

A study on procurement of oilseeds by Karnataka co-operative oilseeds grower's federation limited (KOF)

■ C. ANANDA, M.S. JAYARAM, G. RANGANATH AND H.S. SRIKANTH

Received : 03.01.2014; Revised : 22.02.2014; Accepted : 18.03.2014

ABSTRACT

Oilseeds occupy an important position in the Indian economy, as they provide the much needed protein, fat and energy to the human and livestock population. The investigation/research was conducted to study the procurement of oilseeds by Karnataka Co-Operative Oilseeds Grower's Federation Limited (KOF). The primary data were collected by member farmers of KOF, personnel of KOF who were working in the field of procurement and inputs. The secondary data were collected from the audit reports of KOF. The KOF was registered on 26th October 1984 which was inspired by the Anand Model of Milk Co-operatives and designed to create an integrated co-operative system of production, procurement, processing of oilseeds and marketing of edible oil and its by-products. KOF procures oilseeds from the Agricultural Produce Market Committees (APMC's) through commission agents. The quantity of total oilseeds (sunflower and groundnut seeds) procured was highest during the year 2002-03 which accounted for 2797.17 metric tonnes. KOF is acting as an agent of NAFED for procurement of oilseeds under Government of India price support scheme in order to protect the interests of farmers from the distress sales whenever market rates rule below the support price. The quantity of total oilseeds (sunflower, groundnut, safflower and soybean seeds) procured under price support scheme operation was highest during the year 2000-01 which accounted for 26750.765 metric tonnes. During 2008-09, KOF procured 4598.756 metric tonnes of sunflower. Better price, less risky and absence of middlemen were the important factors which influenced the sales of oilseeds by members/farmers to village traders. An illegal deduction of oilseeds by the middlemen to the farmers/members was observed as first important marketing constraint with mean score of 68.87 followed by high commission charges which considered as the second most important constraint with mean score of 61.19.

KEY WORDS : Oilseeds, Procurement, KOF, NAFED, APMC

How to cite this paper : Ananda, C., Jayaram, M.S., Ranganath, G. and Srikanth, H.S. (2014). A study on procurement of oilseeds by Karnataka co-operative oilseeds grower's federation limited (KOF). *Internat. J. Com. & Bus. Manage.*, 7(1) : 92-95.

Oilseeds occupy an important position in the Indian economy, as they provide the much needed protein, fat and energy to the human and livestock population and also earn precious foreign exchange to the country. No other farm commodity can really meet simultaneously in

such a large quantity the energy and protein requirements of human body as oilseeds do. Apart from their use in human foods and animal feeds, oilseeds also have a wide variety of industrial applications.

A profile of Karnataka co-operative oilseeds grower's federation limited (KOF):

Government of India in mid 1980's started the "Technology Mission on Oilseeds and Pulses (TMOP)" in order to enhance the productivity in oilseeds and make India self-sufficient in edible oil. On 22.8.1984 Government of Karnataka approved the implementation of National Dairy Development Board's (NDDB) project "Restructuring edible oil and oilseeds production and marketing" in Karnataka

MEMBERS OF THE RESEARCH FORUM

Correspondence to:

G. RANGANATH, Agricultural Marketing, Co-operation and Business Management, University of Agricultural Sciences (G.K.V.K.) BENGALURU (KARNATAKA) INDIA
Email: ranganath.agmaco@gmail.com

Authors' affiliations:

C. ANANDA, M.S. JAYARAM AND H.S. SRIKANTH, Agricultural Marketing, Co-operation and Business Management, University of Agricultural Sciences (G.K.V.K.) BENGALURU (KARNATAKA) INDIA

keeping in view the objectives laid down in the TMOP.

