices is cordially welcomed. But in course of time as prices rise the irksomeness of the restrictions together with the decline in the advantages damp enthusiasm and induce a mood of minimum compliance with maximum benefits in the agriculturists. The situation in the presidency will not be one of depressed prices but of remunerative prices for cereals if the price policy adumbrated earlier is followed, and in such a context whether the voluntary method alone will effect the required change is open to grave doubt. Intensive propaganda is essential and many incentives have to be offered if the voluntary method is exclusively applied. Progress is bound to be slow both in the alteration of food habits and in the adjustment of production to demand. But gradualness here is decidedly an advantage. Only in the event of the complete failure of the voluntary method must a recourse be had to compulsion.

These measures of diversion can be put into effect only if through intensification cereal acreage can be released without reducing the cereal yield. With the food habits remaining unchanged and the demand for cereals ruling high such conversion will not be possible on a large scale. But a beginning can be made in the course of two or three years when the cereals' position will be somewhat eased partly by increased yield per acre and partly by availability of imports.

Import and Export Regulation

Import and export controls are necessary accompaniments of production control, for free exportation and importation may upset the adjustment made under production. But the controls need operate only in the case of those foods the production of which is restricted. Specifically they should apply to cereals, pulses and sugar. In the case of vegetables and fruits, milk and milk products and meat, fish, eggs, etc., their perishability and high transport costs are themselves safeguards against any inordinate foreign competition or foreign demand. In the case of rice where foreign competition is most likely, it is extremely doubtful whether it will emerge in the near future. The seriousness of the situation in China and Japan and the Far East generally will make large drafts on the available surpluses in Burma, Indo-China and Siam. Immediately the danger is little because of the uncertainty of those countries producing any surplus for exportation. Reports regarding the conditions of agriculture in Burma are conflicting and it is difficult to determine whether that country will have any surplus at all. Even if it has, the new organization formed there under the control of His Majesty's Ministry of Food, will control exportation and in spite of the Food Member's assurances this country may secure only a little. In the matter of pulses and sugar too, immediately there is need for importation, since the existing scale of production falls far short of the standard set.

In the trade of all these three commodities the share of the other provinces of India will be great and there will be some need for tapping foreign sources of supply too. In spite of the Grow More Food Campaign and the consequent increase in rice acreage the country as a whole has not become self-sufficient in rice. The admixture of wheat in the rice ration in Madras and of millets and wheat in the ration in Cochin and Travancore is sufficient evidence of it. Taking cereals as a whole we are however near the point of sufficiency even on the basis of the existing demand for cereals, and with a special effort we can dispense with importation from abroad except in abnormal years. Even this need will gradually disappear as the demand changes from cereals to other foods. Control of importation is however needed in view of the long run requirement. Eventually importation and exportation will have to be prohibited or at any rate restricted, if production control measures are to yield their expected results, and since a beginning has to be made immediately in giving effect to the contemplated changes import control must forthwith apply.

During the war period importation of food was a Government monopoly in this province and that system may with profit be continued, reinforced as it is by the opinion of the Famine Enquiry Commission. The advantage of an import monopoly by the Government is that they can relate their import policy very closely to the state of internal production and buffer stocks without having to face the clamour that vested interests

may raise. The alternative of a system of licensing may please the importers since it is expected to safeguard their interests, but there cannot be much point in safeguarding the interests of a vanishing class.

Control of exportation should take the form of virtual prohibition. In the pre-war period rice exports to Ceylon from this presidency was a familiar feature, and even during the early years of the war period Ceylon used to make large drafts on our supplies. From 1943 onward these exports ceased, and whether they can now be revived would depend on the state of the Ceylon market and the competition that prevails there. As a matter of policy it is very doubtful whether production of a surplus of food in the province for exportation is a desirable development. The need for the raising of industrial raw materials would necessitate the cutting down of the food acreage to the minimum required. Further, the Ceylon market is an uncertain market and was virtually lost during the depression period causing much loss to the producers of high quality rice in Tanjore. In the immediate post-war period exportation is clearly impracticable and under the successful production control measures suggested above, the emergence of a surplus for exportation is an unlikely event even in the future. The only circumstance under which exportation is probable and desirable will be a large accumulation of buffer stocks. Such accumulation we have seen is characteristic of a depression during which export markets too have a tendency to vanish. All things considered, export control in the form of prohibition is what is needed under the circumstances.

Machinery of Control

An important question relating to control is whether it should be exercised on an all-India or provincial basis. On the answer to this question turns the machinery to be set up for fixing prices and controlling production. The criterion adopted above, *viz.*, cost of production cum cost of living makes it essential that local variations should be adequately reflected in the price fixed. On the other hand there is a strong case for applying a uniform policy all over India in the determination of the terms of trade between agricultural and industrial products. On these terms depends the position of the agriculturists vis-a-vis industrialists, traders, etc. and it is desirable that that position should be approximately the same all over India. But since cost of production and cost of living vary from province to province, uniformity in the terms of trade and in the economic position of the agriculturists will be secured only by taking account of these divergences. For this, provincial control is necessary. This argument when applied to protective foods would indicate the maintenance of district prices for them. Provincial control will be rendered easy by the insulation of the province from foreign and extra-provincial disturbances through export and import regulation.

The prices fixed should be susceptible of change from year to year as occasion demands it, which may be expected to be fairly frequent in the early

years of the transition and less frequent once the economy settles down to a more permanent state. Whatever changes are decided upon they should be announced fairly early to enable producers to adjust their activities to the new situation. That would require the announcement of these prices before the ploughing season. Downward movements in cost of production or cost of living should however be prevented from having their full effects on prices so as to fulfil the policy of securing for the agriculturists a larger slice of the national income. For price fixing there should be a combination of legislative and executive authority in the mechanism. Legislative enactment should set up the machinery empowered to fix prices and revise them from time to time, but the actual fixing should be done by executive orders.

For cereals, pulses and sugar a provincial body with adequate representation for growers and consumers and other interests involved should be charged with the responsibility of fixing prices and revising them from time to time. But for protective foods district committees on the same model should do the work. These committees may also be charged with the determination of provincial and district acreages for the different crops and their distribution, but the execution of the programme should be in the hands of village or firka organizations constituted on the model of the British County War Agricultural Committees. These committees will carry out the decisions of the higher committees as regards the acreage under each crop from year to year and make recommendations regarding the payment of subsidies and the grant of concessions. Production control, as the experience of U. S. A. shows, will be rendered easier by the close association of farmers themselves with it. In the early years of diversion from cereals to protective foods the committees may have to select small holders for the purpose, but in the course of a few years conditions will get sufficiently stabilized as to relieve the committees of much of their onerous and distasteful work.

Conclusion

Progress along the lines indicated will depend as limiting factors on the construction of irrigational works and the supply of artificial fertilizers in adequate quantities. The required minor irrigation works will not take a longer period than 5 years for construction, but larger schemes, such as the Tungabhadra and the Bhavani, may require more time. About the same period will be required for the development of a fertilizer industry in the country with a capacity that will meet requirements. The proposed fertilizer plants at Dhanbad in Bihar and another in Travancore are said to have capacities of 850,000 tons and 54,000 tons respectively which will together form one fifth of the required quantity. Five or six more of such plants located in places of special facility will solve the problem of manuring and make intensification of cereal cultivation concurrently possible. This will mark the end of the first stage in the production programme and the inauguration

of the second stage during which a full diversion of acreage from cereals to protective foods must take place.

Immediately however the food deficit of the province will continue to be as acute a problem as during the war period and will necessitate the continuance of those measures of control which have so far existed. Their removal cannot be contemplated even with the removal of present difficulties for the reason that some of them would still be needed for the execution of long-range policy. Ultimately it should be possible to revert to a regime of free economy, but several years must elapse before the time becomes ripe for it.

A PROVINCIAL WHOLESALE FOR MADRAS

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I

The oldest of our wholesales is still but six years old. During this short period, however, they have achieved such results as have not only disturbed the peace of the "normal trade channels" but have also amazed the co-operators who have themselves created the wholesales and for whom their success and survival mean an unexpectedly great improvement in the economic organisation of their country. The wholesales have, however, grown up in the stimulating atmosphere of the war, assisted, nay, actively helped, by the wartime controls, financed by the emergency schemes and patronised by the needy public. But with the dawn of peace and the reappearance of the "normal conditions" the survival of the wholesales is being doubted and it is upto the co-operators to take stock of the position and to chalk out new policies to steer their wholesales through the troublesome times ahead.

Madras leads the other provinces in the matter of co-operative distribution. Nowhere else do we find such a phenomenal growth in the number of societies, their membership, share capital and turnover as in Madras. With the development of the wholesales, Madras stands out as the only province, wherein the consumers' societies have federated themselves to further their economic objects. These wholesales have successfully stood against the blackmarketeers, as apostles of "Service" and rendered invaluable service to the public by undertaking the systematic, regular and honest distribution of food-stuffs in many districts, at a time when famine was devastating our neighbours. "But it would be to stop half-way and leave their work unfinished and inefficient, if they confine themselves to distributing co-operatively the wealth which would continue to be produced

under the competitive system."¹ Indeed, some of our bigger societies and wholesales have already started the production of various articles. But a "consumers' co-operative organisation must as a general rule be able, as a result of its own members' demands, to keep its productive concerns fully employed."² And "co-operative concerns must not be developed at random. National wholesale societies should start factories only within those industries in which they have a prospect of independently and efficiently making their influence felt."³ So the future programme of development of these wholesales, is a matter of great importance not only to the co-operators in Madras but also to those all over India, who are watching with interest the experiment in this province to draw their future programme on the basis of this experience.

II

There was no federation of consumers' societies in this province before the commencement of the war. The consumers' societies themselves were so scattered and those working with any degree of success were so rare that a federation of these societies was un-thinkable. But when the number of societies and the amount of turnover in each district began to increase, the idea of forming a wholesale to co-ordinate the activities of these societies suggested itself. The absence of an efficient buying staff—relatively to the retail traders—especially in the rural stores and the other disadvantages of the rural stores, viz., the distance from the market town, the time spent in buying, non-availability of all the goods in a single market town etc., have emphasised the need for a wholesale society. The necessity of a Central Organisation to represent the consumers' societies collectively before the Government and especially before the district collectors to obtain an adequate quota of controlled goods, licence for import of goods etc., made the formation of district wholesales imperative. The accommodation of these wholesales with liberal finance by the respective Central Banks accelerated the formation of the wholesales in all the districts.

The wholesales are mixed federations in the sense, that there are a large number of individual shareholders besides the 1,191 consumers' societies. There are at present 21 wholesales covering the whole province.

The membership of the wholesales was 6,588 on 30th June 1944 or about 310 per wholesale society.

