

# Critical Study of Agricultural Co-operatives and Informal Co-operative Farmers Movement in India

## A STUDY REPORT



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**Critical Study of Agricultural  
Cooperatives and Informal Farmers  
Cooperative Movement in India**

**STUDY REPORT**

By

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Management Consultant



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– A Study Report by Mahendra Singh

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## Foreword

In Asia-Pacific region, agriculture is the mainstay of national economies. Cooperatives have been recognized as important institutional system for enhancing productivity of agriculture and promoting food security in the country. In some of the countries, co-operatives have completed a century of their fruitful contribution to agricultural development, particularly in the areas of input distribution, finance, marketing, processing, development of infrastructure development etc. The Government has adopted these cooperatives as its principal agency to implement the programmes of agricultural development. Although Government support resulted into noticeable growth and diversification of such cooperatives, it also adversely affected the democratic and autonomous character of cooperative enterprises and thereby blunting their competitive advantage. Effects of globalization and entry of multi-nationals in the agribusiness combined with lack of professionalism and member participation have further compounded the problems of agricultural cooperatives.

International Co-operative Alliance (ICA) in Asia-Pacific Region has been focusing on development of agricultural cooperatives through its Regional Office. It has adopted development of agricultural cooperatives as one of its Key Result Areas; in pursuance of which it has been implementing a number of projects for strengthening agricultural cooperatives in Asia-Pacific. One of such projects recently implemented by ICA Regional Office for Asia-Pacific (ICA ROAP) with the support of AGRITERRA of Netherlands targeted development of agricultural cooperatives in six countries of the region, namely: Bangladesh, India, Nepal, Laos, Thailand and Vietnam. The important outputs of the project were completion of critical studies of agricultural cooperatives in these countries and formulation of country specific action plans for development of agricultural cooperatives.

These studies were conducted through country consultants with the support of Mr. B.D. Sharma, Sr. Consultant, ICA Domus Trust. I hope, the study will provide good insight into the problems of agricultural co-operatives and guide points for strengthening them in the changing times.

**SHIL KWAN LEE**  
Regional Director  
ICA ROAP

## 1. BACKGROUND

1.1. India is primarily an agricultural country. More than 70% of its population is dependent on agriculture. It provides direct employment to about 64% of working people in the country, contributes about 26% of gross domestic product and constitutes a sizeable share in India's exports. Being the largest source of employment and income to millions of people, it provides a vast market for our industrial products. Because of this paramount significance of agriculture in India's economy, this sector has been, and continues to be, accorded a pride of place in India's plans for overall development.

1.1.2. For agricultural and rural development in India, Cooperative Movement has played a very significant and crucial role since its inception in the first decade of the 20th Century. Initially, the movement was not a result of spontaneous growth but was the outcome of the policy of the British Government. In 1878, when the farmers in Bombay Daccan revolted against the exploitation of moneylenders, the government was forced to find out some kind of an institutional alternative to the money lending class. Sir Fredrick Nicholson, an ICS Officer was sent to Germany to study the rise of agricultural credit cooperative movement in that country. He was so impressed with the achievements of the agricultural cooperatives there that he recommended starting of Credit Cooperative Societies in Indian villages. It was how cooperative movement started with the Rural Credit Cooperatives in India. The first cooperative legislation that was subsequently enacted in 1904 was essentially concerned with the Agricultural Cooperative Societies.

1.1.3 The agricultural cooperative societies comprise the most important segment of the entire cooperative movement in India. These societies have now forayed deep into the entire agricultural activities such as agriculture credit, agriculture marketing, sugar, dairy, poultry, fishery, tribal produce, tobacco, horticulture, agro-processing etc. The agricultural cooperatives in India have a federal organisational



structure with primary cooperatives at village level, federal cooperatives at secondary level and apex societies at national level.

1.1.4 The organisational structure of the apex societies is federal headed by National Cooperative Union of India (NCUI) at the national level. In addition, there are nine more apex federations at national level belonging to different sectors like urban banks, consumers, housing, industrial, heavy engineering, handloom, labour etc.

1.1.5 No doubt, the agricultural cooperative institutions are progressing well in India over the past four decades. Increase in the number of societies, membership, working capital, turnover, wider coverage, linking of credit with marketing etc may well be cited as the examples of their successful functioning. Nevertheless, they are yet to overcome a large number of their functional deficiencies. To outline a few of them:

- a) Management of most of the societies is devoid of professional approach and suffers with inadequate training and education. Consequently, they do not develop their competitive abilities.
- b) The cooperatives are not ready to meet the new challenges and opportunities in the context of globalisation under the aegis of World Trade Organisation (WTO).
- c) Cooperatives are still considered to be a handmaid of politics whereby economic interests are subordinated to political expediency.
- d) Dominance of vested interests in the management and working of the societies do not allow them to function freely and smoothly in the interest of members.
- e) Quite a large number of societies are found involved in malpractices such as misuse of funds.
- f) The continuing dependence of the societies on the government officials, majority of them are devoid of knowledge and experience about the functioning of the cooperatives leading to undermining the initiative of the societies and thereby hampering the growth of the inbuilt managerial ability etc.
- g) The government's leading role also brings excessive bureaucratic control and interference in the functioning of cooperatives. It adversely affects the democratic and autonomous character of these societies.

## **2. PURPOSE OF STUDY ✓**

- a) To critically examine the existing status and state of agriculture, agriculturists and agricultural cooperative in India.
- b) To make an objective assessment of informal farmer's cooperative movement and their contribution to agriculture and farmers' development and also their relationship with formal agricultural cooperatives.
- c) To identify the areas of institutional, managerial and governance reforms to enhance the capacities and competitiveness of agricultural cooperatives to enable them to utilise emerging opportunities from globalisation.
- d) To examine the suitability and effectiveness of existing policy and legislation frame work in India for the growth and development of agricultural cooperatives.

## **3. METHODOLOGY ✓**

This study is conducted inter-alia on the basis of the following:

- i) Secondary data relating to formal agricultural cooperatives and informal farmers cooperatives movements.
- ii) Documentary/Study Reports published by Government of India, development agencies, cooperative sector.
- iii) Case study of a few agricultural cooperatives and informal farmers organisations.
- iv). Interviews with senior government officials, cooperative leaders, farmer leaders, cooperative managers, cooperative trainers etc.

## **4. COUNTRY PROFILE**

4.1. *Geographical Area.* India is the seventh largest and second most populous nation of the world. It lies entirely in the northern hemisphere as the mainland of India extends between latitudes 8.4 degrees north and 37.6 degrees north. It is a country of the east with its landmass lying between longitudes 68.7 degrees east and 97.25 degrees east. On its northern frontiers, India is bounded by the Great Himalayas. It stretches southwards and beyond the Tropic of Cancer, it narrows down to form the Great Indian Peninsula that ends up in the Indian Ocean with Cape Comorin (Kanyakumari) as its southernmost tip. On the

east of the Peninsular India is the Bay of Bengal, wherein lay the Indian islands of Andaman and Nicobar, and on the west is the Arabian Sea with another group of Indian islands called the Lakshadweep. India has a land frontier of 15,200 kilometres and a coastline of 7516.6 kilometres including the mainland's coastline as well as that of the Indian islands.

4.1.1. Stretching 3,214 kilometres from north to south between the extreme latitudes and 2,933 kilometres from east to west between the extreme longitudes, India covers a land area of 32,87,263 square kilometres, constituting 2.42 percent of earth's surface and only one-third of the United States in area and less than one-fifth of Russia. India is bounded by the Muztagh Ata, Aghil and Kunlun Mountains to the north of Kashmir. She has Zaskar Mountains on the east side of Himachal Pradesh and northern side of Uttar Pradesh. For the rest, Himalayas form her boundary in the Nepal region. In the north, India is adjoined by China, Nepal and Bhutan. In the east lies Bangladesh and Myanmar (Burma). Afghanistan and Pakistan border on the North-West. The Gulf of Mannar and the Palk Strait separate India from Sri Lanka in the South. The Andaman and Nicobar Islands in the Bay of Bengal and Lakshdweep in the Arabian Sea also constitute Parts of the territory of India.

4.2. *Population.* India's population, according to the figures of 2001 census was 1,027 million as of March 1, 2001 against the world's estimated population of 6,080 million in 2000. It is the second largest in the world, next only to China's 1,278 million. Since 1951, India's population has tripled from 36.1 million to 1,027 million in 2001. It has registered a growth of 21.34 per thousand during 1991-2001. Significantly, the growth rate during the last decade has shown a marginal decline. There were 324 people per square kilometre in 2001 as against 267 in 1991, an increase of 46 persons per square kilometres during the last decade. In 1901, there were 77 persons per square kilometre and 117 in 1951. The density is highest in the National Capital Territory of Delhi (9294) and lowest (43) is in the Union Territory of Andaman & Nicobar Islands.

4.2.1. *Male & Female Ratio.* Males dominate the population as per 2001 census. The exact male population as of March 1, 2001 was 531,277,078 and that of females 495,738,169. The number of women per 1000 males had generally been less than 1,000. Apart from being adverse to women, the sex ratio had also declined over the decades. It

is 933 females per 1,000 males showing a rise of 6 points from 927 per 1,000 males in 1991. Males outnumber females by over 35.5 million.

4.2.2. *Rural/Urban Population.* Wide ranges of human settlements are found in India, which vary in size, structure and economy. There are single dwelling units such as thoroughly scattered homesteads in Kerala and in parts of Assam and West Bengal as well as very small-nucleated settlements in mountainous regions. There are also variety of villages and towns ranging from small helmets to high-density metropolitan cities. Broadly, the human settlement system in India comprises of three major types viz. urban, rural and tribal.

4.2.3. Urban settlements comprise all those places, which have a municipality, corporation, cantonment board or a notified area committee. According to the Census of India, a place becomes urban when (i) it has a minimum population of 5,000; (ii) more than 75 percent of its working population is engaged in non-agricultural activities and (iii) the density of population exceeds 1,000 persons per square kilometre. However there are some exceptions to these norms. According to 1991 Census there were 4,689 towns in India with a total urban population of about 217.6 million persons.

4.3. *National Income.* National income is the sum total of money value of all the final goods and services produced in a country during a period of one year. It is an aggregate measure of the value of all the goods and services produced in agriculture, industry, trade and all other vocations in an economy calculated without any double counting. In other words, it measures the net value added by various sectors of the economy during one year. National income is also known as, and is, identically equal to, net national product at factor cost.

4.3.1. *Per Capita Income:* The Central Statistical Organisation (CSO) of the Government of India publishes National income estimates annually in its publication 'National Accounts Statistics'. The current series of national income estimates records India's national income since 1950-51 onwards. The estimates presented are of two types, viz. a) those based on current prices i.e. the prices prevailing in the year to which the estimates relate and b) those based on 1980-81 prices, popularly known as national income at constant prices.

4.3.2. The per capita income in real terms (at 1993-94 prices) was estimated to attain a level of Rs. 10,561/- for 2000-2001 against Rs.

10,204/- for 1999-2000 registering a rise of 3.5%, while at current prices, it is estimated at Rs. 17,530/- as against Rs. 16,047/- for the previous year showing a 9.2% increase.

4.3.3. The net national income at 1993-94 prices for 2000-2001 was estimated at Rs. 10.6 trillion (t) as against Rs. 10.1 trillion (t) in 1999-2000 showing a rise of 5.2%. At current prices, the net national income in 2000-2001 (Rs. 17.6 trillion) increased by 11% compared to 1999-2000 (Rs. 16.05 trillion).

4.3.4. *Growth rate - GDP.* According to the revised estimate released by CSO on June 29, 2001, the Gross Domestic Product (GDP) for the year 2000-2001 was estimated at Rs. 12.1 trillion showing a growth of 5.2 percent over the previous years figure of Rs. 11.5 trillion.

4.5 *Employment Situation.* The number of persons on the live registers of employment exchanges in India gives an idea of the trend of unemployment subject to certain limitations. Employment exchanges cover mainly urban areas. Not all the unemployed register their names in exchanges. Further some already employed get registered for better employment. The number of applicants on the live register of employment Exchanges at the end of June 1999 was 406 lakh, higher by 2.7% as compared to the corresponding period of the previous year.

4.5.1. The magnitude of the employment problem is not reflected by the statistics available in the register of Employment Exchanges. The real problem is of rural employment. The Eighth Five Year Plan 1992-1997 sought to give priority to generation of adequate employment to achieve near full employment level by the turn of the century. The plan projected that the number of unemployed labour force to 35 million during 1992-97 and by another 36 million during 1997-2002. In view of the backlog of unemployed persons numbering around 23 million, the total number of persons, requiring employment was estimated at 58 million during 1992-1997 and 94 million during 1997-2002.

4.6. *Education.* Human resource development has been assigned a key role in India's development strategy. The resolution on 'National Policy on Education' adopted in 1986 called for a radical reconsideration of education so that it involved - a) transformation of the system to relate it more closely to the life of people, b) a continuous effort to expand educational opportunity; c) a sustained and intensive

effort to raise the quality of education at all stages; d) an emphasis on the development of science and technology and e) the cultivation of moral and social values. According to the resolution, the educational system must produce young men and women of character and ability committed to national service and employment.

4.6.1. *Progress of Education* There has been a great deal of accomplishment in the field of education since independence. The number of schools increased from 2.23 lakh in 1950-51 to 8.17 lakh in 1998-1999, the number of teachers in these schools went up from 6.24 lakh in 1950-51 to 31.80 lakh in 1998-1999, and the number of universities going up from 25 to 227 in the same period. The enrolment of students in these universities is over seventy-four lakh with 3.42 lakh teachers. The National Policy on Education, 1986 as revised in 1992, in fact, aims Universalisation of Elementary Education – popularly known as “Sarva Shiksha Abhiyan” with the result that today there is a primary school for 94 percent of rural population within a distance of one kilometre and upper primary school within a distance of 3 kilometre for 84 percent of the rural population. The student enrolment increased from about two lakh at the time of independence to 61.18 lakh in 1996-97.

4.6.2. Today in India, the education is considered pivotal for social and economic development through development of human resources. This is reflected in the National Policy on Education, 1986 and in the budgetary allocation of resources. The Ninth Plan outlay on education (Centre and State) at Rs. 20,381.64 crore is higher than the Eighth Plan expenditure of Rs. 7,443 crore by 2.7 times. In keeping with this set-up, the Central Plan outlay for education has been substantially increased from Rs. 1,825 crore in 1995-96 to Rs. 5,450 crore in 2000-2001.

4.7. *Literacy levels.* Ever since independence in 1947, elimination of illiteracy has been one of the major concerns of the Government. However, in view of country’s vast size, huge population and limited resource position, not much progress could be made in this direction. Thus, even in 2001, the literacy rate for the country, as a whole, was not so high, being 65.38 %. However, literacy recorded an increase by 13.17 %, as the figure in 1991 was 52.21 %.

4.7.1. Even though Indian educational scenario, over the past few decades, has been characterised by massive quantitative expansion at all levels, it is still faced with a staggering backlog of high illiteracy

levels of over 34% in 2001. The attainment of the goal of universal elementary education remains a distant possibility. Concerted efforts have, therefore, to be made to wipe off illiteracy in the shortest possible time, if the country has to take rapid strides in the socio-economic development. With this in view, several schemes and projects have been taken up to eradicate illiteracy and promote education among the masses.

4.8. *Health.* Under the constitution of India, health is a subject to be dealt with by state governments. The central government's intervention to assist the states is needed in the areas of control/eradicating of major communicable and non-communicable diseases, broad policy formulations, medical and para-medical education along with regulatory measures, drug control and prevention of food adulteration, besides activities concerning the containment of population growth including child survival and safe motherhood (CSSM) and immunisation programmes.

