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**Title**

**AN INQUIRY INTO THE BENEFICIAL EFFECT OF AGRO  
BASED INDUSTRIAL CO-OPERATIVE SOCIETY IN  
SALEM REGION**

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**Abstract:**

The launching of globalization process, erratic climatic conditions, unfavorable terms of trade, poor marketing conditions and mounting rural indebtedness have all contribute for distress situation in Indian Agriculture. It is alarming that farmers' suicides are mounting even in developed region. In this context, it is essential to opt for cooperative model of development for agrarian economies like India. The members of the SSICS which is an agro based industrial cooperative society relive from the clutches of moneylenders. The study shows the economic dimensions of SSICS in various fields. The sago and starch members', merchants, general public, farmers and government are the major beneficiaries of sago serve. The society offers a number of credits to them and it is one of the well established marketing societies which has a government organizational setup and ensures better marketing for cassava value added products. The official price of sago and starch are fixed through this society and it is a central place for the marketing of sago and starch throughout the country. However, it is essential to engage its activities in various assignments for its future sustainability.

**Introduction:**

The industrial co-operatives (ICs) set up in the rural areas have an incredible impact on socio-economic life of the community. In India, first attempt to form ICs was made in Madras 1905 for weavers and latter on it engaged its activities in diversified fields. As industrialization is the key element in accelerating the pace of economic development, the integration of industries on cooperative line was stressed as yearly as 1918. The primary object of developing small industries in rural areas is to extend employment opportunities, rising income, standard of living and to bring about a more balanced and integrated rural economy. Now, there are 20 types of ICs in Tamil Nadu, in which they are engaging in different types of trade activities like sago, coir, metal, bricks, banking, tea, furniture, polythene, leather, engineering, printing, special, handicrafts, auto and labour contract (Gandhimathy and Rajendran, 2011).

ICs help to strengthen other cooperative services like credit, marketing and storing etc. Limitations in the organization of processing, selling of agricultural produce constitute a significant control on agricultural output and hence there is a need for developing an efficient,

effective and orderly processing marketing system. It is also stated that (Iqbal, 2006), while formulating arrangement for processing of agricultural produce and injecting agro-industries in the rural Indian economy, care should be taken to see that they only offer services but at the same time involve the farmers too. Rajendran and Gandhimathy (2011) revealed that the launching of globalization process, erratic climatic conditions, unfavorable terms of trade, poor marketing conditions and mounting rural indebtedness have all contribute for distress situation in Indian Agriculture. It is alarming that farmers' suicides are mounting even in developed region. In this context, it is essential to opt for cooperative model of development for agrarian economies like India.

The members of the Sago Serve can relive from the clutches of moneylenders and can avail better prices for their products at some extent (Rajendran and Gandhimathy, 2010). The sago serve generates employment opportunities to the large number of people in rural areas to both – skilled and unskilled. The significance of Sago Serve can be realized through its forward and back ward linkages. The beneficial effect of the society can be assessed from its forward linkages such as members, backward linkages such as merchants and leverage effects of farmers, the general public, contribution to the government exchequer and creation of employment opportunities. The leakages of the society can be assessed from inhibiting factors which could reduce the effective functioning of the society.

### **Review of Literature:**

Studies by Rao (1978), Austin (1981), Olayiwola and Adeleye (2005), Pardeep and Shehrawat (2006), Kamalakannan (2006) and Iqbal (2006) emphasized the significance of agro based industries. Pushpavalli (2008) in her study pointed out that the tapioca is an unchallenged monopolized raw material for sago production and hence the integrated approaches under sophisticated environment will open up new markets with in the country and abroad.

The story of ICs is revealed by Ramana Acharyulu (2009) by his study on Gandhi-gram Agro-Industrial Co-operative Society Limited (GAICS). Due to the rubber dealer intermediaries the rubber grower finds difficult to get a good remunerative price. Seeing the difficulties of local people Fr. Pazhempally (one of the Fathers of Churches in the Gandhigram area) had drawn four



stage strategies to lay Gandhi gram Agro-Industrial Cooperative Society which benefits the community as a whole. According to Thanuskodi and Kalyani (2010), the information is an indispensable source for choice making at every level. It is accepted that a nation which is wealthy in information is rich in cost-effective spheres. Rajendran and Gandhimathy (2010a), Rajendran and Gandhimathy (2010b) and other similar studies revealed the socio-economic importance of agro based industries. Reduction of transaction cost and price spread between the farmers and final consumers will give impetus to cultivators and processors of tapioca. The farmers and sago processing units have mutual interest in better the production of agriculture produce for the former it means wealth and for the latter a steady supply of raw materials of requisite quantity. SSICS is an important service delivery system for the tapioca growers.

