

## **CHAPTER II**



## CHAPTER II

### PROFILE OF KERALA STATE CO-OPERATIVE RUBBER MARKETING FEDERATION.

This chapter shows the profile of Rubber Marketing Federation and various Marketing channels of natural rubber.

2.1 BRIEF REVIEW OF CO-OPERATIVE MARKETING FEDERATION.

2.2 MARKETING CHANNELS OF NATURAL RUBBER.

#### 2.1 THE KERALA STATE CO-OPERATIVE RUBBER MARKETING FEDERATION.

Natural raw rubber is cultivated in India over an area of 3.60 lakh hectares of which 90% is in Kerala. Out of the total number of growers cultivating rubber, 70% are small growers and only the rest are large growers or estate holders. The large growers have their own possible price. The small rubber growers are unorganised like any other agriculturists and depend on middle men such as upcountry dealers, petty village merchants, town dealers, etc. to market their produce and such small growers were deprived of the benefit of the price fluctuation, particularly when they are availing interest free advance from the dealers against future supply. Thus the small growers were always in the grip of petty dealers by accepting whatever price they offered.

With the main objective of organising the small rubber growers in the State under co-operative fold for ensuring a reasonable price for their produce by protecting them from

private dealers, a number of primary rubber marketing societies were organised during 1960's. As the apex institution of these primary rubber marketing societies. The Kerala State Co-operative Rubber Marketing Federation, popularly known as 'Rubber Mark' was registered in 1971 with the primary rubber marketing societies, the Rubber Board and Government of Kerala as members. The area of operation of the federation shall extend to the whole of Kerala state. The Federation is designed to render the following services:

1. Organisation and development of co-operative movement among rubber growers of the State.
2. To arrange for purchase and sale of raw rubber, manufacture rubber goods, undertake the processing of rubber.
3. To supervise and co-ordinate the working of affiliated primary societies.
4. Distribution of agricultural inputs.

**Management:**

Rubber Mark is managed by a Board of Directors constituted in the manner given below:

1. Ten members to be elected by the General body from the delegates of the affiliated societies.
2. The Registrar of the Co-operative Societies Kerala.

3. The Nominee of National Co-operative Development Corporation New Delhi.
4. The Project Officer and Rubber Production Commissioner, Rubber Board.
5. The persons nominated by the Government of Kerala.
6. The Managing Director, Rubber Mark.

Rubber Mark - The perfect market.

Both Internationally and in India natural rubber consumption is expected to out-pace production and the situation is likely to continue until 1993 leading to a gradual reduction in global stock of rubber. Even India has to import rubber to meet its domestic requirements. With declining competitiveness of synthetic rubber on account of rising oil prices, the international natural rubber prospects are expected to be bullish in the 1990's.

But Rubber Mark firmly believes that the consuming industry and the growers are wheels of the same chariot and therefore weakening of the consuming industry could spell disaster to the plantation industry. A steady economic price and confidence in future are the most important factors to the development of both plantation and consuming industries.

With the above goal, Rubber Mark has designed its marketing policies. It is a perennial source of supply to large scale,

medium scale, and small scale industries for their right grade in the required quantity at economic prices.

Rubber Mark acts as a moderating force in controlling the price during the lean seasons as well as peak seasons of production. This ultimately helps both industry and growers to strike a compromising and rational level of price acceptable to both. Thus the Rubber Mark being the largest supplier is able to safeguard the interests of both sectors.

From its very inception Rubber Mark has been acting as the procurement agent for the Government of India through State Trading Corporation. This has helped in stabilising the price during violent fluctuations.

VARIOUS ACTIVITIES OF FEDERATION:

The main activities of the Federation are

1. Marketing all grades of natural rubber. That is:
  - a. All grades of sheet rubber.
  - b. All grades of crumb rubber.
  - c. All grades of creep rubber.
  - d. Concentrated latex, cream latex and normal latex.
2. Distribution of fertilisers.
3. Distribution of agricultural inputs.

4. Undertake aerial spraying.
5. Processing of Rubber into technically specified and tailor-made rubber.
6. Product manufacturing
7. Technical and consultancy services.

#### I RUBBER MARKETING

The Federation is the only co-operative venture in rubber marketing. The Federation at present purchases rubber from the member societies and rubber growers through its own depots. It has six rubber purchase depots at Trivandrum, Vithura, Punalur, Arakunnam, Nilamboor and Iritty. It has opened a network of seven sales branches at New Delhi, Bombay, Calcutta, Faridabad, Ghaziabad, Jalandhar and Ahmedabad. Now the federation is also procuring rubber for state trading corporation through its purchase depots.

