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THE

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EACH FOR ALL AND ALL FOR EACH

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The Shape of Things.

Co-operatives in Food Administration:

As we were going to the Press, we received the Government Order in which the Government clarified their attitude towards co-operatives. Though it has taken some time for Government to announce their policy, we are grateful to them. Better late than never. For some reason the Departments of Government, especially the Revenue Department, have never viewed with favour the role of co-operatives. Often the co-operatives have been ignored and dealers or their organisations, syndicates, have been preferred both in regard to distribution and procurement. Now that the Government have clearly enunciated their policy, it is hoped there will be no more trouble and co-operatives will be enabled to play their part unhampered by galling restrictions. At the same time we must appeal to co-operatives to shoulder the work with a sense of responsibility and take every care to see that they do not give room for complaints specially of favouritism. They should serve all alike without any tinge of distinction. Expectations raised by their past good and efficient conduct must be fulfilled and the faith reposed in them by Government should be justified.

Can Credit Societies Trade?

Can a village credit society engage itself in trade or even engage itself in retail distribution for its members, let alone the non-members? If the role allotted to the co-operatives by the Government in their Order referred to already, is to be fulfilled, even the credit co-operatives must perforce engage themselves in trade, such as procurement and distribution. Whether they should do so and if so, to what extent, are questions which need consideration. There has been some controversy in this regard and we have more than once expressed the view that to the utmost extent possible even the credit co-operatives should be enabled to serve the community in these times of stress and strain. We find similar questions arose in Canada and the observations of the *Canadian Co-operator* in this regard may be read with interest.

"A co-operative of any kind must confine its business operations to those authorized by the Act under which it is incorporated and its Charter of Incorporation. By-laws contrary thereto would have no legal effect. A resolution by the members authorizing the directors to do business the co-operative is not authorized to do would give them no legal justification. It is probable that in case of financial loss to the co-operative or credit union being sustained the directors would be held individually responsible therefor.

"The successful organization of a credit union may sometimes provide the occasion and the means of initiating other forms of co-operative activity for the benefit of its members, particularly in the field of consumers' co-operation. The policy which should be followed in the latter even would be for the group to organize a buying club with a view to pooling their purchasing power in obtaining commodities which would show economy to them. The buying club, when membership, capital and trade volume have sufficiently increased, could then be converted into and incorporated as a co-operative store society.

"It would doubtless be of advantage in some cases for the buying club to use the personnel and facilities of the credit union in its organization and operation, but the credit union and the buying club must be organizations in every respect separate and apart from each other, with different boards of directors. The members of the credit union, and if thought advisable, other consumers in the community should apply for membership, and be formally elected members of the buying club. The capital funds or other resources of the one should not be identified to any extent with the other."

We know already certain restrictions have been imposed on credit co-operatives in regard to non-credit activities and we have heard complaints that on that account they are not able to play their part in procurement and distribution arrangements. We feel restrictions are necessary and to what extent they can with safety be

relaxed is a matter entirely for the financing banks and the Registrar of Co-operative Societies. Each case must be dealt with on its merits.

Co-operatives and Panchayats:

It may be remembered we reproduced in the June issue of the *Journal* an extract from the *Indian Finance* on Panchayats in U. P. villages and had occasion to plead for a clear conception of the functions of co-operatives and panchayats to avoid overlapping or even clash. We are glad to be assured now that such a clear conception is envisaged in a recent interview by Dr. K. N. Katju, Minister for Justice and Development. We reproduce below portions of the interview which we have no doubt will be read with interest:—

Village Development:

Narrating the various programmes for development of villages in the province, Dr. Katju said that the Government was embarking on a three-pronged drive for revolutionary constitutionalism in the rural areas. If this offensive succeeded then he had no doubt that not only the economic condition of the masses would be vastly improved but people would really have all the benefits of "Panchayat Raj" in miniature in their villages. The three-pronged offensive for the development of rural areas was to give them ***gaon panchayat***, co-operative societies and ***nyay adalats***.

Asked what was going to happen to the Rural Development Department, Dr. Katju said some misconception existed about the rural development programme which was formulated in 1938—39 by the Congress Ministry. The gist of that programme which was to undertake the task of developing rural areas in instalments and further rural reconstruction was to be carried out by villagers themselves through co-operative better living.

"The new policy underlying the proposed village administration," he continued, "is to proceed on a much wider and a statutory basis. Instead of a voluntary better living society we will now have municipal administration of the village entrusted to the entire body of the villagers working under the name of statutory ***gaon subhas***. These ***gaon subhas*** will have their executive working committees known as ***gaon panchayats***. The entire municipal administration will be looked after by the working committee on behalf of ***gaon subhas***. The ***gaon*** panchayat (working committee) will have the power to raise taxes. Our old Rural Development Department of 1938 will after these ***gaon panchayats*** are formed, cease to have any independent existence."

He suggested that these *gaon subhas* might prove suitable as electoral colleges for indirect elections to the district boards. The district board itself might function as an advisory budget-making body, with a strong executive committee of different nation-building departments in each district.

Co-operative Societies :

Dr. Katju referred to the formation of multiple co-operative societies in the villages. He made it clear that their character and work was different from that of the *gaon subhas*. The co-operative societies, he said, would be organizations in the villages for economic purposes and limited to cultivators of the land. The societies would be on a voluntary basis and would more or less be business concerns. They would keep stocks of seeds, agricultural implements, manures, fertilizers and even household necessaries of life. They would store the entire agricultural produce of the village after each harvest and then market it to the best advantage.

Rural Panchayat :

Dr. Katju said : "The third scheme of rural reorganization is to give villages judicial administration through panchayats, which I called *nyay adalats*. These *nyay mandals* will be a judicial unit formed by a grouping of six villages. The *gaon subhas* of each village will nominate five *punch* to the judicial panel, which will consist of 30 *punch*. It is proposed that petty civil and criminal disputes arising in any village of the unit shall, by a predetermined rule, be referred to a tribunal of five of these *punch*. These tribunals will hold their sittings in villages in public, hear witnesses and summarily decide each case. They may pass decrees or dismissal of civil suits and impose fines and sentences of imprisonment not exceeding two weeks. A decision from these *nyay adalats* will not be open to appeal."

Limit of Borrowings :

Increasing use to which the funds of the financing banks are being put has also lead to the necessity for central banks to incur liabilities in excess of the limits prescribed under rules. We know as a matter of fact every meeting of the Executive Committee of the Provincial Co-operative Bank has to consider applications for increased borrowings by the central banks to meet the needs of societies affiliated to them. Of course, every such application is supported by the Registrar of Co-operative Societies and in cases where the borrowing limits will have to be exceeded he also permits such increase. We are not sure if the permission to exceed the

borrowing limits is given on any particular basis. In most cases it is the need which governs the increase in limits. We reproduce below a notification issued in Bombay dealing with the limits of borrowings and we have no doubt it will be read with interest :—

"In exercise of the powers conferred by section 67, of the Bombay Co-operative Societies Act, 1925 (Bombay VII of 1925) and in supersession of the order issued in Government notification in the Revenue Department No. 9357/39. dated the 4th April 1944, the Government of Bombay is pleased to direct that, for a period of one year from the date of this order, the provisions of rule 8 of the Bombay Co-operative Societies Rules, 1927, shall apply to such co-operative bank, registered or deemed to be registered under the said Act, as may be approved by the Registrar in this behalf, with the following modification, namely :—

The bank may incur liabilities in excess of the limit permissible under the said rule 8, by accepting deposits, subject to the following conditions, namely :—

(i) the amount received in deposit in excess of the limit permissible under the said rule 8, shall not be utilised in the ordinary business of the bank but shall be invested in Government securities or deposited with the Provincial or the District Co-operative Bank, as the case may be ;

(ii) the rate of interest offered on deposits shall not exceed the rate paid by the Provincial Co-operative Bank by more than ¼ per cent. per annum ;

Provided that such rate may, with the sanction of the Registrar, exceed the rate paid by the Provincial Co-operative Bank by not more than ½ per cent. per annum ;

(iii) Fluid resources shall be maintained according to the standard laid down by the Registrar ;

(iv) the balance sheet shall show Government securities at cost price or the market price, whichever is lower ;

(v) an Investment Depreciation Fund shall be created to which at least 10 per cent. of the net profits shall be carried every year, provided this condition shall not apply to a bank which, in the opinion of the Registrar, possesses an adequate reserve for the purpose."

Marketing Societies and Federations :

Elsewhere we have reproduced the speeches of the Registrar of Co-operative Societies and of the Hon'ble Mr. V. V. Giri, delivered at the Conference of representatives of Marketing Societies and Federations. The subjects included in the agenda and the notes prepared on some of the topics have also been reproduced. We earnestly invite the attention of our readers to these valuable notes. We regret very much we are not yet in a position to announce the conclusions arrived at. We understand a great deal of time and energy were spent in considering the relationship between the marketing societies and marketing federations where they exist. We wish more time had been spent in considering the functions of marketing societies, their present unsatisfactory position, and the steps necessary to revive them. Incidentally the question whether village co-operatives themselves should undertake marketing activities and to what extent that is possible could have received greater attention. It cannot but be recognised that most of the marketing societies have functioned more as mere loan societies, lending money on the pledge of produce and invariably it is the borrower himself who has to go about in search of buyers to find a sale for his produce. Also it is invariably the borrower's residence is the godown for the pledged produce. It has been suggested that if the produce pledged is in practice left in the custody of the borrower, why should not the village society perform the functions of the present marketing society? It would be more difficult for a borrower to dispose of the produce without the knowledge of the village society. Except in regard to commercial crops for which better markets can be found in marketing centres, other agricultural produce can as well be dealt with by the village society. As under controlled credit system the crop has to be hypothecated to the village society, it is far better the village society itself undertakes marketing and thereby avoid the complicated procedure now adopted even under the controlled credit system. We shall revert to this and other topics when we publish and deal with the resolutions of the Conference.

