COOPERATIVE MARKETING SOCIETY AND AGREPRENEURSHIP : MODEL FOR SUTAINABLE DEVELOPMENT

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Abstract

India, being agricultural economy, is one of the top producers of agricultural produce. Risks are inherent in agriculture sector and have specific dimensions. It is beset with production risk, market risk and price risk. It has devastating effect on producers. Producers in primary sector need protection against the such risks. By using of market oriented mechanism like commodity exchange, producers can partially or fully transfer risks to speculator by participating in commodity future market. Indian commodity market has made enormous progress with a number of modern commodity exchanges, transparency and trading activity. Large farmers have access to agriculture commodity market but small and marginal farmers are not in position to access the commodity market because of lack of awareness as well as ability to trade in the given size of their output. One of the critical requirement in this context of situation is therefore to intervention of some agency/ intermediary between individual small and marginal farmers and commodity exchange who can work as aggregator, who can take and represent the interest of small and marginal farmers and should be neutral.

Role of cooperative marketing society has been shrinked in recent times due to various economic and technical factors. In present cooperative ecosystem cooperative marketing has been reduced to dysfunctional tier as supply chain management has expanded its reach and technological intervention has enlarged the scope of marketing beyond limited horizon. In such changed scenario sustainability is prime concern for cooperative marketing society.

This paper explores idea and possibility of agripreneuship and prospect of cooperative marketing society in new paradigm as intermediary agency in commodity market and its impact on its stake holders.

Keywords: Cooperative Marketing Society, Sustainability, Agripreneurship.

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Sustainable Development Goal of United Nations and Cooperative

United Nation through a deliberative process involving intergoverment negotiation amongst its 193 member states set out Sustainable Development Goals (SDGs), officially known as "Transforming our world: the 2030 Agenda for Sustainable Development" with focusing on 17 aspirational "Global Goals" and 169 targets in between them vide paragraph 54 United Nations Resolution A/RES/70/1 of 25 September 2015 **(Anon[1], 2015)**. The 17 Sustainable Development Goals and 169 targets which United Nation announced on 25 Sep 2015 demonstrated the scale and ambition of new universal agenda to achieve unfinished target of Millennium Development Goals set out in 2000. These goals and targets are integrated and indivisible, global in nature and universally applicable. The scale and ambition of the new agenda of United Nations under aegies of SDGs requires a revitalized global partnership to ensure its implementation. Cooperative movement can be robust and meaningful global partner to translate these goals and targets of United Nations with its 2.6 million cooperative societies, over 1 billion members and a combined turnover of 3 trillion US-$**(Schwettmann J, 2014)**. Global cooperative movement is the largest organization in the world, bigger in terms of membership than the trade union movement, economically more powerful than several G20 nations, and providing employment to many more people than all multinational companies taken together. Such a potent movement should be instrument to implement international development agenda. This aspect of cooperative has also been recognized by the UN Resolution "Cooperatives in social development" A/RES/68/133, which states "cooperatives, in their various forms, promote the fullest possible participation in the economic and social development of all people, including women, youth, older persons, persons with disabilities and indigenous peoples, are becoming a major factor of economic and social development and contribute to the eradication of poverty and hunger"**(Anon[2], 2015).** This Partnership will work in a spirit of global solidarity, particular solidarity with the poorest people in developing and underdeveloped countries.

Dimention of Agripreneurship

Concept of entrepreneurship has long been linked to Schumpeter's theory of economic development (1934); Knight's (1921) explanation of profit and firm; Kizner's (1979) account of the market process and Schultz (1979, 1982) theory of technological adoption and diffusion. Entrepreneurship be defined as a process that can lead to creative solutions to social problems or the formation of new and innovative enterprises. There is no single definition of the term "Agripreneur". However, an agrirepreneur may be thought of someone who undertakes a variety of activities in agricultural to be an entrepreneur. **Dollinger(2003)** defines entrepreneurship in agriculture as creation of innovative economic organization for the purpose of growth or gain under conditions of risk and uncertainty in agriculture. The aspects of agriculture that could be opened up for entrepreneurship include both the on-farm activities and off-farm ventures. The on-farm activities may involve production, processing, farm input manufacturing, and agro service ventures. Off-farm agripreneurship ventures may include activity such as grading, warehousing, transportation, processing and commodity market entrepreneurship.