The total share capital on 30th June 1944 was Rs. 16.49 lakhs but we understand that now all the wholesales have on an average about Rs. 2 lakhs share capital. The total Reserve Fund on 30th June 1944 was Rs. 54,000 and this must have been considerably increased during 1944-45. We may expect the total owned capital of the wholesales to be nearly Rs. 45 lakhs.

¹Charles Gide *Consumers' Co-operative Societies*, page 181.

²Adres Hendburg—*International Wholesale Co-operation*, page 12.

³*Ibid*, pages—19-20.

The wholesales distribute goods to the public without restriction and for this purpose some branches were also opened in some districts. The total sales during 1943-44 amounted to Rs. 518.83 lakhs or about Rs. 24.7 lakhs per wholesale of which 96.7 per cent was food-grains. Of the total sales Rs. 254.78 lakhs or about 50 per cent was to primary stores which formed only 32 per cent of their purchases. The total purchases of the wholesales amounted to Rs. 554.43 lakhs or about Rs. 26.4 lakhs per wholesale of which Rs. 345.72 lakhs or about 62.35 per cent was from Civil Supplies Agencies. Of the total purchases 89 per cent were controlled goods. Thus the wholesales depend on the public for their sales and on the Civil Supplies Department for purchases.

The total working capital of the wholesales on 30th June 1944 was Rs. 156.43 lakhs or about Rs. 7.45 lakhs per wholesale and of this owned capital was Rs. 17.03 lakhs or about 10.9 per cent. The total borrowings during 1943-44 were Rs. 623.50 lakhs of which Rs. 23.91 lakhs was from outsiders and the balance from Central Banks, similarly, out of total repayments of Rs. 534.71 lakhs, only Rs. 22.83 lakhs was to outsiders. The total balance outstanding on 30th June 1944 was Rs. 139.40 lakhs. The wholesales are being spoon-fed by the Central Banks. The limit of borrowings was raised by the Registrar according to the necessity of the wholesales and it bears no relation to the owned capital. In one case where the Central Bank was unable to finance the wholesale as its power of borrowing was limited, the Provincial Bank directly financed the wholesale.⁴

The above brief—of course, quite incomplete—summary of the essential facts about the wholesales leads us to the conclusion that the present position is critical—the number of affiliated societies is small, purchases are mainly from the Civil Supplies Agencies, sales are mainly to non-members and 90 per cent of the finance is derived from borrowing, especially from the Central Banks. Now that “normal conditions” are being gradually restored, we may expect, that sooner or later the wholesales will have to sell only to members and purchase in the “open market” amidst cut-throat competition. Similarly, a certain limit will be placed on borrowing capacities. Then, will the wholesales secure the large amount of business which will yield sufficient gross profit to meet the heavy cost of management which is unavoidable? As the existing pressure on the distribution of food-stuffs and other provisions—which form about 96.7 per cent of the wholesales’ trade—is bound to disappear in the immediate future, we can expect that a major portion of this trade will be captured by the private traders. The wholesales cannot retain the business in their hands as they have neither the finance nor the market. If they try to adjust business to their capacity, the primary stores cannot be asked to pay a higher price than the market price to meet the heavy and unavoidable cost of establishment of the

⁴ For a brief summary of the activities of the wholesales, please refer to my article in the *Indian Co-operative Review* Vol. XI page 72.

wholesale. Indeed! the private wholesales will offer better terms to the primary stores.

Some other lines of business suggested to the wholesales are that they should secure agencies for foreign articles like Horlicks, patent drugs, cement etc., that they should act as agents for importing articles from other provinces and that they should open branches at suitable centres to carry on retail distribution besides supplying the requirements of the primary stores.⁵ Before taking up agencies—foreign or inland—the wholesale must consider the demand for such goods from its own members. Every wholesale has, at best, 60 affiliated societies⁶ of which nearly 35 are rural stores. It is well known, in the case of any article, agency can be obtained from the producer, for the province as a whole (a district agency will be a sub-agency which yields negligible commission). Thus unless the wholesales are empowered to sell to the public also—which makes it a joint-stock company—the prospects of the agency business are very dark. The third suggestion that the wholesales should open branches at suitable places in the district, ignores the public sentiment which certainly prefers a local society with local management, the profits being divided between the members themselves. Moreover, it implies, the continuance of the privilege to sell to the public at large which the co-operators should not expect.

Another line of development which merits careful consideration is that “wholesale stores should wherever possible enter into the field of production”⁷. And “it is well that the wholesale stores take up to the production of articles like flour, oils, dhalls, coffee roasting, etc., selecting such items as are capable of local development and are in demand. Some wholesale stores like Coimbatore, Madura, can take coffee plantations and become aduers of estates.”⁸ The processing activities viz., oil pressing, coffee-roasting, flour-milling, and breaking grain into dhal are more the field of a primary society and should be best left as such. All the above processings will have to be done for the consumer in his presence in the various towns and this can never be undertaken by a wholesale. The share capital of a wholesale is about Rs. 2 lakhs and the capital outlay necessary for any plantation is about Rs. 2 lakhs⁹ and more and if all the capital is locked up in a plantation, the wholesale becomes a producers’ society. Even if any wholesale is in a position to take up any plantations, it will have to produce for the market and not for the use of its members. When it approaches other consumers’ societies for custom, it will not stand in any better footing than the private and long established traders. In short, there will be over production considered from the consumers’ point of view and “over production in a

⁵ *Report of the Post-war Development Committee* of the Madras Provincial Co-operative Union.

⁶ The range being 30 to 80.

⁷ *Report of the Post-war Development Committee*, page 26.

⁸ Refer to the prospectus published in the press by a number of newly floated joint-stock companies.

consumers' co-operative concern must always be looked upon as a matter for regret. A consumers' co-operative organisation must as a general rule be able, as a result of its own members' demands, to keep its productive concerns fully employed." * Moreover "the immediate aim of co-operative societies is to satisfy the needs of their members better and more economically than is done by existing institutions."¹⁰ It will be better to advise them that "industrial production *i.e.*, to say, the erection of workshops and factories and plantations is difficult of achievement by an isolated co-operative society atleast unless it has many thousands of members, not only for want of the necessary capital but also for want of sufficient outlet for the goods."¹¹ In addition, in our province there are many two-districts which can carry on the same enterprise with equal efficiency and when conditions so favour the two wholesales may start the same enterprise, each claiming the custom of the other co-operators. That is why it is said that "co-operative concerns must not be developed at random" and "a striving after nationalism must be co-operation's guiding star. Concerns should never, therefore, be allowed to grow up haphazard."¹²

The consumers' societies in the province are certainly capable of undertaking both distribution and production. But what is wanted is a wise direction and co-ordination of the activities of all the societies in the province. In short, the wholesales can play no useful part in the future programme of our movement. They have, no doubt, played their part admirably. During the war only the district wholesales were necessary but now that the movement is to face, for the first time, open competition from private traders, it is but right that they should adapt themselves to the changed circumstances and present a collective and unified front, to ensure their future success. In production as well as distribution the need of our movement is a central direction for the province as a whole. In distribution, as we have shown elsewhere "without such an efficient, centralised purchase system, it is difficult to expect the stores of tomorrow, to run without loss by selling at market price."¹³ In the matter of production "national wholesale societies should start factories only within those industries, in which they have a prospect of independently and efficiently making their influence felt. Industrial establishments should not be greater than will permit of the requirements of their own members under normal circumstances, providing the concerns with full employment."¹⁴ But an eminent ex-Registrar of the province hopes "to see these (District Wholesales) federated in due course into regional wholesales and the whole structure solidified with a provincial wholesale as a keystone."¹⁵ The non-officials

* Andres Hedberg, page 12.

¹⁰ Charles Gide, page 5.

¹¹ *Ibid*, page 182.

¹² Andres Hedberg, page 18.

¹³ *The Indian Co-operative Review*, Vol. XI, page 77.

¹⁴ Andres Hedberg, page 19-20.

¹⁵ *Administration Report 1940*.

desire a provincial organisation "to voice the grievances of consumers..... to serve as a clearing house of information for store societies and to take concerted action in education and propaganda and in course of time to take up the joint purchase and processing of articles for affiliated societies"¹⁶, and the Provincial Co-operative Union Opines that "the consideration of this question may be postponed till the normal conditions return and a better perspective of the direction and course of development of consumers' co-operation in the province can be easily seen."¹⁷ Such extremely divergent views, especially in the face of the facts presented above, is to be regretted.

Where one thinks of a federation of consumers' societies, one naturally looks towards the C.W.S. in the industrial countries for modelling one's wholesale. But in those countries, the wholesales either import or import and process the important food-stuffs. Even from agricultural Denmark butter is exported and wheat is imported. In all these countries, the consumers' federations need not and in fact, do not depend to a great extent on the agricultural producers of the same country. It is true that they have relations with producers' federations in other countries and to a very small extent, those within their countries also. Again, it must be recognised, that if our consumers' societies are to survive, they must deal in fuel and food-stuffs which at present forms nearly 90 per cent of their trade and nearly 95 per cent of of their trade is in articles produced in the province. There are many producers' societies in the province, both agricultural and industrial, federated into two provincial federations and there is every likelihood of the producers' movement being furthered and strengthened. Under these circumstances, any provincial federation of the consumers' societies cannot ignore the producers' movement and develop its own productive activities. Then, what should be the relationship between these two types of societies?

The trend of opinion in the province—inspired by the success of our Provincial Handloom Weavers' Society—is towards Provincial Federated Associations on commodity basis modelled on the basis of the gigantic American Societies. There will thus be four provincial societies *viz.*, The Provincial Cottage Industries' Society; The Provincial Provision Marketing Society; The Provincial Handloom Weavers' Society and the Provincial Marketing Society besides four federations for food crops and most probably, a larger number for commercial crops. Thus, if the present District Wholesales are retained as they are, most probably, the number of provincial and regional federations in the post-war period may be equal to the number of consumers' societies in the pre-war period! If really such a large number of federations are developed, we can only expect—as a result of lack of co-ordination of the activities of the various federations—cut-throat competition in co-operation to the best advantage of the private traders. Moreover,

¹⁶ K. C. Ramakrishnan, *The Indian Co-operative Review* Vol. IX.

¹⁷ *Report of the Post-War Development Committee*, page 27.

both the producer and the consumer stand to lose due "to the extra heavy cost of management which is unavoidable" in all these Federations. The net result of all this will be stringent state control to set right the worsening affairs!