XXIV International Co-operative Day:

As usual the International Co-operative Day is to be celebrated on 2nd November, 1946. We have no doubt the Day will be observed all over the presidency by the co-operatives and make it the occasion for endorsement and approval of the Declaration of the International Co-operative Alliance headlined, "Peace Through Co-operation" which we have reproduced elsewhere.

The International Co-operative Day

November 2, 1946

DECLARATION OF THE INTERNATIONAL CO-OPERATIVE ALLIANCE

PEACE THROUGH CO-OPERATION.

As the *24th International Co-operative Day* approaches the international situation presents a challenge to co-operation as an international people's movement.

In large parts of the world, the peoples are suffering from want and are threatened with famine; while, in the international field, the great powers have failed so far to find an agreed basis upon which to build the peace.

The International Co-operative Alliance to-day—

Bids co-operators everywhere to remember that it was the spirit of international co-operation which bound the nations together in the struggle for victory over the forces of Nazism and Facism; and that it is only by co-operation that real peace can be won and maintained,

Urges its affiliated organisations to make their members conscious of their international responsibilities. It is not enough to build strong national co-operative movements. What is most needed today is the full use of the strength and the influence of the world co-operative movement in the cause of peace and freedom; and

Appeals with all its force to the national co-operative organisations and their leaders to give their whole-hearted support to the action of the Alliance in the international field, and to demand from their respective Governments the fullest application of co-operative methods and principles in finding a solution nationally and internationally to the great human problems with which the world is faced.

Swedish Consumers in Co-operation.

By SHIREEN MARKER.

During my visit to Sweden in the months of March and April this year, I took the opportunity to study its various industries, its economic and social progress, its political stability and national solvency. In this particular article, I am going to discuss the consumers' co-operative movement and Sweden's economic life which has developed on a surprising scale and worth serious study.

It is true of all Scandinavian countries that consumer co-operation is an important national economic factor, the first co-operatives being formed in Denmark and Norway and later followed by Sweden and Finland.

The consumer co-operatives in Sweden were started about 17 years ago when a few Swedish households, mostly those of working men, began to combine into co-operative societies for the purchase at wholesale rates foodstuffs and other necessities. For a long time the co-operatives remained small and weak in both rural and industrial districts, and at first they merely divided the goods among themselves. Only, when a national body was established at a Congress in Stockholm in 1899, did they found the *Ko-operative Forbundet* (K. F.) which, from being initially only a central union of consumer co-operatives, also became their joint wholesale trade supplier.

To-day the consumers' co-operatives have become a movement whose enterprise is generally recognised and based on efforts of all social classes to attain economic freedom. Official statistics establish that the entire membership of the Swedish consumer co-operatives was about 740,000 at the end of 1942. Usually each member represents a family. Taking the family consisting of four persons, this means that more than one-third of Sweden's population is affiliated to the consumer co-operative movement. These societies are abundantly distributed as much in the cities as in the country, hence 50 per cent of the members of consumer co-operatives derive their income from industry while around 20 per cent obtain their income from agriculture, and the balance of membership is distributed equally among other professions and classes of the population.

The Stockholm Co-operative Society, for instance, has more than 100,000 members, with about 500 shops and a turnover of £4¼ million a year.

The basis the societies are organised upon.

The first objective of the society was to establish itself on a sound financial footing and strengthen its financial resources. This was achieved by incorporating within its principles that the co-operatives themselves should finance its operations and that co-operatives should receive no credits or loans from outside. However, this principle of not receiving credit was not adhered to in its initial stages, owing to the lack of experience, and the societies not only were financed by loans from persons not connected with the co-operation, but received credit from manufacturers and wholesale merchants, and in turn often granted credit, as a result, around the period of the first World War, the co-operatives fell into solvency. Therefore, it was only after the first period of scant success that the advantages to the societies in not receiving credit but financing themselves by shares of stock bought by their members, were studied, a principle which to-day is acknowledged everywhere.

When an enterprise which refuses credit in any form, the capital proper, that is to say, the shares of stock, the reserve fund and savings must constitute the main part of the society's resources. It was only after restricting their field of activity, in other words, operations of expansions had to be slowed down until accumulation of proper resources were recovered, and observing the principle of not receiving credit, were they able to finance their own capital.

This procedure made the Swedish consumer co-operatives entirely independent of both capital and of financial assistance from the State or private capitalistic creditors.

The accumulation of capital which the co-operatives have built up is largely due to the fact the shares in the Swedish societies are of a relatively high denomination. Each member is responsible to the extent of his own share and individual share contributions average to about 100 *Kroner* (£6) per family.

Admission of Members.

The attractions for becoming a member of the co-operative society are twofold. There are the advantages of purchases at low prices, and the benefit at the end of the year from refunds.

There are two ways by which one may become a member. One by buying the 100 *Kroner* (or £6) worth of share and becoming a member straightaway. For those who cannot deposit 100 *Kroner* (or £6) at once, the co-operatives permit by an ingenious device, what

could be called indirect contribution leading gradually to the acquisition of complete privileges of membership. A great majority of new members acquire the status of members not by buying their share in cash but by indirect contribution.

In practice, it works thus. At the time of each purchase made by a client at the co-operative stores, he or she receives a cash register receipt. These receipts are carefully kept, and at the beginning of the New Year, the client adds them up and forwards them to the store. The refund she or he will get is prorated according to their purchases of which the coupon receipts are evidence, and, of course, the percentage of refund is made according to the sales and savings realised by the co-operatives in the course of the fiscal period just ending. The non-members or rather those acquiring membership by the "indirect contribution" method also send their coupon receipts at the beginning of the New Year, and they get their refund in the *form of shares* in the society until the 100 *Kroner* (or £6) worth of share has been accumulated, and thereafter all subsequent refunds are made in cash. Measures against members draining the society by means of too high refunds are provided by a stipulation within the by-law of the society "that the stock of merchandise at the end of fiscal period cannot be carried on the balance-sheet for a sum greater than 90 per cent of its purchase price of its estimated value, in case the latter is judged less than the exact net cost. Moreover, the equipment must be marked down each year at least 15 per cent of its purchase value. Finally 50 per cent of the savings must be set aside each year in the reserve fund."

Since 1921, the Union began various forms of production with the special aim of breaking monopolies in the manufacture of articles of necessity, the high prices of which had been particularly burdensome to the general public. To-day the co-operatives own their own factories and mills which include margarine factory and vegetable oil mill, and automobile tyre and rubber factory, a cell wool plant, a pottery, a shoe factory and many others, while they also are most prominent in the food trade in which they handle 20 per cent of the national turnover.

In addition to the consumers' co-operative movement, there are many producers' co-operatives especially among farmers who combine to sell at the lowest possible costs. About 300,000 farmers are members of these farmers' marketing co-operatives which supply 90 per cent of the total amount of milk weighed in at all the dairies.

They also handle 50 per cent of the slaughtering and about 40 per cent of all sales of bread, cereals, eggs, fruits and vegetables.

Thus, to-day, the co-operatives are able to rationalise their distributive system by giving in more and more for lower dividends and correspondingly lower prices, which have entailed a gradual general reduction of retail price level to the consumers' advantage.

Co-operative Housing.

The co-operative housing movement originated with the Stockholm Housing Society in 1916 which is to-day called "the Stockholm Tenants' Saving Bank and Building Society." It is an enterprise with a social purpose. The society builds and manages its own apartment houses thus, unlike most housing societies which sell their flats, the society lets the flats to its members.

The houses erected by the society are built round open spaces laid out as gardens with lawns and trees which, at one time, were considered a luxury in which only the rich could afford to indulge. More than 20,000 people in Stockholm are catered for by the society, and about 60 per cent of its members are workers, the remainder belong to various categories.

This housing society, besides erecting most modern buildings and utilising modern technical equipments, has developed many other socially important activities among its members. For example, there is a big savings bank for the use of its members, youth and women's clubs, athletic clubs, amateur dramatic societies and playrooms and nurseries for the children living in the flats. In connection with this latter activity, the society has started a social pedagogic school for the training of infant and child nurses and teachers. I visited this school and was most impressed not only by this beautifully equipped school but also by the scientific and modern training given to its members, who would later take responsibility of moulding the younger generation into becoming useful citizens. The care, welfare and education of the children are of foremost importance to the Swedish people. Negligence in this direction is hardly tolerated and would be considered a breach of highest form of duty.

In addition, the society publishes a journal every month for the whole national movement, and, finally, it may be mentioned that a "Summer Colony" consisting of a little village with more than 400 week-end and summer cottages is established for the society's members at *Arsta Beach*, one hour's run from Stockholm.

International Relations.

The Swedish Co-operative Movement is a member of the International Co-operative Alliance, and the movement worked hard for the formation of an international co-operative wholesale organisation, which resulted in the formation of the International Wholesale Agency in 1938.

Its activities cover the joint purchasing of groceries, grain, feeding stuffs and primary produce of other kinds. Its aim is to enter into direct relations with producers of the big producing countries and to eliminate unnecessary middlemen. Before the outbreak of this last war, business was steadily growing and substantial quantities of dried fruit, coffee, copra, rice, maize, etc., were purchased from foreign countries to cover 2 million co-operative households in Scandinavia.

Conclusion.

The whole structure of the Swedish Co-operative Movement is an expression of economic democracy. Therefore, a close study of this movement in Scandinavian countries should, I feel certain, be encouraged by the co-operative movement in India. Especially in the face of the fact that every few years India experiences a famine, a strongly developed consumers' co-operative as well as a producers' co-operative should be seriously considered and organised to harness our economic and productive resources of the country on sound financial basis. This should, at least, aim at eliminating some of the squalor and want by providing the primary necessities of life to reach our population, which is living almost below subsistence level.

My Experiences as a Co-operator

By Rao Bahadur A. Vedachalam Aiyar,
Retired Deputy Collector and ex-Registrar of Co-operative Societies.