#### II Fertilizer mixing and distribution.

The Federation has two Fertilizer mixing units, one at Palai and other at Calicut. All the different types and grades of fertilizer mixtures for rubber and straight fertilizers are distributed to rubber growers through these units. So rubber growers get good quality fertilizers at reasonable price.

#### III Soil and leaf testing.

To bring down the cost of production of rubber and to educate the farmers regarding the rational use of fertilizer, the Federation conducts field campaigns for the soil and leaf testing in rubber plantations and prescribes apt fertilizer application formula on the basis of test results. The soil and the leaf testing laboratory of the Federation has the approval of the Kerala Government.

IV                    Distribution of chemicals, fungicides and aerial spraying.

Distribution of all inputs required for rubber production, particularly copper sulphate and other fungicides and undertaking of aerial spraying operations forms another major activity of the Federation. All these inputs are supplied to the growers at the required time at reasonable price.

V                    Rubber processing.

The Federation is the most important participant in the Rubber processing component of the Kerala Agricultural Development Project which is being financed by the IDA of the World Bank for establishing 10 modern processing units for the production and marketing of technically specified rubber. In this capacity the Federation has established a crumb rubber factory at Chenapady having a capacity of 10 tonnes per day to process small growers' rubber. The rubber processed in this factory and the other factories coming under the project is being marketed by the Federation.

As the Federation of small cultivators Rubber Mark is playing a vital role in the field of marketing. Its primary aim is to ensure that the small scale cultivators get a remunerative price for their produce. As a responsible co-operative organisation The Federation has to safeguard the interest of the consumers as well.

Today the Federation has acquired a stable market with all the major tyre and non-tyre companies in its fold. Out of the total supplies of rubber 55% goes to tyre sector and 45% goes to non-tyre sector. The Federation is now playing an important role in price stabilisation. It acts in collaboration with State trading Corporation for price stabilisation and acts as an agency of state trading corporation for rubber procurement from rubber growers, especially from small growers.

2.2

## I MARKETING CHANNELS OF NATURAL RUBBER

The distribution structure of natural rubber includes the various marketing institutions such as dealers, brokers, auctioneers, processors, marketing co-operatives and other developmental agencies like the State Trading Corporation, The Rubber Marketing Federation and the Rubber Board. (Refer Chart No. 2.1)



Chart No. 2.1

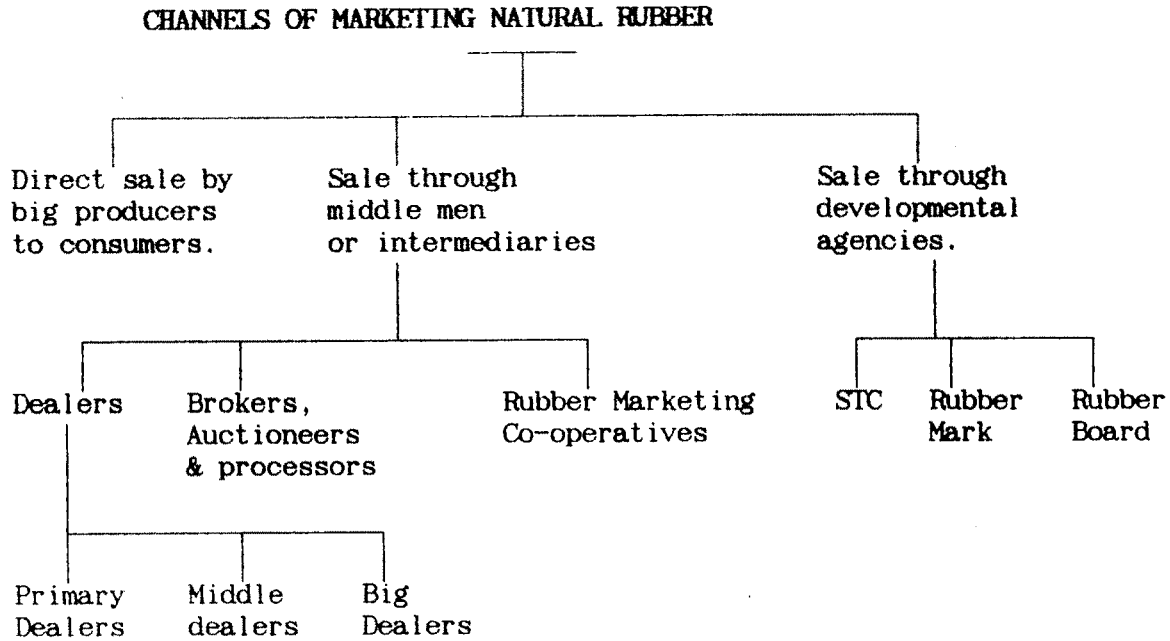
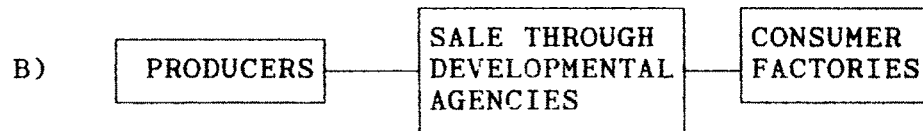
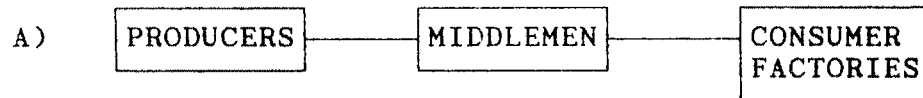


