

The Role of Cooperative Society for Marketing Agriculture Products in Bangladesh

ABM Siddique¹

¹ World University of Bangladesh

Received: 3 February 2015 Accepted: 5 March 2015 Published: 15 March 2015

Abstract

Bangladesh is a developing country and agriculture is the main largest sector of the economy. About 80

Index terms— Cooperative Society, Cooperative Marketing, Middlemen, Philosophy, Gross Domestic Product (GDP), RDCD.

1 I. Introduction

On the other hand, the spirit of Co-operative is inspired by the Almighty Allah. Almighty Allah has created this universe within 6 days alone but he says in 41 places of the Holy Quran in different Suras, that "we have created (Plural of which means that Almighty Allah has used plural term instead of singular), that means Almighty Allah is giving emphasize on the joint efforts to build and make this universe useful and sustainable with the joint collaborations (Source: Quranic Dictionary 2001) 1 . Since independence the government of Bangladesh has endeavoured to improve the quality of life of the people through planned development efforts. The constitution of the country provided for fulfilling the basic needs of the people i.e food, clothing, shelter health care and education. That is why successive five years plan attached high priority to rural development and poverty alleviation. To uplift the status of the poor people's living standard in the rural areas, and whose main profession is agriculture, the government of Bangladesh has set up the Rural Development and Cooperative Division (RDCD) under the ministry of Local Government, Rural Development and Cooperative. This Division is responsible for policy formulation, planning, monitoring and administration of rural development and cooperative initiative of the country. Cooperative society is existed within the legal framework of Cooperative Society Act of 2001 (Amended in 2002). Cooperative Society Rule of 2004 and Cooperative Society Policy of 2012.

2 II. Background of the Study

The economy of Bangladesh is based on agriculture. About 80% people are dependent on agriculture. Agriculture's contribution to our GDP is 35.47% which is the highest contributor as a single sector in our economy and this sector creates about 63% employment opportunity for our labour force. Most of our farmers are illiterate and poor, for this reason, they are dependent on rural usurers for capital at highest rate of interest during cultivation period and again they are bound to sell their products to the Fouria and middlemen as they do not have capacity to sell to the consumers directly. As a result, they are not getting fair price of their products. So, it is clearly understood that our farmers are becoming poorer day by day due to the exploitation by the rural Fouria and usurers. Under these circumstances, Cooperative Marketing can be the Model of agricultural Marketing for our farmers. In the light of the above situation government of Bangladesh has formulated National Cooperative Policy in 2012 by emphasizing the farmers to bring within the framework of Cooperative Marketing for agricultural products. On the other hand, National Cooperative Policy of 2012 has also given due importance to uplift our womenfolk who are representing about 50% of our population. To implement our millennium goal of 2021, (Vision 2021) Co-operative Society is a voluntary association started with the aim of rendering service of its members. It is a form of business where individuals belonging to the same class join their hands for the promotion of their common goals. These are generally formed by the poor people or weaker section people in

45 the society. "It reflects the desire of the people to stand on their own legs. The philosophy of the formation of
46 Co-operative Society is "All for each and each for all".

47 A the implementation of National Cooperative Policy will be very helpful strategy in this regard.

48 **3 III. Rationale of the Study**

49 Agriculture is our main sector which contributes highest amount to the national GDP and on the other hand,
50 agricultural sector is helping our manufacturing sector to develop and to create value addition to our national
51 GDP.

52 If farmers are becoming more efficient to produce their products at lower cost and to sell them at a fair price
53 through Cooperative Society Marketing system, then it would be possible to achieve higher economic growth.
54 It is pertinent to mention here, that it would not be possible to ensure better living standard of our farmers
55 without bringing farming within Cooperative Society throughout the country. If we go through the history of
56 Economic Development of Denmark, Sweden and Germany then we see that these countries achieved highest level
57 of economic development by utilizing Cooperative philosophy in their Development strategy.

58 On the other hand, Cooperative Society in Agriculture Marketing can utilize synergy effect. Synergy this term
59 refers in Management that joint efforts' output is much greater than that of individual effort in economic activity.