I was Assistant Registrar of Co-operative Societies which now corresponds to Deputy Registrar of Co-operative Societies from 19th November 1919 and the Registrar of Co-operative Societies in 1919 and 1920. I had charge as Assistant Registrar of Vellore, Salem, Coimbatore and Trichinopoly districts. Subsequently, I was put in charge of only one district, Vellore. There was no co-operative training school or college. The Assistant Registrar was looked up to as the spring-head of co-operative knowledge. It was his duty to train Co-operative Inspectors and other staff for in-door and out-door work in the department and in the Central Bank. He had to attend the meeting of Directors of the Central Bank and assist them in running the Bank. He had to make his own enquiry personally when he had to start co-operative primary organisations as well as co-operative unions. He had the help of a Chief Inspector to facilitate the audit of bigger primary organisations and the Central Bank.

In this position, I devised my own method of work and I had the good fortune of securing co-operative staff and non-official co-operators, English knowing or Tamil knowing, to carry out my work. I was Assistant Registrar from 1913 to 1919, during which period I organised 500 co-operative societies in Vellore district alone, the Central Bank and some supervising unions to secure self-supervision.

It may perhaps interest the co-operative public if I detail the procedure adopted by me to secure progress of the movement in the district.

2. Every clerk engaged in the Assistant Registrar's Office received training in co-operation by accompanying me as camp clerk for 3 months. Such trained clerks were selected as probationers for being appointed as supervisors. The probationer joined me in my tour in a taluk and work with me and a Government Inspector visiting each village where there was a society. I got through the accounts for a year in each society and try to point out defects, if any, and conduct scrutiny of loan applications, etc. After 3 months' training of a probationary supervisor, he was tack on to the Government Inspector of a taluk for working along with him at headquarters and in villages. The supervisor was posted to the area where he was trained. If he had put in two years' service, he was a candidate for selection as a Government Inspector. Thus a Government Inspector had practical training as a clerk, and as a supervisor.

3. Whenever defects were found in the working of co-operative societies, instructions were issued in Tamil to the society concerned. I issued circulars to all co-operative organisations pointing out the defects and the remedial measures adopted. At the end of three years, a consolidated circular was issued embodying important points of procedure printed and sent to various organisations and Central Bank.

4. A history sheet was kept up (in fact written personally by me) giving the progress of each society, summary of inspections by Government Inspectors and Assistant Registrar, audit figures, etc. Such a history sheet was written by me and continued from year to year. These were typed in English and a copy was sent to the local union, the Government Inspector, Central Bank and one copy was kept in the office. Additional notes in each year were typed and sent to the people who had the original history sheet. Any new officer who inspected any organisation had its history of progress in a complete form.

5. At every inspection by me or Government Inspector, or supervisor notified before hand, the panchayatdars were asked to be present and given such instructions as were found necessary.

6. All loan applications by societies were accompanied by a distribution statement specifying the name of the would-be borrower, the purpose of loan and the security offered. The Assistant Registrar would send his suggestions after scrutinising the history sheet and inspection notes. The Assistant Registrar, the Government Inspector, or the supervisor had to see if the distribution list was adhered to or altered and what reason was assigned for such deviation. The matter was reported to the Assistant Registrar who passed orders.

7. From June onwards every year, the Assistant Registrar used to convene at the Union centre all the panchayatdars of all societies in a taluk to come with their accounts. They were scrutinised by him personally and the society panchayatdars gave their estimate of loan the society would require for the next year. Scrutiny was made of the overdues to the society and to the Central Bank. The Assistant Registrar then fixed the estimate of loans he considered desirable for the coming year and intimated the fact to the Central Bank and the society Even members of co-operative societies came to the meeting and put before the Assistant Registrar whatever they had to say as complaint against panchayatdars or as a request by them to satisfy their needs.

8. Supervising Unions were established in centres only when the affiliated societies and the District Banks were able to keep a staff out of contributions paid by them. Non-union societies were under the charge of a Government Inspector. Unions established had sufficient funds to entertain adequate establishment. In view of the unions discharging

their duty properly and generally for the purpose of running the administration of the co-operative movement in the district by non-officials. I formulated and brought into existence a District Council of supervision which got its funds for maintenance from all the unions of the district and from the District Bank under agreement from time to time. It entertained a chief supervisor who visited every union and saw to its proper working and also inspect societies which had gone down in efficiency. I nursed the district institution in view of its doing the work of the Assistant Registrar and Government Inspector leaving the Government to do audit and look after non-union societies. District Councils of supervision or Federations of Unions were established in almost every district. It was also my desire to develop the federations so that they will publish audited figures and draw up administration report which the Government Department had been doing. It was also my wish to make the Provincial Unions as head of the co-operative movement and as a union of all District Councils of supervision as the Madras Central Bank composed of District Banks as members attending to finance. When I was Registrar, every district had a District Council of supervision. Subsequently District Councils of supervision were abolished as they were supernumerary and not working efficiently owing to the absence of faith in them. Instead a branch in the Central Bank called the supervision committee was created by appointing an Executive Officer of the Bank mostly lent by Government Department. The progress of non-official connection with the movement got a set-back. The non-official institutions became dependant upon the Government Department and its staff, which resulted in semi-officialisation of the movement. This also resulted in the movement lacking in suitable non-official personnel to run its movement and its institutions.

9. The non-officials should tackle this problem in a suitable manner and the Provincial Union should start taking active part by making itself a well-built Provincial Co-operative centre with the responsibility of running the movement in a progressive and efficient state. All the Central Banks and district supervising bodies should become contributors to the upkeep of the Provincial Union. It should maintain suitable establishment in District Councils and local Unions. It should be in a position to put forth the report on the progress of the movement from year to year for the presidency. The Madras Central Bank or Provincial Bank should liberally contribute a percentage of profits to the Provincial Union.

10. Nobody need be afraid that there are not sufficient funds for undertaking the cost. The entire share capital and reserve are the property of the Co-operative Institutions and the dividends obtained on them should be utilised in making the movement strong, progressive

and self-supporting. Co-operators should exhibit in full the spirit of self-help. Such institutions need care no longer for any dividend so long as there is very little share capital from outsiders. If the movement is worked in a self-respecting and co-operative spirit, there will be real certainty, in the strength of the movement. It may be asked "Why should Government help at present be discarded?" It is for the reason that non-official working will promote self-reliance and secure de-officialisation. It will also secure added strength by the interested persons working at it in a conciliatory spirit with the hope of helping themselves by their service and sacrifice.

11. If the country is fortunate enough to take up the attitude of working the co-operative movement by themselves and for their benefit justifying its existence as a real democratic movement worked by the masses, Government can give subsidy to the Provincial Union as they will be relieved of all expenditure hitherto incurred by them. This help may be required for a time and not for ever.

12. The local unions must be strengthened. The District Councils of supervision or Federations of local unions must be brought into existence. The Provincial Union must take up this added responsibility of running the movement for the province in all its aspects.

13. These proposals are intended to accept with gratitude whatever has been achieved till now and to push on further in a democratic spirit by the people themselves. The Government may for some time keep the departmental strength without reduction, (i) to secure audit and (ii) to help Central Banks and District Councils or Federations to undertake the work. The Government will, I trust, feel gratified if the entire work is taken up by non-official agencies.

14. The non-official agency can recruit competent men even from among those who do not know English if all the correspondence is carried on in the regional language and if the co-operative institutes conduct their teaching in the regional language. I regret to say that the Co-operative Department has not yet reconciled itself to carry on correspondence in the regional languages.

15. It is not an easy task to make the masses get their welfare watched and promoted by their own united strength. What the country wants is not money or even Government's help but men with knowledge imbued with the spirit of self-help, self-sacrifice and an ardent desire to help our brethren and our country.

16. The strengthening of this democratic movement is absolutely and urgently necessary for the amelioration of the masses economically, socially and even politically. This is the goal which every Government must have in view. The present popular Government and the Congress and other political organisations represented in the Provincial Legislative Assembly and the Council must arrange for securing a solid arrangement to be carried out in a satisfactory manner with the help of every one connected with such organisations. If this is attempted and done with zeal and efficiency the exploitation by the wealthy and by middlemen will cease and such men will occupy their deserved position by becoming the honest trustees of the welfare of their poorer brothers.

Co-operative Village Banks with multi-purpose objects

By N. Satyanarayana.

India is a land of villages. Ninety per cent. of the population live in villages. Seventy-five per cent. of the population have agriculture as their occupation. Just as any other industry, agricultural industry also requires capital. But the return on capital is always precarious, as the ryots have to depend entirely for the return on their capital on the harvest of the land they cultivate. The harvest is always uncertain as only twenty-three per cent. of the total area under village is entirely dependant for the supply of water through canals, tanks and wells, while seventy-seven per cent. has to depend upon monsoon.

Owing to uncertainty of the return on capital in agricultural investment, the cultivators have to borrow constantly and pay high rates of interest on their borrowings. Annually the ryots have to borrow for their agricultural operations from the local merchants or sowcars. Instead of paying money, the sowcars generally supply seed, manures, agricultural implements and other requirements of the ryots and take hold of their produce when it is harvested.

The sowcar in the village plays a triple roll to the agriculturists. He lends money to the agriculturist at high rates of interest for his agricultural operations. Thus, firstly, he plays the role of a money-lender. He supplies consumers' goods and other agricultural requirements and thus, secondly, he plays the role of a shop-keeper. He takes charge of the produce and markets it and thus, thirdly, he plays the role of a merchant. As a money-lender, as a shop-keeper and as a merchant, he has his own terms to dictate to the agriculturist. He takes commission at every stage for his own advantage. The ryot has no option. He has to depend entirely for his finances on the sowcar. He must purchase all his requirements and needs from the same person. He has to sell his produce to him alone, as there is no other organised agency in the village to safeguard his interests. So the agriculturist in the village is almost a bond slave to the sowcar and he cannot get out of his clutches. He has to borrow from him, purchase from him and sell through him. He must borrow money at the rates dictated by him. He must purchase articles at the cost he fixes. He must sell his produce at the price fixed by him. The sowcar is in an advantageous position in

these three transactions and the ryot is exploited in all these dealings. Hence, he is always a debtor to the sowcar. He cannot be free from debt, as the sowcar so manipulates his dealings with the ryot that he cannot get out of his clutches. So, the Indian agriculturist is always in debt as the veteran co-operator, Mr. Darling, has put it "The Indian agriculturist is born in debt, lives in debt, dies in debt and bequeathes debt." Even though the ryot now and then gets bumper crop, he cannot enjoy the fruits of his labour, as he has to surrender all his crop to the sowcar for the debts he contracted in the years there was failure of crop. Hence agricultural industry has been always a losing concern—a deficit economy. The ryot lives in a vicious circle. If the ryot is to be saved, he must be rescued from the clutches of the sowcar.