The Karnataka Co-operative Oilseeds Grower's Federation Limited (KOF), is the agency entrusted with implementation of the project. The KOF was registered on 26th October 1984, under the Karnataka Co-operative Societies Act. The project, which was inspired by the Anand Model of Milk Co-operatives, is designed to create an integrated co-operative system of production, procurement, processing of oilseeds and marketing of edible oil and its by-products. Farmers are members registered under the Oilseed Grower's Co-Operative Societies (OGCS) which is in turn affiliated to the Karnataka Co-Operative Oilseeds Grower's Federation Limited (KOF). Suprabha (2009) studied the business performance analysis of Karnataka Oilseed Growers Federation Limited in Bangalore. The study revealed that KOF procured oilseeds through its own Oilseed Growers Co-operative Societies (OGCS) and regulated markets. Therefore an attempt was made to assess the procurement strategy of oilseeds by the KOF and the factors influencing the sales of oilseeds by members to different agencies.

METHODOLOGY

The study was carried out in Karnataka Co-Operative Oilseeds Grower's Federation Limited (KOF), Bengaluru and Challakere taluk of Chitradurga district. The necessary details were collected from primary sources by discussion and personal interviews with members/farmers of the KOF, personnel of the KOF who were working in the field of procurement and inputs and secondary data were obtained from the audit reports of the KOF. The data were analysed using the various analytical techniques *viz.*, descriptive statistics and Garret's ranking.

ANALYSIS AND DISCUSSION

The overall objective of the study was to analyse the procurement strategy of oilseeds by Karnataka Co-Operative Oilseeds Grower's Federation Limited (KOF) and factors influencing the sales of oilseeds by members to different agencies. The results of the study are presented under the following heads:

Procurement strategy of oilseeds by the KOF:

Karnataka Oilseeds Federation Ltd. (KOF) procures

oilseeds from the Agricultural Produce Market Committee (APMC) through commission agents. It procures oilseeds in different APMC's namely, Challakere, Chitradurga, Gadag, Raichur, Bagalkot, Bellary and other APMC's. The quantity of oilseeds to be procured is decided by KOF Board at the head office Bengaluru. KOF board considers the opinions of management heads of procurement and inputs and marketing. Later on collective decision is taken and then purchased through APMC's depending upon the price movements of oilseeds in the market.

Physical parameters are duly considered while purchasing of oilseeds. For groundnut seeds, shelling should be 75 per cent, moisture content should be 6 per cent and refractions should be 0 per cent. For sunflower seeds, bulk density should be 0.4 and above, moisture content should be 8 per cent and 0 per cent refractions. These physical parameters are judged by the visual appearance.

Peak procurement season for groundnut and sunflower seeds are September to December for *Kharif* and March to May for summer. The periods between January to February and June to August are referred to as lean seasons. Procurement of oilseeds is done through tender system in the APMC's. KOF paying two per cent commission to commission agents for procurement of oilseeds. Mode of payment is through open cheque. Open cheque will be given to the commission agents at the APMC's from whom the oilseeds were purchased.

Procurement of oilseeds by federation:

The oilseeds namely, groundnut and sunflower were procured by the federation. The quantity of groundnut, sunflower seeds procured by the federation (Table 1) was maximum during the year 2002-03 accounted for 2797.17 metric tonnes and 2006-07 accounting for 553.95 and 595.04 metric tonnes, respectively. It may be due to less competition in procurement of oilseeds, excess production of oilseeds, increased needs of the business, business parity and more market demand for oil.

Similarly the quantity of groundnut and sunflower seeds procured by the federation was least during the year 2005-06 which accounted for 223.48 metric tonnes and 2003-04 which accounted for 208.71 and 825.64 metric tonnes, respectively which may be due to more competition in procurement of oilseeds, less production of oilseeds, less needs of the business, no business parity and less market

Particulars	Procurement of oilseeds by federation (Quantity in metric tonnes)								
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Sunflower seeds	-	-	208.71	425.16	-	553.95	-	-	-
Groundnut seeds	1369.02	2797.17	825.64	513.05	223.48	595.04	1879.07	1506.87	1234.27
Total procurement of oilseeds	1369.02	2797.17	1034.35	938.21	223.48	1148.99	1879.07	1506.87	1234.27

Source: Audit Reports of KOF Ltd. (2001-02 to 2009-10)

demand for oil. Similarly, in case of total oilseeds (sunflower and groundnut seeds) the quantity procured was highest during the year 2002-03 which accounted for 2797.17 metric tonnes. The quantity of procurement of total oilseeds was least during the year 2005-06 (223.48 metric tonnes). Among the oilseeds, the groundnut seeds procured were more than the sunflower seeds.

