A paper on Co-operation.

[illegible]e attention of many people has been directed to the growth [illegible]eration in recent years. As we all know, there has been a great development of co-operative credit in this Presidency and throughout India, in the course of the last ten years. In European countries, co-operation has been found allied with Agriculture in many different forms other than the production of credit, and the desire has been widely felt and widely expressed, that similar activities should be inaugurated in India. It has occurred to me, and Mr. Stuart and the secretary of your association have agreed with me, that it may be interesting and helpful to consider what precisely has been done for Agriculture by co-operative methods in England and in Ireland. It will be interesting to speculate whether similar activities can or cannot be undertaken in this country with advantage. It does not, of course, necessarily follow that what has been done elsewhere can be copied forthwith and exactly in India. The conditions of one country differ from those of another and human nature presents similar differences. But it is, at any rate, highly probable that some day after the necessary study and the necessary modification, enterprises will be possible in India, analogous to most of those in which we find co-operation and Agriculture allied in other countries. And, in any case, 'Building castles in the air' is often a profitable as well as an interesting employment. I ought to preface however that these notes are the reproduction of general impressions and do not pretend to exact accuracy.

The credit side of co-operation does not, at present, bulk very large in England or in Ireland. No doubt in the early days of Irish co-operation, Sir Horace Plunkett's Credit Banks did most important work. But now-a-days other branches of co-operation have largely eclipsed the credit work even in Ireland. In England co-operative credit among Farmers seems hardly to exist at all.

In the first place, credit is much easier to get in England and in Ireland than in India owing to the wide development of the Joint Stock Banks, and hence the need for co-operative Credit is not so great. In the second place, the Englishman has a great dislike to inquisitive enquiries into his own affairs; and, for purposes of co-operative credit, it is absolutely necessary to make searching enquiries into the condition and circumstances of applicante for loans. And lastly, as far as Ireland is concerned, the Law under which the original co-operative Credit Societies work forbids any form of trade. And the interest of co-operators in Ireland seems now to be mainly devoted to co-operative buying and selling. These forms of co-operation are more continuously interesting, as well as, far more profitable than co-operative Banking and so naturally tend to be also far better managed.

After all, most of the profits of rich men in this world have been made out of wise buying and wise selling. It is just as well to remember, at the same time, that most of the serious losses and financial disasters in this world have resulted from unwise buying and unwise selling. But, still, it appears true that with reasonable skill, honesty and foresight, considerable profits can be made by farmers, by joint buying and selling, as well as under certain conditions, by the joint treatment of their raw produce so as to produce a finished marketable article. I propose to describe briefly in turn each kind of such activity that is found among farmers in England and in Ireland. Types of Society differ and a good many societies undertake more than one kind of activity. Indeed, the opinion seems to be held by not a few co-operators, that the ideal Society is one for general purposes which undertakes every conceivable activity, including credit, and in which joint action will be for the benefit of its Members. But for purposes of clearness it is better to take the activities one by one.

We might first consider joint—purchases societies. These seem to take two main forms, namely, the General Store and the Society for joint purchases of agricultural requirements. The General Store is very common in Ireland. Farmers in England have not found the same necessity to create General co-operative stores owing to the development of such institutions throughout the country by the co-operative whole-sale society which is mainly industrial and not agricultural in nature and origin. The Insdustrial co-operative movement had however made very little progress in Ireland outside the big towns when the Irish Agricultural Organisation Society commenced its work, and the ordinary Irish farmer in the villages was very much at the mercy of the small retail trader, or as he is called in Ireland, the *Gombeen* man: The *Gombeen* man frequently bought the farmer's produce, besides suppling him with his requirements; and it seems to be generally agreed, he cheated him abominably over both transactions. The articles supplied were often of a bad quality, the prices charged were exorbitantly high, enormous rates of interest were concealed under so-called credit rates, payment was sometimes taken in kind and the prices given to the farmer for his produce were grossly unfair. There seems to have been little competition in such villages, and the petty shop-keeper had matters entirely his own way. Now, obviously, if a number of such farmers combine together, order all their requirements jointly, and distribute them among themselves, they ought to be able to secure great advantages. In the first place, they get into the open market where competition will disclose the real value of the articles they want to buy. Secondly, they buy on whole-sale terms, instead of buying on retail terms, and there is a very large margin, indeed, between these two, as it is this margin, in fact, which pays the profits of most merchants and dealers in the world. Thirdly, owing to the fact, that the quantity ordered by them is large and is therefore important to the dealer, the farmers making a joint order for goods, will command respect and attention, and can insist on good quality. Finally, they will be able to secure great economy in freight, whether by rail or sea, but, especially by rail. One has only to consider the difference in rates, for, shall we say, a whole truck load and for a small consignment. These advantages are secured even if the middleman, whom you displace, is a good middleman; and, of course, there are many good middleman in this world who give very good service to the public for the profits they make. But these advantages are enormously enhanced if the middleman displaced happens to be a bad and dishonest one.