Co-operation is the only hope and salvation of the agriculturist in the world. Raiffesin, the father of co-operation in Germany, organised agricultural banks for the relief of the agriculturist a century back. His example was copied in all the civilised countries and agricultural banks were started for the relief of the agriculturist.

The Government of India also adopted the Raiffesin method of co-operation in this country and started co-operative societies. During the last four decades, co-operative movement spread throughout the country under the control of the Government. It had no spontaneous growth in India as in other countries. It is fostered under the protecting wing of the State. It is nurtured and developed by the departmental officials like crotons in a pot for the show-room. Hence, it has not taken deep root. It has only stunted growth. Unless the movement is spread in villages according to the genius of the race, it cannot thrive and develop on right lines. The progress af the movement over the last half a century is not at all encouraging. In the seven lakhs of villages in India, there are at present only 146,000 societies. Out of a population of 40 crores in this country, there are only seventy lakhs of members in the various co-operative societies. The working capital in several societies is only Rs 700 crores while the agricultural debt is Rs. 1,200 crores according to the estimate of the Banking Enquiry Committee.

Now the leaders of people have again occupied the Provincial *Gadis*. The Interim Government is also now in the hands of the recognised leaders of the people. There is immense scope for the future development of co-operative movement under the wise guidance of these leaders for the resuscitation of the village economy.

The movement must be removed out of the old ruts and a new orientation must be effected to foster the movement on right lines. A country-wide campaign must be made for the teaching of the gospel of co-operation. The movement must be started on different lines. Unlimited liability must be removed. When the Co-operative Act was on the anvil of the Imperial Legislature in 1904, the late lamented Gopalakrishna Gokhale voiced forth the opinion of the agriculturists in these strong words, "Unlimited liability is a principle which our ryots in many parts of rural India can scarcely be able to understand. Insistence on such a principle would keep away from the new societies these very classes whose help and co-operation would be indispensable." These are the prophetic words. This is true to-day as it was when these words were uttered. Unlimited liability is an unnatural growth in this soil. To-day, the weakest link in the co-operative chain is the unlimited liability society in the village. Ninety per cent of the village societies are in a moribund condition and they are in a state of suspended animation.

The economic depression and the slump in agricultural prices (nearly for a decade from 1930 to 1940) brought these societies to the brink of ruin as the ryots lost their repaying capacity and consequently overdues mounted up. The second World War gave fillip to the agriculturists' income and the societies are now one by one reviving. It is quite necessary that these should be brought back to gear and put in motion. The weakness of the structure lies in the weakness of the foundation—the village society. The first attempt in the programme of rehabilitation must be the rejuvenation of village co-operative credit society. The present structure of the credit movement in the country is pyramidical with the primary credit society at the base, the Central Bank at the middle and the Provincial Bank at the apex. Such a structure can be sound and stable only when it is broad based on solid foundation.

The official policy, one society for one village, is quite unsound and uneconomic. There is need for reorganisation of societies on a wider basis. There is distinct advantage in extending the jurisdiction of one village society to more than one village because it may be possible to check the factious tendency which is an unfortunate feature of village life to-day. An enlargement of the area will

offer societies a wider scope for the selection of proper men to carry on their business efficiently. It will conduce to better supervision than the present disorganised and scattered societies. The big society for a group of villages will have sufficient margin to pay its staff out of its large transactions It can build up its resources. In consideration of all the above facts, there is need for a comprehensive programme for the expansion of village co-operative societies so as to bring every village under their ambit. The soundness of the co-operative structure ultimately depends upon the soundness of the village society. Hence instead of the present weak single purpose society it must be started on multi-purpose basis. The life of an agriculturist is not compartmental. It is a comprehensive whole. He cannot run for finance to one society, for supply of consumer goods to another society, for marketing his produce to a third society—for his agricultural implements to a fourth society, for long-term loans to a fifth society, for cattle-breeding to a sixth society, for housing to a seventh society and so on and so forth. There must be only one society to supply all the needs of the agriculturist so that he may not be driven from pillar to post to meet his requirements. The sowcar in the village is able to meet all his requirements, by giving him finance for his agricultural operations, by supplying him consumers' goods all the year round and by marketing his produce after the harvest. The multi-purpose co-operative society must stand exactly in the position of the village sowcar to serve his needs for his benefit but not to exploit him at every turn.

If a net work of multi-purpose societies are organised on limited liability basis for a group of villages for 7 lakhs of villages in India, one society for 7 villages on the average, one lakh of well-trained graduates can be appointed as Secretaries of these rural Banks and they can guide the destinies of these villagers as their friends, philosophers and guides. There are at present more than one lakh of societies throughout the length and breadth of India but they are not self-supporting. They are scattered countrywide without proper supervision and control. If the present weak societies are reorganised on broad basis covering 7 lakhs of villages, they can finance the agricultural industry to the advantage of the ryot, supply him consumers' goods at a cheaper cost and market his produce for better prices. The multi-purpose co-operative societies can not only improve the agricultural industry but also develop cottage industries for the advantage of the ryot. Instead of 70 lakhs of members 7 crores of families can be roped into the co-operative movement to the salvation of one and all in this country. Spinning wheel can be introduced in every home and the dyeing and weaving industry can be revived. These multi-purpose co-operative societies can run model agricultural farms with joint cultivation and collective farming.

If the co-operative movement is to be popularised on right lines by the National Government, there is every scope for improving the agricultural industry. These multi-purpose co-operative institutions can help the ryot for growing more food, for helping the villager to produce more cloth and giving a habitation to one and all who come under its protecting wing.

In 1938 when the first Congress Ministry was in power one model multi-purpose society was registered at Alamuru in the Madras presidency under the orders of the Hon. Mr. V. V. Giri, the then Minister for Co-operation. The society was opened by the then Hon. Revenue Minister, (now Prime Minister) Sri T. Prakasam Pantulu, on 27th February 1938. The institution has been working for the last 8 years successfully under the name (Alamuru Co-operative Rural Bank, Ltd.) with limited liability basis for a group of ten villages within a radius of 3 miles of Alamuru with a population of 15,000 and a total ayacut of 20,000 acres. The Bank has multi-purpose objects for the promotion of better farming, better business and better living.

The membership increased year by year and to-day there are 2,500 members of whom 1,300 are Harijans. The paid-up share capital is Rs. 25,000. The Bank received nearly two lakhs of rupees towards fixed deposits from members and non-members. It is not borrowing from the Co-operative Central Bank as it is self-supporting out of its own funds, but it has obtained a cash-credit of Rs. 45,000 on the strength of its own ever-continuity mortgage bonds and Government securities.

Agriculturists are given cash-credit up to a maximum limit of Rs. 2,000 each on the strength of their repaying capacity for purchase of cattle, seed, manures and for other agricultural requirements.

Tenants are given loans out of the margin on their leased lands. They are also given loans on standing crops, on pledge of produce and on personal surety. Landless labourers are given joint and surety loans for purchase of foodstuffs, cloth and other household

requirements and they are permitted to repay the amount out of their daily savings by purchase of thrift labels issued by the Bank of different denominations from one anna to one rupee.

The Bank has opened a cloth depot and a rice depot for the use of members and non-members.

For landless labourers, a collective farm is opened and they are given loans for the purchase of cattle and other requirements. The Government have given 200 acres of lanka lands for lease for the purpose of joint cultivation by the Harijan members. The Bank opened a reading room and library out of its Common Good Fund. It has opened a free Homeo Dispensary to attend the sick.

The Bank has a reserve fund of Rs. 20,000 with a building of its own costing Rs. 7,000. It is maintaining an establishment consisting of one Secretary, three clerks, two collection agents, one shroff and a watchman.

Instead of organising weak and scattered societies throughout the length and breadth of India, the Government must realise the advantage of having strong societies for groups of villages on limited liability basis with multi-purpose objects to serve all the needs of the villagers and create a spirit of comradeship for achieving the goal of working '*each for all and all for each.*'

Reflections on Peace.

BY RAMA B. NAGRIMULAK.

While Paris is the cynosure of all students of politics, it is worth pointing out that peace and war are dependent not so much on unanimity or otherwise of delegates at the Peace Conference or even on pious declarations and formal documents as on the ideals and motives which inform the different national leaderships from time to time. Only a change in ideals from those of pre-war days can guarantee the U.N.O. a longer and more successful career than the League of Nations.

It is argued in some quarters that the League failed because of the absence of the U.S.A. Though isolationism has characterised the attitude of many a leading politician and many more hard-headed businessmen across the Atlantic, the absence of the U. S. A. did not determine the character of the League. To cite an instance : the United States had suggested under the nine-power treaty a joint demarche with Britain and France in the days of the Manchurian crisis. The suggestion was cold shouldered by the British Foreign Secretary, Sir John (now Viscount) Simon, who has been aptly described as the worst English Foreign Secretary since the days of Ethelred the Unready. Sir Simon's consummate gifts of advocacy and the course he advocated were testified by Mr. Matsuoka of Japan in the following words:—" Sir John Simon has said in half an hour and in a few well-chosen phrases what I, with my bad English, have been trying to say in the last ten days." It may further be noted that, during the Abyssinian episode, in November 1935, the U. S. Government issued a warning against shipping of oil to Italy. Early in December came the famous Hoare-Laval proposals.

The function of the League of Nations turned on what the major powers like Britain and France proposed. The conspicuous failure of these to stick to the principle of collective security is a sad commentary on the political leaderships of those countries. The men in authority in England did not conceal their appreciation of Fascist Italy (particularly as the trains were running on time and the problem of labour unrest had been 'solved'). The Nazi hymns of hate elicited the condescending applause in Conservative circles in England. The presence of Conservative guests at the Nuremberg Nazi conferences is a result of their approval of the anti-Bolshevik crusaders. The creation of a *cordon sanitaire* against the Soviet Union has the corollary of the abetment of the Nazi brigands.