Importance of Agripreneruship in India

Agripreneurship as a concept specific to agriculture and drawn from wider entrepreneurship is very critical and urgent. The peculiarities of the country's agriculture sector provide further compulsion to the dire need for agripreneurship. Agriculture is the mainstay of Indian economy because it supports high share of employment and livelihood creation. Agriculture employs about two third of country's labour force and contribute about 17 percent to the Gross Domestic Product(GDP) in 2013-14. It is also an important source of raw materials for industries. However, growth in the sector has not met the needs and expectation of country. Agripreneurship have the potential to contribute to a range of social and economic development such as employment generation, income generation, poverty reduction and improvements in nutrition, health and overall food security in the national economy. Due to the changing socio, economic, political, environmental and cultural dimensions over the world, farmer's and nation's options for survival and for sustainably ensuring success in changing their respective economic environments has become increasingly critical. It is also worth noting that the emergence of the free market economies globally has resulted in the development of a new spirit of enterprise "Agripreneurship" and the increased individual and organisation need for responsibility for running their own businesses **(Alex, 2011).**

Agripreneurship has positive impact on the economic of agrarian countries. It can provide solutions to reducing poverty, increasing food security and controlling inflation, decreasing inquility among nations, affects sustaiable consumption and production pattern. It contributes to trade balance of nations. From the time of sown to the time of harvest till time of final dispose off farmers endure uncertainty. With the use of market oriented mechanism, producers can partially or fully transfer risk to speculator by participating in commodity future market. Agripreneur opportunity can be grouped in upgrading, deepening and expanding value chain. Exapanding value chain entails setting up of commodity exchange or praticipating in commodity exchange.

Role Of Commodity Exchange In India

Primary sector is dominant contributor to GDP in Indian economy, employment opportunity for major workforce and support industry by supplying raw material. Risk in agriculture is inherent and has specific characteristic. It is beset with production risk, financial risk, natural calamity risk, market risk and price risk. Financial risk is well covered by agriculture insurance instrument. In advance nation natural calamity risk due to climate and biological process is also covered by giving comprehensive insurance coverage. But despite the good harvest farmers are found typically exposed to market risk and price risk. Price volatility of agriculture produce is another most pressing issue faced by producers of primary commodity. The low price for basic commodities limit the farmer's income and the high volatility of these prices make it difficult for them to optimize the use of their income (**Morgan, 2000**).

Initially Government concerned with commodity price fluctuations led to commodity policy intervention. These initiatives have taken the form of institutional arrangement for price stabilization programme, including physical buffer stock scheme, stabilization fund and establishment of state marketing board. Main concerns for these steps were that speculative activities in future market could reinforce price instability and volatility in essential commodities and lead to further problem of food security. But later Government adopted market driven mechanism and initiated reforms and policies to develop commodity market and commodity exchanges for price discovery and price risk management through derivatives like future, option and swap.

