

CO-OPERATIVE MARKETING IN RUBBER

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Marketing of agricultural produce through co-operatives has been recognised from earlier times as an effective method to protect and safeguard the interests of farmers, significantly small farmers. However, this concept took many years to get a firm footing in the Indian soil due to the ignorance of the agriculturists of its advantages, resistance from middlemen and public apathy to such a novel ideal. In states like Maharashtra, however, co-operative marketing of agricultural commodities has made considerable headway. Unfortunately in Kerala, even though co-operative movement as a whole has made noteworthy progress, the achievement in the field of agricultural marketing has been lagging very much behind the development in the area of co-operative banking. Since the initiative for setting up rubber marketing co-operatives did not come from the growers themselves the Rubber Board came to the scene and started encouraging the formation of rubber marketing co-operatives. This heralded the beginning of co-operative marketing in rubber.

Origin and Growth

The organisation of rubber small growers into co-operatives had engaged the attention of the Rubber Board since the fifties. The Development committee of the Government of India appointed for rubber plantation industry had recommended the formation of co-operatives on an experimental basis. In 1954, the Rubber Board appointed a committee to examine the scope of establishing co-operative marketing Societies. The Committee in its report stated that a few educated holders were critical of the scope of co-operatives. The resistance on the part of dealers was also cited as

another reason in this respect. Even some of the small growers were doubtful about the success of co-operative movement. The Rubber Board therefore, waited to see whether the initiative for setting up co-operatives would come from the growers themselves. Unfortunately this was not forthcoming. In the meanwhile, the Plantation Enquiry Commission (1956) examined these points in detail and came to the conclusion that co-operative marketing societies should be formed with co-operative supply and banking societies. The functions of such marketing societies were also envisaged by the Commission. In 1958, Government of India accepted the recommendations of the Commission. Subsequently, in order to promote the growth of Rubber marketing co-operatives, the Rubber Board obtained the services of a Deputy Registrar from the Department of Co-operation, Kerala Government in 1960. Due to the concerted efforts of this officer, a few societies were set up. The first few societies established were the Trivandrum District Rubber Planters Co-operative Society, Kanjirappally Co-operative Rubber Marketing Society, Palai Marketing Co-operative Society, Ranni Marketing Co-operative Society and Kozhikode District Co-operative Rubber Marketing Society. The decision of the Rubber Board to channelise various aid schemes to rubber growers through co-operatives gave a fillip to the movement as a whole. Special mention may be made in this regard of the Quota Card Scheme operated during the mid seventies when rubber prices fell to an unprecedented low level. Under the scheme, STC purchased rubber at controlled rates through co-operatives. So also, the decision

of the Rubber Board to route schemes on share capital contribution, working capital loan, financial assistance for the production of technically specified rubber, and old schemes like spraying subsidy, loan for the purchase of rollers and so on through the co-operatives gave further encouragement for the development of rubber marketing co-operatives. Gradually, more societies were set up and at present there are 37 marketing societies dealing in rubber with a total membership of around 69,000. New Co-operative marketing Societies function in almost all the important rubber growing areas. A federation of the primary societies namely the Kerala State Co-operative Rubber Marketing Federation popularly known as 'Rubbermark' was also set up to guide, co-ordinate and strengthen the activities of the primary societies, with headquarters at Cochin. This apex body has now grown into a big co-operative marketing organisation in the country with an annual trade turnover of over 20,000 metric tonnes of rubber. Besides, it has also branched out to other related fields like aerial spraying, fertilizer mixing and supply of various plantation inputs to its member co-operatives.

Relevance of Co-operative Movement in Rubber Marketing

Co-operatives are often the targets of public criticism. The common tendency observed is to evaluate the performance of a co-operative solely on the basis of its financial achievements. While admitting that commercial results are the most important factors to be considered for assessing the performance of a business organisation, it is equally important atleast to recog-



nise the useful service rendered by a co-operative to the community at large. This is something which is often lost sight of in the midst of the criticism against a co-operative for its poor performance on the commercial front. Unfortunately, the public consider processing and marketing co-operatives as establishments making recurring losses. This may not be true in all cases since there are co-operatives who have a clean record of good financial performance. But, let us ask ourselves, whether this is the case of a majority of rubber marketing co-operatives? Since co-operatives with such a good record of past performance are seldom found, there is no point in blaming the public to have such an attitude towards the marketing co-operatives, as these institutions themselves had made a bad reputation in this regard by being in the red for most of the time.