4.8.1. The mortality rate declined from 27.4 per 1,000 population at the time of independence in 1947 to 8.9 in 1996 and infant mortality rate has been brought down from 134 per 1,000 live births to 71 over the same period. Life expectancy has risen from a mere 32 years in 1947 to about 62 years.

4.8.2. *Health Plans.* Several health programmes aimed mainly at reduction of mortality and morbidity caused by major diseases are being implemented. The Major schemes include the National Programme for eradication of malaria, blindness, leprosy, tuberculosis, AIDS including blood safety measures and STD control, cancer control, special attention is also being paid to Trauma and Spinal Injuries. Pilot projects have been taken up in respect of cardio-vascular diseases, diabetes and rehabilitation of the medically disabled. During 1998-99, an outlay of Rs. 11452m including Rs. 5240m as foreign aid was approved by the central sector health programmes.

4.8.3. *Hospitals and Supplies.* The Central and State governments primarily provide medical services. Certain charitable, voluntary and private institutions are also providing medical relief. The number of hospital beds was 870,000 lakh as on 1st January 1996 as compared to 117,000 in 1951. The bed-population ratio as on 1st January 1996 is 93 per 117,000 population, which was 32 per 100,000 in 1951. At the end of 1996, the number of registered doctors was 476,000 whereas; the number of nurses was 566,000.

4.8.4. *Rural Health Infrastructure.* The government has started concentrating on the development of rural health infrastructure under the Minimum Needs Programme so as to provide health care services to rural population. The emphasis in the National Health Policy is on the provision of preventive, promotive, curative and rehabilitative health services to the people. The idea is to place the health of the people in their hands through the primary healthcare approach. In the rural areas services are provided through a network of integrated health and family welfare delivery system. As on 30th June 1997, an extensive network of 2,622 community Health Centres, 22,010 Primary Health Centres and 1,36,339 sub-centres were set up to provide primary health care at the grass root level.

4.8.5. *Indian Systems of Medicine and Homeopathy.* Indian Systems of Medicine such as Ayurveda, Siddha and Unani and drugless therapies like Yoga and Naturopathy, have been extensively practiced in India. These systems attained a high level of development centuries ago and were the only stream of treatment in pre-British India. Homeopathy though relatively a young system of medicine, has been widely accepted and practiced in India. Public demand has given rise to a large number of practitioners without adequate training on the one hand and manufacture of non-quality medicines on the other. However, in post-independence India, the Government recognised the merit of each of the Indian Systems of Medicines and Homeopathy (ISM&H) and made attempts to develop them as viable systems of medicines for the health care needs of its people. It was felt that the goal of the World Health Organisation of 'Health for All' cannot be achieved through the modern Allopathic system alone and there is need to involve the ISM&H practitioners in the national mainstream for achieving this goal. This has resulted in recognising our traditional systems of Ayurveda, Siddha and Unani, Homeopathy, Yoga and Naturopathy as National Systems of Medicines along with Allopathy.

4.9 *Housing.* It is again a state subject, but the Union Government is responsible for the formulation of policy with regard to programmes and approaches for effective implementation of the social housing schemes, particularly those pertaining to the weaker sections of the society. A new Housing and Habitat Policy 1998 has been formulated by the Government to address the issues of sustainable development, infrastructure and for strong public private partnership for shelter delivery. The policy was approved and laid before Parliament on



29th July 1998. The objectives of the policy are to create surpluses in housing stock and facilitate construction of two million additional dwelling units each year in pursuance of National Agenda for Governance. It also seeks to ensure that housing along with supporting services is treated as priority sector at par with infrastructure. The central theme of the policy is strong public private partnerships for tackling housing and infrastructure problems. The Government would provide fiscal concessions, carry out legal and regulatory reforms and create an enabling environment.

4.9.1. The problem of housing shortage compounded with the population explosion has also been addressed in this Policy. This document clearly identifies the respective roles of the Central Government, State Government, Local authorities, financial institutions, research standardization and technical institutions. However, since housing being a state subject, the State Governments have to play the primary role in formulating specific action plans and programmes suited to local needs and conditions in consultation with local bodies and citizen groups.

**Table-1 : Relative Growth of Rural & Urban Population**

Year	Total Population	Rural Population (in million)	Urban Population (in million)	Percentage of total population	
				Rural	Urban
1901	239	213	26	89.2	10.8
1911	252	226	26	89.6	10.4
1921	251	223	28	88.7	11.3
1931	279	246	33	87.8	12.2
1941	319	275	44	85.9	14.1
1951	361	299	62	82.4	17.6
1961	439	360	79	81.7	18.3
1971	548	439	109	79.8	20.2
1981	683	524	162	76.3	23.7
1991	847	629	218	74.3	25.7
2001	1027	742	285	72.2	27.8

Source: India 2000 - A Reference Annual of Publications Division, Ministry of Information and Broadcasting, Government of India, Manorma Year Book 1999 and CSR Year Book 2002

**Table-2 : All India literacy rates (Percent)**

Year	Male	Female	Total
1901	9.8	0.6	5.3
1911	10.6	1.1	5.9
1921	12.2	1.8	7.2
1931	15.6	2.9	9.5
1941	24.9	7.3	16.1
1951	27.2	8.9	18.33
1961	40.4	15.4	28.30
1971	46.0	22.0	34.45
1981	56.38	29.76	43.57
1991	64.13	39.29	52.21
2001	75.85	54.16	65.38

Source : India 2000 - A Reference Annual of Publications Division, Ministry of Information and Broadcasting, Government of India and CSR Year Book 2002

**Table-3 : A Profile of Indian Economy since Independence – Demography**

Subject	Unit	1999-00	1996-97	1950-51
Population	Million	1,027	936	359
Females per 1,000 males	No.	933	927	946
Urban	Million	285	250	62
Birth Rate	Per 1,000	27.2	27.4	39.9
Death Rate	Per 1,000	8.9	8.9	27.4
Expectancy of life at birth				
Total	Years	63.0	61.0	32.1
Male	Years	n.a	60.2	32.4
Female	Years	n.a	61.4	31.7

Source : Statistical Outline of India 2001-2002 published by Tata Services Limited Mumbai.

**Table-4 : A Profile of Indian Economy since Independence  
– National Income**

Subject	Unit	1999-00	1996-97	1950-51
GDP (At factor cost)				
At current Prices	Rs. Trillion	17.8 t.	12.4 t.	89 b
At 1993-1994 prices	Rs. Trillion	11.5 t.	9.7 t.	1404 b
Share in GDP				
Agriculture	( % )	29.2	31.4	55.8
Industry	( % )	23.9	25.2	15.2
Services	( % )	43.4	43.4	29.0
GNP (At factor cost)				
At current prices	Rs.	17.7 t.	12.3 t.	95 b
At 1993-94 prices	Rs.	11.4 t.	9.6 t.	1399 b
Per Capital Income				
At current Prices	Rs.	16,047	11,601	255
At 1993-94 prices.	Rs.	10,204	9,036	3,587

Source: Statistical Outline of India 2001-2002 published by Tata Services Limited Mumbai.

**Table-5 : A Profile of Indian Economy since Independence  
– Agriculture**

Subject	Unit	1999-00	1996-97	1950-51
Index of agricultural Production				
	1981-82=100	176.8	175.7	46.2
Food grains production	Mn. Tonnes	208.9	199.4	50.8
Rice	Mn. Tonnes	89.5	81.3	20.6
Wheat	Mn. Tonnes	75.6	69.3	6.5
Per capita net availability per day				
Food grains	Grams	466.0	505.5	394.9
Sugar	Kg	15.6	14.0	5.0
Edible Oil	Kg	9.2	6.2	2.5
Tea	Grams	676.0	657.0	362.0

Source: Statistical Outline of India 2001-2002 published by Tata Services Limited Mumbai.

**Table-6 : A Profile of Indian Economy since Independence  
– Social Sector**

Subject	Unit	1999-00	1996-97	1950-51
Primary Middle Schools	(*000s)	839.7	775.2	223.3
Enrolments	(Mn)	155.7	157.2	22.3
Secondary & High Schools	(*000s)	116.8	102.2	7.4
Enrolments	(Mn)	28.2	24.9	1.5
Colleges	(No)	9906	8,529	578
Universities	(No)	244	228	27
Literacy Rate	( % )	65.5	52.2	18.3
Male	( % )	75.9	64.1	27.2
Female	( % )	54.2	39.3	8.9
Number of Physicians	(Per 10,000)	n.a.	5.3	1.7
Number of hospital beds	(Per 10,000)	n.a.	10.2	3.2

Source : Statistical Outline of India 2001-2002 published by Tata Services Limited Mumbai.

**Table-7 : Estimated number of Households by income groups, 1993-94**

Income Groups	Households in millions		
	1994-95	2001-2002	2006-2007
At 1994-95 prices			
Low	86.1	59.3	39.9
(Up to 22,550)	(53.6)	(32.8)	(20.0)
Lower Middle	44.9	72.2	78.5
22,501-45,000	(28.0)	(40.0)	(39.4)
Middle	18.0	23.5	36.6
45,001-70,000	(11.2)	(13.0)	(18.4)
Upper Middle	7.0	13.6	21.4
70,000-96,000	(4.4)	(7.5)	(10.7)
High	4.6	12.1	22.7
Above 96,000	(2.9)	(6.7)	(11.4)
<b>Total</b>	<b>160.6</b>	<b>180.7</b>	<b>199.2</b>
	<b>(100.0)</b>	<b>(100.0)</b>	<b>(100.0)</b>
Of which:			
Middle to High	29.6	49.2	80.7
Above 45,001	(18.4)	(27.2)	(40.5)

Source: Statistical Outline of India 2001-2002 published by Tata Services Limited Mumbai.

## 5. PLACE OF AGRICULTURE

5.1. Agriculture is the backbone of India's economy. Being the largest source of employment and income to millions of people, it provides a vast market for our industrial products. It is because of this paramount significance of agriculture in India's economy that this sector has been accorded a pride of place in India's plans for economic development.

5.1.1. *Major Crops.* Agricultural crops can be broadly divided into two categories viz. food crops and non-food crops. Food crops include grains consisting of cereals and pulses. Among the cereals are rice, wheat, jower, bajra, maize etc. Pulses include gram, moong, masur, arhar, etc. The non-food crops comprise of cash crops such as sugarcane, cotton, jute, tobacco, etc. Tea, coffee and rubber are included among the plantation crops. Besides these, horticulture crops like fruits; vegetables, coconut, cashew etc. are also extensively grown in India.

5.1.2. Food crops are grown on nearly 73% of the gross sown area. Food grain production, which was only about 55 million tonnes in 1950-51, increased to 176.4 million tonnes in 1990-91. Food production estimates for 2000-2001 is around 195.92 million tonnes as per the annual report for the year 2001-2002 of the Ministry of Agriculture, Government of India.

5.1.3 Similarly, the commercial crops like cotton, jute and sugar, horticulture crops like fruits and vegetables, etc and plantation crops like coffee, tea and rubber etc. have shown tremendous increase in production since independence. The increased dairy poultry and fish production have also contributed enormously to the agricultural wealth of the country.

5.1.4 *Importance of Agriculture in National Economy.* The agricultural sector in India carries the burden of supporting 2/3rd of its population. The place assigned to agriculture in the national economy can be judged from the allocations to this sector in five-year plans drawn by the government of India in each plan. How much importance an economy attaches to a particular sector is reflected in the scheme of its expenditure and the amount of money allocated to the sector. Judged by the criterion, agriculture has been occupying a very importance place in India's Five Year Plans.

5.1.6. *New Agriculture Policy.* The new agriculture policy, tabled in

both Houses of Parliament on July 28th, 2000 by the Agriculture Minister, aims at over 4 percent growth rate per annum in the next two decades and favours private participation through contract farming and land leasing arrangements. The policy supports the development of genetically modified food crop varieties. Under the new policy, government accords priority to agriculture research based on identified agro-climatic zones, promotion of micro-credit and cooperative enterprises. A major thrust of the policy is land reforms that entail consolidation of land holdings, redistribution of ceiling on surplus lands, development of lease market for increasing land holding and giving private land on lease for cultivation in the context of globalisation, the policy lays emphasis on agri-business. Since women play a significant role in different stages of agricultural operations, the policy dwells on recognition of women's rights. It is well known that despite their big contribution, woman labour is marginalized and exploited.

5.1.7. The policy reiterates government's resolve to ensure remunerative prices for agricultural produce through announcement of minimum support prices and through market interventions. The National Agriculture Insurance Scheme would take special care of the needs of the farmers. In order to ensure remunerative prices, the government will liberalise the agriculture market and lift various controls and regulations. Emphasis would be laid on development of marketing infrastructure and techniques of preservation, storage and transportation to reduce post-harvest losses and ensuring better returns to the farms. It is hoped that higher growth in agricultural production and the prosperity of the farmer would contribute immensely to the national wealth of the country in coming years.

5.1.8. *Impact of Globalisation on Agriculture in India.* Agriculture in the developed world and also in some developing countries is run strictly on commercial lines. In India, however, it is mostly subsistence agriculture, especially for food crops. India is also largely depended on agriculture for both visible and invisible absorption of labour. There is a fear that Indian agriculture may get swamped by giant, international grain merchant firms, especially in commodities such as wheat where India is not globally competitive. There is also a threat perception that India's food security may get adversely affected if faced with cheaper imported grains unless Indian farmers change their cropping pattern and opt for more cash crops. According to one school of

thought, the impact of globalisation on agriculture in India may be that the country will become import dependent for food. Consequently will make it politically vulnerable. However, the others are of the view that Indian agriculture is only to gain from the globalisation. With the necessary basic infrastructure i.e. cheap labour force, diversified agro-climatic conditions and soil resources, abundant sunshine and reforms in agriculture sector, already in place, the agricultural exports will be poised for accelerated growth. Only predictions can be made at this stage.

5.1.9. *Emerging Issues.* Some of the emerging issues that can be identified as a result of globalisation on India's agriculture are as follows:

a) *Market Access*

The three broad regions of concern in this area are:

- Issues related to reduction in agricultural tariff bindings.
- Issues regarding the Tariff Rate Quota
- Issues related to special safeguards.

b) *Domestic Support*

By manipulating their subsidy commitments, most developed countries have continued to provide substantial support to their agricultural sector. It is also observed that developed countries have been shifting their subsidies from the prohibitive categories to non-prohibitive categories. This continues to distort the agricultural trade.

c) *Export Subsidies*

Agreement on Agriculture allows only 25 countries to provide export subsidies to their agricultural products. This adversely affects the competitiveness of agricultural products of the developing countries.

d) *Food Security*

It is apprehended that multinationals giants may flood Indian agriculture particularly in food grains where India is not globally competitive. Therefore, it is perceived that Indian food security may get adversely affected if cheaper food grains are imported.

## 6. STATUS OF AGRICULTURAL COOPERATIVES

6.1. *Growth Trends.* The agricultural cooperative societies form one of the most important pedestals of socio economic institutions in the country. The cooperative movement started with the establishment of primary credit cooperatives in 1904 and today it has spread its wings to almost every village with a sound network of primaries at the grass root level and their vertical structure at district, state and national levels. In its long voyage, the movement has passed through various stages of development and have significantly contributed towards the agricultural production. The agricultural cooperatives have established a complete institutional rural network covering 85% of the households. These institutions have played a pivotal role in the success of green and white revolutions. The share of agricultural cooperatives in some of the prominent areas are sugar production – 59%; credit disbursement – 45%; and fertiliser distribution – 35%.

6.1.2. Although there has been a phenomenal expansion of cooperatives, signs of their weaknesses are becoming apparent. A large number of cooperatives continue to be non-viable with low business turnover and increased state partnership in share capital and excessive state control and interference. Despite series of re-organisation, 27% of Primary Agricultural Cooperative Societies (PACS) are still non-viable. Consequently, the number of PACS reduced from 2.12 lakh in 1960-61 to 82,560 in 1991-92. However, this number increased to 93,816 in 1999-2000. A number of societies are still not in a position to appoint even a full time paid secretary. Because of these failings, the cooperatives could not make much headway in promoting the value addition of agricultural produce, despite huge structure. Nonetheless, it is true that the cooperative sector in India has immense potential for undertaking a number of rural developmental activities.