The commodity market in India dates back to more than a century. Bombay Cotton Trade Association" was the first organized commodity futures market established in 1875 followed by Gujarati Vayapari Mandali' in 1900 for oilseed, Chamber of Commerce in Hapur in 1913 for wheat, Hessain Exchange Ltd at Kolkata in 1919 for raw jute and jute product. Commodity markets play a vital role in the developing economies like India where agricultural production constitutes significantly to GDP. Two major economic functions of a commodity exchange are price discovery and price risk management. Twin functions viz., price discovery and price risk management, theoretically help in price stabilization and safeguard the interests of farmers, exporters and others stakeholders. Future price at commodity exchange gives advance signals of an imbalance of supply and demand. This helps the government and stake holders and players to make plan. In case of short supply government can ensure adequate supply and averts spurt in price. In case of bumper crop early price signal by future market helps exports to plan export and handle glut situation in market ensuring remunerative price to farmers. Farmers can also be benefitted through price signal from commodity exchange even though they are not directly participating in the future market. This signal helps farmers in making production strategy and post harvest marketing strategy. Future market through advance price discovery leads to shift in sale-purchase pattern during harvest and lean season and thereby facilitate reduction in the amplitude of seasonal price variation. Empowered with price information, farmer is able to avoid distress selling and bargain for better price in spot market. By providing manufacturers and bulk consumers for covering price –risk future market induce them to pay higher price to farmers. The role of commodity future market also involves resource allocation in agriculture. In agriculture, the two most important decisions are the sowing and storage decision. Generally for a kharif crop, a farmer take decision about sowing crop x or crop y in June. His decision is shaped by the price of the future for October expiration, which is visible in June. The future price supports calculations about profitability, and helps the farmers decide what to sow. In the storage decision, the allocative decision is which crop x or crop y should be stored. In October, at harvest time, when this decision is being made, the future market can support the decision making by reporting the March expiration price of crop x or crop y. **Bhattacharya (2007)** pointed out that significant risk returns features and diversification potential has made commodities popular as an asset class. Indian futures markets have improved pretty well in commodities in recent years and would result in fundamental changes in the existing isolated local markets particularly in case of agricultural.

Forward Market Commission(FMC), a regulatory body was established in 1952 to regulate commodity market in India. The National Agriculture Policy of India in 2000 also recognised the positive role of forward and future market for price discovery and price risk management. The Forward Markets Commission (FMC) has, u/s 15 of FC (R) allowed trading of 113 commodity futures contracts in the Indian markets during 2014-15. These include food grains, edible oilseeds complexes, spices, fibres, metals, and energy. **Ahuja (2006**) concluded that Indian commodity market has made enormous progress since 2003 with increased number of modern commodity exchanges, transparency and trading activity. **Srivastava and Saini (2009)** found that with the elimination of ban on agriculture commodities, Indian futures market has achieved sizeable growth. At present there are 6 national, Multi Commodity Exchange of India (MCX), Mumbai, National Commodity and Derivatives Exchange of India (NCDEX), Mumbai, National Multi Commodity Exchange (NMCE), Ahmedabad, Indian Commodity Exchange (ICEX), New Delhi, ACE Derivatives & Commodity Exchange Limited, Mumbai, Universal Commodity Exchange Limited, Navi Mumbai. and 16 regional commodity exchanges in India.

Volume of futures trade increased exponentially in agricultural commodities till 2005-06 but trade in bullion and other metals over took it in 2006-07. Since then overall, non-agricultural commodities have been dominating the futures markets in India. This is due to fact that participation of farmers and commercial hedgers in commodity futures markets is extremely limited. According to market estimates, not even 2,000 farmers in India are directly participating in the commodity futures markets(**Mahajan and Singh ,2015**).