The philosophy of the consumers' movement is that all production should be for use and not for the market and so production should be controlled by the consumers only collectively *i.e.*, "transforming capitalist property into collective property and a good way of achieving this is for productive co-operative societies to become the property of all the consumers. But this view is far from pleasing to everyone and it is because of this dangerous resemblance between federalist co-operation and collectivism and through fear of seeing co-operation end in a reign of bureaucracy and centralisation that many co-operators remain faithful to the old system in spite of its faults, that is of production by free associations of producers as far as possible."¹⁸ Moreover agriculture is an industry, in the acquisition of which the consumers' movement has so far achieved little success and that being the predominant industry in our province, it will not be possible to eliminate the producers' societies and place production in the direction of the consumers' movement. On the other hand, the distributive societies should try to do for the producers' societies "that which a mother does for her child—feed it, clothe it and teach it to walk until it is strong enough to go by itself."¹⁹ Both these forms of co-operation should be co-ordinated to their mutual advantage for "in the end it is hard to distinguish the one from the other."

In our province the problems of the village require special attention. The majority of our consumers' and producers' societies are in the countryside. The capacity of a person as a consumer depends on his efficiency as a producer. Any organisation aiming at the amelioration of the peasant should attack these twin problems simultaneously. In short the essence of our "farmers' problem of today is that unless he reduces his costs of production to the minimum by getting as near as he can to the sources of supply for the requirements of his farm *and household* and as near as he can to the ultimate consumer for the sale of what he produces, it will be quite impossible for him to make a profit out of his business....."²⁰ The producers should on the other hand realise that in our province, the various Provincial and Regional Federations they propose will not be successful unless backed up powerfully by the consumers' societies. The success of the Provincial Handloom Weavers' Society is due chiefly, to the "help rendered by the Central and Provincial Governments" and all the Federations can never get the necessary subsidies. Similarly the success of the American Federations can be attributed to the large membership and the

¹⁸ Charles Gide, page 199.

¹⁹ Vansittart Neale—Congress of 1899.

²⁰ Leslie Scott—president of the A.O.S.

size of the farms and the consequent large amount of business that they secure and our province with the small membership coupled with illiteracy and the size of the farms, is not conducive to the growth of such federations. Even if we suppose that there is a stray federation of all the producers "the experience of Canada shows that though the producers have formed strong combinations like wheat pools, the absence of a corresponding central organisation of the consumers, has enabled the speculative traders to form rings.....to prevent the producers, from obtaining the legitimate advantage of their combination."²¹

Thus considered from the point of view of the producers and the consumers, one concludes that both should develop freely, each in its own sphere and gradually by inter-penetration form a single whole. It is the duty of this "single whole" to transform that co-operation which already exists in a latent form in all our societies into conscious, organised co-operation. Its role is to make each society play in tune; it is the conductor of the orchestra.

IV

This "single whole" or the provincial wholesale will be a federation of individuals, producers' and consumers' societies. It need not be a federation of the pure type and may admit as many individuals as can take up shares. In particular, it will absorb all the present wholesales and other federations with all their individual shareholders. It will invite the producers' societies—agricultural and industrial—to take up its shares. In the course of one or two years, the societies' holdings should bear a certain proportion to their membership say one share for every 50 members or so. The individual shareholders need not be eliminated as they form an interested intellectual group, contributing large amount of share capital without undue share in the management.

The General Body which meets once or twice a year—probably in 4 or 5 regional sections—elects a Federal Board which shall be the chief executive of the society. The strength of the Federal Board may be limited to say 9 and elected by the General Body as a whole but from the three sections *viz.*, 3 to represent producers, 3 to represent consumers 2 to represent individuals and 1 chairman from any of these sections. Besides the Federal Board, the General Body elects the various District Advisory Councils which shall consist of 2 representatives of individuals of whom one shall be the chairman, 2 representatives each of the producers and consumers within the area, besides one member of the Federal Board. The duties of the District Advisory Councils shall be to explore the ways of development of the movement, to do propaganda work, to see that the societies in its area are working on sound lines etc. and the chairman shall be the Hon. Secretary of the Branch in the area. There may be as many

²¹ Talmaki—*Co-operation in India and Abroad*, page 316.

District Branches and District Advisory Councils as are necessary. The Federal Board elects a Managing Director who will be one expert business man besides being an ardent co-operator and pay him a decent salary. The Managing Director who attends to the day to day business of the society shall be assisted by an expert staff at the centre. The branch establishment consists of a Branch Secretary and two or three clerks as may be necessary.

The provincial wholesale takes over the present wholesales, Marketing Federations, Provincial Marketing Society and probably the Provincial Handloom Weavers' Society. Besides, it will enrol various other producers' societies as members and probably a few individuals also. Thus the initial share capital of the provincial wholesale will be about Rs. 60 lakhs and will be increased in 2 or 3 years to atleast Rs. 1 crore. Its working capital will be Rs. 1½ to 2 crores at any time because it can borrow upto a limit from the Provincial Bank and all the Central Banks.

An important place in the activities of the provincial wholesale must be assigned to propaganda for co-operation. This may be achieved by appointing 3 or 4 travelling lecturers to assist the District Advisory Councils. A Journal will also be distributed to the members of all the member-societies gratis. The Journal may be a fortnightly to start with and in two or three years be converted into a weekly. Propaganda work of this type can be undertaken only after 2 or 3 years *i.e.* from out of the profits earned and not from the capital of the provincial wholesale.

An important sub-committee of the Federal Board will be that for planning and control of expansion. It is this committee that plans where a productive concern is to be located. In all its proceedings, this committee will be guided by the principles of co-operative production as noted above. The provincial wholesale will have to own a tea plantation, a coffee plantation, an oil refinery, two or more cotton ginning and pressing factories, groundnut decorticating factories, oil expellers, rice mills, soap works, a fleet of lorries etc. as may be necessary. All these productive works will be located at convenient places, the capacity of the plant being determined by existing demand by the primaries and prospects of future increase. The provincial wholesale will have to develop various marketing (loan and sale) societies, cottage industries societies, many provisions societies (fruit, butter, ghee, vegetables, honey, eggs etc.), to meet the demands of the members and to support the cottage industries wherever they are already existing. It may have to finance these societies till they become independent. In this respect, the District Advisory councils will be of much help to the Federal Board.

In the constitution of the provincial wholesale on the above lines, the Market Research Department plays a very important role. Expert Research workers should study where a productive concern should be located after consideration of the relative merits, what its capacity should be, when and in what quantities goods should be purchased, where intensive

propaganda is to be carried on in order to foster the development of co-operation, how and at what times surplus goods, if any, should be disposed off, how and from which source goods are to be purchased from outside the province, whether it is advantageous to start a productive concern instead of purchasing from capitalist producers etc. This Department will also be utilised to compile the indent sheets on the imprest system showing the quantities of goods to be supplied to the various societies, the branch or marketing society or godown from where they are to be supplied, the quantity of goods that may have to be disposed off on behalf of the affiliated societies etc. This function of co-ordination of the activities of the various societies in the province is so important, that the success of the whole scheme depends upon its efficiency.

The provincial wholesale will have to constitute a Transport Sub-Committee to determine the mode of transport of goods to a particular society, to provide the necessary transport facilities, to attend to any claims against the Railways, to determine the routes of the fleet owned by the provincial wholesale etc. In this matter the Market Research Department will assist the sub-committee. Similarly a sub-committee to look after the legal affairs of the provincial wholesale and the affiliated societies—to attend to the legal procedure in the formation and liquidation of any affiliated societies and generally to advise and direct the affiliated societies in legal matters—should be constituted. Another sub-committee to look after the agency business of the provincial wholesale, also, is essential. This committee will be in charge of all the agencies taken up from capitalist producers and co-operative producers outside the province and will look after the proper conduct of that business. The provincial wholesale takes up agencies of goods of best quality only and certain other patent drugs, cement, certain manures etc. on behalf of members its only and earns a decent commission.

The provincial wholesale is intended to co-ordinate the activities of the producers' and consumers' societies and so its marketing policy is the most vital factor in its success. It is the intention of the provincial wholesale to supply as many of the goods as possible from co-operative sources within the province. The most important item in its trade will be food-stuffs and here the competition is bound to be cut-throat if the provincial wholesale intends to purchase from outsiders. The provincial wholesale will have to develop marketing societies and build godowns—with the aid of the Government grant—in all important production centres of the various commodities and see that necessary crop loans are advanced through the respective credit societies. A detailed survey of the province will be carried on and the various places where marketing societies will have to be located and godowns are to be constructed will be listed and after intensive propaganda the societies will be formed. Thus the wholesale will be sure of its trade. As and when a quantity of a commodity is necessary, it will just purchase, subject to other economies, at market price, from the society willing to see at that time and arrange for its transport to the necessary place. No doubt,

there will be many difficulties in the working of the system but they will not be insurmountable. The provincial wholesale will distribute seeds through the marketing society, so that only one variety of grain will be grown in the area of the marketing society. This facilitates pooling and storing and can also be easily popularised. The provincial wholesale will do agency business in food-stuffs as far as possible and avoid outright purchase of huge quantities at any time to hold for the market, on its own account. The commission that can be earned by provincial wholesale will be very low and so it must depend on the volume of business to pay its way. Where processing of the commodity is necessary before final use, the provincial wholesale always undertakes it e.g., milling of paddy; ginning and pressing of cotton and a spinning factory to supply yarn to the weavers; decorticating groundnuts; squeezing and refining oils (vanaspati); preparing tea, coffee and soaps under its own brands etc. The products of the cottage industries will have to be purchased outright in some cases for the first two or three years till the societies become independent. The development of the cottage industries and other provisions societies is an important object of the provincial wholesale society.

The development of the producers' societies, the examination of the trade in general, the special problems, if any, in any particular locality, the ways in which the quantity of produce can be increased, the manures to be used for the various crops, the variety of the seed to be used, the use of small machinery in agriculture etc., can be best studied by various sub-committees—one for each group of crops. Experts of the Agricultural and Industries Departments should be invited to the sub-committees and their suggestions along with the reports of the sub-committees should be published in the Journal of the provincial wholesale for the benefit of all the members. Thus separate sub-committees to be instituted will be 2 or 3 for food crops, 3 or 4 for commercial crops; 2 or 3 for cottage industries, one for weavers one for milk products, one for fruit growers, one for poultry products, one for other provisions and 2 or 3 for the various other productive works undertaken by the provincial wholesale. The sub-committees will generally meet once in a quarter and with the help of the Market Research Department, will submit a detailed report to the Federal Board.