The machinery of such a society need not be very complicated. You must have enough capital or enough credit to tide over the interval between the time when you pay the wholesale dealers, and the time you dispose of the goods to your Members. Discounts are generally given by wholesale dealers for prompt payments and it is essential for such Societies to earn their discounts. For a large business, a good deal of capital is necessary for these purposes. But even this can be dispensed with if the members are prompt in paying up their debts to the Societies. Of course, when things grow, it is necessary to pay rent and establishment and perhaps to buy or build houses and shops for which again money is required. But such stores may begin, and generally do, in a very small way indeed. The beginning can even be made by merely bulking orders periodically. Thus, if each member can estimate his own requirements for the next few weeks or the next few months, all that is necessary is for the Manager of the society to classify the various requirements and to send a joint order to the wholesale dealer or dealers for the wants of all his members and he thus gets all the advantages, which I described just now. But, as a matter of fact, the articles which are required in European countries for daily use are very multifarious and it is rather tedious for members to estimate their requirements of every kind. Hence it is generally a practice for *General Purchase Store* even at the very outset, to lay in a small stock of the most ordinary non-perishable requirements of the farmer. In practice, there seems to be very little danger or loss in such ventures. Supposing reasonable foresight and sense are shown by the manager, he ought to be able, so to frame his order that nothing will be left on his hands unsold ; and in this he is helped by the fact that the things are of good quality and can be sold cheap and by the fact that the members are generally extremely loyal to the Society and prefer to buy from it rather than buy anywhere else. Such Societies moreover seem to have had very little difficulty in securing efficient management. Some managers are, of course, far more efficient than others, but generally speaking, the standered of management of such stores seems to be very high. A permanent paid Manager becomes necessary at a fairly early stage. But good men appear to be available at very reasonable salaries. Such men are generally enthusiatic Co-operators, and work more zealously and for less pay than they would, in any ordinary appointment of a non-co-operative kind. Indeed, the enthusiasm of Co-operators for Co-operation, as a whole, is a very striking feature in England and in Ireland. Perhaps, I should say that in such Stores, the goods are not generally sold at cost price to the members. It has been found that by selling at cost price, great hostility is aroused among merchants and traders of all kinds. And, in business, it is always desirable to secure the good will of traders. It has been found therefore convenient to sell to members at, or near the current market rates, and to distribute the very large margin of profiit secured, in the form of bonus to the members at stated intervals, the bonus being proportionate to the amount of each man's dealings with the Society. At the same time, the opening of a Co-operative Store generally has the result of reducing market retail prices in the neighbourhood, so that both advantages are secured. One sometimes hears it disputed, whether, such Societies should sell to non-members as well as to members. I believe the general practice is to sell to non-members also. They too secure the advantage of a good quality; but they do not, of course, get the bonus. And, of course, the profits made out of the trade go to the members only. This seems reasonable, provided the Society is always willing to admit men of good character as members, and this, I think, they generally are. These Stores are a great feature of rural life in Ireland. You find them all over the country and they are generally very prosperous. Their aim is to supply the farmer with every thing he wants to buy for his household or his farm and they often undertake other Co-operative activities including credit.

The purchase of agricultural requirements is the main function of many English Societies. In Ireland, such business is combind with the general stores. And such societies necessarily have much in common with the Store. Here also you buy wholesale and sell retail; and you want capital or credit or both to enable you to earn your discounts. And this is to be supplemented by reasonably prompt payments by the members. But in such societies it is easier to bulk orders since such orders are received more periodically. Generally speaking, for instance, everyone wants his seed and his manure at the same time and at not very frequent intervals. This is, of course, very convenient as the society can do a great deal of business without locking up its capital in a large stock of articles kept for sale. It is ordinarily without much capital such societies secure all the advantages described above and, indeed, the success of some of them is perfectly astounding. There is one society in the west of England which, last year, with a capital of £ 700, made a profit of over £ 6000. I believe it dealt chiefly in seeds, fertilisers and agricultural implements.