60 **4 IV. Statement of Problem**

61 Farmers are illiterate and poor for that reason they do not have capacity to run farming activities effectively and
62 efficiently. As farmers, do not have educational qualifications and financial ability to store their products and
63 the transport them to the market place for better price. As a result, they are bound to sell their products to
64 the Fouria and middlemen at lower price which is below their production cost in maximum cases. Under these
65 circumstances, co-operative marketing strategy can solve this problem.

66 **5 V. Objectives of the Study**

67 The following are the objectives of the study:

68 1. To analyze the present marketing system of Agricultural products in Bangladesh.

69 **6 2.**

70 To analyze the role of Co-operative Society for marketing Agricultural products.

71 3. To find out the problems of Co-operative Society and to give some recommendations to the concerned
72 ministry to overcome the problems.

73 **7 Sampling technique**

74 Convenience sampling technique was applied in the survey.

75 **8 VI. Data Analysis Technique**

76 SPSS software was used to get the descriptive statistics output for interpreting and discussion purpose.

77 **9 Scope of the study**

78 This study is only for the academic purpose and this study is limited to the agricultural marketing purpose. This
79 study may be used by the concerned department and ministry for their policy implication purpose.

80 Chapter -2 VII.

81 **10 Literature Review**

82 **11 Meaning of Co-operative Marketing**

83 Co-operative Marketing means the association of agricultural producers for marketing their products and the
84 Co-operation of final consumers in purchasing goods and services for their own use. A consumer's Cooperative
85 is voluntary association of ultimate consumers, organised to fulfill some of their needs for goods and services.
86 Co-operative Marketing association are composed of groups of farmers organised for the purpose of marketing
87 the commodities they produce, Farmers have often felt that they did not receive the full value of their products
88 when they were sold to local buyers whose margins were too large, because either of their inefficiencies or for
89 wants of unorganized work. The led to the organisation of Co-operative Associations. Agricultural co-operation
90 may also be defined as joint action among a number of farmers for the purpose of selling their production and
91 providing other services like stimulation of demand condition, storing, pooling and standardizing the produce.

92 ii.

12 Objectives of Co-operative

The main object of Co-operative Marketing society is to secure for their members as much as possible for the products they sell. More specific (h) Finally, education in both production and marketing methods which will lead to more specific farm operation.

The efforts to reduce marketing costs originally concentrated on elimination of the middlemen and capturing his profits for the organization's members. Improving operating efficiency became a companion objective. It was discovered that in order to reduce the marketing costs and margins, efficiencies had to be developed in which the Co-operative could do the job more economically than other agencies. 2 A Co-operative can also serve to improve the marketing system. It might be organised to pursue one or a combination of the economic objectives, viz..., (a) provide services at a lower cost, (b) offer an alternative market outlet to offset monopoly in the local market, (c) provide new or improved marketing services and (d) channel technical information, new practices and new inputs to producers and better Co-ordinate production and marketing. 3 The environment for formation of Cooperative is more favorable if marketing margins are high due to collusive behavior within the private trade or if there is great inefficiency in the private trade for other reasons. 4

13 b) Evolution and Development of Co-operatives

The Co-operative movement is a little over hundred years old now when the Industrial Revolution in the Western world become mature, it was seen that the small farmers faced a peculiar circumstance in which the buyers of their raw material and the sellers of their consumers goods became big manufacturers and traders, who could dictate prices to these small men by virtue of their almost monopolistic power over the market. In this society, the percentage of literacy was high and there was a social class that was well to do, but reasonable hard working, honest and sincere. There were amongst them who wanted to do good to the society by voluntary social work. They were pained to see that the Industrial Revolution which should have brought the blessings of machine and the high living standard for mankind had actually brought monopolistic exploitation of the small men by the giants in manufacturing and marketing necessitated by the economy involved in large scale production through the machines. The nineteenth century capitalists were also a group of people who worked very hard, took great risks and reinvested their profits in the lure of owning still bigger enterprises. Many of these people lived amazingly simple life and even made big donations to charitable purposes for the well being of common men. It was in this kind of social milieu when Marx predicted that capitalism was destined to destruction because of its weakness in controlling the monopolies and in protecting the proletariat that the co-operative movement came as an alternative to revolution, violence and blood shed. It provided an alternative to socialism. It aimed at bringing about the advantages of large scale economy to the small man who by uniting amongst themselves and pulling their resources together, would bring to themselves increased bargaining power, necessary credit supply and the required at Koma Rock in Henya. In Niger, too, rural Co-operatives are reported to have been expanding very successfully in the marketing of cereals. 5 In some other countries, such as, Tanzania and Tunisia, Co-operatives without intensive assistance of this kind have, for several years, been coping with the marketing and processing of crops on a national scale. In India, the striking success of the Anand milk producers' Co-operative over the past twenty years has attracted worldwide attention. This venture has transformed the living conditions of peasant farmers in the Karala district of Gujrat. Its business has expanded continuously under excellent local management and in 1967; it handled and processed more than 70,000 tons of milk for 120,000 producer members. Its remarkable progress shows what may be achieved under suitable conditions and good management. 6 In Cyprus, as another example, the Cooperative movement has a long history and is a major force in the commercial and industrial life of the country. In several larger Latin American countries, there are large and powerful Co-operative organizations which are successfully operating major processing and trading businesses.