The provincial wholesale developed as detailed above will soon have to face on its own and on the behalf of its members, the problem of the employees. It must be admitted that the present staff of the wholesales and the primaries—numbering about 8,000—is not adequately paid, enjoys no security of employment, receives no systematic training and is generally not as efficient as it should be. A large number of the managers is lent by the Department and cases are not rare where they are either haughty or indifferent because they can fall back to their permanent positions in the Department. When all the producers' societies are federated and where the provincial wholesale starts production on its own account, the number of employees will doubtless be more than 80,000. The important duties

towards the employees will be to give them a decent pay, proper training, full security of employment, good prospects of promotion and decent bonus from out of the profits every year. A sub-committee consisting of the employees, outside experts, and representatives of the Federal Board should be set up permanently to study the labour problems and improve the conditions of the employees. A system of standard pay and hours of work etc. for each particular type of employees can be laid down by the provincial wholesale for the guidance of the affiliated societies.

V

At this stage, one may pause and ask whether all this is not a matter of mere academic interest which can never be translated into action? It certainly is difficult to develop a Federation of the above type, but it must be noted that the results of the successful working of the provincial wholesale will be far reaching and the most striking ever witnessed in our country. The achievement of any object depends upon the efficiency and enthusiasm of the persons responsible for its working. "Apathy is the greatest foe to success. Langour can only be conquered by enthusiasm and enthusiasm can only be kindled by two things—an ideal which takes the imagination by the storm and a definite intelligible plan for carrying that ideal into practice."²² Given these and a strong, fervent and proselytising faith in co-operation, nothing is impossible.

PLAN FOR THE DEVELOPMENT OF CO-OPERATION & RURAL RE-CONSTRUCTION IN THE PUNJAB

BY

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The co-operative movement is the natural reaction to the 19th century social philosophy of *Laissez Faire*, which made a fetish of free competition with results which were undesirable in many respects. There are various definitions of co-operation, but they all agree that it is a voluntary association of persons with the object of improving their economic condition. The movement, which was spontaneous in origin in Europe, was introduced in this country by the State some 40 years ago. The State, however, in my opinion, did not give the movement the necessary technical and financial assistance on a scale as would have ensured its success. In a country where the majority of the population is illiterate and is steeped in ignorance and poverty, the State must go well beyond the introductory stage and come into the picture to a much greater extent than can be contemplated by co-operators of the earlier part of this century. The social philosophy of *Laissez Faire* of the 19th century has undergone radical changes and it is now generally accepted that the State has a very important part to play in

²²Aruda Toynbee—quoted by Webb in *Industrial Co-operation*.

the development of the economic life of the country. Every country in the world has now come to the conclusion that rapid and well balanced economic development without a definite plan is impossible. It is therefore necessary for the State to prepare a plan of development and to carry it out. This necessitates the fixing of targets and the creation of suitable agencies to execute the plan. The State may choose to do certain things directly through its own agency, *e. g.*, irrigation works, or may get certain things done through private agencies. They may be capitalistic in nature but subjected to a good deal of State control, *e. g.*, steel works, ship building. Thirdly, the State may get its plans carried out through an agency of the people. This agency will primarily be voluntary in nature but again subject to a good deal of direction, control and supervision. This voluntary association of people may take various forms among which the co-operative form is probably the most suitable in the conditions of this country.

There is an apparent contradiction between co-operation and planning because co-operation is based on the fundamental principle of voluntariness while planning imposes certain obligations which must effect the voluntary nature of the association. The contradiction, however, is more apparent than real. After all the principles of co-operation were not revealed to man but are merely principles of good and orderly business carried out on democratic lines, and with the profit motive reduced to the minimum. With changed circumstances our ideas must also change. The co-operative movement, if it is to succeed in tackling some of the most vital problems of this country, must therefore to an increasing extent subject itself to a definite plan and in carrying out such a plan it must progressively become an agency if not an instrument of the State. If it is not prepared to do so it can have no moral or legal right to ask the State for greater financial and other assistance than is being given at present. No State can possibly afford to finance on a large scale the co-operative movement and side by side have to run a separate parallel agency of its own. In case the co-operative movement refuses to fall in line, the State will have to create its own agency to carry out its plans.

I realize that these views will not be endorsed by most non-official co-operators or by official co-operators of the earlier part of this century. I am, however, convinced that if the co-operative movement is to really help in solving the various problems of this country, it will have to undergo fairly drastic modification. We must think clearly, plan boldly and, if necessary, change our whole conception of things.

In connection with Post-War Reconstruction, one of the most important problems is the demobilized soldier. He has, in the last five years, got used to a much higher standard of living than before. He has visited other countries and learnt many new things. If he is asked to go back to the same old village and to the same old ways of life, there will be great agitation and ill-feeling. The problem of his employment also assumes an

important aspect in all schemes of Post-War Reconstruction. Efforts, therefore, are necessary, firstly, to improve the standard of living and the conditions of life in rural areas from where the vast majority of the soldiers in the Indian Army came and secondly, to find suitable employment for the demobilized soldier. A large number of them have been trained in various trades and they will look to Government to give them the necessary assistance to set themselves up in industry. A part from organization of large scale industry, the problem of cottage or small scale industry, therefore, requires detailed investigation and positive action.

In preparing Post-War Reconstruction Schemes there are certain assumptions which may legitimately be made. Firstly, it may be assumed that there will be a democratic form of Government in this country. Without it no progress on sound lines is possible. Secondly, we may also assume that the State will take steps to ensure stability of prices, particularly of agricultural produce. There cannot be two opinions on the desirability of such stability and the only question is the means by which it can be brought about. The problem is receiving the attention of a Committee appointed by the Government of India and we await, with great interest, its proposals. The prices must be remunerative to the producer but not onerous to the consumer. Maximum and minimum prices will have to be fixed beyond which fluctuations must be prevented. In order to do this the State will have to come into the market and buy and sell as and when required. There will necessarily be variations according to local circumstances. Almost every country in the world has now come to the conclusion that without active State interference stabilization of prices within a maximum and minimum limit is not possible and in most countries in the world to-day the State is doing this. This also is very important as far as marketing of agricultural produce on co-operative lines is concerned.

The Punjab Government realizes that substantial improvement in the standard of life of the rural masses, if it is to be of a permanent nature, can only be brought about through voluntary organization of the people, and in the special conditions of a largely agricultural province like the Punjab, the co-operative method is probably the best and deserving of the fullest support of Government. The four most important problems of agriculture in this province, as in the rest of India, are unstability of prices, the uneconomic unit of production, lack of cheap finance for agricultural operations and unsatisfactory marketing arrangements. I have already dealt with the price question.

Holdings in this province are small and except in the colony areas fragmentation is acute. Consolidation of holdings is being done to some extent by the Co-operative Department since the last 20 years. It is proposed to expand this work a great deal. The work will be done by the Co-operative Department in three Divisions, leaving the other two Divisions to the Revenue Department who have also done a certain amount of work in this

respect. This, however, is not enough. The main thing is to make agriculture a large scale industry. This means either collective farming or co-operative farming with all their variations. A scheme for collective farming on an experimental basis has been prepared by the Co-operative Department and is under Government's consideration. It is also likely that collective or co-operative farming may be done on a much larger scale in connection with the problem of settlement of demobilized soldiers. In this connection I would refer to Mr. Tarlok Singh's book 'Poverty and Social Change'. His analysis of poverty is sound and his suggestions for joint land management thought-provoking and worth a trial.

Till recently the co-operative movement in this province, as in other parts of India, largely concentrated its attention on the supply of credit to the agriculturist and other aspects of rural economy were either ignored or received scant attention. Even the credit movement has not worked satisfactorily and has not reached more than 10 per cent of the rural population of this province. The movement since 1929 has been in a bad way although fair crops and good prices in the last five years have substantially helped in its improvement. It is now proposed to appoint additional staff and give the necessary financial assistance to consolidate the movement and to expand it on sound lines. The target in view is that at the end of 10 years at least half the villages in the province and at least 25 per cent of the rural population should be able to get the necessary finance for agricultural production from co-operative societies.

Co-operative marketing does not exist on an appreciable scale in the province and the existing marketing system, it is agreed by all, is very unsatisfactory. It is therefore proposed to start a network of marketing societies in all the important markets in the province. Financial and technical assistance to these societies will be given for a period of years in order to enable them to stand on their feet. Adequate and satisfactory godowns will be built by Government and given to these societies at a nominal rent. Necessary funds for out-right purchases or for making advances against agricultural produce will, it is hoped, be available from the Reserve Bank at a low rate of interest. It is proposed to link credit with marketing through the basic unit, namely, the primary village society.

Cottage industries in the province are in a very bad way and have not improved in spite of the impetus given to them by war conditions. It is proposed to organise these industrial workers in large numbers in co-operative societies and to help them in the purchase of raw materials, improved equipment and marketing of goods. Technical assistance in the manufacture of goods will also be given.

The problem of anti-erosion and reclamation of waste lands is being tackled to some extent by the Forest and the Co-operative Departments. It is proposed to expand this work in areas where it is being done at

present and to start it in others where it is required. The Forest Department will see to the technical aspect of the work, the administrative aspect being as far as possible left to the Co-operative Department. Financial assistance for anti-erosion works, such as bunds, gully-plugging, etc., will also be given to these societies.

Our scheme for settling doctors in rural areas has been successful and there are over 100 public health and medical aid societies in the province. It is proposed to increase their number and also to increase the emoluments of the doctors in charge in order to attract good men to the rural areas where need for doctors is very great.

Societies for Fruit-growing, Bee-keeping, Cattle-breeding and First-aid will also be organised on a large scale throughout the province and financial assistance given for the marketing of fruits and honey and for the purchase of cattle of good breeds.

The consumers' movement, which has been a great success in Europe and parts of India, e.g., Madras, has made very little headway in this province and it is proposed to encourage this type of co-operation in all the urban areas. The organization of transport societies on co-operative lines was taken up in 1943 and our experience so far is promising. It is proposed to expand these societies provided Government does not decide to nationalize transport.

A good deal of Rural Reconstruction work is being done in the province and it is proposed to expand the necessary staff for publicity work. Financial assistance will also be given to villages which organize themselves into societies for village improvement and additional staff for supervision will be appointed. Similarly it is proposed to expand the number of Lady Welfare Workers to five times the present number.

The schemes of the Co-operative and Rural Reconstruction Departments are expected to cost Rs. 2.58 crores in the first five years. The cost in the subsequent five years will be Rs. 1.68 crores.

The question of Post-War Development of Co-operation has recently been examined in great detail by a Committee of the Government of India and its report will be available early in the new year. The schemes sanctioned by the Punjab Government may to some extent be amended in the light of the Committee's report.

EXTRACTS

THE COLLECTIVE FARM—BASIS OF AGRICULTURE IN THE U.S.S.R.

BY VICTOR BELIKOV

The fact that in the fourth year of an unprecedented war agriculture in the USSR continued without any hitches to supply the army and the population with food products and industry with raw materials has no parallel in the history of Russia.