Chart No. I shows that there are mainly two categories of marketing channels.

2.1.1 Direct Channel.



2.1.2 Indirect Channel.



### DIRECT SALE:

Most of the large estate groups and state owned plantations can be grouped under this category as they sell their entire produce directly to big manufacturers. The Plantation Corporation of Kerala Ltd., a State owned enterprise, follows this practice. The Plantation Corporation of Kerala has at present 7200 hectares of rubber plantations spread over the districts of Pathanamthitta, Ernakulam, Trichur and Calicut.

### SALE THROUGH MIDDLEMEN OR INTERMEDIARIES.

There are different types of intermediaries functioning in rubber marketing. The main two types of intermediaries are dealers and rubber marketing co-operatives. Brokers, auctioneers and processors also play their role.

### DEALERS:

The rubber trading community may perhaps be as old as the plantation industry itself. During the early period the number of dealers were very limited as most of the produce was exported. These dealers were mainly concentrated in areas of rubber cultivation. However, their activities were neither controlled nor regulated. As rubber production increased, the number of dealers also increased. With the enactment of the Rubber Act, 1947 and Rubber Rules 1955, dealing in rubber has become a regulated trading activity.

PRIMARY DEALERS:

Primary dealers are the rubber dealers who operate at the village level. They are usually known as village traders. Their function is collecting the sheet rubber and scrap rubber from the small growers in and around their place of business. Primary dealers are the means through which the bulk of small holders' rubber is channelled. The rubber thus bought by them is brought to towns once in a week or fortnight and sold usually to middle dealers. The peculiar feature of rubber trade at the level of primary dealers is that there is no grading as such. The entire rubber acquired by primary dealers is sold as lot to middle dealers for a margin of profit. Dealers who purchase upto 50 tonnes per year can be normally treated as primary dealers. In Kerala 70% of dealers are primary dealers.

BIG DEALERS:

Big rubber dealers usually purchase more than 250 tonnes of rubber annually. They constitute 10% of the total dealers in rubber. Out of this 2% are the biggest dealers having sales over 1000 tonnes per year. It is very interesting to note that big dealers are operators of big estates. They carry on the business usually as partnership firms and companies. The rubber is suitably graded and packed at the level of big dealers. They sold the rubber purchased to final consumers like big rubber tyre manufacturers either directly or through their branches.

Bulk of the big dealers are located in Kerala and they operate branches at important rubber consuming centres like Bombay, Delhi, Calcutta, etc.

BROKERS:

Brokers are persons bringing together buyers and sellers. They bring together rubber dealers and big rubber goods manufacturers. In the case of rubber the entire production is concentrated in South India, but most of the rubber consumers are in North India. Because of this particular situation the buyers in North India come into contact with the dealers in South India through brokers. A large number of brokers are operating in the Cochin and Kottayam markets. They claim commission from both buyers and sellers.

AUCTIONEERS:

Auctioneers offer a common place for buyers and sellers to meet and bidding. They may also provide facilities for storage and transportation of rubber. Now the number of auctioneers are very few and auctioning is common only in Cochin market. A few tea auctioning firms are handling rubber at Cochin market. Sale of rubber by auction is practised by the Plantation Corporation of India Limited in the case of some grades of rubber. The Corporation disposes off their produce once or twice in a year by public auction.

### PROCESSORS:

There are different grades of rubber, out of these only 39 grades of natural rubber are directly consumed by the rubber consuming industry. The rest are not consumable as such, which the rubber processors convert into marketable and readily consumable grades by the rubber industry by processing them in crepe mills. Most of the big estate groups have their own rubber processing units.