### **Origin of Sago Serve:**

On 20.8.79 the director of industries and commerce was asked to explore the possibility of setting up of a Service Industrial Co-operative Society and the proposal was submitted to start for in Salem. In order to obtain a remunerative price for the small Sago and Starch units in Salem, district, "Sago Starch and Sago Manufactures Service Industrial Cooperative Society Ltd" (Sago Serve), was established in Salem (1981) under the Tamil Nadu cooperative Society Act 1961. It was registered on 21.07.1981 and commenced its business on 27.2.1982, functioning under the administrative control of the director of industries and commerce, Government of Tamil Nadu. As an intermediary between the sago factory owners and merchants it replaces large number of intermediaries.

### **Methodology:**

The Sago Serve is awarded as the best IC society in Tamilnadu for many years by National Cooperative Union of India. The present study aims to explore the beneficial effect of the society to its farmers, members, merchants, government exchequer and the general public. In the mean time, the data source revealed that the memberships of the society are drastically reduced from year to year. The active participation of the members indicates the success achieved by the society. Hence, 'what is true for the society may not be true for individual

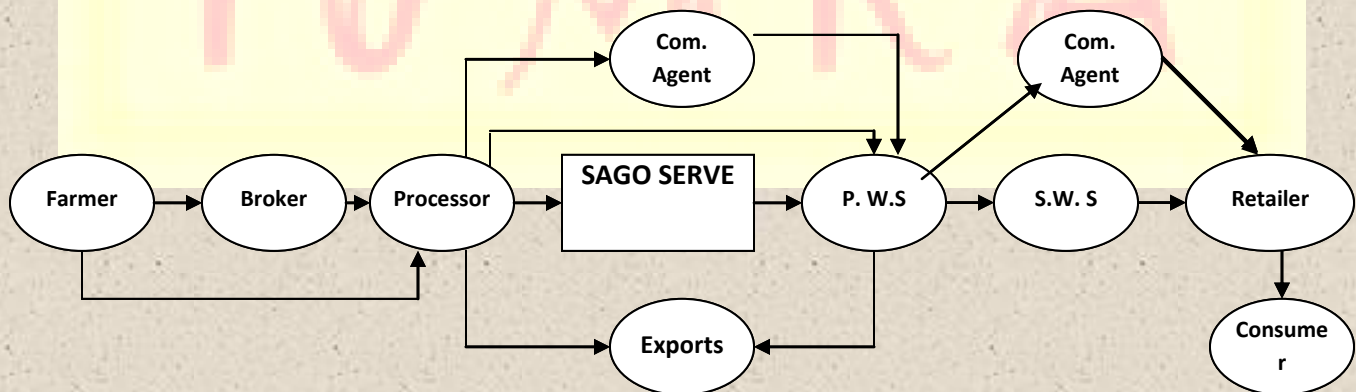
units'. In this context, it is necessary to bring out the overall assessment of Sago Serve. This study tries to bring out the causes for the adverse effect to the society. The adverse effects are known as leakages of the society which reduce the effective functioning of the society.

For cross section analysis the Salem taluk is taken into account as it is least in production of sago and starch in Salem district. Twenty sago factories are drawn randomly from the whole population of fifty which constitutes forty percent. The cross section data pertains to the year 2009-10 as reported as it is a normal year by the agriculture department. Since, members are more significant factor to determine the performance of Sago Serve well structured interview schedule is used to gather information from them. Merchants are orally interviewed. This study relies on both the cross section and time series data to. Secondary source are gathered from the official report of sago serve.

**Discussion:**

The Sago Serve seems to be a central place which has forward and backward linkages from various segments. The different segments are tapioca growers, brokers/intermediary, sago processors, Sago Serve, primary wholesalers, secondary wholesaler, retailer and final consumer. Sago producers may send their products directly to primary wholesalers, commission agents or export to foreign countries either partially or fully in their produce. The forward and backward linkages of sago serve are shown in the chart -1.

**Chart – 1: Linkages of Sago Serve**



The Sago Serve is linked forward with tapioca growers, commission agents/brokers and sago/starch producers. The backward linkages of sago serve are primary wholesaler (P.W.S), Secondary Wholesaler (S.W.S), Retailer and final consumer. The impact of Sago Serve can be analyzed from its major beneficiary's viz., members of Sago Serve, merchants of Sago Serve, farmers, general public and the payment made to the government exchequer.

### **1. Impact on members:**

The SSICS is considered to be a official mode of fixing the price. The business units have free to contact the sago serve for market information. Most of the sago producers have reliance with SSICS as it gets rid of the market price fluctuations at some extent. The stability conditions of sago prices are essential for fixing the prices of tapioca also. If the estimated tender price is not enough for the manufacturer, they can store and sell till the prices are favorable to them. The prices are fixed according to the product segregation and their grades. It helps the sago producers for finding out the price of their product and quality. The SSICS enables the producer to get a subsidy of 50 percent or a maximum of Rs. 4,00,000 lakhs to install the land and machineries. It encourages rivalry among the sago firms which leads to efficiency in the production units and better production. The competition is like a mild inflation which is good for sago production. The SSICS makes preparations for foreign visit to the countries like Indonesia and Thailand. Hence, the selected members of SSICS could obtain the newest technology and contribute to of scientific proficiency. It leads to the transmission of technology from foreign countries to domestic country and vice versa for ensuring by and large improvement in the sago units.