At the time of the First World War (1914-18) the crop area in tsarist Russia was reduced by 12.6 million hectares in the first two years. Grain production decreased from 4,600 million poods in 1913 to 3,300 million poods, or 26.1 per cent; the potato crop decreased by 24 per cent and the production of oil-bearing crops shrunk to about one-third.

Nothing like that happened in the USSR in the present war. Even when the grain-growing regions of the Ukraine and the Don and Kuban valleys were in the hands of the enemy, agricultural production did not decrease nearly as much as at the time of the First World War. The temporary loss of the Ukraine and other grain-growing regions was largely made good by the expansion of grain production in the East and in the Central regions of the Soviet Union. The expulsion of the enemy was immediately followed by the work to restore agricultural production in the liberated territories. In 1944 the harvested area in the USSR exceeded by over 12 million hectares the area harvested in 1943.

To appreciate the progress made by agriculture in The Soviet Union we ought to go back to the situation that obtained in tsarist Russia, before the Revolution. Russia in those days was a country of extremely backward agriculture, due largely to the fact that the land was divided into small and dwarf farms and tilled by primitive methods. Sixty-five per cent of the farmers were poor peasants, 30 per cent of all peasant farms had no horses, 54 per cent of the farms lacked implements and livestock. Fifteen per cent of the peasants had no arable land. The main implements used on peasant farms were wooden plows and harrows. Of the land itself two-third was in the hands of landlords and rich peasants. All this explains why agriculture in tsarist Russia could not stand up to the trials of the war, and quickly deteriorated.

The situation is quite different in the Soviet Union. The revolution in economic life, the new, socialist, foundation of national economy required a radical change in agriculture too. Agriculture could no longer be based on small peasant farms. Already in 1929 the peasantry of the USSR began to adopt, on a larger scale, collective farms of land tenure and farming. Naturally this change did not just happen of its own accord. The Soviet State prepared for it in the course of years, and it became possible only after the material conditions had been created in the USSR for the organisation of large scale farming on collective principles. For the proper operation of such farms it was necessary to have machines, in the first place tractors, in sufficient quantities. The Soviet Government's policy of industrialization made it possible to supply agriculture with the necessary machinery and increase its productivity. Collective farms, of which there were about 240,000 before the war, became the basis of agriculture in the USSR.

The collective farm is a co-operative enterprise. In the first clause of the Collective Farm Statutes its aims are defined as follows: "Working peasants voluntarily join the farming co-operative where the means of production are owned in common and labour is organised and done in common, in order to build up a collective farm, to secure complete victory over want and ignorance, over the backwardness of small individual farming, to achieve a high productivity of labour and thus secure a better life for the collective farmers."

The peasants joining a collective farm begin by pooling their allotments to form a single stretch of land used collectively by all the members of the farm. This land, which like all the land in the Soviet Union, is State property, is secured to collective farm free of charge

and forever. Furthermore, the law does not permit any reduction in the amount of land secured to the collective farm. The law also prohibits the sale or lease of land. The peasants thus hold some 400 million hectares of land.

The land held in common is naturally tilled with implements owned in common. Farm implements, draft animals, seed stocks, fodder in quantities needed to take care of the collectively owned livestock, farm structures and all the enterprises for the working up of farm produce belong to the membership of the collective farm as a unit.

At the same time proper care is taken of the individual interests of each collective farmer. Every member of a collective farm has for his own use, or for the use of his family, a plot of land attached to the dwelling house, used as a garden, orchard or vineyard, the dwelling house, personally owned livestock and poultry, and the needed farm implements. In case of necessity the collective farm member may use collectively owned animals to ill this individual plot of land.

The simple pooling of farm implements and animals for the collective tilling of soil was in itself an important factor that contributed to the intensification of agricultural production. But the idea of large-scale farming is to make the widest possible use of machines for the purpose of raising the productivity of farming and improving the conditions of the broad masses of the peasantry. The Soviet State has therefore set up machine-tractor stations which enter into special agreements with the collective farms to perform the bulk of their work. Before the war there were nearly 7,000 machine-tractor stations in the USSR and those stations had at their disposal over half a million tractors. The tractors of the machine-tractor stations did approximately $\frac{1}{3}$ of the plowing of the collective farms in the USSR; they accounted for about half of the sowing, 40 per cent of the harvesting of grain crops and 60 to 80 per cent of the harvesting of industrial crops.

All farm co-operatives work according to plans drawn up to provide for the interests of the State as a whole. It goes without saying that every encouragement is given to exceed the plans. The collective farms deliver part of their produce to the State, the amount being fixed in accordance with the amount of land secured to each collective farm. The rest of the produce is divided by collective farmers among themselves, a part being used for the improvement of the collective farm as a whole. It is to the interest of the collective farmers to exceed the State plans for the development of collective farming, because it leads to greater prosperity for each collective farm and its members.

The division of earnings in a collective farm is made in accordance with the amount and quality of the work put in by each member. The Statutes require each member to put in a minimum amount of work for the collective farm as a whole. This work is reckoned in "work-day units." Norms are established for each kind of work, and collective farmers are credited with work-day units corresponding to the amount of work done. For example, the norm for plowing is fixed at one hectare per day, the collective farmer is credited with one work-day unit for each hectare which he has plowed. If he plows $1\frac{1}{2}$ hectares in one day, he is credited with $1\frac{1}{2}$ work-day units. At the end of the year records are drawn up of the number of work-day units earned by all the members of the collective farm and by each one individually. The produce which remains after deliveries to the State and after setting aside funds for the further development of the collective farm is divided by the total number of work-day units. Thus the value of each work-day unit is established. The produce and cash received from the sale of farm produce is then divided among the members—men and women—according to the number of work-day units earned by each.

The general membership meeting is the highest authority of the collective farm. The everyday affairs of the farm are managed by a board elected for the purpose at a general membership meeting. All the members of the collective farm are divided into bridges, each being put in charge of a definite section of the land, implements and livestock, for which it is responsible.

In the fifteen years since the establishment of collective farming on a large scale, the Soviet Union has become transformed from a country of backward agriculture into a country of mechanised agriculture run on the largest scale in the world. The total crop area in the country has increased by nearly 32 million hectares as compared with the year 1913. Before the recent war the Soviet Union produced annually over 7,000 million poods of grains, as against 4,000 and 5,000 million poods produced in tsarist Russia. In the production of wheat, rye, barley, oats and millet the Soviet Union advanced to first place in the world. The production of cotton has increased more than 3 fold. The Soviet Union also holds first place in the world as regards the production of sugarbeet and flax.

Only thanks to the collective farms has it been possible for Soviet agriculture to overcome all the war-time difficulties and cope with the task of keeping the army and the population supplied. Only thanks to the system of collective farming has it been possible for agriculture quickly to come into its own in the regions that suffered from the German invaders. In the Ukraine, for example, the area tilled in 1944, the first year after its liberation, amounted to 65 per cent of the pre-war area under cultivation. In the current year it will be practically the same as before the war. A still more striking example is furnished by the Kuban country. Here the area sown to spring and winter crops in the second year after its liberation from the fascists exceeded the pre-war area by 150 thousand hectares.

The collective farms represent a strong and reliable bulwark of the Soviet State. The collective farming system has secured for the Soviet peasantry a life of prosperity and culture.

—*News and Views from the Soviet Union, August 12-1945.*

A DRAFT FIVE-YEAR PLAN FOR CO-OPERATIVE RECONSTRUCTION IN THE CENTRAL PROVINCES AND BERAR

BY K. N. NAGARKATTI, I.C.S.

The following are the *broad outlines* of a five-year plan:—

I. TARGET

1. To include every village and *at least* 50 per cent of the rural and artisan population of the Province within the co-operative structure;
2. To complete the establishment of the following parts of the co-operative structure given in Section II:—
 - (i) Village societies,
 - (ii) Primary societies for weavers; brass metal workers; tannery and leather workers; bamboo workers; vegetable growers; fruit growers; and dairy farmers,
 - (iii) Urban societies in towns with populations of 50,000 and above,
 - (iv) Wholesale urban societies in the cities of Jubbulpore, Nagpur, Amraoti and Akola,
 - (v) Tahsil (regional) agricultural associations,
 - (vi) Provincial apex institutions for—
 - (1) Weavers, (2) vegetable growers, (3) fruit growers, (4) insurance, (5) tanners and leather workers, and (6) dairy farmers,
 - (vii) Provincial marketing board,
3. To bring all big grain, cotton and oil-seed markets under the control of the tahsil agricultural associations, and the small weekly markets under the control of the village societies;

4. To enable each tahsil agricultural association to have its own offices, stores, godowns, transports, tractors and one or two major processing plants;

5. To see that each agricultural association and each artisans' apex institution has Government contracts which they can manage conveniently;

6. To entrust each agricultural association with the execution of as many Government's departmental schemes for reconstruction [such as seed stores; schemes for elimination of plant pests (*e.g.*, kans); anti-erosion schemes; and so on] which it can efficiently execute;

7. To assist the co-operative institutions generally in building up a business of an *annual turnover of Rs. fifty crores* at the end of the five-year period and to build up a *total reserve fund and capital investment amounting to not less than a crore of Rupees*; and,

8. To complete the re-organisation of the credit machinery in the manner shown (in Section III) below:

- (1) No new primary credit or crop loan society should be established.
- (2) Existing societies should continue to function only so long as loans due to them and from them are under recovery. Thereafter they should be liquidated unless they want to lead an independent existence.
- (3) Members of existing societies should, if they want loans from the central banks, obtain loans under the new scheme.
- (4) Loans should be given only to those who are members of village multi-purpose societies. The bank staff and the officers of the department should draw well considered plans for starting such societies all over the area where village societies have not yet been established, the bank may waive the condition of membership of such societies to intending borrowers.
- (5) Short-term loans should be given to groups of persons on joint liability in the same way as loans under the Agriculturists' Loans Act are.
- (6) Intermediate term loans for the purchase of carts, bullocks, etc., should be given to individuals on their furnishing two sureties from fellow-members of village societies in the manner similar to that laid down in rule 15 (3) of the rules under the Co-operative Societies Act. No individual will however get as loan more than three-fourths of the value of his landed property. Generally speaking, it may be necessary to take mortgages of land as additional security. Banks will no doubt limit the amount to be invested in intermediate term loans to definite percentage of their available funds so that such investments do not encroach on short-term loan business or other business of the banks.
- (7) The rate of interest charged on loans should not exceed the rate charged on taccavi loans, *i.e.*, Rs. 0-1-3 per rupee per annum or Rs. 7-13-0 per cent. Penal rate of interest up to Rs. 15-10-0 per cent may be charged on overdues in the case of taccavi loans. It is presumed here that the central bank gets its funds at 4 per cent or less. If the bank's borrowing rate is higher, the bank's lending rate may also be increased, the margin never exceeding Rs. 3-13-0 per cent. The village society should get one to one and a half per cent as remuneration for its work. The higher rate of remuneration should be given only in the beginning when the village society is in need of encouragement. It is of course necessary that the village societies become members of the financing banks and also of the regional marketing societies.
- (8) There should be a society inspector for every five or eight village societies, who will help the village societies in his charge to develop *both credit and non-credit* activities. He will be paid by the bank which may levy a portion of the

salary and travelling allowance, etc., from the village societies, the proportion depending on the volume and nature of work done. On the credit side, the society inspector's duties should be—

- (i) to help and teach the village society to receive and write up loan applications;
- (ii) to scrutinise loan applications and then send them up to the bank without delay. The village society is not responsible for the scrutiny although it would help in conducting the scrutiny;
- (iii) to prepare and submit to the bank a monthly statement of the loans advanced, recoveries effected and balances outstanding in the different accounts, and to inform the village societies also of the state of advances and recoveries, etc., in their respective areas;
- (iv) to get mortgages executed where these are necessary in the presence of the circle auditor and to send copies of mortgage deeds to the Sub-Registrar for record;
- (v) to disburse the sanctioned loans in the presence of an office-bearer of the village society or the patwari or the mukaddam, and to take acknowledgment of receipt of the loan on the form prescribed and send the form to the bank; and
- (vi) to watch how the loans are actually utilised by the borrowers.