The Conservative leaders were bent on appeasement not so much out of a pacifist desire for peace as out of the fear that the next war would mean the end of their class. Set against the context of Munich the desire of Chamberlain to help Finland against Russia (in the midst of a war with Germany) and the objectives of Tory leaders become crystal-clear.

It may be remembered that during the Czech crisis while Russia declared her willingness to honour her obligations to the Czechs under the Tripartite pact if only France was rendering similar assistance France preferred to assist Chamberlain.

In the present stage of technological development and swift means of communications national boundaries have lost their significance, national Sovereignties their content. As Dr. Julian Huxley observes: "There is the fact that modern technology has brought the world to a state in which ideas, inventions, economic and social processes and policies are no longer even approximately limited by national or even continental boundaries. The *de facto* unification of the world has outstripped political unification. Hence the urgent need for international machinery to regulate and control the processes and agencies which are operating, albeit chaotically, on an international scale. A corollary of this is that the old distinction between domestic and foreign policy has largely broken down. An obvious example is Nazi Germany's pre-war persecution of the Jews; a more general one is the effects of autarchic economic policy. A further corollary is the breakdown of the old concept of unrestricted national Sovereignty with such implications as isolationism and the right to complete neutrality."

The Balkan States and those of Central Europe have proved in the inter-war years that they were not so much political expressions of the organic existence of different nationalities, endowed with power to so regulate their activities as to conduce to the material and cultural well-being of their citizens as mere pawns in the game of power politics of bigger powers. Conceived thus, Sir John Simon could with impunity assert that he would see that no British warship was sunk in the Mediterranean even in a successful naval engagement in support of Abyssinian independence. Czech independence was not worth a drop of blood (even Czech blood) in the eyes of the Birmingham politician.

As the scientist Huxley observes: "The Wilsonian fiction of the equality and Sovereignty of all nations which was the logical outcome of the concept of nationalism pushed as far as it would go, is, if not dead, at least beginning to be perceived as a fiction".

In the present age, since power of nations depends on access to abundant raw materials, high industrial potential, high level of technical and administrative skill, political and technical education of the masses—conditions not equally attained by all countries—the equality of nations is a mirage and not a reality in spite of constitutional pundits. To talk of the relationship between U.S.A. and Peru, for example, as on terms of Sovereign equality is to indulge in meaningless phraseology. The analogy of the citizens being equal in the eyes of law clarifies the issue. The rich and the poor are supposed to be equal in the eyes of law in capitalist democracies. But the primary purpose of that law is to protect private property and all the exploitation it involves from the righteous indignation of the poor. Hence equality before law is a theoretical abstraction without substance. Similarly, in view of the difference in the power of nations (*vide* 'Frisco Charter) cannot enthuse many people until the power potential ceases to be exploited for the differential advantage of the few.

War cannot be banished by pious resolutions; its causes have to be removed. The fundamental fact that capitalism leads eventually to war has got to be realised. The export of surplus capital is inevitable in the case of highly industrialised capitalist countries, as the domestic employment of the same is not profitable for the simple reason that there is no effective demand for goods which may result from the domestic employment of that capital. The disparity between the rate of capital accumulation and domestic employment of capital, caused by the maldistribution of purchasing power, impels those countries to look out for spheres of influence. This scramble for colonies and re-division of markets leads to war between nations. Nor does the other capitalist alternative—Fascism—lead in another direction. The contracting capitalism finds it necessary to discard the saving grace of political democracy. Policies of economic autarchy are actively pursued. Unemployment is solved partly by direction of production to such channels (*e.g.*, munitions) as do not need a consuming public and partly by direction of men to man the guns thus produced. The hymn of racial hatred and ideas of vengeance are dished out. But the guns will finally have to be used. The army must get an occasional outlet for display of achievement. The Sudetan Germans and the Danzig Germans serve as excuses. The slogans of 'Lebensraum' and 'greater Reich' lead inevitably to

war. Territorial demands, racial hatred, economic autarchy, mounting munition production and huge increases in the numbers of men in uniform cannot possibly be harbingers of prosperity, much less peace.

Future peace is in jeopardy as long as capitalism remains the basis of economic life of the major countries. For, capitalism implies two things of far-reaching importance. It implies that considerations of the profit of the few, rather than the interests of the many, determine the economic policies. Secondly, the power of the State will continue to be used in defence of the foreign investments of the few. The conflicts of interests of rival imperialisms or of rival groups of international cartels are likely to be consummated by force.

Progressive thinkers are agreed that the course of plain advantage to the majority of mankind lies in expansionist policies and higher levels of international trade rather than in restrictive, monopolist, policies of the inter-war years. But, if the path of imperialism is to be avoided, not only have powerful international cartels to be broken but also balances of trade of highly industrialised countries should not be permitted to be used for the exploitation of backward countries, but liquidated through an international monetary organisation. In other words, the development of backward countries should be the responsibility of an international machinery instead of that of the profit-hunting capitalist.

National Sovereignty being an anachronism, international authority charged with the responsibility of international planning with a view to raising the standard of living of all humanity is the *sine qua non* of peace. But the political leaderships of major countries have not outgrown the sentiments of nationalism and its concomitant, the concept of national Sovereignties.

Political reconstruction of Europe has a relevance to the nature of the war. To go back to Dr. Huxley, whose clarity of vision and scientific precision should commend themselves to the disinterested people, "this war is of a new type in being at one and the same time a vertical war fought in relation to the framework provided by nationality and a horizontal war fought in relation to a set of ideas and values that cut across nationality." The war cannot successfully be won except on a platform of values of which the Atlantic Charter is a partial expression.

That implies not merely that self-Government ought to be restored. That restoration ought to be subject to the condition of furthering the democratic revolution that Dr. Huxley speaks of. To quote Prof. Harold Laski. "I should not be prepared to see the return of King Peter of Jugoslavia or King George of Hellenes backed with the force at the disposal of the allied nations only that they may restore and consolidate the autocracies of the previous era. I agree with Mr. Wells that there is a framework of human rights respect for which ought to be a condition of power; and the return of an exiled Government ought not to be facilitated unless it is quite clear that it is reasonably sure it will operate within that framework".

The conclusion seems irresistible that a framework of fundamental rights ought to be respected by all Governments. In the economic plane social security—a guaranteed minimum standard of living for all coupled with deliberate attempts to raise that—must be the objective of Governments. In other words, public good should take precedence over private gain. Profit should no longer be the decisive factor in production.

Let it be remembered that the choice of guns rather than butter was a deliberate choice, not made in a vacuum. The choice is not due so much to sheer wickedness of the powers-that-be as due to their realisation that, given the principle of production for profit, the internal contradictions of that vicious system could be solved only in the Fascist way. They would rather retain capitalism in a State-controlled form than accept the principle of planned production for community consumption. Having made the choice, they were wicked (on purpose) in defence of an outmoded economic system. Hence the war will have been fought in vain if allied nations retain the *cah nexus* as the basis of economic life.

Peace will have been won only if it heralds "the century of common man." Not merely has political liberty to be established over a large part of the Globe where it has not been done. That liberty must be made real to the majority of citizens by setting liberty in the context of equality.

While every step towards socialism adopted by the Labour Government in England should be welcomed as a step in the right direction, the atom bomb diplomacy and the foreign policy of the U.S.A. cause suspicion regarding the American pacifist professions.

India has had its share of international finance arrangements. The Birla-Nuffield agreement, the Tata-Imperial Chemical Industries

arrangement, the Walchand-Chrysler contract, the Gujerat motors-Kaiser Corporation understanding indicate which way the wind is blowing. No less significant is Mr. Bhabha's declaration of Government objectives (in his address to the Trade Policy committee) as "increase of export of manufactured goods, the natural markets for which are the countries of Asia and Africa and, secondly, control of imports not only by the use of tariffs, but by the application of more direct measures."

The declaration indicates the not merely a desire to step into the shoes of Japan but also an emulation of the Nippon example politically and economically as well. The essence of the Japanese pre-war economy was a depressed standard of living for the masses with a subsidised export market for the industrialists. India need not participate in the scramble for markets if the intention to raise the standard of living of the masses is real. The long overdue change in property relations in land, modernisation of agriculture and rapid industrialisation will raise the productivity and incidentally the incomes of the teeming millions so as to absorb the increasingly produced consumption goods. The Commerce Member spoke of planned development. He meant only planned production. The object obviously is to maintain the teeming millions (with many a crocodile tear in their name) at the starvation level (or as low as cannot be helped) so that their demand for goods, being ineffective need not be met, facilitating the export of goods by making export inevitable and goods cheap on account of cheap labour. To cite an instance, during the years preceding the war industrialists spoke of overproduction in sugar and desired to export. The stark reality was that the price of sugar maintained at a high level by means of tariffs created a situation in which more than half the population did not possess the wherewithal to know what sugar was like. Similar contingency will arise in the case of all manufactured goods if the State does not intervene. The cool calculating businessmen in the Interim Government or elsewhere are, with clear foresight, emulating the Nippon. Fascist economy is inconsistent with policy of peace inasmuch as that economic policy is bound to clash with the interests of other highly industrialised countries on the one hand, and with the rising native interests of those countries (where exported goods are sought to be dumped) on the other hand. No wonder Mr. Asaf Ali, during the last budget debate in the Central Assembly, demanded a larger navy and a much greater air force.

Conference of Representatives of Co-operative Marketing Societies and Federations.

WELCOME ADDRESS

By W. R. S. SATTHIANADHAN,

Registrar of Co-operative Societies, Madras.

I am grateful to you all for having responded to my invitation and for attending this conference at such short notice. I am also indebted to the Hon'ble Mr. Giri for having kindly consented to open the conference. Let me at the outset tell you that the move for holding this conference did not come from the Department. It came from the insistence on the part of certain co-operators connected with marketing federations and marketing societies that something must be done to co-ordinate our policy and present a united front in so far as the marketing aspect is concerned. That is the reason for convening this conference.