6.1.3. The following figures give a fairly good idea about the Indian Cooperative Movement as a whole during 1999-2000. The value in Rupees is in million.

Number of total Cooperatives at all levels	528,249
a) Primary agricultural cooperatives (All types)	140,347
b) Primary non-credit coops (All types)	384,963



Membership of Cooperatives (All types)	228.767 Million
a) Membership of Primary Agricultural Cooperatives	147.737 Million
b) Membership of Primary non-credit societies	66.496 Million
Share Capital (All levels & All types)	Rs. 166,495.1
a) Share Capital of Primary Agricultural Societies	Rs. 70,963.4
b) Share Capital of Primary Non-Credit Societies	Rs. 44,125.1
c) Government participation in Primary Agri. Coops.	7.5%
Working Capital (Credit + Non Credit)	Rs. 2,856,433.5
Reserves	Rs. 227,962.8
Deposits	Rs. 14,41,795.0
Coverage of Rural Households	67%
Villages covered by cooperatives	100%
Number of National Level Cooperative Federations:	21
Number of State Level Cooperative Federations	353
Number of District Level Cooperative Federations	2,565
<i>Agricultural Credit</i>	
a) Short Term	Rs. 166,803.8
b) Medium Term	Rs. 34,176.1
c) Long Term	Rs. 24,959.1
Total	Rs. 225,939.0

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Source: Indian Cooperative Movement - A Profile 2001 developed by National Resource Centre, National Cooperative Union of India.

## SHARE OF COOPERATIVES IN NATIONAL ECONOMY

1.	Rural Network (Villages Covered)	100%
2.	Agricultural Credit disbursed by cooperatives	49.3%
3.	Fertiliser disbursed	35.2%
4.	Fertiliser produced (Nitrogen)	23.5%
5.	Sugar produced	59.73%
6.	Capacity Utilisation of Sugar Mills	114.3%
7.	Wheat Procurement	28.9%
8.	Animal Feed production/supply	50.0%
9.	Retail Fair Price Shops	21.0%
10.	Milk procurement to total production	6.9%
11.	Milk procurement to marketable surplus	10.5%
12.	Ice Cream Manufacture	45.0%
13.	Oil marketed (Branded)	50.0%
14.	Spindleage in Cooperatives	10.0%
15.	Cotton marketed/Procurement	59.5%
16.	Cotton yarn/fabrics production	22.0%
17.	Handloom in cooperatives	55.0%
18.	Fishermen in cooperatives (active)	21.0%
19.	Storage facility (Village level PACS)	64.5%
20.	Soya bean production	7.9%
21.	Self employment generated for persons (mn)	14.1
22.	Salt manufactured	7.4%

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Source: Indian Cooperative Movement – A Profile 2001 developed by National Resource Centre, National Cooperative Union of India.

**Table-8 : Agricultural cooperatives at a glance (1999-2000)**  
(Primary Level)

(Membership in Actual)		(Rs. In Lakh)						
Name of Cooperative Segment Agricultural Primary Level	Number of Societies	Total Membership	Share capital	Reserves	Deposits	Loan Adv/ Turnover	In Profit	
Primary Agricultural cooperative societies	93816	100562607	294500.88	216216.64	720497.78	190237.9	48.21%	
Primary Cooperative Agricultural Development Bank*	755	7117337	64070.01	720383.71	18146.04	175892.0	N.A.	
Marketing Cooperatives	8876	4879583	26376.36	18243.72	9606.00	1200780.0	3428	
Agro-Processing Cooperatives	1564	508862	2890.66	3105.60	2319.39	N.A.	N.A.	
Dairy Cooperatives	101427	12908500	24213.00	16239.77	N.A.	589223.0	N.A.	
Farming Cooperatives	7349	322347	772.90	315.46	N.A.	33077.0	N.A.	
Irrigation Cooperatives	7376	584113	2614.89	3930.66	N.A.	N.A.	2260	
Fisheries Cooperatives	13117	2087530	3902.48	N.A.	N.A.	6255.5	18.75%	
Poultry Cooperatives	4304	443705	1864.62	294.69	N.A.	2787.8	N.A.	
Sugar Cooperative Mills	272	4220127	194893.00	128080.00	10172.60	128080.0	N.A.	
Spinning Cooperative Mills	323	783635	94253.75	N.A.	N.A.	130050.0	75	
Tree Growers Cooperatives	623	49618	3.36	12.14	N.A.	N.A.	N.A.	
<b>Total</b>	<b>244802</b>	<b>1344679647</b>	<b>710355.91</b>	<b>1106822.4</b>	<b>760741.81</b>	<b>2456383.2</b>	<b>-</b>	

**Table-9 : Agricultural cooperatives at a glance (1999-2000)**  
(Central Level)

(Membership in Actual)	(Rs. In Lakh)									
Name of Cooperative Agricultural State Level	Segment	Number of Societies	Total Membership	Share capital	Reserves	Deposits	Loan Adv/ Turnover	In Profit		
Central Cooperative Bank		367	1801765	264256.63	480295.29	4913068.2	4435651.0	7653		
Marketing cooperatives		461	3349862	8077.48	4518.02	2599.26	N.A.	N.A.		
Dairy Cooperatives		170(138)	49199	6183.47	34736.54	N.A.	N.A.	N.A.		
Fisheries Cooperatives		108(52)	17871	116.77	118.85	N.A.	N.A.	N.A.		
<b>Total</b>		<b>1106</b>	<b>5218697</b>	<b>278634.35</b>	<b>519668.7</b>	<b>4915667.46</b>	<b>4435651.0</b>	<b>7653</b>		

Note: 1. Reported figures are in respect of number of societies mentioned in bracket.

2. \* Number of branches in profit

**Table-10 : Agricultural cooperatives at a glance (1999-2000)**  
(State Level)

(Membership in Actual)	Name of Cooperative – Segment – Agricultural State Level	Number of Societies	Total Membership	Share capital	Reserves	Deposits	Loan Adv/ Turnover	(Rs. In Lakh)	
								In	Profit
	State Cooperative Bank	29	149203	62266.04	314798.7	2794534.3	3950762.0	408*	
	State Coop. Agriculture & Rural Dev. Bank	19	6569674	61974.73	370047.8	37169.2	249591.0	9	
	State Cooperative Marketing Federations	32	102338	30104.36	60624.89	1984.0	317481.0	N.A.	
	State Cooperative Tobacco Federation	3							
	State Cooperative Tribal Dev. Federation	16							
	State Cooperative Sugar Federation	10							
	State Cooperative Spinning Mills Fed.	8							
	State Cooperative Dairy Federation	21(4)	376	8154.90	4584.08	N.A.			
	State Cooperative Fisheries Federation	17(11)	8520	4499.75	434.22	N.A.			
	State Cooperative Oilseeds Federation	6							
	State Cooperative Poultry Federation	13(2)	172	54.87	91.92	N.A.			
	State Cooperative Onion Growers Fed.	1							
	State Cooperative Potato Federation	1							
	State Cooperative Tea Growers Fed.	2							
	State Cooperative Fruit & Veg Federation	4							
	State Cooperative Grain Growers Fed.	1							
<b>Total</b>		<b>183</b>	<b>6830283</b>	<b>167054.65</b>	<b>750581.61</b>	<b>2833687.5</b>	<b>4517834.0</b>	<b>41</b>	

Note : 1. Reported figures are in respect of number of societies mentioned in bracket.

2. \* Number of branches in profit

6.2. **Types of Agricultural Cooperatives.** The agricultural cooperatives can be broadly grouped into the following four categories:

a) *Inputs Supply Cooperatives*

It covers primary agricultural cooperative societies (PACS)/large sized Adivasi Multipurpose cooperative societies (LAMPS) and farmers service cooperative societies (FSS) operating at the grass root level. These societies are federal units of district central cooperative banks established at the district level, which in turn are affiliated to state cooperative banks operating at state level. The National Federation of State Cooperative bank is the apex promotional institution of these cooperatives. These cooperatives are involved in the distribution of production credit, short and medium-terms and other agriculture inputs viz fertiliser, seeds, machinery etc. The investment credit for agricultural purposes is provided by the State cooperative agricultural/ rural developments through primary cooperative agricultural/ rural cooperative banks. The organisational structure of agricultural credit is federal/unitary. The number and membership of such societies at primary level is as follows:

- |   |                 |
|---|-----------------|
| 1. Primary Agricultural Coop. Societies including LAMPS/FSS | 93,816          |
| 2. Membership   | 100.56 Million. |

b) *Marketing Co-operatives*

The network of cooperative marketing structure comprises general marketing societies, special commodity marketing societies at primary level, regional and central marketing societies covering all the important markets at regional level, general purpose and special commodity/state marketing federations at the state level and National Agricultural Cooperative Marketing Federation of India at the national level. These cooperative societies also undertake procurement of commodities under the price support operations of the government of India and distribute fertiliser nutrients to farmers at the village level. The total number of marketing societies at primary level in India is 8,876 with membership of 4,879,583.

c) *Agro-processing Co-operatives.*

These societies are also known as value-adding cooperative, which ensure that the producer gets the legitimate share in the final price paid by the customer. The most vital segments of such cooperative

are cooperative sugar factories; cooperative spinning mills, dairy cooperatives and oil seeds cooperatives etc. 272 cooperative sugar factories in the country produce about 59.73% of the total sugar production. The capacity utilisation of these mills is 114.3%. The 323 cooperative spinning mills have a total of 3.47 million spindles producing 140 million kilograms of total yarn. The cooperative sector's share in cotton marketing/procurement is 59.5%. 101,427 dairy cooperatives with a membership of 12.9 million milk producers in the country procure 15.8 million litres of milk per day. Other agro-cooperatives numbering 1,564 processing units consist of Rice Mills, Pulses processing Mills, Flour Mills, Fruits and Vegetable Processing Units, Tea, Coffee, Cashew, Rubber Cocoa, Copra etc. Their total membership is 508,862. The number and membership of such societies are as under:

S.No.	Society	Number	Membership
1.	Agro-Processing Cooperatives	1,564	508,862
2.	Dairy Cooperatives	101,427	12,908,500
3.	Sugar Cooperatives	272	4,220,127
4.	Spinning Cooperatives	323	783,635

*d) Cooperative Industries supporting agricultural cooperatives.*

The agricultural cooperatives have also set up cooperative industries to produce agricultural inputs and machinery. The significant units are Indian Farmers Fertiliser Cooperative Limited (IFFCO) and Krishak Bharati Cooperative Limited (KRIBHCO). These organisations produce large quantities of fertiliser, which is distributed to farmers through cooperative network through all the country. The National Heavy Engineering Cooperative is in the area of manufacturing machinery for sugar, dairy and oil seeds cooperatives. IFFCO is the largest producer of fertiliser in India. It produces 5.28 million tones of fertiliser including DAP, Urea and NPK. The fertiliser factories in cooperative sector of India produce 6.742 million tonnes of fertiliser, which is 35.2% of country's total production.

**6.3 Organisation Structure of Agricultural Cooperatives.** The agricultural cooperative societies are organised at various levels i.e. village level, market level, district level, state level, national level etc. However actual structure of cooperative in India does not comprise of all these institutions. As a matter of fact, the structure of agricultural

cooperatives is not uniform for all states in the country. For instance, in some states such as Assam, Bihar, Madhya Pradesh Karnataka, Orissa, Rajasthan, West Bengal etc, there is a three-tier structure of agricultural cooperative marketing federations namely primary marketing societies at the secondary market level and the apex marketing society at the state level and National Agricultural Cooperative Marketing Federation of India (NAFED) at the national level. In other states, there is four-tier structure consisting of Primary Marketing Societies at the Mandi Level, District or Central Marketing Societies at the intermediate level, State Marketing Federation at the State level and NAFED at the national level.

6.3.1 There has been a controversy since long whether cooperatives in India should have two, three or four tier structure. Those in favour of three or four tier structure argue that:

1. It is not possible for the State Level Agricultural Marketing Federation to coordinate activities of the primary societies working in a state. The district society on the other hand can formulate better marketing development programmes according the local conditions, which the state level apex society or federation may not be able to do effectively.
2. The district societies with larger financial resources can undertake outright purchases from the primary societies and therefore, reduce the risk of the State level society. They can undertake inter-district trade and also processing of agricultural produce on a larger scale for the benefit of the farmers with resultant economic costs.
3. Many State Cooperatives are required to make bulk distribution of fertiliser and other agricultural inputs. An organisation at district level would be convenient for this purpose.
4. An organisation at district level can better maintain close liaison with the district officials of the cooperatives, revenue, agriculture, civil supplies and other allied departments relating to procurement of foods grains, fertiliser seeds, obtaining license, permits etc.
5. District societies can also undertake manure mixing as well as fabrication of agricultural implements with reference to local needs.



6.3.2. Those opposed to the continuance of district level societies say that the district headquarter is not, in many cases, a channel of commercial trade. Therefore, the role of district organisations are bound to be limited in so far as actual operations are concerned. It unnecessarily involves extra handling cost and delay without commensurate benefits. The State level society can as well perform the functions expected of the district society at less cost by opening its branches at district level or other convenient places. Moreover, the multiplicity of tier often results in competition instead of cooperation amongst cooperatives themselves. They become rivals in business.

6.3.3. The Organisational Structure of Credit Cooperatives, Agricultural Marketing Cooperatives, Dairy Cooperatives and a fertiliser cooperative is as follows:

### **NATIONAL FEDERATION OF STATE COOPERATIVE BANKS (NAFSCOB)**

*Established in 1964*

National Level	NAFSCOB
State Level	State Cooperative Banks
District/Central Level	District/Central Cooperative banks
Primary Level	Farmers Service Societies /PACS/LAMPS (Members: 93.8 Million)

#### **Main Functions of NAFSCOB**

- Provides a common forum to the member banks
- Promotes and protects the interest of the member banks
- Coordinates and liaison with Government of India, Reserve Bank of India and National Bank and others.
- Provides Research and consultancy inputs to the member banks
- Organises conferences/seminars /workshops/meetings.

#### **Future Approach**

- NAFSCOB will continue to ensure that effective common forum is provided for the SCB's for discussing policy issues pertaining to credit banking and also allied issues.
- NAFSCOB will continue to strive for acquiring freedom of func-

tional autonomy to their affiliate.

- NAFSCOB will continue to work towards maintaining and restoring the principles of democracy in the management of cooperative credit institutions.
- To develop & establish sound information network among the member banks.

### **New Areas**

- Professionalisation
- Human Resource Development & Management
- Prudent Banking & Investment Policies
- Restructuring & Revitalisation Measures.

## **NATIONAL AGRICULTURAL COOPERATIVE MARKETING FEDERATION OF INDIA LIMITED (NAFED)**

*(Established in 1958)*

National Level	National Agricultural Cooperative Marketing Federation of India Ltd
State Level	State Coop. Marketing Federations and State Special Commodity Marketing Federations.
District/Central Level	District/Central Cooperative Marketing Societies
Primary Level	General Purpose Marketing Societies and Special Commodity Primary Marketing Societies

(Members: 4.88 Million)

### **Main Functions of NAFED**

- Marketing of Agricultural Produce in the Country and exports.
- Processing of Agricultural Produce
- Coordinate Member societies in promotion of internal trade.
- Canalising agency for export of onion, Niger seed and monitoring agency for import of pulses.

- Nodal agency of Government of India for price support operations for Oilseeds, Pulses.
- To implement Market Intervention Scheme of Government of India.
- Production and marketing of agricultural machinery, implements and bio-fertiliser.
- Undertake inter-state trade to stabilise consumer prices in agricultural commodities.
- Joint venture business with member state federations.