In Lebanon the Bekaa Poultry Co-operative packs, grades and distributed egg and table poultry for some 120 members. Since 1963, it has built up excellent facilities and a reputation for quality products and commercial efficiency. It now supplies a large part of the Lebanese domestic market for eggs and exports about 70 million eggs per year. 7 Co-operative buying among farmers of city consumers has developed extensively in some countries, notably the united states, England and Sweden while Co-operative selling of farm products is most common in such countries as Denmark, Finland, Canada and the United States. Denmark is the outstanding example of a country in which cooperative marketing of farm productions and purchasing of farm supplies have succeeded on a large scale. The various products handled by thousands of Danish Farmers Cooperative Associations. A large proportion of the retail trade in Denmark, Finland, Sweden and England passes through Cooperative channels. Wholesale houses organized on a national and international basis are also operated successfully by cooperatives.

The recent expansion of Co-operative marketing systems in countries, such as, Ceylon, Tanzania and Senegal reflects a shift away from the idealistic tradition of the Rockdale Pioneers to a more pragmatic model. For instance, as seen in Japan, Cooperatives there handle 70 to 80 percent of the rice marketed. These cooperatives undertake only limited responsibilities as receivers and storage agents for a monopoly government food agency with a secure base as sole assembling agency, and carrying a steady handler's commission, these cooperatives provide credit and sell fertilizer and other supplies to farmers on easy terms. Once capital was accumulated from these low risk operations, they could take on additional functions such as processing and marketing other crops. 8 In some less developed countries, the ii.

14 Democratic Administration

(a) The primary purpose of a co-operative society is to promote the interest of its members. To achieve this end the members must have the final say in the society. Therefore, there should be an effective method of consulting the members as a body and their support and loyalty keep the society alive and active. To ensure that the members interest get the highest priority in the administration of the society's affairs, those who administer the affairs must be chosen directly or indirectly by the members.

(b) "One man, one vote" is the most condensed expression of the democratic administration of cooperative societies.

(c) In the case of organization of higher tiers, where members are societies, indirect systems of elections are adopted. (d) In developing countries where government contribute capital of the societies, government representation on Boards of Management become necessary, Without generous amounts of government finance, co-operative development in these countries will be slow, however, representation should not continue a day longer than it is necessary.

iii.

15 Interest on Capital

(a) The co-operative movement since its beginning has followed the system of paying a fixed and limited interest on capital of members. (b) The three main forms of capital in a co-operative:

(i) Share capital.

(ii) Capital owned by society in the form of reserves etc. (iii) External borrowing etc.

(c) The limitation applies really to the first. Situation where principle of limited interest can be tested.

(i) The co-operators are not unanimous on the question whether any interest should be paid on capital or not. There is no principle which obliges that interest should be paid. If no interest is paid there is no clash with the principle. (ii) If interest is paid below the rate which may be regarded as fair elsewhere then also this can be regarded as payment of limited interest. (iii) A third situation is where limited interest is paid for a certain period but raised or lowered not in response to short term fluctuation on the money market but the long range movement of interest rates. This too does not contrivance the principle.

(d) A fourth situation would be where a premium is merged into the rate of interest. From a cooperative point of view, this is dubious.

16 Disposal of Surplus (Savings):

iv.