The society inspector would have equally responsible duties in respect of non-credit activities and he should not neglect these other duties.

- (9) The bank manager may sanction seasonal loans (crop loans) subject to general control by the bank management. A special loan committee may be appointed by the bank, consisting of the president or the vice-president, the secretary of the bank and the circle auditor. This committee will dispose of loan applications and will lay down the lines according to which the manager may sanction crop loans. This committee should meet frequently, say once a week, during the financing seasons.
- (10) All defaulted amounts would be recovered on Revenue Recovery Certificates in the courts of the circle auditors exercising powers of tahsildars. It is hoped that all circle auditors in charge of circles will be appointed *ex-officio* additional tahsildars.

II. ACTION BY GOVERNMENT

First Year.—(1) *Legislative background.*—(i) Enactment of a "Land Improvement Schemes Act" on the lines of the corresponding Bombay Act.*

(ii) Enactment of a "Town Planning Act", *e.g.*, on the lines of the corresponding Bombay Act.†

(iii) Enactment of a new provincial "Co-operative Societies Act".§

(iv) Enactment of a "Weights and Measures Act" for complete standardisation of weights and measures.

(v) Enactment of an Act for standardisation of agricultural products and products of cottage industries.

(vi) Amendments to provisions relating to markets in the Local Self-Government Act, Municipalities Act, Village Sanitation Panchayat Act, Village Panchayat Act, Agricultural

* Along with my report to Government on the working of the Bombay Land Improvement Schemes Act, I have sent up to Government a draft of a "Land Improvement Schemes Act" for our Province.

† In my report to Government on the Re-organisation of Urban Administration in Central Provinces, I have included a draft of a "Town Planning Act" for introduction in this Province.

§ A Draft Co-operative Bill is already under Government's consideration.

Produce Market Act and Cotton Market Act, so as to facilitate transfer of control of markets to co-operative agencies.

(vii) Amendments to the revenue laws so as to require village societies to keep a second copy of the village records of rights and to maintain such records.

(2) *Administrative.*—(i) Increase in the staff of the Co-operative Department suitably for organisational as well as educational work.

(ii) Appointment of an extra-assistant commissioner in each district for organisational work of the Co-operative Department.

(iii) Appointment of staff for enforcing the Weights and Measures Act and the Act for standardisation of products.

(iv) Appointment of such staff as is necessary for enforcing schemes taken up or planned under the Land Improvement Schemes Act, *e.g.*, anti-erosion, destruction of kans, etc.

(v) Regularisation of procedure by making the Co-operative Department responsible for organisational work and for supervision of the business side of co-operative institutions; by making technical departments such as those of Agriculture, Industries, Veterinary responsible only for technical direction and guidance; and by ensuring co-ordination at the Provincial level by the Development Department and at the District level by the Deputy Commissioner.

(vi) Establishment of a workshop and laboratory where new implements for cottage industries could be designed, tried and manufactured on a large scale.

(3) *Patronage.*—(i) Entrust a few departmental post-war schemes from the outset to co-operative institutions as an experimental or pilot scheme in each district.

(ii) Give co-operative institutions selected for item (i) above such staff (free of charge) as would have been employed if the schemes in question were run departmentally.

(iii) Give Government contracts to at least five co-operative institutions in each district.

(iv) Give procurement work or distribution work of controlled commodities to co-operative institutions in at least four districts.

(v) Transfer control and management of markets in at least five districts to co-operative institutions from grain or cotton market committees.

(4) *Financial.*—A provision of a crore of rupees should be made for the five-year period. In the first year it is possible that financial assistance may go up to Rs. 30 lakhs or so on account of amounts represented by capital equipment such as godowns, buildings and machinery made over to or purchased for co-operative institutions. It is sufficient however if an average of Rs. 20 lakhs per year is kept in view. This sum would of course be exclusive of amounts spent on schemes which come under other departments though reference has been made to them in this plan, *e.g.*, staff for enforcing the Weights and Measures act; staff for anti-erosion schemes under the Land Improvement Schemes Act; establishment of a workshop and laboratory for designing and manufacturing implements for cottage industries; and so on.

Second and following years.—Extension of the work done in the first year so as to reach the target by the end of the five-year period.

In third year a separate co-operative school or college will have to be started where people (including staff of co-operative institutions) could be trained in co-operative business practice, accounts, etc., and given diplomas. This work will be beyond the capacity of the Co-operative Department, and so will have to be taken over either by the University of Nagpur or by the Education Department of Government. The courses are generally of short duration and hence it is not suggested that co-operative subjects should be included in the university curricula.

From the third year it is necessary also to arrange annual co-operative exhibitions in which co-operative institutions will no doubt take active part.

From the fourth year it should be possible for the co-operative organisation to be suitably represented in all the legislatures in the country.

From the fifth year Co-operation should be in the charge of a whole time minister.

III. ACTION BY THE CO-OPERATIVE DEPARTMENT

First Year.—(1) Completing equipment for the administrative and educational branches of the Co-operative Department.

(2) Consolidation of the work done before the introduction of the plan.

(3) Transfer of long term credit business to central banks.

(4) Introduction of the new plan in an area about 25 per cent of the area of the Province, the area including an aboriginal tract.

(5) Introduction of the new scheme for short and medium credit business in the area in which the new plan has been introduced.

(6) Establishment of a Provincial Institution for dairy industries. (It should be remembered that for weavers there is already a well established provincial institution.)

(7) Investment of all circle auditors in charge of central banks with powers of tahsildars.*

Second Year.—(1) Extension of items 4 and 5 of first year to about another 25 per cent area including an aboriginal tract.

(2) Establishment of a Provincial Co-operative Insurance Society.

(3) Abolition of the Institutes and the Federation; and the establishment of the Provincial Marketing and Financing Board. Transfer of the work done hitherto by Institutes and Federation partly to Central Banks and partly to the Provincial Marketing and Financing Board.

(4) Consolidation of work done in the urban part of the co-operative organisation.

Third Year.—(1) Extension of items 4 and 5 of the first year to another 25 per cent or so of the area in the Province in the same manner as in the previous years.

(2) Assisting in the establishment of a co-operative school or college.

(3) Assisting in the inauguration of annual co-operative exhibitions as these could begin from this year.

(4) Establishment of Provincial organisation for the vegetable and fruit growing industries.

Fourth Year.—(1) Extension of items 4 and 5 of the first year to the remaining area in the Province in the same manner.

(2) Assisting the co-operative organisation in preparing for its representation in the legislatures in the country.

Fifth Year.—Consolidation of the work done in previous years and introduction of any new items—such as other Provincial apex institutions—which circumstances then prevailing may permit.

From the experience of the last two years during which under difficult conditions an annual business of over four crores of rupees was built up and co-operative activity was tried with success in practically every avenue mentioned in the new plan, I have not the slightest doubt that the draft five year plan herein outlined can be successfully executed. I have no doubt either about the fact that the moment the plan is executed the average *per capita* income of the agriculturist and the artisan will be doubled (in terms of values and not in terms of currency which may vary). And this will be in addition to the mental peace resulting from the elimination of the hundred and one discomforts which now haunt him in his daily life.

* This has since been ordered by Government.

CO-OPERATIVE CONFERENCES AND MEETINGS

FOURTH ANNUAL GENERAL MEETING OF

THE BOMBAY PROVINCIAL CO-OPERATIVE MARKETING SOCIETY

7th September 1945.

Extracts from the speech delivered by the President, Dewan Bahadur H. L. Kaji M.A., B.Sc., I.E.S., (Retd.), J.P.,

I should like to refer to the Victory over Japan, the cessation of hostilities and the end of World War II. The end came quicker than we dared hope for. But we are all the more jubilant on that account, for it ushers in earlier, an era of Peace and we hope, of Goodwill, and of International Co-operation in place of aggressive and militant nationalism and of the four freedoms which alone can make life worth living. The advent of a Labour Government in Britain adds to our jubilations in that under them, the Day of Freedom for India so long promised will dawn at no distant date and India will emerge as a Leader in Asia fully awakened, strongly industrialised and with an improved reconstructed rural economy.

The Bombay Provincial Co-operative Marketing Society started in 1941 under the clouds of the War is intended to play an all important part in the post-war reconstruction plans of the Government of Bombay; for greater and better production cannot benefit cultivators unless served by efficient marketing of the produce. The Society was handicapped very greatly since its establishment by controls of all kinds coming in one after the other. If exports from the centres of production are not permitted except under grave restrictions or if the transport of the permitted produce to the terminal market at Bombay is not possible owing to the severe dislocation of all movements of men and material, the Society could not make any progress at all. But in spite of all serious handicaps, it is an encouraging tale of the escape of the Society from infant mortality and its growth into quickening and progressive childhood. With the end of the war and with the consequent lifting of controls on the horizon, I trust we may hope for freedom to trade and engage in our legitimate pursuit—the better marketing of agricultural produce in the Province assisted by Branches, District Organisations and Purchase and Sale Unions. The past has been beset with dangers, the present is not free from difficulties; but the future is sunny and bright.