Societies, such as those described above, seem to depend on the following conditions for their success :—

Firstly, there must be a large margin between wholesale and retail prices of the articles dealt with. This, I should imagine, is generally the case.

Secondly, there must be intelligent management which knows when, where and what to buy—and the management must be honest.

Thirdly, there must be punctual payment which avoids the need of high capital or high prices to members, or a smaller bonus. Since, obviously, if you have got to wait for your money, you must pay the interest, either out of the Societies' capital or else out of the interest charged to your defaulting members ; or you must forego some of your profit.

Again it is essential that the members should be loyal to the Society, and should buy their requirements from it and from nowhere else. This guarantees a regular flow of business, and therefore a regular flow of profits. Such loyalty sometimes demands a certain amount of self-sacrifice, since a local shop man is often anxious to break up the society and get the members back into his own clutches. He is thus prepared to submit to a temporary loss in the hope of future gain, and is apt to try to undersell the society in one or other branch of business even at a loss. Of course, it is very important that members should not give him this opportunity.

Another purchasing function of co-operative societies found in England and in Ireland is the joint purchase of expensive implements for joint use. This can be done either by General—purpose societies or by societies created for the purpose, and both forms are found. The advantages of such purchase are easily intelligible. Such expensive implements as Reapers and Binders, Threshing machines, Power-propelled cultivators are out of the reach of the average small farmer but it is possible for a society of such kind to buy the machines and ultimately pay for them, and for the cost of running them, by letting out the machine for use to its members. Such machines can be bought out of share capital, or on credit, or both. Societies of this kind are of a most useful type and I understand they do a lot of useful work. Of course, there are certain dangers connected with them. In the first place, you have got to choose the right kind of implement. It would be obviously disastrous to buy an expensive implement which ultimately proves to be unsuited to the locality. Fortunately a knowledge of scientific farming is becoming yearly more widely spread. Secondly, you must have a competent man in charge of the machine. And thirdly, you must have facilities for getting the machine put right when anything goes wrong.

And great success has been attained in some directions by the joint sale of agricultural produce. As far as England and Ireland are concerned, this has been most marked in dairy produce. A number of farmers form a society to handle and market their milk. The undertaking is necessarily a big one because, expensive building and machinery are necessary for the proper treatment of milk; and for this purpose either a good deal of capital or else a good deal of credit is wanted. This requisite being provided, the milk is all brought to the central building and there manufactured into butter by the latest scientific methods and eventually sold wholesale to the merchants. Sometimes the produce is sold as milk or butter,—milk or cheese as occasion requires. But the greatest profits seem to be made from the butter. Indeed, the success of the Creameries in Ireland has been phenomenal, where some years ago, the trade in butter was in a very bad way. The elements of success seem to be as follows :—

In the first place, and quite obviously, no individual farmer can possibly produce anything like such good butter in his own home, as can be produced by the Creamery with the up-to-date machinery and skilled supervision. The quality of the butter is therefore better. And what is far more important it is much more uniform. I understood that without scientific supervision and appliances it is very difficult to produce a uniform quality of butter.

Secondly, the society eliminates the large body of the middlemen or collecting agents whose work it would be, otherwise, to collect the produce of the individual farmer and hand it over to the wholesale-dealer. This margin appears to be a pretty large one. And, generally, it seems to be the case that contracts for large quantities continuously and reliably supplied are more advantageous to both parties than small dealings. Again, by joint sale, you eliminate the great danger of competition among individual farmers over the market thus unduly lowering the prices for the benefit of the dealers and to their own disadvantage. This is an important matter since the individual farmer is at a disadvantage in such transactions when he knows neither what he ought to take nor what his neighbour is taking. You also save the individual farmer a great deal of time and trouble which he would otherwise have to waste in marketing his own produce. Unfortunately, many farmers take a considerable pride in their skill in marketing, to the great joy of the merchant who makes his profit out of their ignorance. As the same time if the society is to be a success, the marketing has to be done with considerable skill and the managers have to possess a large knowledge of the wholesale trade. Here also it appears to be the case that in England and Ireland highly skilled men are easily and cheaply secured. Finally you secure the same advantage in frieght charges as are secured by joint purchase and you can put your produce into the market at a minimum of cost.