Procurement of oilseeds by federation under price support scheme operation:

KOF is an agent of NAFED for procurement of oilseeds under Government of India price support scheme. To avoid any distress sale by the farmers whenever markets rates rule below the support price, KOF will intervene and procure oilseeds under price support scheme in Karnataka state. The oilseeds procured by the federation under the price support scheme operation are namely, groundnut, sunflower, safflower and soybean seeds. It could be seen from Table 2 that the quantity

of sunflower, groundnut, safflower and soybean seeds procured by the federation were maximum during the year 2000-01 (22824.912 metric tonnes), 2001-02 (3225.986 metric tonnes), 2005-06 (11530.579 metric tonnes) and 963.434 (metric tonnes), respectively. This is because of excess / bumper production of oilseeds in the State due to use high yielding varieties which in turn leads to fall in the prices of oilseeds below the minimum support prices.

The quantity of sunflower, groundnut, safflower and soybean seeds procured by the federation were minimum during the year 2004-05 (30.362 metric tonnes), 2000-01 (609.181 metric tonnes), 2002-03 (1217.555 metric tonnes) and 2000-01 (748.225 metric tonnes), respectively. In case of total oilseeds (sunflower, groundnut, safflower and soybean seeds) the quantity procured was highest during the year 2000-01 which accounted for 26750.765 metric tonnes. The quantity of procurement was least during the year 2002-03 which accounted for about 1217.555 metric

Table 2: Procurement of oilseeds by Federation under price support scheme (Quantity in metric tonnes)							
Particulars	1999-00	2000-01	2001-02	2002-03	2004-05	2005-06	2008-09
Sunflower seeds	17680.476	22824.912	-	-	30.362	3121.216	4598.756
Groundnut seeds	-	609.181	3225.986	-	-	1171.202	-
Safflower seeds	-	2568.447	1654.182	1217.555	5970.791	11530.579	-
Soybean seeds	963.434	748.225	-	-	-	-	-
Total procurement of oilseeds	18643.91	26750.765	4880.168	1217.555	6001.153	15822.997	4598.756

Source: Audit Reports of KOF Ltd. (1999-00 to 2008-09)

Table 3 : Factors influencing the sales of oilseeds by members (farmers) to village traders			
Sr. No.	Particulars	Mean score	Rank
1.	Better price	62.5	I
2.	Less risky	56.36	II
3.	Absence of middlemen	53.4	III
4.	Immediate cash payment	52.23	IV
5.	Smaller quantity of produce	51.93	V
6.	Absence of marketing costs	49.36	VI
7.	Proximity	38.83	VII
8.	Social attachment	28.93	VIII
9.	Advance loan	15.1	IX
10.	Lack of market information	11.03	X
11.	Previous agreement	6.03	XI

Table 4 : Constraints faced by the members / farmer respondents in marketing			
Sr. No.	Particulars	Mean score	Rank
1.	Illegal deductions	68.87	I
2.	High commission charges	61.19	II
3.	Fluctuation in the prices	55.54	III
4.	Faulty system of weighment	55.00	IV
5.	Delayed cash payment	40.93	V
6.	Markets far away	25.74	VI
7.	Lack of market information	22.38	VII

tonnes. Among the total oilseeds (sunflower, groundnut, safflower and soybean seeds), the procurement under price support scheme operation was maximum in sunflower seeds. KOF has procured huge quantities of oilseeds during 1999-2000 up to 2002-2003. During the *Kharif* 2008-09, KOF through regional unions has procured 4598.756 metric tonnes of sunflower seeds under price support scheme operation. This is because of the bumper production of oilseeds in farmers field. Due to more arrivals of produce to the market, the prices will fall below the minimum support prices. In order to protect the interests of farmers from the distress sales, KOF is acting as an agent of NAFED for procurement of oilseeds under Government of India price support scheme.