### **2. Impact on merchants:**

The merchants plays dominant role among various segments because they determine the price of sago items as they are the buyers. According to the current market demand the merchants quote the price. Coverage of merchants is extended from local – national to international level. Inter-state connections are made and the northern part of the state constitutes major buyers. The merchants can buy the sago and starch products in a one velocity viz., Sago Serve. The society offers the best product as for as possible with Agmark trade.

### **3. Impact on farmers:**

Influxes of new varieties of tapioca tubers are canvassed by SSICS among the tapioca cultivators in the field which enables to introduce the best variety. SSICS will organize the training programmes and workshops which will benefit the sago producers, merchants and tapioca cultivators. SSICS identified the problems of farmers in the cultivation practices and with the help of Tamil Nadu Agricultural University it releases the latest research and development with regard to the cultivation in the form of Medias, news papers, radios and small notices. Tapioca growers are badly affected by the pests which affects the yielding capacity at large scale in recent years. This could be prevented by the SSICS and now the pest problems are controlled by the growers. Restrictions of licensing in transformation of new stalks from overseas to domestic country leads to lack of accessibility of innovative among the tapioca cultivators. Now, the most recent varieties like aboorva, Thailand, co-4 and co-3 are available in foreign countries like Nigeria and South Africa which yield relatively higher productivity than available stalks. With the help of R&D, now the new hybrid varieties are released which have the potentiality of yielding throughout the year.

#### 4. **Impact on general public:**

The superiority of the manufactured goods is checked through the lab test of sago which gives agmark trade of the product. Food adulterations in sago and starch items are completely removed. The following table shows the lab test in Sago Serve. The arrivals of sago and starch items in the SSICS should pass the following tests. It is found that the producers use chemicals to obtain the higher price which are harmful to the human health. In order to prevent the malpractices in the sago processing, the tests are essential. The following table shows it.

**Table – 7.1: Lab test in Sago Serve**

Name of the test	Test Norms	Norms fixed by
Ph	4.5 to 7	BIS
HCN	Maximum 5 PPM	PFA and G.O issued by the government of Tamil Nadu
Chloride	Maximum 600 PPM	In the by laws of Sago Serve
Sulphate	Maximum 400 PPM	In the by laws of Sago Serve
Optical Whitener	Nil	In the by laws of Sago Serve
Smell test	Free from bad odour	In the by laws of Sago Serve

Source : Koushal (2011).

After the introduction of lab test, the unscrupulous activities of sago producers are removed. If the product is not passed in the lab test, the product is summarily rejected, and the manufacturers are asked to enhance the quality of the sago and starch products. This method helps to avail the best and harmless products.

##### 5. Impact on Government Exchequer:

The SSICS collects sales tax on the basis of sales value. It is given the concessional rate of tax for the member producers. The average annual growth rate of tax is shown in the following table.

**Table – 2: Sales tax paid to Government Exchequer**

Years	Tax Amount (in lakhs)	AAGR (%)
1999-00	51.32	-
2000-01	45.18	-13.59
2001-02	41.09	-9.95
2002-03	55.08	25.40
2003-04	68.14	19.17
2004-05	35.60	-91.40
2005-06	44.43	19.87
2006-07	122.60	63.76
2007-08	465.43	73.66
2008-09	556.01	16.29
2009-10	375.49	-48.08

The growth of tax paid shows unstable condition which simultaneously reflects unstable position of sales value. On the basis of sales value, the tax amount is collected. The rate of sales tax is reduced considerably in the year 2009-10. It is caused by the producers who seep their produce into private merchants. Albeit, the government gives incentives, the producers of sago find profit in selling the commodity in outside practitioners. The cross section of the data reveals that the sago serve some times rejects the product though it is high quality product.

From the above discussion it is clear that the Sago Serve has helped in members, merchants, farmers, general public and the government. However, the reduction of the membership is not a healthy sign for the society. The curtailment of the members makes the society less significant. The difficulties encountered by the linkers are given below.

#### **6. Weakness:**

The manufacturers view that the time gap of selling the sago products and collection of money from SSICS involves five days. The sago manufacturer gets the cash only after the fifth day of their selling of the supplies. But the sago manufacturers need money for the business dealings and also operational capital. These time lags of five days according to producers are large and if they sell the products outside practitioners, they avail the money which is helpful to them for further production. Better teaching, communications and net works also have its impact and make the society less importance and ensuring direct dealing with the merchants. Hence, opening up of economical way of sending the products reduces the strength of SSICS. Some of the exogenous factors like changing taste and preference, new lifestyle lead to shifting of sago and starch manufacturing business to alternative business.

#### **Conclusion:**

The study shows the economic dimension of SSICS in various fields. The sago and starch members', merchants, general public, farmers and government are the major beneficiaries of sago serve. The society offers a number of credits to them and it is one of the well established marketing society which has an government organizational setup and ensures better marketing for cassava value added products. The official price of sago and starch are fixed through this

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