Until almost the end of December last, the main activities of the Society consisted of the distribution of charcoal, supplied by Government, to the authorised retail dealers, of payments of funds for oil cake purchased by the Department of Agriculture from the various oil mills in Bombay in connection with the "Grow More Food Crops Campaign" and supply of rationed commodities to a few co-operative consumers' societies in Bombay City and suburbs which are recognised as retail distributors under the rationing scheme. These activities of the Society, though they were certainly useful, were not quite in keeping with the principal objects underlying the establishment of the Society. An earnest effort was therefore made during the year to reorganise the working of the Society and to place it on a new basis, so that it could play its appropriate role as the central co-operative marketing organisation for the province.

The new plan of reorganisation approved by your Directors divides the Society at the outset, into three different sections, one for the sale of fruits and vegetables, another for the sale of cotton and the third for the sale of oil seeds, grains and other foodstuffs. These sections were established during the year and each of them was placed in charge of an advisory committee, consisting of experts in the line and representatives of interested co-operative societies. All these sections have been provided with the service of competent and experienced salemen. An intelligence service has also been organised for these sections and is increasingly appreciated.

I shall refer only to a few factors which impede the progress of the different departments of the Society. The consignments of vegetables we receive from growers and their co-operative societies are at present few and far between, as compared with consignments of fruits. This is mainly due to Government purchasing vegetables in the various producing areas in the province. The maintenance of the Society's service for sale of vegetables is not a remunerative proposition in the existing conditions. I hope, however, that in all producing areas where Government at present purchase vegetables directly from the growers, sale societies of growers would be formed in due course and that these would require the assistance of a central co-operative marketing organisation in Bombay for sale of their members' produce in the post-war period. This is the reason why we continue to keep touch with the trade and continue to maintain the service, though it involves some small loss to the Society at present.

In regard to grains and oil seeds, the restrictions on export of certain kinds of agricultural produce from different districts, though these may be justifiable on important grounds, militate against the progress of the Society. The Society has been formed primarily with the object of enabling growers and their co-operative organisations to dispose of their agricultural produce in the big terminal market at Bombay to their advantage and if the produce cannot be exported from the various districts, scope for service is practically lost to the Society. I am hopeful, that Government will now examine the position in this behalf at an early date and allow co-operative sale societies in all districts to export a certain quota of the local surplus produce for sale through their central marketing organisation in Bombay.

One serious disability under which the Society labours is the absence of storage accommodation at its disposal. At one time the Society had hired a godown in the Rayan Market, but since it was not then much in use, it was requisitioned by Government. Subsequently this godown was burnt in the explosion. As the capacity of the Society to sell agricultural produce consigned to it, by its members, to the best advantage of those members depends, among other things on the possession of adequate storage accommodation by the Society, necessary representations in this behalf have been made to the Registrar and it is hoped that the Society would be equipped with a suitable godown in the Dana Bunder locality. Co-operative Marketing without adequate godown facilities is but a myth. Government, we are aware, are keen on the development policy and we have no doubt, Government will under present conditions, come to our assistance in securing godown accommodation as promptly as possible. We are anxious to do our best and we expect Government to do its best to help us on in the task of organising agricultural marketing on co-operative lines in the Province, as substantially and wholeheartedly as possible.

The experience of the newly opened cotton section of the Society also points to the necessity for accommodation for the temporary storage of pressed bales received by us for sale in Bombay from the cotton sale societies of Gujarat, Khandesh and Karnatak. If the Society owns or controls such accommodation, it would be possible for it to reduce to a certain extent the costs of storage and marketing and to give a better return to its members for their produce.

Apart from the sale of agricultural produce, the Society aims at supplying co-operative societies and their members with agricultural and domestic requisites at fair, wholesale rates. For this purpose the Society has been building up business relations with important manufacturing and trading concerns in the city of Bombay. The progress of such supply work is hampered to a certain extent, by war-time restrictions on movement and transport of goods. A general priority of transport for oil cake supplied to co-operative societies either as manure or as cattle feed and for other agricultural requisites such as implements manufactured by well established concerns like Tata Iron & Steel Co. Ltd., and articles such as *Kanta*, *Sutali*, *Katha*, ropes etc. should have been granted to us. But at any rate, now the transition from war-time to peace should see us in an increasingly better position in this respect.

The demand from co-operative societies in the province for the supply of consumers' goods at controlled rates has always been great. In order that this demand can be met to a certain extent, the Society approached the Controller General of Civil Supplies, and I am glad to announce that the Controller General of Civil Supplies, has been pleased to permit the Society to open a Fair Price Shop for the wholesale sale of consumers' goods to co-operative societies.

Your directors have during the year under report made serious efforts to build up, in Bombay a strong business organisation for the sale of certain kinds of agricultural produce and for the supply of agricultural and household requisites. I may say that the work of building up of this business organisation is well-nigh complete, except in one respect, namely the acquisition of storage facilities. The next important step is to make this organisation self-supporting. This of course, presupposes active co-operation and earnest support from all co-operative sale organisations in the province. No co-operative society can ordinarily hope to succeed unless its members possess in an ample measure, the co-operative spirit, which alone can ensure their loyalty to their organisation. I can assure all co-operative sale societies in the province that the central organisation at Bombay will always endeavour to give them prompt, honest and efficient service. But I also expect that co-operative sale societies on their part will not succumb to petty temptations and will make it a point to deal with the central marketing organisation in Bombay. I need hardly say that the existence of a strong central co-operative marketing organisation at the provincial headquarters is the *sine qua non* for the healthy development of the Co-operative Sale Movement in the province and to the extent to which every sale organisation deals with the apex organisation, it makes its humble but valuable contribution to the building up of a live vigorous Co-operative Sales Movement.

THE EIGHTH ANNUAL GENERAL MEETING OF THE MADRAS PROVINCIAL CO-OPERATIVE MARKETING SOCIETY

Extracts from The Report of the Board of Directors For 1943-44

The year under review was one in which there were unprecedented difficulties in the Madras City on account of shortage of Rice, Fuel, and various other commodities and the P. M. S. had to play a very important part in reducing the difficulties of the consuming public in the Madras City. During the time of acute scarcity of rice, the P. M. S. undertook as an emergency measure the distribution of rice in the City in the interests of the public. In July and August 1943, Rs. 3,95,883 worth of rice was distributed by the P. M. S. After the introduction of rationing, the P. M. S. undertook the distribution of Ration Rice at 9 Ration Shops. Again, the firewood shortage was tackled by the P. M. S. by importing from neighbouring districts firewood to the extent of 30,349 tons valued at Rs. 4,79,397. The Wholesale distribution to the Hotels' Association, National War Front, A. R. P. etc. was continued till rationing was introduced. After the introduction of Rationing, 8 Firewood Ration Shops were run by the Society. In the scheme of distribution of firewood, the P. M. S. undertook the work on behalf of the Government without a pie of profit to itself purely as a matter of service to the suffering public. This contribution of the Society to the easing of the very difficult situation in the City was very much appreciated by the Government of Madras and in general by the public of Madras City.

The membership and Share Capital rose from 298 and Rs. 29,425 at the beginning of the year to 322 and Rs. 34,305 respectively at the end of the year. Of the 322 members on 30-6-44, 211 were Societies and 111 individuals.

During the year under review, as a measure of urgency, the Society undertook outright purchase and sale of goods besides the usual business on consignment basis dealt with by it during the previous year. The total purchases amounted to Rs. 18,02,581, and the total

sales to Rs. 17,76,993 with a closing stock on 30-6-44 worth Rs. 1,93,828, thus leaving a gross profit of Rs. 83,380 for the year. The articles dealt with by the Society included Rice, Firewood and other provisions for the use of the various Provisions Branches.

The Society dealt with goods worth Rs. 22,57,428 including the stock of the previous year, for sale on consignment basis during the year under review.

The rates of commission varied from $3\frac{1}{2}$ per cent to $6\frac{1}{4}$ per cent depending upon the nature of the commodity. The marketing of fruits consigned by the Kodur Fruit Growers' Co-operative Society continued and Rs. 1,30,296 worth of fruits were sold during the year earning a commission of Rs. 8,143. The original arrangement of paying 6 pies per rupee out of the commission of 1 anna in the rupee collected by the society was continued and the P. M. S. also got a purchaser's commission of 1 anna for the sale of every 105 fruits. The total amount of commission earned by this society under this head during the year is Rs. 11,916.

The society undertook the Agency for distribution of Coffee, Malt Extract, Tea, matches, and soaps to the Co-operative Wholesale Stores in the presidency.

The Indian Coffee Board appointed P. M. S. as the Sole Agent for the distribution of coffee to the various District Co-operative Wholesale Stores in the Province by granting to this society a Wholesaler's Licence on 25-5-44. Coffee is allotted to the society every month from different pool centres in the presidency, such as Coimbatore, Tellichery, Calicut, Mangalore, Mysore, etc., The Agents at the various pool centres distribute coffee direct to the Co-operative Wholesale Stores at each district headquarters as per the instructions of the P. M. S. out of the monthly allotment made by the controller of Coffee and the money is collected from the Wholesale Stores by this society by sending the R/R and invoice. In May and June 1944, 16 tons each of Coffee were allotted from the Coimbatore Pool Centre, and about 24 tons from the Tellicherry Pool Centre to a total value of Rs. 65,217. During the 2 months, the commission earned by the P. M. S. through these transactions is Rs. 403 at the rate of Rs. 2 per cwt.

In April 1944, the Government of Madras were pleased to appoint the P. M. S. as sole Agents for distribution of Malt Extract with Shark Liver Oil, manufactured by the Government Malt Factory at Coimbatore. The P. M. S. distributes the Malt Extract to the various Co-operative Wholesale Stores by placing orders with the Government Malt Factory, who send the consignments direct to the Wholesale Stores. The cost of one bottle (1 lb.) is Rs. 4 and the Government allow the P. M. S. a commission of 10 per cent which is shared between the Wholesale Stores and the marketing society, the former getting 6 per cent and the latter 4 per cent. From April to June 1944, 5,100 bottles were supplied to the Wholesale Stores by the Government Malt Factory through this society, out of which 2,715 bottles were sold to the value of Rs. 10,860. The commission earned by the P. M. S. during 1943-44 was Rs. 434.

P. M. S. took up the agency for the sale of Thomco Tea in February 1944. Instructions were issued to all Co-operative Wholesale Stores to place indents with the P. M. S. for the purchase of this article. But only the Godavari Central Stores responded and 200 lbs. of tea was supplied for Rs. 285. There was no proper response from the Wholesale Stores to this variety of tea and therefore this agency was finally dropped. After the close of the year, the society took up the distribution of Liptons' Tea.

During the year, the Society continued the Sole Agency for the supply of Wimco matches to the various Co-operative Institutions in the presidency, and matches worth Rs. 2,45,866 were supplied to Co-operative Institutions. The society earned a commission of Rs. 2,626.