Marketing Cooperative Society as Agrepreneur in Commodity Exchange

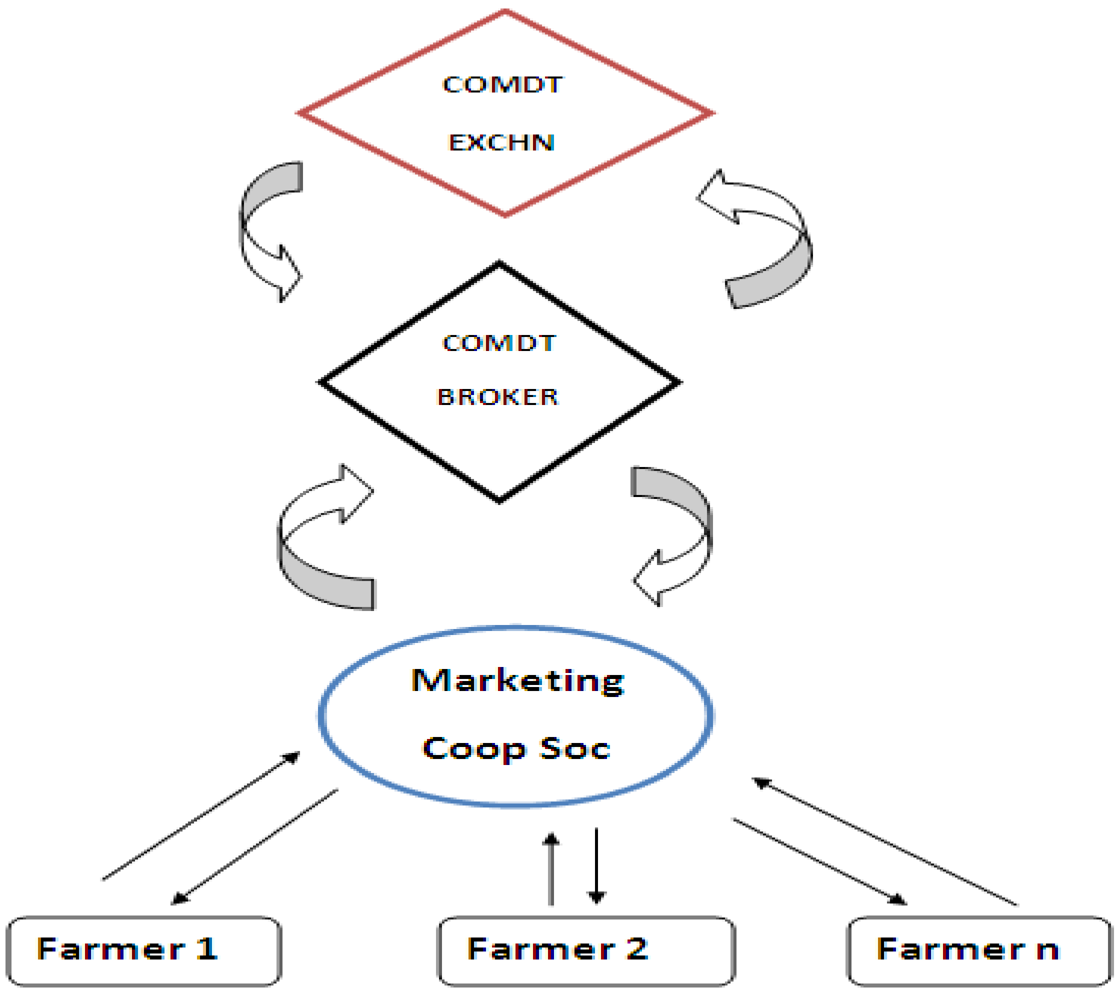
Farmers especially large farmers who possess necessary skills and have access to the information channels and financial means can benefit directly from commodity market. However, these benefits have not been percolated to small and marginal farmers. Small and marginal farmers are today not in position to access the commodity market because of lack of awareness as well as ability to trade in the given the size of their output. A study conduced by **Sharma, P.(2010)** on Impact Analysis of Commodity Futures on Spot Prices, and Risk Management in Essential Commodities has found that major factors that hinder the farmers to take active part in commodity future and benefit directly through hedge are lack of awareness of commodity future concept, markatble surplus by individual small and marginal farmers is below the lot size of commodity, payment of margin money being burdensome amongst other reasons.

Besides, **Mahajan and Singh (2015)** have also pointed out in their study that lack of technical knowedge to participate in commodity marekt and lack of penetration of internet and commodity trading terminals at village level are important reasons behind the low participation of farmers and their representative institutions in the Indian futures markets. Indian commodity market is heavily dominated by speculator for monetary gain rather than hedger for covering risk. During 2011-12, the total volume of trade across all commodity exchanges in India was 140,257 million metric tonne (MT), out of which deliveries were merely 888,250 MT (0.0000006 percent). This data clearly shows that actual delivery of commodities is extremely low in the Indian futures markets. Due to this farmers treat this as speculator market and refrain from directly participating in it.