It is perfectly useless in my opinion, and I am sure you will all agree with it, merely to provide credit to the agriculturists. It is only at the stage of marketing that agriculturists suffer most and are often at the mercy of greedy merchants and parasitic middlemen to whom they are obliged to sell their produce. Co-operators are, therefore, convinced that something must be done to enable the agriculturists to realise a fair price for their produce. That is how Madras, which is always one or two steps ahead of other provinces, organised sale societies in the beginning which are now properly called marketing societies. The poor ryot is very much at the mercy of, and is ruthlessly exploited by, the middleman mainly for the reason that he has no place to keep his produce awaiting a better market and to obtain some money, pending the sale of his produce in a favourable market. He is, therefore, exploited by the middleman or merchant who takes his produce and practises on him every possible malpractice by way of false weights and measures, unauthorised deductions in the name of mamools and numerous other things. It was with a view to save the agriculturists from these hardships that co-operative marketing societies were started, and we have now 180 marketing societies and 5 big marketing federations in rice producing areas like Tanjore, Nellore, West Godavari, etc. We started a small number of sale societies in 1930 and these have steadily increased in number and volume of transactions. As against 66 sale societies which issued loans to the tune of Rs. 6 lakhs during 1930--31, there were 172 societies in 1942—43 with loan transactions exceeding 2 crores of rupees. The number of societies has since risen to 182 as on 30th June 1946.

These societies, however, suffered from one major difficulty which prevented them from undertaking the effective marketing of produce and

that is the lack of godown accommodation. From the very beginning, even before I wrote my report on Agricultural indebtedness in the Madras Province, I have been urging that if we want to improve the lot of the agriculturists, we have to provide them with godown accommodation. The second thing is to provide them with an efficient agency for stocking the produce at the harvest season, for giving the producer a reasonable advance on the security of stock before sale, for pooling, grading and processing the produce and then for marketing it in bulk at favourable prices.

With these objectives in view, I have submitted to Government a comprehensive Five-year Plan. This plan has found favour with the Government of India, with the Madras Government and the Reserve Bank of India, and I have just received a communication from a representative of the Government of India, informing me that the Government of India are prepared to make a substantial contribution towards the scheme and asking me to request the Madras Government to implement the plan as soon as possible. The plan is intended for marketing of paddy and groundnut and to a certain extent cotton. If the plan is given effect to by the Madras Government, it would straightaway place the South Indian agriculturists miles ahead of the ryots in other Provinces. That plan is one of the subjects we have to discuss to-day, and I request the Hon'ble Minister, Mr. V. V. Giri, to consider the question of implementing this plan as early as possible in the interests of the people of this Province. Your remarks and suggestions, if any, on the plan will, in a very great measure, be of help to me and the Government in coming to an early decision in the matter.

One of the major grievances of our marketing societies is that, while in the past we were permitted to sell various articles useful to the agriculturists like iron and steel tyres, axles, agricultural implements, manures, seeds, etc., this work was taken away from co-operative sale societies and given to the Agricultural Department. Believe me when I say that I am not presenting my personal views in the matter. I am voicing the views of the majority of co-operators of this province, who have sent numberless petitions and made several representations to me and Government urging that this work, which is the legitimate function of co-operative societies and not of the Agricultural Department, should be restored to co-operative societies. It is argued that, if a popular body of agriculturists in a particular area form themselves in an association, co-operative or otherwise, and take upon themselves the duty of distributing various articles required by themselves the results which will be achieved by that body will be certainly greater than those achieved by a single individual. It was alleged that some of the sale societies which were entrusted with the distribution of iron and steel were found to indulge in black-marketing. But remembering that human nature is what it is, it is possible that there might have been isolated cases of black-marketing or room for complaints of other sorts. But it seems to me to be unfair to draw a general conclusion from isolated cases and to shape the policy on that basis. Even if there is one bad man in a marketing society and he is intent on making mischief, he will find it extremely difficult to do so; the moment he indulges in malpractices, he will become subject to public opinion through his fellow directors which will immediately act as a check upon him. But if a single individual is given power to distribute, there is no check on his activities. Again it is represented that the Agricultural Department consists of a body of experts who are engaged in research and propaganda, and in the imparting of expert advice to the agriculturists; and, if they are to discharge their legitimate functions efficiently, they would have little time to spare after attending to routine shopkeeping. It is the wish of this Conference that, before the Hon'ble Minister leaves, the subject may be discussed, and I request the Hon'ble Mr. Giri kindly to be present for the discussion on this subject.

We are most grateful to the Hon'ble Mr. V. V. Giri for his having spared the time to come here and open this conference. I am sure I am voicing the opinion of all of you when I say that with the advent of the present Government, a new era of hope has dawned on the co-operative movement. The present Ministers have not hesitated to state publicly in one voice that they are strong advocates of co-operative principles and methods, and I have every hope that we have a great future before us not only in co-operative marketing but in every sphere of co-operative activity. And I now request the Hon'ble Mr. V. V. Giri to open the Conference.

OPENING SPEECH

BY THE HON'BLE MR. V. V. GIRI,
Minister for Industries and Labour.

I am indeed thankful to Mr. Satthianadhan and to you all for having given me this opportunity to meet you to-day. I gather this conference has been convened to discuss the problems and difficulties facing the co-operative marketing societies and federations in the province and to decide upon their future programme of work. I notice from the agenda that you have a number of important subjects covering the various aspects of the working of these associations. I am also glad to see that you will be considering the five-year plan for the co-operative marketing of agricultural produce. The plan is a very bold and comprehensive attempt at tackling the problem of marketing on a co-operative basis on a very large and extensive scale which has not been so far attempted

anywhere in British India. The plan is estimated to cost Rs. 1.08 crores. When it is completely carried out, it is expected to confer lasting benefits on the agricultural producers, particularly cultivators of paddy and groundnut, which are the major crops of the province. I shall feel grateful if you bring to bear your practical experience on the study and discuss this plan and offer your helpful suggestions and comments on the scheme so that Government may have the benefit of your views before they pass final orders on it.

2. That the present methods and conditions of agricultural marketing are not all satisfactory and that, in some respects, they are chaotic, need no saying. The individual cultivator is a small and isolated unit; he is often illiterate. He has to face the highly organised groups of buyers and distributors of the produce. Hence the need for some form of combination of agricultural producers. There are doubtless obstacles in the way of the development of proper marketing such as heavy indebtedness and the hold of the money-lender over the crop, unsatisfactory state of communications and the difficulty of transport, lack of warehousing facilities and of properly regulated markets and the existing multiplicity of middlemen, of weights and measures, etc. The absence of standardisation and grading due to the ignorance or reluctance of the agriculturists to peel their produce as well as the absence of a proper system of market intelligence also retard the growth of orderly marketing. The complexity of the problem is such that co-operation alone does not offer an adequate means of improving the conditions of marketing. It is, therefore, well for us to bear in mind the general limitations of co-operative effort in this respect. I may assure you, gentlemen, that Government are conscious of the great need to devise wider measures for improving the basic conditions of rural economy of the province before co-operative methods can achieve substantial results in the sphere of marketing. As you know, Government have already embarked on a scheme of rural development, and with an improvement in the general economic structure, I am sure co-operative marketing will make rapid progress.

3. I must congratulate you on the results already achieved in this direction. I find that the number of co-operative marketing societies including federations has increased from 66 societies in 1931 to 193 societies on the 30th June 1946 with a share capital of Rs. 14 lakhs The loan business has been steadily increasing and, in 1942-43, the societies issued loans for nearly Rs. 2 crores. This business received a setback on account of the conditions created by the war. The system of regulated purchases of foodgrains at ceiling prices offered little incentive to the agriculturists to hold up produce and this apparently accounts for the decline in their loan business. With the return of normal conditions, I am sure, there will be a steady expansion of

their transactions. I am aware that besides advancing loans on produce, the marketing societies have undertaken a variety of activities during the war, of which the distribution of manures including compost, agricultural implements, axles, cart tyres, etc., is most important.

4. I find in the agenda that one of the subjects that is marked for discussion relates to the entrustment of distribution of these agricultural requisites to the marketing societies. I am aware of the disappointment caused amongst co-operators when the work of distribution of these articles was taken away from these institutions and entrusted to the Agricultural Department and of the strong desire on the part of co-operators that this work should be handed over to them. It is not necessary for me to refer at length to the reasons which persuaded the Advisers' Government to entrust the distribution to the Agricultural Department. Whatever might be the merits of that arrangement, I consider that the association of non-officials in the distribution of the essential articles is very desirable. As you may be aware, after we assumed office we have been endeavouring to associate non-officials to the maximum extent in all schemes of distribution of foodgrains and other essential commodities.

Under the present arrangements, the groundnut oilcake will be purchased by the Agricultural Department and stocked in the agricultural depots at taluk headquarters. The village committees will issue permits to the ryots with due regard to the acreage under food crops and the ryot will take the permit to the nearest agricultural depot and obtain his supplies of oilcake. Similar arrangements have been made for the distribution of iron and steel for agricultural purposes. Further, in places where local co-operative societies are entrusted with the distribution of food, etc., the distribution of iron and steel as raw materials will also be entrusted to them. The societies will purchase stocks of iron and steel, store them on their own account and sell them to permit-holders, whether members or non-members. If it is the intention of the delegates who have assembled here that the marketing societies can also come into the picture and if they can put up a satisfactory scheme for decentralised distribution through formation of depots or branches for groups of villages in the place of small independent co-operative units, I and my colleagues will be prepared to give our most sympathetic consideration to it.

5. I notice that one of the war-time developments is that co-operative marketing societies and federations have undertaken procurement of foodgrains, particularly in surplus areas. I am told that the Tanjore and West Godavari Marketing Federations have done substantial business in this direction. On behalf of Government, let me thank all those co-operators who have been so devotedly participating in schemes of food procurement. I, however, learn that they are facing difficulties

in procurement operations and that their trading results are not altogether satisfactory. I do not know exactly the reason for this state of affairs. It may be that some of them have not been able to face the competition from organised private trade. I trust that those matters will engage your serious consideration and that you will examine the reasons for unsatisfactory trading results of the institutions concerned. If there is anything that Government can do to help you to get over the difficulties in the matter of transport, milling, adequacy of trade margins, I may assure you that your representations will receive due consideration.

