some time after that before the Corporation gets into its stride; by then much of the current crop would have left the producer's hands.

The Government has, therefore, to address itself immediately to the task of directing purchases till the Corporation starts operation. In any case, even after the Corporation is set up. the task of procuring foodgrains from the producers will inevitably have to be decentralised. As Professor D R Gadgil has pointed out in his article on "Price Policy for Foodgrains" in our issue of September 26, if the Government is serious about buying up a substantial part of the foodgrains marketed by the farmers, the first requirement is to make arrangements to purchase and store foodgrains at a very large number of points all over the country. According to Professor Gadgil, "the extent to which the purchase price will be effective will depend on the extent to which the alternative purchaser to the trader operates within or near the location of the cultivator. Therefore, a set of dispersed purchase points at which the Corporation or the co-operative is equipped to grade, weigh and store produce and pay for it or make advances against it must be maintained. The minimum number of such points for satisfactory administration would seem to be between 40 and 50 per district".

If, as appears unavoidable, the Food grains Corporation is going to depend largely on co-operatives for procurement, there is no reason why they should not be mobilised for the task in advance of the formation of the Corporation. Unfortunately, so far there is little to indicate that the Government has taken any preparatory action. This inaction naturally gives rise to the suspicion that the Government: is still thinking only in terms of purchases in a few regions in the surplus States. However, to maintain the fixed retail prices the Government will have to deploy its stocks of foodgrains not in a few pockets of shortage but over the whole country. This will be possible only if at the time of the harvest the Government's purchase operations have been on a significant scale in every State. If the Foodgrains Corporation is launched with the idea, which has prevailed so far, that Government procurement need be only marginal, then the very first precondition for maintaining the retail prices now announced will remain unfulfilled.

If the Government's policy on procurement and the agency to carry it through remain uncertain the same can be said of its ideas on distribution of foodgrains, The retail prices now announced are claimed to be, if anything, slightly lower than the prices at which foodgrains can at present be had from fair-price shops which operate with Government supplies. They are certainly much lower than the current free-market prices. If the Government intends to maintain prices at a level lower than free-market prices, it must necessarily make arrangements for controlled distribution or rationing. But on this subject Subramaniam has been far from unequivocal. While announcing the new controlled prices, Subramaniam gave the impression that he was for 'informal' *(sic)* rationing in the major cities, following the recommendations of the Jha Committee. But only two days later, on Thursday, he volunteered the clarification that if a State Government was opposed to rationing it would not be forced to accept it.

It cannot be that the compulsions of demand and supply are unknown to the Food Minister, What his offer to exempt certain States from rationing shows is that he has once again floundered against the parochialism of the States, particularly the food surplus States. Soon after assuming office as Food Minister, Subramaniam had, it will be recalled, announced his decision to do away with the pernicious zonal system, but later he had to beat an ignominious retreat. It is futile to expect reasonably uniform prices for consumers all over the country unless the basic decisions about the quantum of procurement, both aggregate and in the different States, the deployment of the stocks thus acquired and the control of consumption can be taken by the Central Government Surely, we have enough experience now to make yet another misadventure totally unnecessary to prove this point?

Revitalising Co-operatives

IT is important, said the Governor of the Reserve Bank of India in his inaugural address at the Silver Jubilee Celebrations of the Maharashtra State Co-operative Banks' Association last week in Bombay, that whatever be the statutory position, "in the matter of evolving appropriate banking practices and progressive policies, in the matter of raising resources as well as employing them fruitfully, and observing canons of sound banking, the co-operative banks should seek an area of common understanding and purpose with the rest of the banking structure of the country". He stated further that in some areas co-operative finance is becoming so important a constituent of total bank credit that monetary and credit policy, at the national level, to be fully effective and comprehensive would require that co-operative banks should not be totally left out of the over-all system of discipline which is represented by the advice and direction received by commercial banks from the Reserve Bank.

At a Seminar held to mark the Silver Jubilee Celebrations which Shri Bhattacharyya inaugurated, a controversy arose over the Reserve Bank's role in promoting further development of the co-operative sector. Professor D R Gadgil, Chairman of the Seminar, is reported to have stated that it was the Planning Commission's insistence on a 100 per cent coverage by co-operatives that had strained the movement and led to certain segments of it moving faster than the others. This was not, therefore, something for which the authorities could now blame the movement.

The views of the Reserve Bank in this matter have been made abundantly clear from more than one platform in the last decade. The Bank has always held that the capacity of the co-operative structure to absorb funds from it is not a matter that can be decided on the basis of the targets of co-operative credit that may be fixed by New Delhi, however necessary they may appear to be in order to remove the rapacious village moneylenders from the rural scene or to promote agricultural production.