Public opinion is also divided on the prospects of rubber

marketing co-operatives. The fact that marketing co-operatives have taken firm roots in the rubber small holding sector does not however, mean that all have reconciled with the bright prospects of these institutions. Many people still feel that even though the ideals of marketing co-operatives are indeed noble, the chances of their successful operation are bleak considering the various institutional problems as well special problems encountered by them. Some of the problems faced by marketing co-operatives are inherent in the very system itself and common to all agricultural crops. They also face problems which are peculiar to rubber alone. An attempt is therefore, made to pinpoint and identify some of the basic weaknesses seen in the co-operative movement in the field of rubber marketing and to analyse the peculiar problems faced by them. A few practical suggestions are also made towards the concluding part of

this paper to tone up the system of working of rubber marketing co-operatives and to put them on a sound footing and track so that it can achieve better financial results and also serve as an effective tool for the general upliftment of the rubber small holding community as a whole.

Role of Rubber Marketing Co-operatives

Before going into the problems, it is necessary to examine the specific role expected to be played by a rubber marketing co-operative. This will enable us to understand and appreciate the problems and difficulties experienced by the co-operatives in the correct perspective.

Is it necessary to have marketing co-operatives in the small holding sector, which is effectively catered by a well spread out network of rubber dealers? Has it got any specific role to play? These are questions often asked. In order to understand the vital

role to be played by a co-operative, it is necessary to glance through the marketing system in vogue for small holders rubber. Bulk of the latex produced by small holders is converted into ribbed smoked sheets. The scrap is often sold as such without any processing. The sheet rubber produced by small holders goes through a chain of agencies before it reaches the final consumer. This is often called the marketing chain which starts from the primary dealer, who buy bulk of small holders, rubber. From the primary dealer, it goes to the middle dealer, who generally operate at taluk headquarters and towns. From the middle dealer rubber moves on the big dealer located at important rubber marketing centres like Cochin and Kottayam. The big dealers arrange for the proper grading and packing of this rubber, and then sell it to the ultimate consumers. Since there are many agencies involved in this process, there will be deduction at each level which is normally termed as 'marketing margin'. More the levels of agencies, higher will be the total 'marketing margin'. Similarly, the conventional system of grading based on visual inspection and the offshoot of this system, the 'lot price' results in the denial of grade differentials to the primary producers. The cumulative effect of all these is a higher difference between the farm gate price received by the grower and the price paid by the ultimate consumer. Of course taxes and other normal trade charges are also a part of this difference. Under the present marketing system as explained above, the ideal method to ensure a better return to the grower is to minimise the number of marketing agencies so as to cut down marketing margins to the minimum. This is precisely the role expected from a primary society. A primary society can buy the crop from the growers and can arrange its sales through the apex organisation which has built up sales infrastructure in the terminal markets. This ensures maximum price

realisation which enables the ploughing back of a portion of it to the growers in the form of increased prices for their crop. The operation of a co-operative also helps indirectly to maintain the price level at the highest level. This has been confirmed by the studies conducted by various agencies including the Rubber Board. In other words, a co-operative helps to prevent exploitation of small growers by unscrupulous traders to a considerable extent.

Problems Faced by Co-operatives

Let us now proceed to analyse the problems faced by the rubber marketing co-operatives, which can be grouped under two main headings namely general problems and special problems. While general problems are common to all co-operatives in the field of agricultural marketing special problems relate to those which are peculiar to rubber alone.