*New Areas and Future Approach*

- Widen the business in marketing of food products, seeds and fertiliser.
- To set up super market in Mumbai and Chennai on the lines of Nafed bazaar in Delhi.
- Exploring the possibilities of producing and marketing of hybrid seeds in collaboration with National Seeds Corporation.
- Planning to provide market support to farmers throughout the country.
- Take up marketing of Nafed brand honey throughout the country.

**NATIONAL COOPERATIVE DAIRY FEDERATION  
OF INDIA LIMITED**

*(Established in 1970)*

National Level	National Cooperative Dairy Federation of India Limited
State Level	State Cooperative Dairy Federations
District/Central Level	District Cooperative Milk Producer's Unions
Primary Level	Primary Milk Producer's Cooperative Societies
	(Members 12.9 Million)

## **Main Functions of National Cooperative Dairy Federation of India Limited**

- Develop inter Dairy Cooperative relationship.
- Research, Publication and consultancy on Dairying.
- Liaison with National Dairy Development Board, Government of India etc.

## **New Areas and Future Approach**

- To develop competence in providing information technology to the members.
- Develop superior network of dairy cooperatives for inter dairy on line communication for speedy and effective decision making
- Improving quality of services to the members in terms of speed and effectiveness.
- Fast dissemination of information to help members in timely and appropriate decision-making.
- Advocacy with national, international bodies to promote dairying in India on cooperative basis.

## **INDIAN FARMERS FERTILISER COOPERATIVE LIMITED (IFFCO)**

*(Established in 1967)*

National Level	Indian Farmers Fertiliser Cooperative Limited
State Level	State Level Agricultural Cooperative Marketing Federations
District/Central Level	District/Region Agricultural Marketing/ Processing Supply/ Credit Societies
Primary Level	Primary Agricultural/Credit/Service Multi-purpose/Cane Irrigation/Farming Societies and Farmers
	(Membership- 35,628)

## **Main Functions of Indian Farmers Fertilizer Cooperative Limited**

- Augmenting Fertilizer Production

- Ensuring timely availability of fertiliser and other agro- inputs at the farmer's doorsteps.
- Strengthening cooperative fertilizer distribution system.
- Sale Point Personnel Training.
- Cooperative Development Programme by adopting 500 village level societies and setting up 50 storage-cum- community centres.
- Farmers Education and training programmes
- Balanced Fertilisation programme
- Seed Production.

### **New Areas and Future Approach**

- Enhancing further production capacities by setting up new grass-root plants
- Joint Ventures outside India
- Focus on strengthening cooperative system and cooperative infrastructure.

6.3.4. *Inter - Cooperative Relationships.* It is generally felt that cooperative movement in India can be better promoted on the desired lines if there is cooperation amongst cooperatives. Some important types of inter-cooperative relationship can be a) Constitutional relationship; b) Managerial relationship; c) Financial relationship; d) Business relationship and e) relationship in other areas which may include provision for consultancy services. While the constitutional relationship determines the relationship between the constituent members and the federal unit, the managerial relationship within the cooperative sector generally constitutes creation and maintenance of centralised cadres/pools for managerial personnel of affiliated units by the federal bodies. The extent of financial relationship goes to show how much mutual support the cooperatives have extended to the various units in order to strengthen their financial base. It can be:

- i) Share of affiliated units in building of share-capital structure of a federal society;
- ii) Investment of funds of cooperative institutions in other cooperatives; and

- iii) Borrowings from working capital mobilised from the cooperative financing agency.

6.3.5. The most important is the business relationship that exists between two cooperative organisations in the sphere of their active business operations. This can be vertical as well as horizontal. It can be between two cooperatives of different business fields i.e. between marketing cooperative and consumers cooperatives. The business relationship actually comes in the form of joint venture. In vertical relationship, joint venture may be between a lower unit and an upper unit, while in horizontal relationship, the joint venture may be between two units of the same level. The third type can be a joint venture between two cooperatives in different fields at the same level. e.g. a State Cooperative Marketing Federation and a State Cooperative Consumers Federation. A typical example of such type of cooperation is available in the form of joint venture operations of NAFED. It is generally vertical type wherein it joins hands with a lower unit – State Marketing Federation - in undertaking the business on partnership basis on the following lines:

- i) Investment by each party in the ratio of 50:50.
- ii) Interest on investment of each party at the borrowing rate and
- iii) Distribution of profit or loss in the ration of 50:50.

6.3.6. The advantages of joint venture business amongst cooperatives are that since a commodity produced in a particular state is procured in joint venture, the local expertise and knowledge of the state federation with regard to agricultural produce in question is fully utilised, while the expertise and knowledge of National Federation, which has branches all over the country is utilised in disposal of stocks. In addition, the business of both the organisations increase manifold. Since the risk in business operations is shared, new commodities can be included in the business programmes, which ultimately benefit the growers of the state by way of getting competitive rate for the produce.

6.3.7. However there are certain disadvantages of joint venture business particularly when it is within the same type of cooperative societies. In their eagerness to watch their own interest, they suspect the intentions of other organisation. Because of this, there are business disputes between such societies. Nafed is involved in such disputes with other state cooperative federations particularly in the business of

cotton. The best way is to reach an understanding that when a joint business is undertaken, then none of the parties to such venture will do business in the same commodity in the state in which the procurement is made.

6.3.8. Another example of cooperation amongst cooperatives is the business on consignment basis. Under this, the marketing / consumer societies help in the disposal of stocks of other cooperative societies on consignment basis in various terminal market through their branches. The national/state level cooperative societies also help the member constituents by extending consultancy services on business matters, organising seminars, conferences, training programmes to educate and train the staff of other cooperatives. The national level federations also act as a spokesperson on behalf of their member societies on various forums and platforms and also take up the various issues with the State or Central Government to further the cause of these societies.

6.4. ***Strategic Alliances with Private Sector.*** The basic idea of a cooperative society is to eliminate middleman's profit in order to give better returns to its members. Therefore, initially to avoid exploitation by moneylenders or private trade, the cooperatives were organised as their substitute. However with the passage of time, the cooperatives are now making alliance with private trade in their business activities. The main reasons for this are the shortage of funds, manpower, skill and handling of government staff in the matter of obtaining orders and getting the payment released. In fact, some of the cooperatives resort to this type of practice to basically survive, as there seems to be no other way to go for them.

6.4.1. Ironically, the genesis of this practice lies in the government policies that have been framed to encourage and benefit the cooperative societies. To provide business to these societies, government has extended to them a lot of concessions, facilities and benefits such as exclusive business to cooperatives in the matter of buying stationery, distribution of sugar, salt, tea and other items through public distribution system, waiving of condition of depositing total or partial earnest/security amount, disposal of confiscated goods through cooperatives etc. While the cooperatives are not sufficiently equipped financially or otherwise to seize the opportunity to grab these benefits directly, they in fact, misuse it by obtaining the help of private trade. The business handled by cooperatives with the help of private busi-

ness people is known as 'tie up' arrangement or 'back to back' business. Under this system, a trader will make a verbal understanding with a cooperative that he will obtain the order for a particular item/commodity from a government department, invest the entire funds, get the payment and pass on a commission of 3 to 5 percent to the society. The condition is that the society will submit the tender, supply the goods, and raise the bill in its name. After the money is received from the government department that too will be arranged by the trader, his payment is released by the society after deducting the agreed amount of commission. To be on the safer side, the cooperative normally insist for some security amount from the private supplier. The Civil Supplies Departments of Tamil Nadu, Maharashtra, West Bengal, Madhya Pradesh etc purchase bulk quantities of pulses, tea, salt, rice etc on a large scale from cooperatives. The societies, while contracting with the Corporations, enter into agreements simultaneously on back-to-back basis i.e. the ditto contract with necessary change with private parties. The parties supply the commodity. On receipt of the payment from the Civil Supply Corporation, the society makes the payment to the party after retaining its commission.

*6.4.2 Plus and minus points of such alliances.* The following can be said in favour of 'back to back' business undertaken by cooperatives:

- a) Turnover is increased without investing any funds.
- b) On conclusion of business, the society is sure to gain profit.
- c) No manpower is involved in such business. The staff of the society can be deployed on other business activities.
- d) No need to stock the item. Therefore, no carrying cost is involved.

However, there are negative aspects also. The first is that it is against the spirit of cooperative principles. Secondly, there is a huge risk, if the trader fails to supply the goods. The buyer will naturally make the purchase under the risk purchase clause and the difference will have to be paid by the cooperative as the entire operation is under its name. The security deposit of the supplier at many times is not sufficient to meet the loss. Many cooperatives have been black listed by the government for failure to meet the commitments. It gives bad name to the entire cooperative movement.

*6.5. Role of agricultural cooperatives in implementing government schemes.* The agricultural cooperatives have been playing an impor-



tant role in agricultural and rural economy of India. Since the cooperatives have percolated in each and every village of the country, the government realises their importance and have extensively used the cooperative structure in implementing its policies. They are engaged in several economic activities such as disbursement of credit, distribution of agricultural inputs like seeds, fertilisers, agro-chemicals, arranging storage, processing and marketing of farm produce. Agricultural cooperatives enable farmers in getting good quality inputs at a reasonable price as well as in getting remunerative returns for their farm produce when marketed through them. The cooperative agro-processing units add value to their precious farm produce such as milk, sugarcane, cotton, fruits and vegetables and thus facilitate better returns.

6.5.1. The Central Government and State Governments are utilising the services of agricultural cooperatives in procurement operations for food grains, pulses, and oilseeds. The Central Government has appointed National Agricultural Cooperative Marketing Federation of India (NAFED) as the nodal agency for procurement of Oilseeds and Pulses on the basis of the recommendations made by the Commission for Agricultural Costs and Prices (CACP) and for procurement of horticultural commodities under Market Intervention Scheme (MIS). Under this scheme, NAFED procures the notified oilseeds and pulse at Minimum Support Price (MSP) in case the prices of the commodities fall below MSP level. It also undertakes buffer stocking of Onions and pulses on behalf of Central Government for controlling the price rise in the consumer markets. It has opened NAFED Bazaars for making available various consumer items of daily use at reasonable prices.

6.5.2. *Price Support Scheme.* To protect the interests of growers of sensitive and mass consumption commodities like oilseeds, pulses etc. and also to motivate them to increase productivity, the Government of India launched price support scheme more than two decades ago. Initially NAFED was nominated as one of the agencies for undertaking Price Support Operations on behalf of the Government of India in selected Oilseeds and Pulses during 1976-77. Since then it has been continuing as central nodal agency for implementation of price support scheme for oilseeds and pulses. Presently, Mustard seed, Groundnut, Soya bean, Sesam Seed, Niger Seed, Sunflower Seed, Safflower Seed and Urad, Moong, Gram are covered under the Price Support of the Central Government.

6.5.3. Details of various oilseeds and pulses purchased under PSS of the Government during the year 2001-2002 is illustrated in the following table.

**Table-11 : (Quantity in MT's and Value in Rs. million)**

Commodity	Quantity	Value	States where procured
Mustard Seed	329,524	3954	Rajasthan, UP, MP, Gujarat, Haryana & Delhi
Ground Nut Pods	164,530	2203	Gujarat, AP, Rajasthan, UP, Orissa & Karnataka
Copra	57,259	1933	Kerala, Tamil Nadu, AP, Karnataka, Goa
Safflower Seed	3,202	38	Karnataka, AP & Maharashtra
Sunflower Seed	26	0.3	Chhatisgarh
Arhar	3,775	498	Andhra Pradesh, Delhi & Karnataka.
<b>Total</b>	<b>558,316</b>	<b>81,795</b>	

Source: Nafed's Annual Report 2001-2002.

6.5.4. The procured quantities of Oilseeds under PSS were unprecedented during the last couple of years. Disposal of such huge quantity in seed form would have taken inordinately long time that would have meant more carrying cost and eventually more losses to the Government exchequer. A decision was therefore taken by the Government to arrange sale of oilseed stock both as seed and in processed form to increase the pace of disposal of stock to save the carrying cost to the Government. Accordingly the stock of mustered seed and copra were crushed and the mustard oil packed in 15 kilos and also in consumer packs were marketed under brand name of Nafed. By undertaking processing of mustard and copra along with disposal of stocks in seed/whole form, not only the pace of disposal was increased but also considerable carrying cost was also saved.

6.5.5. *Market Intervention Scheme.* The horticultural commodities on the request of State Governments are purchased under the Market Intervention Scheme (MIS) of the Central Government, to benefit the farmers, when prices of such commodities fall below the economic

level. These purchases are made through Nafed, which is the nodal agency, of the Central Government and concerned state agencies. Purchases under MIS are made only after the scheme is approved by the Central Government on the specific request of the concerned State Governments. The Central Government shares the losses with State Governments as per the norms laid down for the purpose by the Government of India. During the year 2001-2002, Nafed procured eggs and palm oil under MIS. While eggs were procured in the state of Andhra Pradesh in collaboration with National Egg Coordination Committee, an organisation of poultry farmers, the palm oil was procured in Andhra Pradesh and Karnataka. The total value of palm oil and eggs procured under MIS was Rs. 1.10 and 3.27 millions respectively.

6.5.6. The Government of India is also using the agricultural cooperatives including the state level agricultural federations through the Food Corporation of India in the procurement of wheat and rice. The country has achieved self-sufficiency with respect to food grains. While it used to import wheat and rice a few decades ago, now it is exporting substantial quantities of food grains to other countries. The agricultural cooperatives have played a pivotal role in making India self-sufficient not only in food grains, but also in cotton, sugar, poultry, milk etc. However the per capital availability of cereals has only marginally increased from 417.3 grams per day in 1981 to 434.8 grams per day in 2001. In fact, the per capita availability of pulses has declined from 37.5 grams per day in 1981 to 31.2 per grams per day in 2001.

The following tables indicates comparative increase in the agricultural production and availability of cereals and pulses during the past years:

**Table-12 : Agricultural Production in India (Million Tonnes)**

Production	1999-00	1998-99	1997-98	1990-91	1980-81
Rice	89.5	86.0	82.5	74.3	53.6
Wheat	75.6	71.3	66.3	55.1	36.3
Gram	5.1	6.8	6.1	5.4	4.3
Groundnut (in shell)	5.3	9.0	7.4	7.5	5.
Cotton @	11.6	12.3	10.9	9.8	7.0

Jute@	9.4	8.8	10.0	7.9	6.5
Sugarcane (caneweight)	299.9	288.7	279.5	241.0	154.2
Tea	0.8	0.9	0.8	0.7	0.6
Coffee	0.3	0.3	0.2	0.2	0.1
Tobacco	n.a.	n.a.	0.6	0.6	0.5

@ Cotton million bales of 170 kg and jute in million bales of 180 k.g each.