6. Of all the provisions made in the five-year plan for the marketing of agricultural produce, I attach great importance to those relating to storage and processing of produce before sale so as to secure a greater return to the producer. As regards storage accommodation, it is admitted that the existing facilities are thoroughly inadequate. Out of a total estimated produce of 60 million tons of food grains in India, about 1¾ million tons are estimated to be lost annually due to the absence of proper storage facilities and destruction caused by dampness, fire, rats, pests, or vermin, etc. And one can easily imagine what immense benefit would accrue to the country through an adequate provision of storage accommodation. The Government have been assisting marketing societies in the construction of godowns by giving them free grants of 25 per cent. of the cost of construction and low interest bearing loans for long periods up to 30 years to cover the balance of the estimated cost. I learn that 30 marketing or sale societies have got 30 godowns in addition to 28 godowns owned by village credit societies and Government have provided from the Government of India Groundnut Fund, 11 godowns of which 6 have already been handed over to marketing societies. I am aware that those godowns are thoroughly inadequate. If the ryot has to get the benefit incidental to proper storage, marketing societies must own godowns not only at their headquarters but in all market centres and *mundies* in their jurisdiction. The Registrar, in his original five-year plan, made provision for the construction of 1,000 up-to-date, rat-proof, damp-proof and fire-proof godowns at an estimated cost of 2½ crores of rupees; but in the revised scheme a provision has been made for 530 godowns at a cost of Rs. 78 lakhs, one-half of which will be free grants to the societies and the remaining half interest-free loans for 20 years.

If the producer is to get his fair return for his produce and if marketing should be successful, it is time that processing should be linked up with marketing; for instance, hulling of paddy and decorticating of groundnut should be undertaken by marketing organisations. To assist them in this work, I find, provision has been made for 20 rice mills to be set up by 4 paddy marketing federations and 5 groundnut decorticators, by 6 groundnut marketing federations at an estimated cost of Rs. 7½ lakhs. Whether rice mills should be owned by marketing federations or primary marketing societies is a point which you may carefully consider.

7. Agriculture in India is often described as a deficit economy. The war-time agricultural conditions have forcefully brought to the notice of all concerned that agricultural production cannot be promoted unless there are reasonable incentives to the producer and that one such incentive is the provision of an assured market for the produce of the agriculturist at a guaranteed minimum price. It is in appreciation of these considerations that the Government of India have appointed, as you are doubtless aware, a committee to formulate proposals for the stabilisation of agricultural prices. This committee has, we learn, finished its labours and has recommended a policy of price fixation. Its recommendations contemplate that the State should guarantee that it would purchase all that is offered to it at the minimum price and release supplies from its own reserve stocks at not more than the maximum price. The committee suggests fixation of prices of rice, wheat, jowar and bajra at a level which would be fair both to the producer and the consumer. The producer's minimum price will be fixed taking into account the relevant factors bearing on the cost of production and margins sufficient to maintain the producer and his family at a reasonable standard of life. Any tendency to fall below the minimum price will, it is proposed, be counteracted by way of Government purchases of all supplies offered at that price. The Committee contemplates an All-India Agricultural Prices Council for the formulation and execution of the price policy. A Commodity Corporation and a Price Fixation Commission are also envisaged. The object of the Commodity Corporation is that it should enforce the prices fixed by appropriate purchase and sale operations in the market. This machinery is expected to normally carry out its activities through trade agencies. The Committee suggests that, in order to facilitate the execution of the programme of price support, simultaneous measures should be taken towards agricultural improvement. The more important of these are a sustained drive to secure a greater agricultural efficiency including a better organisation of agricultural producers and development of co-operative marketing.

8. For a fuller picture of the proposals, we must await the publication of the report. But I think I have said enough for you to set thinking how and to what extent co-operative marketing organisations can participate in schemes of this type. It is well that we should be prepared for big charges in the agricultural and economic policy of the country in the very near future so that when the time comes, we might not be found wanting. Whether any relations can be established

between our marketing societies and federations and the proposed Commodity Corporation, and whether these organisations can act as agents of such Corporation in its purchase and sale operations it is too much for me now to speculate or predict. We have not yet touched the fringe of the problem. I feel that co-operative marketing institutions should embark upon a very bold policy, on a much more effective and extensive scale, of helping the agriculturist in marketing his produce by formulating measures for assembling transport, storage, grading and processing.

9. Agriculture is the basic industry of the Province. A sound system of agricultural marketing will, in no small measure, tend to serve as a stimulus for increased production. What the agriculturist requires is a fair price and this is often denied him for reasons beyond his control. One of the effective methods which is tried in other countries is to combine the producers for purposes of marketing produce and the advantages of such an association of producers are best realised through co-operative organisations. Let us all remember that co-operative marketing organisations can be considered a success only if and when they attain high standards of efficiency and business ability and give a better return to the producer for his labour. It is idle to think that co-operative marketing associations can eliminate the middlemen root and branch. In the scheme of things, as we find, the functions of collection, transport, storage and sale of produce have become specialised and the services of the middlemen in these respects must be paid for. What co-operative organisations aim at is an elimination of abuses which admittedly exist in the existing arrangements and, through efficient organisation, a reduction in the superfluity of middlemen. May I, therefore, request you all who are assembled here to strive to make our institutions strong and efficient?

10. Brother Co-operators, I am afraid, I have already detained you long. You have a long agenda to go through. I once again thank you for the opportunity you have given me to open this Business Conference and I sincerely hope and trust that your deliberations will prove most helpful and accelerate the progress of co-operative marketing in the Province. I have now great pleasure in declaring this Conference open.

Announcement.

The 26th Madras Provincial Co-operative Conference.

Adjourned to Christmas—December

Owing to some inconveniences, the Conference proposed to be held in September will be held during Christmas 1946, *i.e.*, latter half of December 1946. Date, place and other details will be published later.

Societies are, however, requested to send names of delegates, delegate fees, etc., so that disappointment may be avoided and arrangements completed.

V. VIYYANNA,
General Secretary.

Business Conference of Marketing Federations and Sale Societies.

Held on 7th October 1946.

Subjects for the Conference.

1. Sale societies are functioning generally at the rate of one for each taluk. Is it necessary to make any change in the area or jurisdiction of sale or marketing societies?

2. It is essential that sale or marketing societies should have sufficient share capital to do extensive business. It has been suggested that bigger sale societies should build up a share capital of at least one lakh and smaller sale societies of at least Rs. 50,000. Does the target require any modification? What is the period within which sale societies can be expected to reach this target?

3. Sale or marketing societies at present almost confine themselves to the granting of loans on the pledge of produce. What steps do you suggest to make them function as effective agencies for marketing, involving grading, storage, transport (processing, if necessary), etc.

4. Do you consider that there is adequate co-ordination between rural credit societies and marketing or sale societies? If not, what are the reasons? What steps do you suggest for greator co-ordination between those two agencies, and for effectively linking up credit (for agricultural production) with marketing (of agricultural produce) so as to ensure maximum economic and financial benefits to the producers?

5. It has been suggested that an extensive application of the system of controlled credit will facilitate marketing by sale societies. What are the difficulties in the way of working out this system effectively and extensively? What suggestions have you to make to introduce the system on a large scale?

6. The existing storage and warehouse facilities are not adequate in rural areas or at market centres. What do you suggest should be the minimum storage or godown facilities for sale societies? Is Government assistance necessary and, if so, in what form and to what extent?

7. Is it necessary to provide for sale societies and marketing federations funds from Government at concessional rate of interest for construction of godowns? What rate do you think would be a resonable rate?

8. What are the principal crops for which the organisation of marketing federations would be necessary or suitable? It has been

suggested that the present federations may confine themselves to groundnut and paddy?

9. How do you define and demarcate the respective spheres of activities of co-operative marketing or sale societies and federations? Is there in actual working any mutual collaboration between the two? What are your suggestions for ensuring collaboration between the two and preventing overlapping of activities?

10. There are genuine misapprehensions that co-operative marketing societies and federations cannot face competition from private merchants and traders and that co-operative organisations feel helpless to overcome the rivalry and carry on, on a competitive level. If it is so, what steps do you suggest to overcome the difficulties due to this competition?

11. What are the forms of Government and other assistance required by marketing societies and federations for the development of their business?

12. A five-year plan for the development of co-operative marketing of agricultural produce has been drawn up by the Registrar. An outline of the plan is appended. Have you any comments and suggestions to offer on the plan?

13. Processing of Agricultural produce will facilitate marketing and secure greater return to the ryots. Do you consider that sale societies should have facilities to process agricultural produce and for this purpose, to own mills, buildings, etc. To what extent Government help would be necessary to undertake the business?

14. What is the extent to which the incidence of sales taxes affects the working of sale societies and Federations? Is there a justification to exempt them from levy of the tax?

15. Some of the sale societies and marketing federations have been entrusted with procurement work. Are they attending to the work satisfactorily? What are the difficulties, if any, which they experience and what proposals do you make to overcome them?

16. Do you consider that the distribution of agricultural implements, manures, etc., *i.e.*, iron and steel tyres, for country carts and groundnut cake should be entrusted to sales societies and, if so, under what conditions?

17. It has often been suggested that trade relations should be established between the producers and consumers co-operative organisations. Under the present controlled system of movement of foodgrains, some of the marketing societies and federations arrange supplies to the district co-operative wholesale stores in deficit districts or act as their agents at supply centres. Do you think such trade relations can be permanently established in normal times? What difficulties, if any, do you expect in establishing such mutual trade contacts and what measures do you suggest to ensure collaboration between the two?