Kabra (2007) found various factors that need to be consider for making Indian commodity market as an efficient instrument for risk management and price discovery and suggested that policy makers should consider specific affairs related with agricultural commodities marketing, export and processing and the interests involved in their actual production. One of the critical requirement in this context of situation discussed above is therefore to have some agency/ intermediary between individual farmers and commodity exchange who can work as aggregator, who can take and represent the interest of small and marginal farmers and should be neutral. Besides Sustainable Development Goal 2 points out to end hunger, achieve food security and improve nutrition and promote sustainable agriculture. Its target

2.3 focus on double the agriculture productivity by 2030, with secure and equitable access to knowledge, financial services, markets and opportunities for value additional. Similarly target 2.c sugges to adopt measures to ensure proper functioning of food commodity market and their derivatives, and facilitate timely access to market information in order to help limit extreme food price volatility

In the present scenario it is expedient to focus on organisational and collective efforts with farmers specially small farmers to explore possible role of cooperative marketing society as intermediary agency for price risk management and collateral finance. Intermediary agency can assume the role of facilitating agent or a risk bearing layer between farmer and commodity exchange. By this arrangement, downside risk and transaction cost can be distributed among several farmers by intermediary agency so that possibility of default arising out of disproportionate exposure is mitigated. In addition to that agency can play vital role in information dissemination and capacity building of farmers. Undeniably keeping track of the market development and taking suitable position on the commodity exchange it is lot easier for agency than it is for individual small farmers. This intermediary can be NGO, cooperative institutions etc. Agency can absolve farmers from taking any basis risk on transportation and storage. Another advantage is the absence of margin deposit, margin call and all the mechanism designed to maintain financial integrity of future market. Role of cooperative marketing society in Inida has shrinked in recent times due to various economic and techonology factors. In present ecosystem cooperative marketing society has been reduced to dysfunctional tier because supply chain management has expanded its reach and technological intervention has enlarged the scope of marketing beyond limited horizon. Cooperative marketing society has confined its role to participation in spot market. Its benefit to farmers is not encouraging as spot market is imperfect market due to various reasons. In such dynamic scenario sustainability is prime concern for cooperative marketing society. Thers is possibility of agripreneuship and prospect of cooperative marketing society in new paradigm as intermediary agency in commodity market and its impact on its stake holders. A model of role of cooperative marketing society as intermediary agency in commodity exchange is given below:



In above model cooperative marketing society will play variety of function in forward and backward direction benefitting both stakeholders. Cooperative marketing society can function as aggregator and will paricipate on behelf of small and marginal farmers. It will disseminate market related information to farmers and can take critical decisions for benefits of farmers. It can also provide storage and logistic support. It will bring down unit cost of transaction and will work as shock absorber in case of market crash. It may educate farmers in longrun and work as facilitator and agripreneur presening business model on profit sharing basis. This will open new vista for cooperative marketing society as the marketed surplus ratio of agriculture commodity is ever increasing as evident from table 1

Table 1 : All India Marketed Surplus Ratio of Important Commodity (1051-52 to 2011-12)

Item	***1950–51***	***1999-00***	***2003–04***	***2009-10***	***2010-11***	***2011–12***
Rice	30.0	61.7	75.2	79.7	80.7	77.2
Wheat	30.0	56.5	67.7	72.3	73.2	70.0
Gram	35.0	71.8	82.2	89.5	86.7	85.3
Urad	-	90.5	85.2	70.4	63.6	70.0
Gorund nut	68.0	62.2	86.0	92.9	93.4	90.8

Sources: GoI (2013), Agricultural Statistics at a Glance, 2007, 2010 & 2012, Ministry of Agriculture, Government of India.

Imperfect spot market will not fetch remunerative price to farmers. It will also restrict export potential of agriculture commodity devoiding nation of much needed foreign currency. Efficient commodity market will lower the cost of commodity benefitting consumer also. This will provide sustainbility to business of cooperative marketing society and it will also find its place in the attainment of Sustable Development Goal of United Nations.

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