Source : Statistical Outline of India 2001-2002 – Department of Economics and Statistics - Tata Services Ltd

**Table-13 : Availability of Cereals/Pulses**

Per capita availability per day (Quantity in Grams)			
Year	Cereals	Pulses	Total
1981	417.3	37.5	454.8
1991	468.5	41.6	510.1
1992	434.5	34.3	468.8
1993	427.9	36.2	464.1
1994	434.0	37.2	471.2
1995	457.5	37.8	495.3
1996	443.6	32.6	476.2
1997	468.2	37.3	505.5
1998	417.3	33.1	450.4
1999*	433.7	36.7	470.4
2000*	434.8	31.2	466.0

\* Provisional

Source : Statistical Outline of India 2001-2002 – Department of Economics and Statistics - Tata Services Ltd

**6.6 Response of agricultural cooperatives to issues relating to food security & WTO.** The World Trade Organisation (WTO) came into effect on January 1, 1995 with the support of at least 85 founding members, including India. It is now the third economic pillar of world-wide dimensions along with the International Monetary Fund and the World Bank. The WTO replaced the General Agreement on Tariffs and Trade (GATT). WTO is presently having 136 members. India is

one of the founding members. It aims at creating a liberal and open trading system under which business enterprises from member countries can trade with another under conditions of fair and undistorted competition. Such discipline does not apply for countries that are not members of the WTO. The fundamental principles of WTO are:

- Without discrimination – A country should not discriminate between its trading partners. They are all equally granted Most Favoured Nation (MFN) status, which implies that every member country is granted the same status that is granted to the most favoured country.
- The second principle is national treatment - that imported goods and domestically produced goods will be treated alike, except for payment of customs duty at the time of import.
- Freer – with barriers coming down as a result of the negotiations.
- Predictable – foreign companies, investors and governments should be confident that trade barriers (including tariffs, non-tariffs and other measures) should not be raised arbitrarily, more and more tariff rates and market-opening commitments to be “bound” in the WTO.
- More competitive-by discouraging “unfair” practices such as export subsidies and dumping products at below cost to gain market share.
- More beneficial for developing countries – by giving them more time to adjust, greater flexibility and special privileges, also known as special and differential treatment to developing countries.

The agreement stipulates that members will not restrict imports into each other’s countries though they may levy tariffs. In other words, imports have to be controlled only through tariffs or customs duties and not through quantitative restrictions (QRs).

6.6.1. *Food Security.* The Heads of State and Government assembled in Rome at the World Food Summit at the invitation of Food and Agriculture Organisation in June 2002 reiterated that food should not be used as an instrument for political and economic pressure and reaffirmed the importance of international cooperation and solidarity as well as the necessity of refraining from unilateral measures not in

accordance with the international law and Charter of the United Nations and that endanger food security. The summit pledged to strengthen national and international action to prepare for contingencies and emergencies and to improve the effectiveness of emergency action both through food and non-food based intervention. These actions must be integrated into sustainable development efforts with all stakeholders involved to achieve sustainable food security. The importance of developing the scope and coverage of social protection mechanisms, in particular of safety nets for vulnerable and food insecure households was underscored. The summit committed itself to ensuring, through economic development, the use of early warning systems, and emergency assistance, that famine will never again be seen.

6.6.2. Food security is the right of people, communities and countries to define their own agricultural, labour, fishing, food and land policies, which are ecologically, socially, economically and culturally appropriate to their unique circumstances. It includes the right to food and to produce food, which means that all people have the right to safe, nutritious and culturally appropriate food and to food-producing resources and the ability to sustain themselves and their societies. Because of these rights, the term now used is food sovereignty and not the food security.

6.6.3. In order to achieve the food sovereignty, Non-Governmental Organisations (NGOs) and Civil Society Organisations (CSOs) are demanding the end of dumping in all forms i.e. the selling of food products below the cost of production. Food aid should not be used as an instrument for dumping surpluses. Trade rules must be changed in a way that allows family farmers and vulnerable groups in rural areas to prosper and produce food. They are demanding that the WTO should not interfere with the internal policies and conditions for agriculture and food production and that all forms of dumping be stopped.

6.6.4. *Agreement on Agriculture (AoA)*. The AoA was signed by the member countries in April 1994 at Marrakesh, Morocco and came into force on the 1st January 1995. The AoA seeks to liberalise world trade in agriculture and free it from governmental measures that distort trade and lead to inefficiency. The agreement further aims at providing substantial progressive reduction in agricultural support and protection sustained over an agreed period of time, resulting in cor-

recting the preventing restrictions and distortions, in world agricultural markets. The AoA incorporates the following three broad areas of commitments from member states:

- Market Access i.e. the disciplines on import restraints and tariffs.
- Reduction in domestic support i.e. subsidies by governments to domestic producers; and
- Exports subsidies.

*Market Access* : The agreement (AoA) envisages tariffication of all non tariff barriers i.e. non-tariff barriers such as quota, import restrictions through permits,

Import licensing etc. are to be replaced. Tariffs to provide the same level of protection and then progressive reduction of tariff levels is to be made. The reduction commitments on import tariffs are as under:

Tariffs (Base 1986-88)	Developed Countries	Developing Countries
Average cut for all Agricultural products	36%	24%
Minimum cut per product line	15%	10%

India has bound the following tariff levels for primary agricultural products, processed agricultural products and edible oils with a few exceptions till end period of the agreements:

Primary agricultural products	100%
Processed agricultural products	150%
Edible Oils	300%

In India, almost all the QRs have now been phased out.

*Domestic Support* : The AoA on domestic support measures have two main objectives:

- To identify acceptable measures of support to farmers; and
- To discipline trade distorting support to the farmers

The commitments regarding domestic support are primarily aimed at containing the high levels of domestic agricultural support in developed countries. This objective is to be achieved by quantification of

domestic support i.e. the Aggregate Measure of Support (AMS) and then by progressive reduction of the AMS, which is also called Amber Box. Domestic support given to the agricultural sector up to 10% of the total value of agricultural produce in developing countries and 5% in developed countries is allowed. AMS within this limit is not subject to any reduction commitment. In India the minimum support provided to commodities is less than the fixed external reference prices (1986-88) determined under the Agreement. The product specific support is, therefore, negative. The non-specific support i.e. subsidies on agricultural inputs such a power, irrigation fertilizer etc. is well below the permissible level of 10% value of agricultural output. Therefore, India is under no obligation to reduce the domestic support currently extended to the agricultural sector.

*Export Subsidies* : The export subsidies are also subject to reduction commitments as under:

Export Subsidies Base 1986-90	Developed Countries (1995-2000)	Developing Countries (1995=-2004)
Subsidy Value	36%	24%
Subsidies quantities	21%	13%

Export subsidies of the kind listed in the agreement, which attract production commitments, are non-existent in India. It is also worth noting that developing countries are free to provide certain subsidies, such as, reduction of export marketing cost, internal and international transport and freight charges. India is making use of these subsidies in schemes relating to export of horticultural products.

6.6.5. The National Agricultural Cooperative Marketing Federation of India Limited (Nafed), which is an apex institution of cooperative marketing in the country and is engaged in the international and domestic trade of a wide range of agricultural commodities has studied the likely impact of some of the provisions of WTO agreement on import/export of various agricultural commodities. The liberalisation process in edible oilseeds and edible oils started some time around 1994. With liberalised approach adopted by the Government of India in the context of import of edible oils, there has been rapid upsurge in the quantum of import of edible oils in India. According to the Nafed's study, the import of edible oils is taking place in the country irrespective



of the actual domestic requirement and is having an adverse impact on the oilseeds growers and the oilseeds industry as a whole. The Government of India set up a Technology Mission on Oilseeds in mid-eighties to increase the production of edible oils in the country and to reduce dependence on imported edible oils. Due to its efforts, the production of oilseeds and edible oils started increasing year after year from 1986-87 which brought the country almost on the brink of attaining self sufficiency during the year 1992-93 when only 1.9 lakh MTs of edible oil was imported.

6.6.6. Although the increase in oilseeds production considerably reduced the dependence on imported edible oils yet India could not achieve total self-reliance in edible oils because of growth in population as well as increase in per capita income of its people resulting in continued import of higher and higher quantities of edible oils. The following table illustrates it:

**Table-14 : Domestic Edible Oils production and import of edible oils  
(Quantity in Lakh MTs)**

Year	Domestic Edible Oil Production	Quantity of imported Edible Oils
1986-87	38.7	15.0
1987-88	39.9	18.2
1988-89	58.6	04.5
1989-90	56.8	06.9
1990-91	63.7	01.9
1991-92	64.9	03.4
1992-93	68.1	02.0
1993-94	69.3	03.3
1994-95	71.9	10.0
1995-96	72.2	14.8
1996-97	74.2	17.5
1997-98	67.9	20.8
1998-99	69.1	42.0
1999-00	69.0	49.0

Source : National Conference on Impact of WTO on Indian Agriculture dated 24th February 2001 and the Marketing Cooperatives.

6.6.7. The import of edible oils in the country continues unabated even in the face of existing level of import duties, which were revised upwards twice in the year 2000 to safeguard the interest of oilseeds growers and oilseeds industry. The total quantum of imported edible oils during 1999-2000 was about 49.0 lakh MTs, which is an all time record. The injudicious import have a direct bearing on the prices of edible oilseeds and edible oils which in the last couple of years have been showing subdued trends leading to large scale purchases under the Price Support Scheme of the Government. The import of edible oils under the liberalised policy has serious ramifications. The domestic prices are low. This is acting as a de-motivating force for the growers to increase the production of edible oilseeds by bringing more area under cultivation.

6.6.8. India is also not self sufficient in pulses. The present deficit between the actual requirement and domestic production is estimated at around three million tonnes. About one million tonne of assorted pulses are imported every year, which is under OGL. Therefore, removal of QRs may not have any serious impact on pulses imports. However, in the interest of farmers, it would be safer to impose 10% duty on import of pulses.

6.6.9. Wheat is another commodity that may find entry into India despite the fact that India is surplus in its production. The apprehension is because the cost of imported wheat is less than the cost of wheat procured under PSS. The Government has, however initiated necessary steps to ward off the danger of large-scale import of wheat into the country by raising the import duty to 50%.

6.6.10. There is no serious threat perception to horticultural crops. However, apple and garlic are two commodities, which may be imported to bridge the seasonal shortfall in the country. The government has already raised the import duties for these two commodities to 50% and 44% respectively to protect the interest of domestic growers. A constant monitoring of import of these commodities are required to take appropriate remedial measures timely, if the need arise. The following are some suggestions:

- India must fully exploit the quarantine and phyto-sanitary provision to resist injudicious in flow of various agricultural commodities;
- Genetically engineered or modified seeds must be labelled to discourage their imports.

- Anti-dumping mechanism requires to be strengthened to curb the menace of dumping.
- Tariff rates should be judiciously structured and applied. They should not be very frequently changed or modified.
- The production of agricultural commodities in which India enjoys comparative advantage should be encouraged to enhance chances of their exports.

6.7. *Problems faced by agricultural cooperatives.* The agricultural cooperatives are faced with a number of problems. In fact, some of the pitfalls are so alarming that at times they appear to defeat the very purpose for which they have been formed. Though the growth of such cooperatives has been striking in terms of their number and coverage of villages, the impact made by them has not been very significant. The failure of agricultural cooperatives is not limited to a few problem areas only. Each and every area of their working is by and large beset with one limitation or the other. What factors are responsible for their dismal performance? Why they did not come up to the expectation of people along with the desired lines? Some prominent factors responsible for the situation are enumerated below:

- i) *Product of Government Initiative.* Most of the agricultural cooperatives could not develop the in-built strength and capability largely because they owe their origin and growth to the government initiative rather than to those of the agriculturists/farmers.
- ii) *All Pervasive Government Control.* Since most of the cooperatives have come into being at the behest of the government, it is the government which defines who should be the members, what purposes the cooperative should serve and how. Cooperative laws across the country allow the Registrar of Cooperatives/ Government to (a) refuse the growers the right to voluntarily set up a cooperatives, if he is of the opinion that the proposed society might not be viable, or if allowed to come into existence, it will affect the business of a cooperative already in existence; (b) amalgamate, merge, divide a cooperative almost at his discretion, (c) amend the byelaws; (d) conduct and withhold elections and nominate persons to the Board of Directors; (e) supersede the Board and appoint any one, not necessarily members, to manage its affairs; (f) decide on staff strength, recruitment, qualifications, service conditions; (g) decide on investment of funds by the

cooperatives; (h) appoint auditors and receive their reports; (i) liquidate or continue the existence of a cooperative even when members think otherwise.

- iii) *Spoon Feeding* : To pave way for the speedy growth of these societies, they were accorded a special status in many respects. For example, for a pretty long time, these societies have been distributing controlled commodities such as sugar, kerosene, controlled cloth etc in rural areas. Such an over-dependence of the cooperatives on external support in the form of monopoly status did not enable them to develop their own strength and once they were deprived of their privileged position due to withdrawal of such business, they started feeling shaky even for their bare survival.
- iv) *Devoid of Appropriate Planning/Norms* : While organising agricultural societies, very little consideration is paid to evolving pragmatic norms with regard to factors such as the coverage of area, the volume of agricultural produce to be handled, the number of credit societies to be affiliated, the financial resources etc. As a result, the societies show wide variation in regard both to their coverage and resources.
- v) *Weak Financial Base* : Apart from the share capital subscribed and paid by the members and state government, financial resources are augmented also by the loans and assistance from the apex and central cooperative banks, loans and grants from the government, deposits from members and reserves created out of profit earned. But in spite of all these sources, quite a good number of agricultural cooperatives continue to suffer from inadequacy of funds compelling them to restrict their functions and to that extent they are not in a position to render services expected of them.
- vi) *Managerial Inefficiency* : Managerial inefficiency has been one of the important reasons for the none-too-happy position of many cooperatives, for even good resources can be degenerated by inept management. A cooperative is a business enterprise and not a charitable institution. Like any other such institution, the cooperative have to prove their effectiveness by efficient working and high quality of management. Notwithstanding the cooperative character of the organisation, there is no fundamental difference in the managerial techniques employed in a

cooperative and a non-cooperative sector, which can be obtained only through employing professional managers.

- vii) *Malpractices* : A large number of agricultural cooperatives suffer from malpractices. The management of some of these societies is not always above board and failed to inspire confidence among the general body members. Cases of favouritism in granting facilities, misuse of funds, defalcation of amounts, fake entries of sales etc, are not uncommon with these societies. The managing committee instead of trying to overcome structural and organisational weaknesses by efficient conduct of affairs generally aggravate them.
- viii) *Ineffective Financial Control* : Regular audit undertaken with objectivity has continued to be the most important instrument of financial supervision and control in the government and semi-government organisations since long. Auditing of books and accounts of agricultural cooperatives is no doubt, done but in most cases this is restricted to formal checking and verification of record only. The auditors, who are normally appointed by the government, pay little attention to irregularities in the management or working of these societies. The supervision, inspection and audit has degenerated into a routine checking of financial and other business activities of agricultural cooperatives and failed to provide in most of the cases, the requisite guidance and encouragement that is needed in developing their business or main objectives.
- ix) *Political interference* : The political interference in the functioning of cooperatives, supersession of elected boards for political reasons and appointment of government nominees on the board of managements go contrary to their autonomous and democratic management principles. There is need to devise ways and means to eliminate or minimise the political interference in the management of societies.
- x) *Training & Education* : The education and training is one area where adequate attention has not been paid so far. It is a very important area, which if strengthened, will go a long way in providing a very sound foundation to the entire cooperative movement. The education and training needs to be strengthened not only for employees of the societies but also for the members and their elected representatives who are entrusted with the democratic control over their affairs.

- xi) *Cooperation amongst cooperatives* : The cooperatives unfortunately want to have more and more business with non-cooperative institutions and particularly with the private trade. In fact, they feel more at home in having business tie-ups with private trade than with sister cooperative institutions. This is very unhealthy trend that must be checked. There is need to develop sound business relations among the cooperatives.

## **7. OBJECTIVE ASSESSMENT OF INFORMAL COOPERATIVE MOVEMENTS**

7.1. *Important features* : The Government of India appointed the National Commission on Agriculture on August 29, 1970 to examine comprehensively the current progress of agriculture in India and to make recommendations for its improvement and modernisation with a view to promoting the welfare and prosperity of the people. The important recommendations made by the Commission in regard to farmers' organisations are as follows:

- Farmers' own organisation can further the interests of agricultural development as well as those of the farming community more effectively than a government organisation. It will be desirable if the farmers' organisation operates in two separate but complementary wings, one dealing with economic and service functions and the other with promotional and welfare activities. For the former, the commission recommended on credit and incentives, the setting up of farmers service societies. For the later, it recommended setting up of farmers union or Krishi Sabhas.
- At the primary level, the Farmers Union (FU) will cover the same area as a Farmers' Service Society (FSS) i.e. a block or a circle with a population of ten to twelve thousands, to begin with. The membership of the FU will be open to all farmers, artisans and agricultural labourers who are enrolled as members of the FSS.
- The main function of the FU will be to motivate all members towards planned economic development, disseminate information on modern farming and other production practices, organise training in improved methods and techniques of production and help achieve the objectives of the various development pro-

grammes and the targets laid down therein. It will also undertake welfare activities, such as running adult literacy classes, youth clubs, consumers' stores etc.