18. As all are aware, a committee has been set up by the Government of India to make recommendations for stabilisation of the prices of

agricultural produce. The objective is that Government should adopt a policy of price fixation in order to provide an assured market at a guaranteed minimum price to the producer and to prevent prices from rising beyond a maximum in order to safeguard the interests of the consumer. It is considered that the success of such a policy will depend upon the Government's capacity to influence the supply in the market by withdrawing supplies by purchases and by adding supplies by sales whenever necessary. The State should guarantee that it would purchase all that is offered to it at the minimum price and release the supplies from its own stocks at not more than the maximum price. The purchase and sale operations of the State involve the building up of reserve stocks and turning them over from time to time. Do you consider whether and, to what extent, and, under what conditions, co-operative marketing organisations can be of help in the execution of such price support policy?

19. The Provincial Co-operative Marketing Society has been in existence for ten years. Do you think that satisfactory relations have been established between it and marketing societies and federations. How do you think that the Provincial society can be made to serve the interests of primary or central co-operative marketing organisations in the Province? Is re-organisation of the Provincial marketing society called for and, if so, in what directions?

20. ***Standarisation of weights and measures.***—Is not legislation necessary towards this end?

An outline of the Five-year Plan of Marketing of Agricultural Produce

CO-OPERATIVE MARKETING OF PADDY AND GROUNDNUTS.

A. Marketing Societies.

New societies to be organised:—There are now 187 co-operative marketing societies. The number should be raised to 200. Thirteen more sale societies should be organised. Each sale society should have roughly one taluk for its jurisdiction. (Deputy Registrars may now give a list for the organisation of thirteen new sale societies in the Province.)

2. *Classification of big and small societies*:—The 200 marketing societies will be classified as big societies and small societies. All the thirteen new marketing societies will be put down as small societies. The remaining 187 societies will be classified as big or small on the basis of share capital. Those having or likely to have Rs. 50,000 as share capital should be classified as small societies. Those having or likely to have over Rs. 50,000 as share capital should be classified as large societies. The classification should be done now on the basis that big societies do not exceed 100 in number.

3. *Allotment of staff*:—The 100 big marketing societies will be given the free services of one Senior Inspector each in the first year and the 100 small marketing societies will be given the free services of one Junior Inspector each in the first year. In subsequent years, the cost of the Inspectors may have to be borne by the societies on a graduated scale. At present, some marketing societies are having Government staff either under Fundamental Rule 127 or under foreign service terms or under special term from Government. These will all have to be replaced by the staff that will be sanctioned under the new scheme. But, there are no men now to fill up these posts. Consequently, Government should be approached to sanction a special recruitment of 200 Junior Inspectors for working this post-war scheme. The staff so recruited will have to be trained at the Central Co-operative Institute for four months and given a practical training of one month. They may not, therefore, be available for appointment in the sale societies till 1st October 1946.* If they do so, they will be ready for the groundnut season commencing in September 1946.

4. *Godowns*:—The big societies may construct 250 big godowns costing Rs. 20,000 each. The small sale societies may construct 280 small godowns costing Rs. 10,000 each. All the godowns will cost Rs. 78,000 Government will give 50 per cent. of the cost of the godowns as a free grant and 50 per cent. as a loan free of interest. The construction of the godowns need not wait until the Inspectors are appointed. It may be taken up forthwith. The Registrar is getting two type designs and estimates therefore for each of the large godowns and for each of the small

* The staff sanctioned under the scheme may therefore join the societies from 1st October 1946.

godowns and they will be communicated to the Deputy Registrars in due course for adoption by the respective societies.

Allotment of godowns among sale societies :—The Deputy Registrars should now give a list of godowns to be constructed in each small society and each big society. In preparing that list, they should take account of societies which already have their own godowns. They should also take into account the list of the Government groundnut godowns which have been taken over or likely to be taken over by sale societies.

In no case should a small society or a big society have more than two godowns under this post-war scheme. The programme is to construct 100 godowns in the first year, 100 each in the second, third and fourth years and 130 in the fifth year. The Deputy Registrars should indicate now the societies which will construct godowns in each of the five years.

5. *Purchase and acquisition of sites* :—The construction of godowns is usually delayed for lack of sites. Having in mind the size of the godown to be put up, sites should be selected by the sale societies concerned and the Deputy Registrar at once. The location of the site is very important. It should as far as possible be near the market centre, because, the object of the scheme is 'marketing,' and not 'lending' on stocks, although lending on stocks may be done incidentally. If the site is far away from the markets, traders will not go to the godown for bidding at auctions or for purchase by private negotiation. Having selected the site, it should be purchased without delay by the sale society. Usually private purchase goes quicker and purchase under Land Acquisiton Act is tardy. The purchases of site should be completed by 30th June 1946 in all cases.

6. *Collection of share capital* :—For the speedy purchase of sites, share capital should be collected expeditiously. The target of Rs. 50,000 for small societies and the target of Rs. 1 lakh for big societies should be worked up to before the end of March 1946.

7. *Appointment of Marketiag Panchayatdars* :—When the godowns are completed, the stocks will not generally flow into the godown, unless this is secured even at the time of production. Therefore, loans under the controlled credit scheme should be given in rural credit societies binding over the produce for the godown. The marketing panchayatdars should be appointed in every marketing society and their help should be taken in giving such controlled credit loans. They should be entrusted with gunny bags, weights and measures and receipt books; to collect the produce and bring it to the godown. Before 30th June 1946, the scheme of marketing panchayatdars should be introduced in every area served by every sale society. Loans for cultivation of groundnut or paddy should be disbursed between July and August so that the stocks reach the centres selected for godowns by the 1st October by when the special staff will

take charge of the sale society. Godowns, no doubt, may not be ready in all societies on the 1st October 1946. Societies should hire godowns for the purpose in the meanwhile.

B. Marketing Federations.

1. *Selection of federations for paddy* :—The scheme provides for four paddy federations. As regards paddy, there are already five federations at Madura, Tiruvarur, Ellore, Guntur and Nellore. Four out of these should be selected for the scheme. Can Madura be omitted ?

2. *Area of operations of each federation* :—The area of operations of each federation should be specified now. The following is suggested tentatively :—

i. *Tiruvarur Federation* :—Tanjore, Trichinopoly and South Arcot.
ii. *Nellore* :—Nellore district.
iii. *Guntur* :—Kistna and Guntur districts.
iv. *Ellore* :—East and West Godavari districts.

3. *Share capital of each Federation* :—Each Federation should build up an owned capital of 2 to 3 lakhs. Efforts should be taken in this direction from now. The target should be reached by 30th June.

4. *Processing plants* :—Government have provided an interest-free loan of Rs. 25,000 for each paddy marketing federation for erecting one rice mill every year. At the end of five years, there will be five rice mills for each federation. The location of those rice mills is as important as the location of godowns of sale societies. It is not the idea that they should all be located at the headquarters of the federation. Nor is it the idea that they should be located with reference to the existing business done by the federation. They should be located with an eye to the development of the future. This should be examined by Deputy Registrars when they return to the districts, at a Joint Conference of Deputy Registrars held at the headquarters of the federation selected. Representatives of all the sale societies in the jurisdiction of the federation should be invited to the conference. The Joint Registrar will attend that conference. Further details will be worked out there.

5. *Marketing federations for groundnut* :—There are to be five federations for marketing groundnut. The original idea was to locate them at ports through which groundnuts will be exported out of India. The ports selected were Vizagapatam, Cuddalore, Cocanda and Tuticorin. There is now a suggestion from Government that they should be located at places where vegetable ghee factories are being erected namely, (i) Vizianagaram, (ii) Guntur, (iii) Hospet, (iv) Katpadi and (v) Villipuram. This should be discussed at the conference. Each federation is entitled to an interest-free loan of Rs. 50,000 for erecting a decorticating factory.

Subject No. 21:

Do you consider that it is necessary and desirable to introduce legislation for regulation of licensed warehouses in the Province on the lines proposed by the Reserve Bank of India? (A note on the proposed legislation is appended). What do you consider will be the effect of such legislation on co-operative marketing societies? It has been suggested that co-operative warehousing on a large scale should be developed and that receipt issued by such warehouses should be recognised as negotiable documents on the strength of which a Bank should lend money to the holder of the receipt. Do you agree with this proposal and consider that this is feasible now?

Note on the Proposed Legislation.

The Reserve Bank of India has proposed legislation for the regulation of licenced warehouses in India. It has prepared a draft of a Warehouse Bill and has circulated it to Provincial Governments recommending legislation on the lines proposed by it with suitable modifications to suit local conditions. This Bill provides for the setting up of a licensed warehouse where agricultural products will be graded and stored and regularly inspected. The warehouse will be under a licensed warehouse man who will keep the produce in his personal custody, take proper care of it against theft, deterioration and all insurable incidents and issue a receipt of safe custody with an undertaking to give its delivery to the person who has title to it. It is felt that the establishment of licensed warehouses is necessary for the provision of adequate agricultural finance, for, the warehouse receipt will be an ideal security for any Bank and promissory-note supported by it will be eligible for rediscount in the Reserve Bank. As a result, there will be not only an increase in the volume of finance available to the agriculturists but there will also be a cheapening of the rate of interest and incidentaliy, the sytem of ware-houses will contribute to smooth and orderly marketing and enable the cultivator to raise better prices for his produce. Under the proposed Bill, persons or institutions owning warehouses will be recognised as warehousemen. Every warehouseman must obtain a licence from Government for carrying on this business. A licence will be granted subject to the condition, among others, that the warehouse is suitable for proper storage of the particular produce or products. The warehouses will be inspected by the officials deputed by Government for that purpose. Any person desirous of storing his produce In a licensed warehouse may do so on payment of the prescribed charges. The goods will be kept separate to permit of the identification of ownership. Pooling will be done in respect of standardised and graded goods subject to an agreement between the warehouseman and the depositor. The depositor or the person who deposits goods in the warehouse will be entitled to a receipt from the warehouseman. The receipt will contain full particulars in respect of the products stored. The receipt shall be transferable by endorsement and shall entitle its lawful holder to receive the produce subject to the same terms and conditions under which they were originally deposited. Clause 20 of the Bill is particularly important, as under this clause, the warehouseman shall not deal in or lend money on goods which he receives in his warehouse either on his own account or that of others. Warehousing is thus separate from loaning or marketing.

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