General Problems

Lack of the Spirit of Co-operation

A common drawback seen in the functioning of marketing co-operatives is lack of the spirit of co-operation and proper involvement in the routine functioning and operations of the society, on the part of the members. Rubber is no exception to this general phenomenon. This may, perhaps be due to the fact that a membership in a co-operative is not often considered indispensable since the members have other sources through which they could effectively sell their produce, some times even at a higher price and also enjoying certain advantages and privileges from the traders, which a co-operative can not normally afford to offer. The result is that we have marketing co-operatives with a sizeable number of inactive members, which does not augur well for the healthy development of the entire movement. If the total membership of a marketing co-operative is analysed, it will

reveal that it consists of three categories of individual members namely members with no participation at all, members with little involvement for name sake and members who are actively associated with the functioning of the co-operative. Unfortunately, the main weakness seen in the marketing co-operatives in the country is the predominance of the first two categories of members and not the last category. Such a development will defeat the very purpose for which the co-operative is set up.

Over Politicalisation

The primary objective of a co-operative is to promote, protect and safeguard the interests of its members. Since this is a voluntary organisation to achieve certain definite goals, it goes without saying that it has to be managed by the members themselves strictly according to democratic norms and principles. As such, the Board of Directors in which the management of the society is vested, are to be elected from among the members. It is sometimes found that dedicated people with proven record of service to the society are not elected to this body mainly because elections are fought on political basis even though outwardly it does not appear to be so. We have got to admit the fact that there is over politicalisation of the co-operative scene. Co-operatives sometimes become the forum for political tussle, rivalry and trial of strength. This brings in its wake, infighting in the Board of Directors and as a result the Board members get little time to do something tangible for the benefit of its members. Besides, it also paves the way for mismanagement, undue favouritism, court cases and so on, which put the progress of the society in the reverse gear. The point to be stressed in this context is that in the hectic race for political supremacy what is sacrificed is the interests of the members.

Comparative Less Accountability

This is a criticism often levelled against all public institutions including the co-operatives. It is claimed that accountability is not so rigid in the case of a co-operative as in the case of a private organisation. This does not however mean that there are no legal provisions under the statutes to make the persons concerned responsible for any lapse. The fact is that there are clear provisions but its application is riddled with many problems. To make matters worse, there may be an overplay of political influence, even in the routine functioning of the society. When the Board of Directors have political leniency, its supporters may get undue favours which ultimately may lead to corruption, nepotism and such other malpractices. Even though it is provided that the misdeeds of a Management Board can be questioned in the general body meetings, it often will not produce the expected results due to many practical reasons. The Board of Directors are supposed to be fully accountable for all their acts of omission and commission. But the fact is that they often escape without being penalised for their lapses.

Lack of Professionalism

The societies are often managed by officers and staff who are not suitably qualified in the particular branch. It is, however, to be admitted that many of them have put in many years of service and thus built up rich experience, which no doubt counts a lot. But the fact is that there is a clear lack of professional orientation and expertise. This often creates problems for running the co-operative on sound business principles and norms.

Role of the Government

There are divergent views on the role of the Government in the development of co-operatives. Some consider the supervision

and control of the Government on co-operatives as an essential pre-requisite to promote their growth in the desired direction, while others feel that over involvement of any other outside agency, whether it is the Government or not may kill the spirit of co-operation. Since this is a debatable point, this aspect is not analysed further. It is however, to be ensured that Government involvement may be reduced to the minimum possible so that co-operatives can prosper on its own.

Special Problems in Rubber

Rubber has certain special features which make its marketing distinctly different from similar other agricultural and cash crops. This is a crop which is subjected to wide fluctuations in the price level. This is brought about to some extent by the seasonal variations in production. Import of rubber to supplement the indigenous availability is also another factor in this regard. Untimely imports, can cause considerable dislocation in the price level. To make matters more complex in nature, there is the visual grading system by which the important grades of sheet and crepe are graded and marketed. The marketing of scrap is still more complicated and complex considering the lack of its homogeneity. When compared to many other crops, there is also an organised marketing net work for rubber. Almost all the rubber growing areas are well served by a chain of rubber dealers. The competition among the dealers ensure minimum trade margins and maximum farmgate prices to the primary producers. Due to fluctuations in the price level, speculative trading is also a common feature in rubber.

Let us now examine these specific problems one by one.