There are two main points that should be kept in mind. (i) How to find the proper balance between the interest of the society and those of the individual members. (ii) To do justice as between one individual member and another, it is important to remember that economic benefits conferred on the members are of various kinds money, goods or service. (iii) With regard to the distribution of surplus there are certain operational aspects that must be considered.

(iv) Provision of goods to members at low prices which hardly leads to accumulation of surplus for distribution.

(v) The business prudence sometime may require that all or large part of the society's earnings to be placed to reserve. (vi) A major part of the surplus may have to be devoted to provision of common enjoyment to the members. The distribution of surplus among members is an important characteristic that distinguishes a co-operative from a joint stock company.

v. Education (a) The Commission elevated "principle of education" to that of a regular principle. (b) The definition of education for the purpose of cooperation. 9 "For the purposes of co-operation, however, education needs to be defined in a very broad sense which included academic education of more than one kind but much besides. It includes both what people learn and how they learn it. Every phase of experience, which adds to people's knowledge, develops their faculties and skill, widens their outlook, trains them to work harmoniously and effectively with their fellows and inspires them to fulfill their responsibilities as man or women and citizens can have educational significance for co-operation. Less and less in the contemporary world can education be limited to what is learnt in schools and colleges at special periods of people's lives. According to the co-operation concept, education is a life long process. vi. Cash Trading The main reasons why cash trading was emphasized by the pioneers were:

(a) High cost involved in credit buying.

(b) Credit buying may hold the temptation to spend more that one can afford.

The conditions at least in some parts of the world have changed where it is reasonable to think that the rule of cash trading may not be adhered to strictly.

17 vii.

Political and Religions Neutrality:

Internal: The internal aspect concerns the relations of a co-operation with its members. There should be no discrimination on the basis of religion or politics in admitting members or the treatment to members. 9 Quotation from principles, Commission Report, p, 34.

215 **18 61**216 **19 Global Journal of Management and Business Research**

217 Volume XV Issue V Version I Year ()

218 External: "The external aspect deals with the societies or the co-operation Movements' relation with the
 219 external social and political system. The Commission thought that co-operation as an economic movement with an
 220 economic doctrine of its own and representing well defined economic interest, can not avoid involvement in affairs
 221 of government, which whether they are or are not the subject of party conflict are in nature political." Bangladesh
 222 'Agricultural product market of Bangladesh has expanded after the introduction of rural works program in the
 223 sixties, which contributed to the road connection from countryside to urban areas. But it remained modest until
 224 late seventies. After the seventies, market oriented activities grew, which included increasing production and
 225 processing of products. As a result of increasing technical, financial and others types of supports, the market
 226 oriented activities grew not only in the crop sector but also in other areas. In case of poultry, dairy and fisheries,
 227 commercialization of production increased to a significant extent since early 80s. Shahabuddin et. al (1999).
 228 One of the difficulties of marketing agricultural product is the fluctuation of the price level. Just after the
 229 harvest the market price of crops fall and increase later. This is because just after the harvest farmers sell their
 230 produce as soon as possible to repay their loan. Lack of storage facilities also plays a compelling role in the
 231 affair. At this time of the year, produced output outruns the demand and thus the price falls. As the price
 232 is low during the harvest, the farmers are deprived of their due income from their products. To overcome this
 233 problem the government often buys crop especially paddy from the farmers at a fixed price. As the price fixed
 234 by the government is higher than the market price, the farmers are supposed to gain from this. But this is not
 235 often possible as it is costly and problematic to sell the crops in selling outlets Crow B (2011). In the course
 236 of time there have been changes in the setup of product market of agriculture. Class configuration of markets
 237 that is the classes and groups involved in the agricultural product market has taken different forms in the course
 238 of time. According to Ben crow, a range of exchange relations has developed based on the relative sizes of the
 239 different classes and their relation to one another. FRMU, Issue No 18, February, (2009). Procurement policy of
 240 the government aims at ensuring fair price to the farmers. Open Market Sale by the government is intended for
 241 supply of food grain to the people at a lesser price than the prevailing market price. Initiatives like vulnerable
 242 group feeding, test relief etc, have been taken from the government level in addition to open market sale (OMS).