Messrs. Lever Brothers continued the P. M. S. as their Agent for the supply of their soaps to Co-operative Institutions in the presidency. The value of the soaps supplied during the year was Rs. 8,499-15-0 as against Rs. 2,254-1-0 during the previous year.

This society also functioned as the agent of the various Co-operative Wholesale Stores in the Presidency for purchasing commodities from Madras City on their behalf and sending them on to their respective headquarters and also for getting articles from Upper India. In all these cases, only a nominal commission was charged and the service to the sister institutions was undertaken without expecting much profit.

Transactions of the society during 1943-44 is given below :—

			Rs.
Non perishables	...	...	37,65,890
Perishables	...	...	1,30,296
Potatoes	...	...	12,740
Cocoanuts	...	...	1,201
Firewood	...	...	3,37,789
Total	...	...	42,47,916

On 22-7-43, the society undertook the sale of Mill-made Standard Cloth to relieve the acute distress in the Madras City on account of shortage of cloth, and to help the Government in the distribution of standard cloth supplied by them. During the year under review, standard cloth was purchased at a value of Rs. 2,81,655 and the sales effected during the period were for Rs. 1,86,011. Government allow a profit of 3 per cent on the business done. The commission earned during the year amounted to Rs. 5580, out of which the rent and other establishment charges were met.

The Emergency Scheme sanctioned by the Government for the distribution of firewood continued during the year under review. The Scheme was given up in February 1944. The total sale proceeds of firewood during the emergency period were Rs. 5,00,749, out of which sales during the previous year amounted to Rs. 2,38,857. The sales during the year under review amounted to Rs. 2,61,891.

The society continued to supply graded charcoal to the public of the city through its various depots. About 350 tons of charcoal valued at Rs. 55,576 were sold during the year. There was considerable demand from the public for the graded charcoal supplied by the society.

The society continued supply of ghee for Defence Services. Ghee to the value of Rs. 19,88,897 was supplied during the year 1943-44. On account of the difficulties subsequently experienced by the Ghee Supply Co., who are the principals of this society in the matter of supplying ghee to the Military, the business in the ghee was stopped at the close of the year.

Many of the members of the public pressed this society to take up the distribution of paper on account of the acute shortage of paper for civilian consumption and the difficulties in getting Exercise Books for students in Educational Institutions. Hence a Paper Depot was opened in April 1944. Since April, the value of paper purchased was Rs. 7,349 and that sold was Rs. 2,379.

The Society earned a net profit of Rs. 21,284-8-0 during the year.

ANNUAL GENERAL MEETING OF THE BOMBAY
PROVINCIAL CO-OPERATIVE BANK

29th September 1945.

Extracts from the Speech Mr. R. G. Saraiya, Chairman

Speaking as I do at the Annual gathering of members of an apex co-operative organization, I believe, it will not be out of place if I emphasise the potentialities of the co-operative movement in helping forward the cause of peace all over the world. Not only does co-operation stand for economic justice between various groups within the boundaries of one country, but it seeks to build international links between one country and another on the basis of economic justice, goodwill and mutual help. For the malaise from which the world suffers in the economic sphere, co-operation provides a remedy which, let us hope, those who exercise sway over its destinies will not overlook.

The year that has ended was not without its anxieties for agriculturists. The level of prices showed a slight tendency to decline. There were areas where cultivation suffered for lack of bullocks, of manure, of iron implements, or of labour. Sugarcane cultivation in the Deccan canals was particularly unfortunate in this respect. The cost of living and of labour too went up all over, reducing the earnings from agriculture. Despite this squeeze between falling prices and rising costs, the standard of repayments of their dues by members to societies and by societies to the Bank showed no fall. I may mention here that the system of granting rebates for punctual repayments was continued during the year, the scale of such remission being raised from $\frac{1}{2}$ per cent $\frac{3}{4}$ per cent for societies which paid up their overdue and current instalments of loans before the close of the year. The amount of interest thus remitted came to Rs. 10,774-7-0. Besides this, interest amounting to Rs. 4,600 in round figures was remitted by way of rebate to financially weak societies.

Coming to our own position, the total resources commanded by the Bank have gone up by nearly a word of rupees. Fixed deposits show an increase of nearly Rs. 13 lakhs, while balances in current and savings accounts have risen by Rs. 61 lakhs. Of the aggregate deposits amounting to Rs. 4.84 crores, deposits from co-operative institutions accounted for 2.83 crores and from individuals to Rs. 2.51 crores. The ratio of the deposit liabilities to the owned funds comprising the paid-up share capital and various reserves was 11.6 : 1 as compared with 13 : 1 at the close of the previous year. The liquid resources held by the Bank for meeting the deposit liabilities were ample, representing a percentage of 69 as compared with 64 in the previous year. The addition to the capital resources of the Bank to which you gave your consent last year is indeed welcome, in as much as it is required to support larger deposit liabilities. You will be interested to learn that of the 13,486 shares that were taken up from the new issue, 4,157 were allotted to individuals and 9,329 to societies. After the demands of all applicants had been met for the number of new shares, they were entitled to receive on the basis of their then-existing holdings, the remaining shares were allotted only to co-operative societies which had put in applications for additional shares.

The total lendings by the Bank at the end of the year stood at Rs. 196 crore, as against Rs. 1.82 crore at the commencement. There was some increase in advances to individuals against agricultural commodities and also in respect of advances against pledge and hypothecation of stocks to co-operative societies. This latter increase is welcome because, to my mind, it represents a form of finance which may play an important part in the development of the co-operative industrial, marketing and supply societies that are badly needed for strengthening the weak links in our rural economy. It is true that some of the new organisations owe their origin to the situation created by the war. But if we bestir ourselves in time there is no reason why the institutions that have come into being in these abnormal times should not be enabled to serve as useful adjuncts in future in their organized economic life of the peasant, the artisan and the humble town-dweller.

In view mainly, however, of the increased income earned by way of interest owing to larger advances, the profits are higher than in the previous year by over Rs. 44,000. Notwithstanding this, the Directors do not propose to recommend any change in the scale of dividend payable for the year.

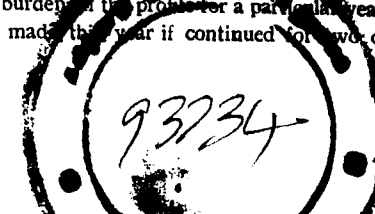
A word is necessary, however, about the two new funds proposed to be created for promoting the development of co-operative activities in areas served by the Bank. The bank may not have any direct responsibility, either administrative or financial, for assisting in co-operative development and organisation. But it is obvious that unless the movement progresses and that too not in one direction but in an all-round manner so as to raise the economic status of the agriculturist—the utility of central financing agencies will be reduced. Moreover, as the apex financing agency, the Bank may well extend its helping hand to all useful co-operative effort, provided it is well directed and controlled. The local inspecting staff of the Bank who are in touch with rural areas have put forward various concrete proposals for development of co-operative activities suited to the different conditions obtaining in different areas served by the Bank; and these proposals have been discussed by the Directors with the Registrar of Co-operative Societies. As a result of these discussions, it has been decided to create the Co-operative Development Fund which, I trust, will enable the Bank to take its appropriate share in the working out of the planned co-operative development of the parts of the Province served by it.

From another point of view also it is necessary for the Bank to interest itself, in the immediate future, in the work of co-operative organization and development. I have referred in my speeches at the last annual general meeting to the then contemplated extension of the operation of the Bombay Agricultural Debtors' Relief Act. This legislation is now brought into operation in 78 taluks in the Province in addition to the 16 taluks in which it was first made applicable in 1941. In view of the vast scale in which the process of reduction and adjustment of debts will be undertaken now with the establishment of the Debt Adjustment Boards in May last, it will be necessary for proper arrangements being devised to provide crop finance to agriculturists where debts are adjusted. Crop finance has to be granted under certain restrictions. The grant of such accommodations is an important function of co-operative banks and your Bank has agreed to undertake this work in the areas served by it to the best of its ability. This will necessitate the organization of new societies and the expansion of the business of existing societies on well-ordered and sound lines.

Connected with the undertaking of this duty is the question of the safety of the crop finance that will be provided through co-operative agency. It is true that this finance will enjoy priority over other debts, but even then with the experience which they have gained of the hazards of agricultural credit, co-operative banks have brought to the notice of Government the need for their assisting in substantial manner co-operative societies and banks to meet losses that may arise. The discussions that took place on the subject between the Government and the representatives of co-operative banks have, I am glad to mention, resulted in arrangement being arrived at in a manner which appears satisfactory on the whole at present. It is true that the guarantee for losses which Government have agreed to bear does not fully cover all the losses that may arise by reason of the provision of crop finance for adjusted debtors, but Government's decision goes a fair way in meeting the proposals on the subject put forward by co-operative banks.

The other fund is intended to meet payments to the families of members of the staff who unfortunately happen to die in difficult circumstances while in the service of the Bank. The fund will enable demands for compassionate allowances to be met and when they may unfortunately arise in future, without imposing any burden on the profits for a particular year. Contributions equivalent to the one proposed to be made this year if continued for two or three years more should suffice for this purpose.

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(HONS.), G.D.C.A.,
Secretary.

The Madras Provincial Co-operative Bank, Ltd.

Head Office:—379, China Bazaar Road, Madras.

Balance Sheet as on 30th June, 1944.

	Rs.		Rs.
Capital ...	6,70,400	Cash ...	12,34,581
Reserves ...	36,80,330	Investment in Govt.	
Deposits ...	2,61,46,570	Securities ...	1,69,35,742
Loans ...	10,80,849	Other investments ...	2,77,000
Sundries ...	1,95,461	Loans and Overdrafts	1,28,07,924
Profit & Loss A/c. ...	2,60,219	Premises (acquired entirely out of pro- fits Rs. 3,58,401).	
		Sundries ...	7,78,582
Total ...	3,20,33,829	Total ...	3,20,33,829

Analysis of Working.

	Year ending 30th June			
	1941	1942	1943	1944
	Rs.	Rs.	Rs.	Rs.
Paid up Capital ...	6,66,500	6,70,300	6,70,800	6,70,400
Reserves ...	27,88,803	33,25,730	33,91,109	36,80,330
Fixed, Current and other deposits ...	2,41,46,411	2,51,49,678	2,92,27,881	2,61,46,570
Net Profit ...	2,53,398	1,66,886	77,567	2,14,709
Amount transferred to Reserve Fund ...	75,000	50,000	25,000	1,00,000
Other Accounts ...	94,004	12,500	5,740	61,100
Dividend at 9 per cent.	59,941	60,107	60,365	60,368
Carried Forward ...	52,127	91,086	70,510	32,825

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