

Almost certainly demands for supplies that must be purchased will develop in advance of savings. The initial credit funds for one project area are equal to about one-third of the total funds lent annually by the Agricultural Development Bank.<sup>(11)</sup>

A second type of program, that has particular applicability to cooperative groups, emphasizes the interrelationship between credit and storage. This approach has been found to be very effective in the Comilla experiment in East Pakistan,<sup>(12)</sup> and should be attempted in an early project area of West Pakistan.

Under this arrangement, a farmer deposits grain in a cooperative godown after harvest—rather than selling it in the market. He may obtain funds by drawing credit against this grain, and later in the season, he may “reclaim” the grain by repaying the loan. On the other hand, he may choose to sell the grain being held in storage, and to repay the loan from the sale proceeds.

This program, too, has a number of advantages. It changes the security base from land to commodities, and there is no problem of debt repayment because collateral has already been deposited. Secondly, the storage program allows farmers to take advantage of seasonal price movements. Instead of having to sell immediately after harvest—when market supplies are greatest and prices lowest—the farmer is able to wait and to obtain the (usually) higher prices that prevail later in the season. Moreover, increased storage has the effect of dampening price fluctuations, thereby reducing price uncertainty to the farmer. Limiting this uncertainty is of great importance to cultivators, as is emphasized in Chapters 5 and 6.

Combined credit and storage facilities of the type outlined above are therefore particularly desirable projects for local cooperative or Basic Democracy groups, and the construction of community storage facilities should be regarded as a high-priority project in the Rural-Works program.

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(11) Agricultural Credit in Pakistan, State Bank of Pakistan, Karachi, 1962, pp. 91–92.

(12) See in this connection: Pakistan Academy for Village Development, “A New Rural Cooperative System for Comilla Thana,” Dacca, 1962.