Fluctuation in Prices

Price fluctuation is a common feature in rubber. This is brought about by the variations in the twin market forces of demand

and supply. There are variations in total demand, sector-wise and region-wise demand. Similarly, supply is influenced to a great extent by seasonal variations in production, withholding of stocks by growers and dealers, imports and so on. As far as the co-operatives are concerned such a situation can cause many practical problems. It is common knowledge that under an increasing trend in price, a co-operative or for that matter any trading agency stands to gain while the reverse happens under a declining trend in prices. Similarly, seasonal variations in the demand of certain grades can also cause difficulties for the co-operatives. To cite an example, a spiralling premium for RMA 4 grade may tempt a co-operative to go all out to procure the maximum quantity of this grade by offering even a higher price. An unexpected decline in the premium of this grade within a short period can bring in its wake, financial losses to the society.

Visual Grading

Visual grading system is yet another contributing factor which can pave the way for financial losses to the co-operatives in two ways. In the first place, since grading is subjective and can vary from person to person, the grade finally accepted by the buyer will prevail irrespective of the grading done by the purchaser. It is, therefore, possible that the societies may sometimes have to reconcile to the downgrading of the buyer even if the rubber was bought higher grades. Secondly, visual grading system gives room for malpractices in the routine purchase operations of the co-operatives.

Competition from Dealers

Competition from middlemen is another important factor weakening the co-operative movement. Competition from licensed as well as unlicensed dealers is indeed a major constraint for the growth of co-operatives. While there is stiff competition from licensed dealers for the purchase

of sheet rubber unlicensed dealers who visit the small holdings periodically and collect scrap rubber and sometimes off sheets also pose considerable difficulties to the co-operatives. The competition from unlicensed dealers is all the more felt in the procurement of scrap rubber. The competition between dealers ensure minimum marketing margin and the average deduction made by primary dealers from the market price is in the range of 10 to 20 paise per Kg. on an average. In the absence of any regular customers who will buy the entire quantity at a higher price, the co-operatives can not offer a higher price than the dealers. In fact, the co-operatives are placed in a disadvantage in offering a higher price because, when compared to proprietary primary dealers, they have much higher administrative overheads. So also, the dealer enjoy locational advantage as they operate at villages unlike the co-operatives which are mostly located in towns. If at all there is a marginal advantage in the price offered by the co-operative, it will get neutralised by the expenses for taking the rubber to the society. In order to offset this disadvantage, most of the societies are opening purchase depots in villages which is indeed an encouraging trend.

When compared to a co-operative, the dealer offers the package of incentives. The system of giving advances to growers is a common practice. Even though this system has its ill effects, the fact remains that this is a timely help as far as the petty holders who are depending solely on the income from rubber are concerned. During off seasons like the monsoon and annual tapping rest this affords considerable relief to such growers. Similarly, the dealers also provide the growers with the facility to settle the value of the rubber supplied from time to time at any point of time as preferred by the grower. This is a system commonly termed as 'stocking'. This is often practised by well to do growers. The dealer is also benefitted

considerably under this system since he could profitably utilise the value of this rubber in business without any interest liability. As far as the growers are concerned, it is as good and secure as money deposited in a bank. There is also a specific reason why growers show reluctance to sell the entire crop to a co-operative. This is the common fear among growers that their entire production will be disclosed. As against this, the dealer may even be prepared to make adjustments in bills to conceal a portion of the production. Similarly, a co-operative can not also be a party to any malpractices in the trade. Most of these incentives can not normally be offered by a co-operative society.

After having examined the general as well as special problems faced by the rubber marketing co-operatives in brief, let us now consider certain practical suggestions to improve the working of the co-operatives. As already explained, the general problems faced by the co-operatives are common to all co-operatives irrespective of its nature of operation. Since these problems adversely affect the entire movement, an individual approach may not be appropriate and practical. Instead, it calls for a national approach through which a systematic effort has to be made to reorient and re-structure the entire movement. This being the position, certain suggestions which are directly related to the special problems are only put forward.

Membership

Membership in a rubber marketing society may be regulated and only those who tender atleast 25% of their production at the society need be admitted as members. So also only those who sell atleast 50% of their production at the society may only be made eligible to contest as a member of the Board of Directors. However, an exemption may have to be given to growers who have only immature areas.