The adoption of a comprehensive all-India plan to revive the co-operative movement and to make it the instrument for implementing various aspects of agricultural development plans is barely ten years old. It dates from the acceptance by the Government of the basic recommendations of the Rural Credit Survey Committee. Since then much has been attempted at the State and all-India levels, but there have been too many changes of policy and too imperfect implementation of these. As a result, the movement finds itself today in the position of not really satisfying anybody, except in a few regions or during stray periods. This is a matter for serious concern. In the years to come the movement will be asked to carry the burden of much heavier tasks than hitherto. Thus in the working of the Foodgrains Trading Corporation co-operatives will be required to play a very active role but years of neglect and ineffective policy decisions have not built up a structure of village and intermediate societies which can take over effectively the marketing of at least a sizeable proportion of what the cultivator can offer to sell after meeting his own requirements.

Though fitfully, the Government has taken various steps to support the co-operative movement in the last decade. One may perhaps liken them to the kind of measures which were earlier, in the 'twenties and the 'thirties, employed to develop new industries on the basis of the infant industry argument. But there a very important provision was made, namely the survey and evaluation of each case by an independent body, the Tariff Board. The co-operative movement is much more ramified and complicated than an individual industry, the progress of which is largely ascertainable in financial terms. If co-operatives are to gradually lose the support which they are receiving today, is it too much to ask for a comparable expert and independent evaluation—area by area and activity by activity?

The co-operative structure operates in the rural milieu where change is in any case slow. Barely two months ago the Government of India set up a high-power committee to review the existing co-operative laws, rules and practices with a view to locating loopholes which have enabled vested interests to entrench themselves in co-operative institutions, and to recommend measures for their elimination. But it is doubtful whether either the Government or the members who constitute this Committee realise the gravity of the tasks involved. A whole gamut of reforms of a socio-economic nature are necessary to be put through before the co-operative movement can really be a movement of the underdog, and be able to resist the pressures of other interests with strong urban ties.

Weekly Notes

Tell-tale Inventory

THE accounts of 48 operating Government companies, which have been analysed in the September issue of the Reserve Bank *Bulletin,* indicate some improvement in profitability in 1962-63. Profits before tax increased by 43 per cent against 18 per cent in 1961-62. Net earning on net worth went up to 5 per cent from 4 per cent. And, to use the new appraisal formula (ignoring the postulated lag of two to three years between investment and returns) laid down by the Planning Commission, the return (profits before tax and interest, but after depreciation) on investment (gross fixed assets plus *net* working capital) as at the end of the year rose to nearly 6 per cent from less than 5 per cent. This performance is encouraging, even though the sample of 48 excludes two giant companies, Hindustan Steel and Neyveli Lignite, The average age of the companies in the sample was 13 years at the beginning of 1962-63 so that it can no longer be said that they have been in operation for too short a time for their commercial performance to be evaluated.

The leeway to be made up before these companies attain normal standards of commercial efficiency is indicated, among other things, by the ratio of inventory to sales. This ratio was 50 per cent at the end of 1961-62 (against 31 per cent in the RBI sample of 1,333 non-Government public companies) and came down only slightly to 46 per cent in 1962-63. The size of the different components of the inventory of these companies is even more revealing (see table). Government companies have a comparatively lower ratio of raw materials inventory to sales as compared with the RBI's 1,333 non-Government public companies, but a significantly higher ratio of finished goods and work-in-progress; and the ratio for stores, tools and spare parts, etc, is 2.5 to 3 times as high.

One often hears the argument that it is worthwhile to keep large inventories in view of rising prices, foreign exchange difficulties and other uncertainties. Assuming that the private sector companies judge these factors in the most effective manner (which is doubtful) and, therefore, keep their inventory at some kind of optimum level in relation to sales (which is still more doubtful), how do Government companies justify their disproportionate inventory? At the end of 1962-63 the total amount locked up in inventory by Government companies was Rs 120 crores against Rs 299 crores in gross fixed assets. If they had kept total inventory at 33 per cent of sales, this would have released Rs 36 crores, and keeping stores and spare parts at 8 per cent of sales would have saved Rs 20 crores. What is important is that a large part of this saving would have been in foreign exchange now denied to other units, both public and private. Since production at many public plants has suffered grievously on various occasions due to shortage of components and parts, it would appear that the items kept in stock have been, in large part, of the wrong sort. Obviously, Government companies are still a long way off from even a reasonable minimum of proper inventory control.

Government Companies: Inventory as Per Cent of Sales

	Total Inventory as % of Sales	Raw materials as % of Sales	Finished Goods and Work-in-Progress as % of Sales	Other Inventory* as % of Sales
48 Government Companies				
1961-62	51	6	22	23
1962-63	47	8	20	19
1,333 non-Government Public Companies				
1961-62	31	9	15	7
1962-63	33	10	15	8

* Comprising mainly stores, spare parts, tools, etc.

More Synthetic Rubber Wanted

INTERESTS representing the natural rubber industry never tire of raising a scare about 'unequal' competition from synthetic rubber, even though everything points to a widening of the gap between natural rubber production and demand for rubber. At one of its meetings earlier this year the Rubber Board, which speaks for the rubber plantations, passed a resolution to the effect that issue of licences for new synthetic rubber factories or for expansion of capacity of the one existing factory would adversely affect natural rubber. And to protect natural rubber against imports, the Board asked the