- The finances of the FU will comprise a graded membership fee collected annually from all its members, a contribution made by its counterpart FSS and, if necessary, a levy on the produce marketed through the societies.
- When a minimum of 15 farmers' unions is formed in a district, they will federate into a District Farmer's Union (DFU). The main function of the DFU will be to establish a regular channel of communications between the village community, as represented by it, and the district planning authorities, assist the latter in programme planning, organise and help implement the various development programmes through its constituent units.
- The finances of the DFU will consist of an annual contribution from the farmers' service societies in the district; a levy on agricultural produce marketed through the FSS, grants from regulated market committees in the district and a matching grant from the government.
- In order to safeguard the interests of the weaker sections of the community like women, agricultural labourers, scheduled castes and tribes and the special interest groups of artisans, they would have their representatives in the executive committee of the Farmer's Union and the District Farmers Union through cooperation, if they are not represented among the elected members of these bodies.
- The executive committee of the FU will be same as the elected members of the Managing Committee of FSS, about two-thirds of whom will be from the small and marginal farmers. Consequently, these classes will have a majority in the District Farmer's Union as well. It has, thus, been ensured that the proposed Farmers Organisation will largely represent the interest of small and marginal farmers and other weaker sections of the village community.
- After a sufficient number of District Farmers' Unions are formed in a state, they can form a State Farmers Union (FSU). The main function of the SFU will be to apprise the State government of the needs, expectations and opinions of the people in

the rural areas in respect of the development and welfare measures and to assist the state government in formulating a proper policy for rural development with special emphasis on agriculture.

- The farmers' organisation at the All India level will take the form of a National Farmers Union analogous to that of SFU. It will have an advisory and consultative role in the formulation of national policies with regard to general rural development, development in agriculture and progressive welfare measures like rural housing, debt redemptions etc.
- Since the national and state farmers unions will function mainly in an advisory and consultative capacity, it will be expedient if they are represented also in other organisations engaged in promoting the development of agriculture and related fields of economy such as the Food Corporation of India, Central Warehousing Corporation etc. at the national level and state agro-industries corporation, state electricity board, state land mortgage development bank etc, at the state level.
- The main job of the representatives of the farmers' organisation in the aforesaid bodies will be to apprise their management of the needs and expectations of the people in the rural areas and of the possibilities that exist there in respect of the development of agriculture and related fields of the economy and help to evolve proper policies for framing and scheduling their programmes.

7.1.2. The structure proposed by the Commission is more or less similar to that which already existed for various cooperatives in India. It suggested linkages of Farmers Service Societies and Farmers Union at the primary level but not at district, state or national level. The proposal failed to take off. However both types of organisation suggested by the commission i.e. with economic and service functions and with promotional and welfare objectives exist in the country with more or less same objectives. In India, there are various farmers' organisations, associations, unions, forums etc at District, State and National Level. These are not called or treated as cooperative organisations.

7.1.3. The important features, functions, of two such farmers' organisations namely Bharat Krishak Samaj (Farmers Forum, India) and National Egg Coordination Committee (NECC) are illustrated in the



following paragraphs. While the former, is a promotional and welfare organisation of farmers, the later is actively engaged in marketing of eggs produced by members who are poultry farmers.

7.2. ***Bharat Krishak Samaj (BKS)***. The BKS, which was launched on 3rd April 1955, is a non-political, non-sectarian organisation of the farmers, by the farmers and for the farmers of India. It is national voice that speaks and acts for the farmers cause and dedicated to rendering better services to the farmers welfare and improved agriculture. The forum acts as one of the forces in achieving real national integration. The following are the main objectives of BKS:

- ❖ To study and solve the problems confronted by the Farmers of India
- ❖ To protect, advance and promote social, economic and cultural interests of Farmers, farm youth, farmwomen and farm labour in India.
- ❖ To educate and train farmers for rapid progress of agriculture in cooperation with the Government and other agencies.
- ❖ To assist in formulating and promoting agriculture policies in the best interest of farmers.
- ❖ For fulfilment of the above objectives, the BKS holds Periodical Meetings, Regular Conferences, All India Conventions, Seminars, Exhibitions, Agriculture Fairs by using publicity media to coordinate and promote mutual exchange of Farmers for better understanding and gaining first hand experience in the field of agriculture.

7.2.1. *Structure & Membership*. The BKS has branches in all states and union territories. In most of the states, district and village level units of the Samaj are organised. The samaj has over 50,000 life members, 15,000 family life members, 25 institutional members and over 400,000 ordinary members spread through the country. It is in regular contact with the farmers through periodical meetings, regular conventions, seminars, exhibitions and through wide publicity media. At the state and village level, units hold their own conventions seminars and exhibitions to keep regular contact with the farms in their respective areas.

7.2.2. *Achievements of BKS*. It has the distinction of organising twenty nine National Conventions of Farmers and altogether over 15 lakh

farmers from all over the country participated therein. Forty-two All India Farmers Council Meetings were held and more than two lakh farm leaders attended the meetings for mutual exchange of views and better understanding. One world agricultural, five national and four state agricultural fairs have so far been organised in Delhi, Calcutta, Madras, Ahmedabad, Jaipur Mumbai, Manipur, Delhi and Goa. Over 80 lakh people visited these fairs. It has also organised more than 3,000 training camps for farmers, which were attended by over two lakh farmers in coordination with the Union Ministry of Agriculture. The BKS is instrumental in establishing the following institutions, which are of vital national and international importance and of yeoman's service to the farmers in particular:

- ❖ National Agricultural Cooperative Marketing Federation of India Limited on 2nd October 1958.
- ❖ Farmers Cooperative Bank of India Limited in 1960.
- ❖ Agricultural Machinery Association of India in October 1958.
- ❖ Afro-Asian Rural Reconstruction Organisation on 31st November 1961.
- ❖ It also founded the World Agricultural Fair Memorial Shivaji College in Delhi, which is now run by Delhi Government with over 2000 students getting education.

The BKS is a member of the International Federation of Agricultural Producers, France since 1955 and the two General Conferences Sessions were hosted by it in 1959 and 1984 both at New Delhi.

7.2.3. *Future Programmes* : It proposes to:

- ❖ Construct a Farmers Complex with an outlay of Rs. 2 crore.
- ❖ Set up a commodity council for important crops and establish farmers own supply organisations for seeds, fertilisers, insecticides etc.
- ❖ Establish crop insurance programme and help agricultural market, grading and processing through their own cooperatives.
- ❖ Establish a national Horticulture Development and Marketing Corporation.
- ❖ Start Agriculture Library and Museum for the benefit of farmers.

7.2.4. The BKS is publishing its own monthly journal known as *Krishak Samachar* in English and Hindi and a monthly magazine “Farmer’s Forum” in English.

7.2.5. *Response to issues relating to WTO.* The BKS in its monthly magazine “Farmers Forum” is continuously raising various issues relating to WTO negotiations and globalisation and its effects on Indian agriculture and farmers. It is acting as spokesperson of agriculturists and a link between the government and farmers. BKS is of the view that the fundamental responsibility of the government is integral to the well being of agriculture and the onslaughts of the Multinational Companies against the farming community should be checked as their sole objective is to dismantle the food security of the country. The problem may get out of hand if we are not able to put a definite check on exploitation of the suffering humanity, their resources of livelihood and their indigenous culture by misconceived and anti-people approach of a few and that too in the name of science, technology and development. The BKS organises the seminars and conferences to educate the farmers about the implications of the WTO on agriculture and convey their feelings to the government from time to time.

7.3. ***National Egg Coordination Committee (NECC).*** A group of farmers began a movement in 1981 by setting up National Egg Coordination Committee when rapacious middlemen forced down the prices of eggs. The farmer was getting even less than the production cost. At that time more than 40% of all poultry farms in India were tottering on the brinks of bankruptcy. To avoid the forced closure, the NECC was born. Their objective was to unite the poultry farmers under one common banner, so that, as a group, they get a fair price for their produce. ‘My Egg, My Price. My Life’ became their slogan as they struggled to set free the farmers from the clutches of middlemen. There were 60,000 poultry farmers scattered all over India and were initially suspicious of the organiser’s motives. It was a long process of talking discussing, debating, persuading before the movement began to take root.

7.3.1. It has now more than 20,000 active members. Most of the egg production in India comes from NECC members. It’s original objective has been met and today, farmers set their own prices, on their own terms – fairly and equitably. Today, it does much more than merely determining egg prices. Its activities includes the following:

- ❖ It manages supply
- ❖ Promotes eggs to increase consumption.
- ❖ Developing a marketing and distribution network across India
- ❖ Striving to develop export markets.

7.3.2. *Structure.* NECC uses a three-tier set up. At the bottom are local committees that function in every rural/urban major production and consumption centre in India. The local committees are elected by the farmers they serve on the basis of one-man one vote. The committee members come from the biggest farms and the smallest. The second tier is made up of zonal Committees. The Chairman of these committees is also an ex-official member of the Apex body. At the top of this structure is the Central Executive Committee.

7.3.3. *A Farmers Movement.* The NECC is a registered trust and makes no profits. It subsists entirely on *voluntary* contributions from member egg farmers. There is no statutory provision for contribution in NECC constitution. Initially the work was carried on through its own volunteers,. Now some persons have been employed. The small or big farmers, they are all members of NECC. But it has also members; who are traders making it a body that is representative of the entire poultry industry not merely the farmers. In order to benefit farmers, customers cannot be antagonised. Therefore, price determination is done very seriously and clear guidelines have been laid down. The demand, customers' ability to pay, seasonal variations in demand, the cost of production etc is taken into account before the price is decided.

7.3.4. *Publicity & Marketing.* NECC is of the view that there is no point in increasing the efficiency of production, of distribution, of governing prices, if demand does not increase at the same rate. Therefore, it promotes eggs. Advertise them in the press and television; mount vigorous PR campaign using unusual ways to reach people in the more remote parts of India. Even puppet shows are organised. It has introduced the egg cart scheme where under unemployed young men take carts and cook and sell eggs as nutritious mini-meals. The carts are designed and sold by NECC. Banks provide 90% of the funding; the young men are expected to pay for the balance. The scheme proved successful. Each cart sells up to 300 eggs per day.

7.3.5. *NECC's Future Plans.* The future plan of poultry industry has

been chalked out in two publications “Indian Poultry in the 21st Century” and “Poultry Farming: A National Commitment and Plan for Growth”. The two major targets for the year 2015 are; a) to increase per capita egg consumption more than eight times from a mere 22 per year today to 180 per year in 2015; and b) to increase per capita broiler chicken consumption 36 times from a mere 300 grams per year today to 10.8 kg per year in 2015. The methods for achieving this target are detailed in the Plan but it needs the active support of both State and Central Governments.

## **8. NATIONAL AGRICULTURAL POLICY**

8.1. The first ever National Agricultural Policy was announced on 28th July 2000. The national policy on agriculture seeks to actualise the vast untapped growth potential of Indian agriculture, strengthen rural infrastructure to support faster agricultural development, promote value addition, accelerate the growth of agro business, create employment in rural area, secure a fair standard of living for the farmers and agricultural workers and their families, discourage migration to urban areas and face the challenges arising out of economic liberalisation and globalisation. Over the next two decades, it aims to attain:

- ❖ Growth rate in excess of 4 percent per annum in the agriculture sector;
- ❖ Growth that is based on efficient use of resources and conserves our soil, water and bio-diversity;
- ❖ Growth with equity i.e. growth which is widespread across regions and farmers;
- ❖ Growth that is demand driven and caters to domestic markets and maximises benefits from exports of agricultural products in the face of the challenges arising from economic liberalisation and globalisation;
- ❖ Growth that is sustainable technologically, environmentally and economically.
  - The policy seeks to promote technically sound, economically viable, environmentally non-degrading, and socially acceptable use of country’s natural resources – land, water and genetic endowment to promote sustainable development of agriculture.
  - The use of biotechnologies will be promoted for evolving

plants, which consume less water, are drought resistant, pest resistant, contain more nutrition, give higher yields and are environmentally safe. Conservation of bio-resources through their ex situ preservation in Gene Banks, as also in situ conservation in their natural habitats through bio-diversity parks etc., will receive a high priority to prevent depletion of bio-diversity.

- Balanced and conjunctive use of biomass, organic and inorganic fertilisers and controlled use of agro chemicals through integrated nutrients and pest management will be promoted.
- A regionally differentiated strategy will be pursued, taking into account the agronomic, climatic and environmental conditions to realise the full growth potential of every region. Special attention will be given to development of new crop varieties, particularly of food crops, with higher nutritional value.
- A major thrust will be given to development of rain fed and irrigated horticulture, floriculture, roots and tubers, plantation crops, aromatic and medicinal plants, bee-keeping and sericulture for augmenting food supply, promoting exports and generating employment in the rural areas.
- Development of animal husbandry, poultry, dairying and aquaculture will receive a high priority in the efforts for diversifying agriculture, increasing animal protein availability in the food basket and for generating exportable surpluses.
- An integrated approach to marine and inland fisheries, designed to promote sustainable aquaculture practices, will be adopted.
- The regionalisation of agricultural research based on identified agro-climatic zones will be accorded high priority. Application of frontier sciences like bio-technology, remote sensing technologies, pre and post-harvest technologies, energy saving technologies, technology for environmental protection through national research system as well as proprietary research will be encouraged.

- The research and extension linkages will be strengthened to improve quality and effectiveness of research and extension system.
- Adequate and timely supply of quality inputs such as seeds, fertilisers, plant protection chemicals, bio-pesticides, agricultural machinery and credit at reasonable rates to farmers will be the endeavour of the Government.
- The Government will endeavour to create a favourable economic environment for increasing capital formation and farmer's own investments by removing distortions in the incentive regime for agriculture, improving the terms of trade with manufacturing sectors and bringing about external and domestic market reforms.
- Rural electrification will be given a high priority as a prime mover for agricultural development. The quality and availability of electricity supply will be improved and the demand of the agriculture sector will be met adequately in a reliable and cost effective manner.
- Bridging the gap between irrigation potential created and utilised, completion of all on going projects, restoration and modernisation of irrigation infrastructure including drainage, evolving and implementing an integrated plan of augmentation and management of national water resources will receive special attention for augmenting the availability and use of irrigation water.
- Emphasis will be laid on development of marketing infrastructure and techniques of preservation, storage and transportation with a view to reducing post harvest losses and ensuring a better return to the grower.
- Setting up of agro processing units in the producing areas to reduce wastage, especially of horticultural produce, increased value addition and creation of off farm employment in rural areas will be encouraged.
- Institutional reforms will be pursued so as to channelise their energies for achieving greater productivity and production.

- The Government will provide active support for the promotion of cooperative form of enterprise and ensure greater autonomy and operational freedom to them to improve their functioning.
- Endeavour will be made to provide a package insurance policy for the farmers, right from sowing of the crops to post harvest operations, including market fluctuations in the prices of agricultural produce.
- The price structure and trade mechanism will be continuously reviewed to ensure a favourable economic environment for the agriculture sector and to bring about an equitable balance between the rural and the urban incomes.
- Quality consciousness amongst farmers and agro processors will be created. Grading and standardisation of agricultural products will be promoted for export enhancement. Application of science and technology in agriculture will be promoted through a regular system of interface between Science and Technology institutions and the user/potential users to make the sector globally competitive.
- The database for the agriculture sector will be strengthened to ensure greater reliability of estimates and forecasting which will help in the process of planning and policy making.