243 Present Situation of Agricultural Marketing in Bangladesh.

244 Agricultural Marketing is an essential for the uninterrupted supply of product from growers to consumers
 245 bringing maximum benefits to the farmers and consumers. Farmers can achieve potential benefits if they can
 246 access to the market where they can sell their product directly. Most of the farmers now days can not achieve
 247 the economics of scale from their produces because they are unable to reach the market at the right time
 248 and at the right place. The farmers of our country are uneducated and illiterate and do not know about the
 249 market. Although in some cases, they know about the market but they can not do anything due to lack of
 250 capital and others logistics' support. Basically agricultural marketing in Bangladesh is characterized by chain
 251 of intermediaries who are regarded as obstacles to farmers, in getting the right price for their products as well
 252 as for the customers to pay high product price. These intermediaries take a large portion of the price. These
 253 intermediaries create barriers in the supply of product. There is four to five stage intermediaries involved in
 254 agricultural marketing system that is prevailing now in the supply chain of product. The produces of farmers go
 255 to the intermediaries instead of consumers. The existing intermediaries are taken most of the benefits from the
 256 market. In the present situation, the marketing intermediaries make up the marketing channel are performing
 257 the work of moving goods from the grower to customer determining high price for the products to the ultimate
 258 consumer. Although Bangladesh has a competitive advantage in the production of agricultural products but the
 259 marketing systems that are prevailing in the market is not suitable for bringing fair price to the real farmers.
 260 It is seen from that above table that 100% respondents answered positively about the necessity of co-operative
 261 society for agricultural products. The followings are the summary of findings of the study:

262 1. Agriculture sector of Bangladesh is dominated by the male and female's participation in agriculture is
 263 insignificant. It was revealed from the study that 98% farmers are male and only 2% farmers are female. 2. It
 264 was found in the study that 74% farmers were illiterate and 16% farmers had only class five level of education
 265 and 8% farmers had class ten level of education and only 2% farmers had above class ten level education. 3.
 266 It was revealed from the study that 88% farmers' mode of marketing were indirect channel of marketing. This
 267 indicates that majority farmers are selling their products to the rural Fauria /bepari. 4. It was revealed from
 268 the research that 94% farmers did not get fair price of their products. This indicates that farmers are exploited
 269 by the rural fauria /middlemen. 5. It was revealed in the study that 100% farmers were interested to form
 270 Co-operative Society for marketing their agricultural products but they could not form it due to the ignorance
 271 about the Cooperative society's rules and regulations. 6. It was also revealed in the study that 100% respondents
 272 were on the opinion that awareness programs were necessary for developing Cooperative Society among the
 273 farmers. 7. It was revealed in the study that 100% respondents were on the opinion that Co-operative Society
 274 had impacts for the farmers for marketing their products. 8. It was revealed in the study that 76% farmers

275 were dependent on the usurers at high rate of interest. 9. It was revealed in the study that 100% respondents
 276 were on the opinion that Local Government could play better role in the development of cooperative society
 277 for the farmers. 10. It was revealed in the study that 100% respondents were on the opinion that political
 278 commitment was influential factor for the development of co-operative society for the farmers. 11. It was found
 279 in the study that 98% respondents did not have storage facility for preserving their products which compelled
 280 them to sell their products immediately after harvesting period. The followings are the recommendations of
 281 the study: 1. Co-Operative Department should take some pragmatic programs to increase farmers marketing
 282 efficiency. This can be done by introducing Co-Operative for the farmers. This system can enable them to take
 283 joint efforts of marketing their products. If this initiative is taken by the Department of Cooperative then the
 284 role of middlemen will be reduced gradually and thus farmer's economic welfare will be increased. 12. What is
 285 the most important for developing co-operative society in Bangladesh? Political commitment of the government
 286 to give much emphasize on co-operative society and its continuation even after changeover of the government.
 Grants from donors and government budget. ^{1 2 3 4}



Figure 1: The



Figure 2:

287

¹© 2015 Global Journals Inc. (US) 1

²UNFAO. The State of Food and Agriculture, 1969, P 96. 6 Ibid. p. 96.

³© 2015 Global Journals Inc. (US)

⁴Abbott, J. C. "The Development of Marketing Institutions," Agricultural Development and economic Growth Edited by Herman M South worth and Bruce F. Johnson, Ithaca, N.Y corn well University Press, 1967, P.47.