Factors influencing the sales of oilseeds by members to different agencies:

Members (farmers) used to sell selling the oilseeds to village traders only. They do not sell to other agencies. The factors influencing the sales of oilseeds by members (farmers) to village traders in the study were analyzed using Garret's ranking technique and the same are presented in Table 3. From the table, it is clear that better price realization was observed as first important factor with mean score of 62.5. Less risky was considered as second most important factor with mean score of 56.36. The other important factors which influenced sales of oilseeds by members (farmers) to village traders in the ascending order of importance were absence of middlemen, immediate cash payment, smaller quantity of produce, absence of marketing costs, proximity, social attachment, advance loan, lack of market information and previous agreement.

Constraints faced by the members / farmer respondents in marketing:

Members of KOF / farmer respondents were asked to rank the constraints faced by them in marketing of oilseeds. The same is presented in the Table 4.

An illegal deduction by the middle men to the farmers was observed as first important marketing constraint with mean score of 68.87. High commission charges were considered as the second most important constraint with mean score of 61.19. Fluctuation in the prices, faulty system of weighment, delayed cash payment, markets are far away and lack of market information were ranked third, fourth, fifth, sixth and seventh ranks, respectively.

Summary and policy implications:

The important findings of the study are summarized and suitable policy implication drawn are presented below:

Karnataka Oilseed Federation (KOF) procures oilseeds from the Agricultural Produce Market Committee (APMC) through the commission agents. It procures groundnut and sunflower seeds.

The quantity of total oilseeds (sunflower and groundnut seeds) procured was highest during the year 2002-03 which accounted for 2797.17 metric tonnes. The quantity of procurement of total oilseeds was least during the year 2005-06 which accounted for 223.48 metric tonnes. Among the oilseeds, procurement was maximum in groundnut seeds.

KOF is acting as an agent of NAFED for procurement of oilseeds under Government of India price support scheme in order to protect the interests of farmers from the distress sales whenever market rates rule below the support price.

The quantity of total oilseeds (sunflower, groundnut, safflower and soybean seeds) procured under price support scheme operation was highest during the year 2000-01 which accounted for 26750.765 metric tonnes. During 2008-09, KOF procured 4598.756 metric tonnes of sunflower.

Better price, less risky and absence of middlemen were the important factors which influenced the sales of oilseeds by farmers/members to village traders.

An illegal deduction of oilseeds by the middlemen to the farmers/members was observed as first important marketing constraint with mean score of 68.87 followed by high commission charges which was considered as the second most important constraint with mean score of 61.19.

Policy implications:

The federation may procure oilseeds directly from the farmers / members instead of commission agents in the APMC's where it has to give two per cent commission to the commission agents.

REFERENCES

- Anonymous (1977), Dairy development and dairy plant management. *Indian Dairyman*, **40**(5): 277-278.
- Chikka Reddy, V.B. (1998). New oil scheme for farmers launched. *Deccan Herald*, 4th December, 1998: p.13.
- Koli, P.A. (1979). Dairy co-operative: Progress and problems. *Co-operative News Digest*, **30**(4): 74-76.
- Singh, C.B., Patel, R.K., Dhaka, J.P. and Sharma, S.P. (1983). Management of milk procurement at the village level by co-operative, private and public sector organisation –A case study. *Agric. Mktg.*, **25**(4): 11-17.
- Suprabha, S.M. (2009), Business performance analysis of Karnataka oilseed growers' federation ltd.– A case study, M.Sc. (Ag.) Thesis, University of Agricultural Sciences, Bengaluru, KARNATAKA (INDIA).