8.1.1. The Government of India have framed the above agricultural policy in view of inter-alia to face the challenges arising out of economic liberalisation and globalisation. The cooperatives have also been given a place in the policy as it says that government will provide active support for the promotion of cooperative form of enterprise and ensure greater autonomy and operational freedom to them to improve their functioning. As a follow up action of the commitment made in the agricultural policy, the government has taken two important steps. The first a National Policy on Cooperatives has been formulated and the second a New Cooperative Act replacing the Multi-State Cooperative Societies Act 1984 has been enacted by the Parliament.

8.1.2. *National Policy on Cooperatives.* A National Policy on Cooperatives have been formulated and notified by the Department of Ag-



riculture and Cooperation, Government of India in March 2002. The objective of the National Policy is to facilitate all round development of the cooperatives in the country. Under this policy, cooperatives would be provided necessary support, encouragement and assistance, so as to ensure that they work as autonomous, self reliant and democratically managed institutions accountable to their members and make a significant contribution to the national economy, particularly in areas which require people's participation and community efforts. This is all the more important in view of the fact that still a sizable segment of the population in the country is below poverty line and the cooperatives are the only appropriate mechanism to lend support to this section of the people.

8.1.3. The National Policy on Cooperatives would seek to achieve:

- Ensuring functioning of the cooperatives based on basic cooperative values and principles as enshrined in the declaration of the International cooperative Alliance Congress, 1995.
- Revitalisation of the cooperative structure particularly in the sector of agricultural credit.
- Reduction of regional imbalances through provision of support measures by the Central Government/State Governments particularly in the under developed and cooperatively underdeveloped state/regions.
- Strengthening of the Cooperative Education and Training and Human Resource Development for professionalisation of the management of the Cooperatives.
- Greater participation of members in the management of cooperatives and promoting the concept of user members.
- Amendment/removal of provisions in cooperative laws providing for the restrictive regulatory regime.
- Evolving a system of integrated cooperative structure by entrusting the federations predominantly the role of promotion, guidance, information system, etc. towards their affiliate members and potential members.
- Evolving a system of inbuilt mechanism in cooperative legislation to ensure timely conduct of general body meetings, elections and audit of cooperative societies.
- Ensuring that the benefits of the cooperatives' endeavour reach

the poorer sections of the society and encouraging the participation of such sections and women in management of cooperatives.

8.1.4. *The Cooperative Policy:* The Government of India in consultation and collaboration with the State Governments hereby enunciates the following:

- i) While upholding the values and principles of cooperation, it recognises the cooperatives as autonomous associations of persons, united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprises;
- ii) Upholds the preservation of the distinct identity of cooperatives, its values and principles by providing an appropriate environment and taking the required administrative and legislative measures;
- iii) Recognises cooperatives as a distinct economic sector and an integral component of the socio-economic system of the country and an effective and potential instrument of socio-economic development. It considers them as essentially community initiatives for harnessing people's creative power, autonomous, democratically managed, decentralised, need-based and sustainable economic enterprise. Cooperatives will, however, remain the preferred instrument of execution of the public policy especially in the rural area;
- iv) The regulatory role of the Government will be mainly limited to the conduct of timely elections, audit of the cooperative societies, and measures to safeguard the interest of the members and other stakeholders in the cooperatives. There shall, however, be no interference in the management and working of the cooperatives. The government recognises the apolitical nature of cooperatives;
- v) Reiterates and reinforces its commitment to the cause of the scheduled castes/scheduled tribes, women and other weaker sections of the Society and their development through the cooperatives. Whichever members belonging to women or Scheduled Castes/Scheduled Tribes and other backward castes want to have their exclusive societies provided they find a socio-economic reason to form such a society, encouragement and assistance

will be provided by the government. Cooperative Societies, if they so decide, can provide for the representation of such category of persons in their bye-laws which they are competent to frame:

- vi) Accepts the need to phase out its share holding/equity participation in the cooperatives. It shall, however, endeavour and extend appropriate support for improving financial viability and resource mobilisation by harnessing local savings and adequate refinance facility, and to the possible extent providing a policy framework, to ensure that there is no discrimination against the cooperative in the matter relating to resource mobilisation to attain financial viability. The cooperatives shall be enabled to set up holding companies/subsidiaries, enter into strategic partnership, venture into futuristic areas like insurance, food processing and information technology etc., and shall be independent to take the financial decisions in the interest of the members and in furtherance of their stated objects;
- vii) Recognises the role of the Government in ensuring that the benefits of liberalisation and globalisation in the emerging economic environment are extended to the cooperatives in equal measures through suitable fiscal policies and pledges to provide support and protection to the cooperative movement through suitably designed investment programmes with a view to providing the cooperatives a level playing field vis-à-vis other competing enterprises especially in the field of agro-processing and marketing.
- viii) Recognises the need for more effective regulation of cooperatives operating in the financial sector and accepting public deposits.
- ix) Also recognises the need for incorporating special provision in the Cooperative Societies Acts with regard to banking, housing, real estate development, processing, manufacturers' cooperatives, infrastructure development etc.
- x) Recognises the need to provide preferential treatment, as far as possible, to the cooperatives engaged in areas such as credit, labour, consumer, services, housing, development of SC/ST and women and development of emerging areas as well as sectors requiring people's participation especially in rural areas;

- xi) Undertakes to devise and execute suitable programmes and schemes to build and develop cooperative institutions in the co-operatively under developed states/regions with particular reference to the North Eastern States including Sikkim;
- xii) Recognises the need to support the cooperative movement to develop human resources, cooperative education and training, appropriate technologies and infrastructural facilities so as to promote professional management in cooperatives particularly at the primary level, for their greater functional and operational efficiency. It may also include the introduction of cooperatives as curriculum vitae at school level;
- xiii) Undertakes to initiate structural reforms in order to improve the functioning of the cooperatives at various levels to ensure greater efficiency and viability. These may include steps to activate idle membership, enhance member participation and involvement, provision of multi cooperative approach, ensure timely conduct of general body meetings and election, provide for effective audit, devise suitable mechanism for rehabilitation of the sick societies particularly in the processing sector, expedite winding up of defunct societies; and providing legal frame work for voluntary winding up of cooperatives;
- xiv) Undertakes to bestow autonomy to cooperatives to follow appropriate personnel policies including those relating to recruitment, promotions and other such matters with due emphasis on quality and transparency;
- xv) Undertakes to introduce the required electoral reforms through legislative measures. Elections to the cooperatives societies should be held through an independent authority like the State Election Commission; and
- xvi) Also undertakes to take other such measures as would be required for efficient and healthy growth of the cooperative movement.

8.1.5. The above cooperative policy is quite exhaustive. The Government of India also proposes to chalk out an action plan to pursue this policy with adequate budgetary support with the help of State Governments and other concerned agencies including federal and national level cooperatives in a time bound manner. The impor-

tant question is as to how effective it can be implemented at ground level. In the past also many commissions, committees etc were set up to recommend ways and means to reform, revive and strengthen the movement. But all measures adopted as a result of these recommendations failed to deliver the desired results.

**8.2. *Place of Agricultural Cooperatives and Informal Cooperative Movements in the National Agricultural Policy.*** On going through the National Policy on Agriculture, it is quite clear that government has recognised the importance of cooperative movement as a potential instrument for the growth of Agricultural and therefore aims to provide active support for its promotion and to ensure greater autonomy and operational freedom to improve their functioning. In pursuance thereof, a cooperative policy has been formulated and a new Multi State Cooperative Societies Act has been framed replacing the earlier one of 1984. However, there is no mention of informal cooperative movements in the policy because informal farmers' movements in India are not treated as cooperatives. Most of the various State Cooperative Laws, in fact, ban the use of word 'cooperative' by non-cooperative organisations. However, the Ministry of Agriculture, Government of India has prepared a 'Citizens' Charter' and made public through the print and electronic media whereby it has committed itself to the welfare and economic upliftment of the farming community in general by formulating policies for improving agricultural extension services by adopting new institutional arrangements through the involvement of NGO's, Farmers' Organisations and Agricultural Universities aiming at integrated extension services.

**8.3 *Distinction between cooperative and informal farmers organisations.*** In the context of India, the cooperative societies and informal farmers organisations are not comparable because of the following reasons:

- A cooperative society has to be necessarily registered under one of the cooperative societies legislations, whereas informal farmers' organisations may be registered or may not be registered. They are normally registered under the Societies Registration Act 1860.
- A cooperative society is normally a business organisation where members contribute towards it share capital and are responsible in its profits or losses. An informal farmers' organisation is

usually not a business enterprise but a promotional body, which is funded through subscription or donations.

- The rules of a cooperative society are based on the cooperative principles. No such principles exist for informal farmers organisations.

## 9. COOPERATIVE LEGISLATIONS

9.1. Sir Frederick Nicholson's report of 1895 led to the creation of cooperative credit societies in different parts of India, as a policy and programme of the Government, and subsequently to the wider establishment of the cooperative movement in India. So far as Cooperative Legislation in India is concerned, it dates back to 1904 when the first Cooperative Societies Act was passed. With the passage of this legislation, it can be said that the era of organised cooperatives began in India. It was restrictive in scope, as it permitted only small primary credit societies meant for peasants and urban people requiring small sums and kept non-credit and federal societies out of its purview. The societies were classified as rural and urban. The rural societies were to have limited liability and could not pay any dividend. All profits were to be carried to the reserve fund. However, the 'movement' that began with the enactment of this law, was not motivated by the farmers nor had any open minded or progressive leadership. It was mainly a government-sponsored activity under the garb of cooperatives. The resources of these societies came from the government and no effort was made either to train the employees of the societies or to educate the farmers about cooperative principles. These societies also did not cater to the other needs of the farmers such as requirement of funds for other purposes like buying of cattle, bullocks or marriages etc. As such the farmers continued to depend for these requirements on the traditional money lender.

9.1.1. The shortcomings of Cooperative Societies Act 1904 came to the notice of the Government. Therefore the act was modified in 1912. The Cooperative Societies Act 1912 removed many of these inadequacies. The scope of cooperative societies was enlarged enabling non-credit societies and central/federal societies also to be registered. The new legislation provided for payment of dividend to the members, which motivated the people to join the societies voluntarily. This served as a model for subsequent Acts passed by various State Governments when cooperative societies became state subject. In 1915,

Maclegan Committee appointed by the government to review the movement recommended the need for audit and supervision of the societies through the cooperative department and emphasised on the mobilisation of deposits by these societies.

9.1.2. The subject of 'cooperative societies' was transferred from the Central Government to the State Governments under the constitutional reforms of 1919. The states become competent to frame their own cooperative laws. Bombay was the first state to pass the Bombay Cooperative Societies Act 1925 incorporating provisions suitable to local conditions. Many other state governments also set up committees and commissions to examine the functioning of cooperative societies in their respective states. The Royal Commission on Agriculture that was appointed in 1928, brought out the strengths and weaknesses of the movement, stressed that cooperative movement should not be allowed to fail and commented, "If cooperation fails, there will fail the best hope of rural India". The economic depression of 1929 led to all round fall in prices and farmer could not get adequate return from his produce. It resulted in heavy over dues. The farmers started raising huge loans by mortgaging their lands as security. To save farmers from being exploited by the unscrupulous moneylenders, 'Cooperative Land Mortgage Banks' were started. The first such bank was established in Madras in 1929. Subsequently other banks also came into existence in Maharashtra. In 1935, Reserve Bank of India was set up inter-alia with a department for Agriculture Credit. This department submitted a report in 1937 to Reserve Bank on Cooperative Movement and suggested a general reorganisation of the Movement on sound lines.

9.1.3. The All India Rural Credit Survey was initiated by the Reserve Bank of India in August 1951 with the object of collecting such facts and statistical information as would assist the Reserve Bank, The Government of India and the State Governments in the formulation of an integrated policy in the sphere of rural credit. The planning and organising of the Survey was entrusted to a Committee of Direction consisting of Mr. A.D. Gorwala (Chairman), Prof. D.R. Gadgil, Mr. B.N.Venkatappiah and Dr. N.S. R Sastry (Member Secretary). The filed enquiries covered 1,27,343 families in 600 villages selected in 75 districts all over the country. Investigations were also held in several other rural and urban places, which were the centres of marketing or the seats of administration. The committee observed "Although co-

operation was inadequate, as it could not help being inadequate, in these conditions, the committee believes that there is no alternative to the cooperative form of association in the villages for the promotion of agriculture credit and development. Cooperation must, therefore, be enabled to succeed.”

9.1.4. The Rural Credit Survey Committee recommended major reorganisation of cooperative credit, agricultural marketing and an important ‘State associated’ sector of commercial banking for the benefit of the rural area and especially the smaller cultivator and handicraftsman. Empathetically rejecting the more orthodox positions of previous Committees, it advocated effective partnership of the State in both Co-operation and Banking as the only means by which the weaker rural producer can be freed from the shackles of powerful interests and helped to develop in strength and prosperity. Among the many important proposals made by the Committee, reference can be made to the creation of five National Funds, the formation of a National Cooperative Development and Warehousing Board with its auxiliaries and establishment of a State Bank of India. It also recommended that both the officials and non-officials working in the cooperative movement should be properly trained. The Committee’s recommendation that promotion of cooperative be accepted as part of State policy in the development of various economic activities particularly in those providing support to agriculture led to state partnership in the share capital of cooperative societies and in their management.

9.1.5. The Committee on Cooperative Law (1955) appointed by the Government of India suggested a number of modifications in the cooperative legislation for giving effect to the concept of state partnership and accordingly various State Cooperative Societies’ Acts were amended which in effect also strengthened the government control on the cooperative institutions. In 1958, the National Development Council adopted a Cooperative Policy Resolution, which inter alia also examined the cooperative legislative framework. The Council had observed; “many of the existing procedures impede the development of cooperation as a popular movement in which small groups and committees can function freely and organise their work and activities along cooperative lines without excessive official interference and red tape. The restrictive features of existing cooperative legislation should be removed and both the present cooperative laws and



model legislation and rules which have been under consideration of the state should be modified in accordance with the approach outlined in this Resolution”.

9.1.6. Subsequent expert committees/working groups that have influenced the course of cooperative legislation in India are committee on Cooperative Administration (1963); Mirdha Committee on Cooperation (1965); Working Group on Cooperation of Administrative Reforms Commission (1967); Brahm Perakash Committee (1991) and the recommendations of various committees and cooperative congress convened by the National Cooperative Union of India. The Committee on cooperative Administration while examining the role of Registrar Cooperative Societies felt that in order to make cooperative movement people’s movement in real sense of the term and to foster popular initiative within the cooperative movement, it is necessary that the role of Registrar should be confined to that of a “friend, philosopher and guide” to the cooperative movement and many of the powers which have been concentrated in his hands should be transferred to the federal cooperative organisations.

9.1.7. The Mirdha Committee gave a new orientation to cooperative law. The committee analysed criteria of genuine cooperative societies and removal of vested interest from them. However, on the pretext of promotion of genuine cooperative movement by removing vested interests, the state governments made cooperative legislation more and more restrictive and stringent pushing cooperative character of the movement in the background. The working group on Cooperatives of Administrative Reforms Commission also propounded similar thinking as given by the Mirdha Committee. The Working Group made it clear that the law should aim at promoting cooperation as people’s movement full of self-regulation and self-control. In view of this the powers of audit, supervision and control that vested in the Registrar should be transferred to the cooperative institutions. However, the Registrar should continue to exercise checks and balances in order to maintain steady growth of the cooperative movement based on cooperative principles.