### MARKETING CO-OPERATIVES:

Co-operative marketing is the system by which a group of producers join together to carry on some or all the process involved in bringing goods from the producer to the consumer. According to the Reserve Bank Of India "a marketing society is a co-operative association of cultivators formed primarily for the purpose of helping the members to market their produce more profitably than is possible through private trade." To be more appropriate, co-operative marketing confines itself to the selling function related with the marketing of the produce, such as, selling agent, supplying market information, standardisation, storing, assembling, processing, packing and grading. The main aim of co-operative marketing is to maximise the income of members to the extent possible and feasible.

The co-operative marketing presents a pyramidal structure. At the bottom or base, primary societies are operating, at the intermediate level the central co-operative marketing societies are functioning and at the top State Co-operative marketing societies are working. Thus it has a three tier structure.

PRIMARY MARKETING CO-OPERATIVES:

Primary Marketing Co-operatives are those which are operating at the village level. The members are small growers. These co-operatives will be either buying agricultural produce or acting as agents for the farmers, to sell on behalf of them. They sell the produce of the members directly to consumers or industrial users. They make advances of loans to the members on the security of their produce. They also provide manures, fertilisers, agricultural implements, planting materials etc. to the members.

CENTRAL MARKETING CO-OPERATIVES:

Above the primary co-operatives operating at the village level, there are central co-operatives covering a large area or district. They are engaged in the task of buying and selling and extending credit facilities to primary societies. The numbers of these societies comprise primary co-operative societies as units and individuals from a particular district. Central marketing co-operatives act

as the connecting link between the primary societies at the bottom and apex or state co-operatives at the top.

STATE MARKETING SOCIETIES:

At the highest level, there are co-operative marketing societies, called state marketing societies. The state marketing societies have also grown as provincial marketing societies. They buy from growers in whole sale. They undertake the task of granting credit facilities to the needy and the deserving primary or central co-operatives. Further membership is extended to individuals of repute. These societies have to act as the lender of last resort. In addition, the state marketing society is expected to co-ordinate the activities of different societies at the primary level and bring out an overall sound development of the co-operative structure. They are also at commanding heights to watch the activities of the primary and central co-operatives. At the All India level there is an organisation called the National Agricultural Co-operative Marketing Federation (NAFED) functioning from 1958.

Indian co-operative movement has grown up over these years at the largest in the world with nearly three lakh co-operatives and membership of 25 millions. Presently the co-operative marketing sector consists of 3632 primary co-operative marketing societies, 380 district regional co-operative marketing societies, 29 state level co-operative

marketing federations including special commodity co-operative marketing federation.

RUBBER MARKETING CO-OPERATIVES:

In 1954 the Rubber Board appointed a committee to examine the scope of establishing co-operative marketing societies. In 1958, the Government of India accepted the recommendations of the plantation enquiry commission (1956) to establish Rubber marketing Co-operatives.

DEVELOPMENTAL AGENCIES IN NATURAL RUBBER:

In the marketing field of any agricultural product, there are some developmental agencies which are working for the benefit of the producers. These agencies are mostly owned and controlled by the State for public interest. The main aim of such agencies is to avoid the exploitation of private agencies, whose main aim is profit making. With twin objectives of protecting the producers and consumers the government constituted three developmental agencies. These agencies help the rubber producers to market their product and to get reasonable price to their produce. These three agencies are:

1. The State Trading Corporation
2. The Rubber Board
3. The Rubber Marketing Federation (Rubber Mark)



### I. STATE TRADING CORPORATION.

It is a central Government institution which is engaged in rubber trading. The State trading corporation of India has entered the rubber market for the purchase of rubber to prevent further crash of rubber prices. The purchases are made through the purchase depots of Rubber Mark. State Trading Corporation is now playing a vital role in the price stabilisation and can be considered as an important rubber marketing channel.

### II. THE RUBBER BOARD.

The Indian Rubber Board was constituted under the Rubber (Production and Marketing) Act 1947. This act was passed on the recommendation of an adhoc committee appointed by the Government of India in 1945, and came into force on 19th April 1947. The rubber production and marketing (Amendment) Act of 1954 made certain changes in the Constitution of the Board and shortened its name to The Rubber Board. This act came into force on 1st August, 1955. The Rubber Act of 1947 was further amended by the Rubber Amendment Act, 1960.

The Rubber Board has a number of schemes implemented through co-operative societies with the ultimate aim of increasing the production, improving the quality and marketing of rubber produced by the small growers.