Figure 3: Figure 1 :



Figure 4:

The Role of Cooperative Society for Marketing Agriculture Products in Bangladesh
Chapter-3

VIII. Data Analysis & Discussion
Gender Frequency Percent

female 1
male 49
Total 50

It is seen from the above table that our

agriculture is male dominated. Out of 50 respondents,
98% are male and remaining 2% are female. That

Year	Level of Education	Frequency
62	illiterate	37
	class	8
	five	

Volume Class ten ten+ Total It is seen from the above table that 74% 4 1 50 respondents are illiterate 16% re

XV
Is-
sue
V
Ver-
sion
I

Global Grower It is seen from the above table that 88% Bepari/Poria Miller Direct 6 Indirect 44 Total 50 res

Jour-
nal
of
Man-
age-
ment
and
Busi-
ness
Re-
search
()

Farmers 8 yes 50 Figurr 2 100.0
Bepari/Poria Arathdar

[Note: Source: A survey on the present Situation of agriculture Products Marketing on Chaumuhoni and Hajiganj

11. W . 18 -23 yrs. 23-28yrs. 28-33 yrs.

38 -43yrs.

Gender :

Level of Education:

43-above yrs.

Male

illiterate

Female.

up to class V

1. Type of agricultural activity

2. Mode of Marketing

3. Do you get fair price of your products?

4. Yes

5. Do you have interest to form co-operative society?

6. What is the obstacle in the way of forming co-operative?

Knowledge

7. Do you think that awareness program for co-operative is needed?

8. Do you think that co-operative can help you to raise fund for increasing your productivity?

Yes

9. What is your source of capital? Non financial institute financial institute

10. What is the rate of interest of your borrowed capital? 100% 50% 20%.

is done then farmers will be motivated to participate 11. Which organization is most important for developing

10. UNFAO The state of Food and Agricultural, 1969,P96

Rice

Jute

Vegetables

Directly to the Consumer

Selling to wholesaler

Yes.

No.

No.

Yes

Financial ability.

2. Local Government (Union

can be linked up v

partment of Co-op

in this case Local

(Union Parishad)

will be required to

amendment. In the

vey 100% responde

favour of the involv

cal Government in t

this arrangement

rural people to

operative farming a

marketing.

3. Department of Co-operati

programs to supp

initiative in Co-

operative Society.

of Bangladesh has

formulated Co-ope

of 2012 by

emphasizing poc

emancipation and

women empowerme

But in practical

field no such type

are yet to implemen

by the government

recommended to th

concerned ministry

necessary action

plans in this regard

4. Government should take s

social campaig

Bangladesh Televis

that people can un

importance of Co-

288 .1 Appendix-ii

- 289 [Annual Report ()] , *Annual Report 2010-2011*. Department of Cooperative Ministry of local Government, Rural
290 Development & Co-operative Bangladesh
- 291 [AbbottJ ()] *Agricultural Marketing Enterprise for the Developing world*, AbbottJ . 1987. UK: Cambridge
292 University Press.
- 293 [Ritson et al. ()] *Agro Food Marketing , CAB International, USA*, Ritson , Albisu , MI . 2002.
- 294 [Bangladesh Economic Survey-2011,ERD, Ministry of (Finance)] *Bangladesh Economic Survey-2011,ERD, Ministry*
295 *of (Finance)*,
- 296 [Corw ()] *Class and Social Change, Trading networks and poverty in Rural South Asia*, B Corw . 2001Markets.
- 297 [Kohl ()] *Marketing of Agricultural Products*, R L Kohl . 2005. Pearson Education, USA.
- 298 [Baque and Fouad] *Quranic Dictionary 1364 Hijri*, Abdul Baque , Mohammad Fouad . World Wide Publishers
299 Ltd. Egpty.
- 300 [Shahabuddin and Islam ()] ‘The Domestic Rice Procurement Programme in Bangladesh: An Evaluation,
301 FMRSP, Working Paper No’. Quazi & Nabiul Shahabuddin , Islam . *FMRSP* 1999. (13) .
- 302 [Faruk ()] *The Socio Economic Millieu Affecting The Agricultural Cooperative movement in East Pakistan*, A
303 Faruk . 1971. Co-operative East Pakistan, Dacca.