In such an eventuality membership may be granted only if they buy at least Rs. 500 worth of plantation inputs from the society in an year.

Professional Orientation

A professional orientation may be introduced in the functioning of the co-operatives. This may be achieved by inducting suitably qualified persons into the management set up to handle various jobs which call for special expertise and abilities. So also, the officers and staff who are already in the service may be given suitable orientation training and also encouraged to get themselves suitably qualified for their work.

Professional Representation in the Board

A qualified and professional person may be inducted into the Board of Directors of each Society to impart professional orientation in the entire working of the Board. They should not be politicians but persons who have rich experience and expertise in the required field.

Strengthening the Apex Body

All the primary societies should strive hard to remain within the co-operative fold by overcoming periodic temptations to go out of this discipline. It is advisable to leave all the problems of sales of rubber to the Federation which has developed the required expertise, experience and infrastructure for the same. Problems, if any between the apex body and the primary should be resolved within the broad framework of the operational arrangement between them. Individual attempts by primaries to arrange sales may appear lucrative initially but will ultimately result in weakening the bargaining strength of the entire co-operative sector. This will be exploited by the customers by adopting the divide and rule strategy. Once the Federation is in a position to command a major share of the market, it can dictate terms with the customers. This can result in the maximum

realisation of prices for the various grades in the terminal markets, which in turn will enable the primaries to offer a better price and thus counter the competition from private traders effectively. Once the Federation is powerful and enjoys a commanding position in the market, there is no need for it to canvass customers, instead customers will come after the Federation.

We have seen the problems and prospects of co-operative movement in the field marketing of rubber. A few practical suggestions have also been considered to improve the working of these co-operatives. Given the right orientation and leadership, there is no reason why a marketing co-operative should not succeed amidst all the possible constraints. It has been proved beyond doubt

that the development of co-operatives is indispensable for the welfare and well being of rubber small growers. It is, therefore, our duty to identify the various problems and constraints which retard the growth of these co-operatives and weakening the entire movement and initiate timely action to put the co-operatives in the right track for sustained growth and progress. []

World Rubber Production

World rubber production for the third quarter of 1985 is estimated at 1,085 million tonnes compared to 1,065 million tonnes during the same period of 1984, an increase of 20 000 tonnes or 1.9 per cent. Malaysia and Thailand showed increases of output and Indonesia a decrease (Table 2)

Total world production for the first nine months of 1985 is estimated at 3,068 million tonnes, compared to 3,083 million tonnes for the same period in 1984, hence 15 000 tonnes or 0.5% lower. Among the major producing countries, only Thailand showed a production increase (of 42 000 tonnes) for the first nine months of the year, compared to the same period of 1984. Malaysian and Indonesian production showed decreases of 47 000 and 24 000 tonnes respectively.

Table 1. Shipments of SMR Grades from Peninsular Malaysia, Third Quarter 1985 (tonnes)

Month	(a) CV & L	SMR 5	SMR 10	SMR 20	(b) Others	Total
July	11 097	2 464	14 646	32 540	1 679	62 426
August	11 811	3 666	14 931	36 465	2 126	69 999
September	16 012	2 670	14 298	35 909	3 282	72 171
Total	38 920	8 800	43 875	105 914	7 087	204 596

(a) Total of SMR CV & L

(b) Total of SMR 50 & others

Source: Monthly Rubber Statistics of Malaysia, September 1985, Department of Statistics Malaysia.

Table 2. Estimated World Natural Rubber Production, Third Quarter 1984 and 1985 ('000 tonnes)

Countries	III/84	III/85	Difference	% Difference
Malaysia	367	380	+ 13	+ 3.5
Indonesia	306	297	+ 9	- 2.9
Thailand	160	168	+ 8	+ 5.0
India	40	40	0	0.0
Sri Lanka	33	33	0	0.0
Rest of World	159	167	+ 8	+ 5.0
Total	1065	1085	+ 20	+ 1.9

Source: Monthly Rubber Statistics of Malaysia, September 1985, Department of Statistics, Malaysia; IRSG Rubber Statistical Bulletin, Vol. 40, No. 1; LMC Commodity Bulletin - Rubber, October 1985; and MRRDB estimates.