The same sort of advantages are secured by the joint sale of eggs which are collected, classified, packed and sold wholesale by the society on behalf of its members. Little technical skill is required here and the advantage is to be secured out of the elimination of the middlemen, the elimination of competition among members, great economy in freight and intelligient marketing on a wholesale scale.

Market garden prodnce is sometimes sold co-operatively by a system of auction. This is the method adopted by the large Pershore Fruit Growers society in Worcestershire. Every week the farmers bring their produce to the societies' auction premises, and every week dealers come from all over England to buy the produce. And by these joint sales, the farmer has been able to secure greatly improved prices. Here also the middleman has been eliminated and here also the farmers have been saved from the danger of spoiling their market by competing among each other for the buyers. In the case of the market garden produce the articles are of so great a variety and are ready for market at such irregular intervals that it is a difficult matter to arrange regular contracts for regular supply. They are also very perishable and cannot therefore be kept. This seems to be the reason why the auction system has been adopted. There has been little joint dealing in wheat or other grains in England or in Ireland as for as I can make out. And I do not know, why it is, that the same advantages are not secured by co-operation in this department as are secured in others. Two other classes of co-operative societies may be briefly mentioned. The Small—holding societies are chiefly designed to get land on reasonable rates for their members. Land is difficult for the small man to get. County Conncils in England are prepared to lease land to such societies on very reasonable terms. The land is leased jointly by the society and let in portions to the individual members. Shares ara taken up by the members in proportion to their holdings. The rule is that the nominal share capital should equal three times the nominal annual rent. Ordinarily, the shares are £1 shares and only 1 sh. is paid up. Such societies also perform other services for their members, such as the joint buying of agricultural reguirements and implements and even a joint sale of members' produce. They do not ordinarily keep any extra capital for these purposes and use an overdraft on the bank if necessary.

Finally, a certain amount of co-operative Insuarance is done. There is in London a large Co-operative Insurance Society by which insurance is effected for all agricultural purposes. This works hand in hand with the other agricultural co-operative Societies which act as Agents for their members, There are also, I am told, a fair number of small Pig Societies, as they are called, up and down the couutry, by which the Pigs of Members are insured. Every member makes a monthly payment for each pig and the profits are divided after providing for a reserve, among the members. The animals have to be carefully inspected and a good deal of experience is necessary in fixing a fair rate of premium.

It will be interesting to consider whether any, or all these branches of activity can be usefully started in India and that question will no doubt command very great attention in the future both from co-operators and agriculturists. I do not propose to try to answer it now. But perhaps you will forgive a few desultory speculations. Taking the question of General Purchase Store which has been found so successful in Ireland, are conditions in the Indian villages at all analogous to those in Ireland before the stores were adopted? Does the Indian villager buy things at a shop at all? Does he buy much? How far is the market—a substitute for shop? Is the villager much swindled over what he buys at the market and at the shop? Is there the same variation in India between wholesale and retail prices of the villagers' daily requirements? Again can you get prompt payment so as to enable you to earn your discount? Will you get efficient management? Will you get honest management? These questions will no doubt be answered by time.

Taking again the Societies for purchasing agricultural requirements—Do villagers purchase agricultural requirements at all? Can such requirements be bought whole-sale? Furthermore is there any scope for the joint purchase of expensive machinery? Can our agriculturists tell us of types of machinery that will certainly be so beneficial as to justify the expenditure of large sums of money on their purchase? And so on.

Further more can the ryot pay sufficient capital or credit to finance such operations? Again is there in India much scope for the elimination of middlemen and the securing of better prices and the reduction of charges by the joint sale of the ryots' produce; Shall we ever create scientifically managed Co-operative Creameries near our large towns? Are there other products which could profitably be purchased for market in a Co-operative way? Can Co-operation be usefully employed e. g. on the hulling of rice, the ginning of cotton, the cleaning of groundnut, the Extraction of jaggary;

F. R. Hemingway.

Discussion :—

The hour was already late and consequently the discussion was rather limited. Mr. Kolanadaswami Pillai said, that two Agricultural Co-operative Societies were already working near the Koilpatti Agricultural Station at Vadamalaipuram and they were engaged in the Co-operativa purchase of cotton seed and ropes, and that much benefit accrued thereby to the surrounding ryots. They recently purchased a Disc plough which they are hiring out to the members of the Association.