9.1.8. The Conference of Chief Ministers and State Ministers of Cooperatives which met at Madras in 1968 considered certain important aspect of management of cooperatives with a view to stem the growth of vested interest in cooperatives and to ensue that economic benefits conferred by cooperatives flow in a larger measure to the weaker

sections of the community. This conference suggested certain legislative measures to be introduced relating to:

- a) Exclusion of moneylenders, etc. from becoming members of cooperatives;
- b) Reservation of seats on the Board of Management of cooperatives for weaker sections;
- c) Restriction on holding office for more than the prescribed term;
- d) Restriction on holding office simultaneously in a number of institutions;
- e) Regulation of loans to officer-bearers;
- f) Regular election by an independent authority.

The above recommendations were accepted and legislative changes made. In the process, many state governments amended their Acts to give additional powers to the government as well as to the government nominees on the Board of Directors of Cooperatives. These related to the power of veto of Board decisions, issue of directives to cooperative by Government/Registrar, appointment of personnel in cooperatives as also approval of the terms and conditions of their service. These provisions have led to progressive erosion of the autonomy of cooperative, an essential concomitant to their democratic character.

9.1.9. Committee on Cooperative Law (Ardhanareeswaran Committee) in its report in 1987, examined various State Cooperative Acts and made the following observations:

- The existing Cooperative Societies Acts contain provisions, which militate against the democratic character and the autonomy of cooperatives.
- Over the years, the Registrar has acquired undue powers in respect of management decisions of the cooperatives, which should be curtailed.
- The role of the Registrar should be made more positive and he should be looked upon as a development agent.
- The federal cooperative societies should play a more active part in the developmental functions relating to promotion, organisation, proper functioning and growth of the affiliated cooperative societies.

- The changing complexities of member management, human resource development, financial management have necessitated availability of professional assistance to cooperatives through adequate trained and professional paid staff on appropriate terms working under the general guidance of a democratically elected body.

9.2. **Review of current situation.** The essence of cooperative organisation is the principle of democratic management, signifying institutional regulation by the members and their elected representative in accordance with the byelaws. It precludes control and interference by any outside agency including government except the usual penal action in proven case of abuse. The cooperative law has to respect this aspect. However, trends that have emerged during the post independence period present a different picture altogether. With the faster growth of the cooperative movement through increased government aid, the control of the government over the movement through incorporation of restrictive features in cooperative legislation has been stronger and tighter stultifying cooperative leadership, generating members' apathy and curbing local initiative at grass root level. The compulsory amendment of byelaws by the Registrar; The power of government to nominate directors on the committee of the management; the Power of the government to veto or rescind resolutions; the Power to supersede the management; Restriction on the term of office: Restriction on holding office in a number of cooperatives simultaneously etc are some of the restrictive provisions still in force in the cooperative laws of the various states.

9.3. **The Multi-State Cooperative Act, 2002.** The law relating to formation and management of multi state cooperative societies has been amended with the enactment of Multi-State Cooperative Societies Act 2002. The new law comes into force with effect from 19th August 2002 and repeals the earlier law contained in the Multi State Cooperative Societies Act, 1984. The new law is not very different from the earlier one. However, it envisages a number of modifications. The more important of them are as follows:

- Under section 7 (3) of the Act, the Central Registrar can refuse registration of a society. However, he is required to communicate to the person authorised on behalf of the proposed society, the order for refusal to register the society along with his reasons for doing so. The aggrieved person may prefer an appeal with

the prescribed authority within 60 days and the decision of the appellate authority shall be final.

- Section 25 (4) lays down that every eligible person may be admitted to a society and decision in this regard should be communicated to the applicant within 15 days. However, if the decision is not taken or decision taken is not communicated, it will be deemed that membership has been refused by the society.
- Section 41 has restricted the number of members of the Board of Directors to 21. In addition, two members can also be co-opted.
- Section 44 prohibits holding of office of Chairperson or President or Vice-Chairperson or Vice-President of a multi-state cooperative society, after he has held the office as such during two consecutive terms
- The term of office of the elected members of the board has been restricted to five years from the date of elections vide section 45 (5).
- Section 46 says that no person shall be eligible to hold, at the same time, office of President or Chairperson or Vice President or Vice Chairperson on the board of more than two multi-state cooperative societies.
- Section 53 restricts the number of committees or sub-committees of the Board other than the Executive Committee to three.
- The manner of utilising the funds of the society has been restricted/regulated by section 64. The cooperative principles require that funds of the society should be used ultimately to serve the interests of the members and for their economic and social betterment.
- The new Act also contains the provision whereby the Central Registrar can issue directions to a society under section 122 and to supersede the board of directors under section 123 under certain circumstances.

## 10. CONCLUSIONS AND RECOMMENDATIONS

10.1 **Conclusion.** A perusal of a last four decades of growth of agricultural cooperatives in India does convince one of the deep roots the movement has taken. It has made steady progress in all fields and has

immensely contributed to the national economy. The milk revolution in India is only because of the efforts of Dairy cooperatives. IFFCO is the largest producer of chemical fertiliser in the country. The sugar cooperatives produce about 60% of India's total sugar. Besides storage facility at village level 64.5%, Handlooms in cooperatives 55%, Cotton marketing and procurement 59.5%, marketing of branded oil 50% manufacturing of ice cream 45% and animal feed production/supply 50% are a few landmark achievements of the agricultural cooperatives in national economy. The movement has covered 100% villages of India. It has grown in size, number, membership, share capital, turnover, deposits etc. Nonetheless, the agricultural cooperatives particularly at primary level suffer with a large number of deficiencies in their functioning. To outline a few; a) management of most of these societies is devoid of professional approach; b) These are still considered to be a handmaid of politics whereby economic interests are subordinated to political expediency; c) Dominance of vested interest in the management and working of these societies do not allow them to function freely and smoothly in the interest of members; d) A large number of societies are found involved in malpractices and favouritism and misuse of funds; e) continuing dependence of these societies on government has brought bureaucratic control and interference thereby adversely affecting their democratic and autonomous character.; f) weak and inefficient management has made most of them non-viable as commercial units;. g) Weak financial base; h) unprofessional approach and untrained employees; i) lack delegation of authority; j) still not able to compete with private trade in terms of quality and cost k) Agro-processing units have old and outdated machinery; l) have not adequately planned to meet the challenges of globalisation.

10.1.1. Now the question is what is the future of agricultural cooperatives in India. Can they survive against the fierce competition, which is an integral feature of modern phenomenon of globalisation? Their survival and flourishing would largely depend on the; capability of these societies to take positive lessons from the past and adopt themselves to far-reaching changes in the business environment including the technological changes, techniques and practices the world over. The extent and type of support that the government can extend without impairing the democratic and autonomous character of cooperatives can also pave way for the success and development of agricultural cooperative societies.

10.2. **Recommendations.** The following recommendations are made:

- i. There is no uniformity in the structure of agricultural cooperatives in India. In certain states, it is a two-tier structure i.e. primary and state level, while in others it consists of three tiers i.e. primary, district or regional and state level. In order not to impede the growth and development of primary societies, it will be advantageous to eliminate the middle tier. The district level societies be amalgamated/merged with the state level federations and they should work as the branch of the state society. In the present scenario, the cooperatives at various levels vie to outbid each other. This adversely affects their efficiency and capacity as a structure and system to confer benefits on the farmer members at the village level. Their approach to the problem must be essentially from the service angle rather than for sharing the existing business available.
- ii. The primary societies should do most of the business. The state federations should perform the promotional role. If the agricultural societies at both levels do the same business independently, another tier is created that leads to not only an increase in cost but also creates a competitor, which is not in the interest of cooperatives themselves.
- iii. The functional efficiency of the cooperatives cannot be stepped up without providing adequate operational autonomy to them. This cannot be done without eliminating unnecessary controls and regulations of the government. Therefore, the cooperative laws should be suitably modified. The approach should be to give a genuine character to cooperatives, to facilitate building of an integrated cooperative structure so as to evolve a cooperative system, make the federal organisation at various levels more responsive and responsible towards their members, to minimize government control and interference to enable co-operators and cooperatives to develop self-reliance and self-confidence with power of decision making and to eliminate politicisation.
- iv. The government should not contribute towards the share capital of the cooperatives. This leads to bureaucratic control and interference by the government. The existing share capital of the government should be converted in long-term loan to be repaid in instalments in 15 to 20 years. The financial needs of

agricultural cooperatives should be met through the cooperative banks and other financial institutions.

- v. The incentives offered by the government to the private trade should also be extended to the cooperative sector because this is an equally important segment of the Indian economy.
- vi. Processing is an important stage in agricultural activity. Most of the agricultural commodities in their original form are not largely accepted and have to undergo one or more stages of processing before reaching the ultimate consumer. It is instrumental in value addition, initiate industrial development in the region; reduce post harvest losses, higher price realisation for the farmers, raising employment etc. National Cooperative Development Corporation (NCDC) has to play more proactive role in this regard by incorporating major changes in the policy framework. In addition the cooperative units themselves have to make concerted efforts in identifying their problems, working out remedial measures and executing them effectively.
- vii. The cooperatives would not be able to accomplish their perceived objectives without bringing about a qualitative change in their management systems and practices. Result-oriented management is the need of the hour. Presently, their management is rudimentary. In order to win the confidence of the people and to compete with the private enterprise and also to utilise emerging opportunities from the globalisation, they will have to induct new breed of professional managers to put their management on sound footings.
- viii. Proper emoluments, security of job, prospect of career growth and assurance of fair deal by the management will go a long way in attracting management professionals to the cooperatives. The need is that the persons from within the cooperatives should man the top posts. The formation of independent cadre along with the arrangement for proper training and short period refresher or functional courses will progressively de-bureaucratise the management to a great extent and would be advantageous to the societies.
- ix. There should be proper delegation of powers at various levels to enable the functionaries to take quick and appropriate decisions. The National Federations or the State Federations should have

the responsibility to draft business, financial, personnel, storage manuals, procedures and systems and circulate them to the concerned societies for adoption and implementation. This will not only bring uniformity in approach but will also instil confidence amongst the employees. They will have fewer doubts, require little clarifications on procedural matters and minimise the need to use the discretion. This will reduce the chances of favouritism and malpractices.

- x. The cooperatives should have a healthy interaction and business relations with the private trade. They should not, however, use the private enterprises as their substitute in obtaining business from the government. This is against the spirit of cooperative principles and will ultimately give a bad name to the cooperative movement as a whole.
- xi. There are a large number of farmers' organisations in India. They are more of political nature. There is no law to govern their conduct or activities. Many of them do not have even a proper constitution. They cannot be compared with the cooperatives, which are basically business organisations established to serve their members and are governed by the cooperative laws of the country.
- xii. The cooperative education and training is an area where more attention is to be paid. It will provide very sound foundation to the entire cooperative movement. The education and training is required not only for the employees of the cooperative societies, but also to the elected representatives who are entrusted with the democratic control over their affairs.

**10.3 Action plan for strengthening agricultural cooperatives.** The problems of agricultural cooperatives in India are very complex and pervade deeply in to almost all aspects of their functioning. So, neither there can be a single formula nor can there be a short cut to solve them. Therefore, based on the past experience and availability of resources, a comprehensive plan is to be drawn. The essential elements of a plan for development of agricultural cooperatives at all levels i.e. primary, central, state or national are a) setting out priority; b) fixing targets; c) time planning; d) planning for resources; e) monitoring of the plan and f) evaluation to gauge whether success has been achieved. Keeping these factors in view, the following action plan can be drawn to include the following measures:



- i) *Revitalise non-viable societies:* It is better to have less number of competent and viable agricultural societies than a large network comprising overwhelmingly by the non-viable, non-performing ones. The non-viability may be due to variety of reasons such as wrong location, inadequate coverage of membership, incapability on the part of the societies due to any reason like lack of knowledge, experience, training, funds, interest by the managing committee members or inefficient / incompetent staff etc to mobilise resources and the resultant inadequacy of business and revenue receipts. A committee consisting of Cooperative Leaders and Government representatives of various states may be constituted in different states to identify such societies. Thereafter, if by amalgamating two or more societies, one viable society can be formed, it should be done otherwise the unviable societies may be liquidated.
- ii) *Restructure and integrate different tiers:* Non-uniformity in the existing structure of agricultural cooperatives and the institutions doing similar business at different levels generates a tendency to compete and outbid its other member organisations leading to competition instead of cooperation among cooperatives. Therefore the existing three or four-tier structure should be replaced by two tier structure i.e. at primary and state level. With a view to have a better grip of the situation, the larger states like Rajasthan, which consists of 3,42, 239 sq. kms, the state federation, in addition to head office in the state capital, may have branch offices each covering about 10 districts. For this purpose again, the process of amalgamation / merger / elimination of the existing middle level societies will have to be initiated. At national level, of course, there will be one society on sector basis such as agriculture credit, marketing, tribal cooperatives, tobacco growers, fertilizer, sugar, spinning, dairy, fisheries etc consisting of state federations.
- iii) *Clearly demarcate functions and business operations:* In order to avoid overlapping in functions of primary and state societies, it is necessary to clearly define their duties, responsibilities and functions in the byelaws. The entire cooperative structure is fundamentally shaped for the benefit of the farmer. Therefore, business activities should be undertaken by the primary societies where the individual farmer is a member. It should not be forgotten that all other paraphernalia is created to assist and help

the farmer through the primary societies where he is a member. Thus the approach of the state societies should be to serve the primary member societies and not to become their competitor in the existing business available.

The state society, for example, may have the following functions at State Level vis-à-vis its member societies:

- To act as their spokesperson.
- Explore new areas of market and coordinate with member societies in promotion of business
- Assist & guide members to improve their operational and managerial efficiency.
- Publish books, periodicals, journals to update the professional knowledge of the members and employees of the member societies.
- To issue guidelines/ manuals in the various managerial fields such as finance & accounts, personnel, procurement, purchases, marketing, production, storage, transportation, packing, value addition, imports & exports etc.
- Liaison with State Government, national societies and other organisations and manufacturers, suppliers, buyers etc.
- Help the member societies in appointing professional / skilled and experienced staff.
- Arrange professional trainings, courses, seminars, for the employees of societies to improve their efficiency and professionalism.
- Training programmes, courses, seminars, conference, meetings etc. should be arranged for farmers in general and cooperative leaders in particular to make them cooperatively educated and also to make them aware of their rights, duties and responsibilities.
- Provide research and consultancy services to the member institutions.
- Develop on line services to members & establish sound information network to help them in taking timely and appropriate decisions.
- To under take joint ventures with the member societies in the areas where they are unable to do business independently.

The following functional areas may come within the jurisdiction of the National Society at national and international level:

- To act as their spokesperson and raise the issues before the Central Government and other bodies at national level.
- Assist & guide members to improve their managerial efficiency.
- Publish professional books, periodicals, journals etc.
- Liaison with Central Government, other national societies and organisations.
- Arrange seminars and conferences for exchange of views and taking appropriate decisions on vital matters affecting member cooperatives in the country.
- The National Societies through State and Primary Level Societies may handle the price support operations, market intervention schemes and other large procurement/distribution operations of the Central Government.

iv) *Funding of National and State Societies*: Under this model, National and State Level Societies are not supposed to do any business. As such, they will be having no perennial source of income to meet their day-to-day expenses. The income that could be generated through subscription or membership fee etc will not be obviously sufficient. Since these societies are basically serving their member primary cooperative societies, it will be their responsibility to provide funds to the state and national societies. For this purpose, a fixed amount say quarter or half percent of the turnover of each society will be transferred to state and national societies. For this purpose, respective Cooperative Societies Acts could be suitably modified to make provision on the lines of education fund as envisaged in section 63 of the Multi-State Cooperative Societies Act 2002. If the funding to national and state cooperative societies is by the primary societies, the national and state societies will ensure that the primary societies run on profit in the interest of their own survival. The control will be in the hands of the primary societies i.e. indirectly in the hands of farmers.

v) *Liberalise Cooperative Laws*: The efficiency of agricultural cooperative societies cannot be stepped up without providing adequate operational autonomy. For this purpose elimination of unnecessary controls and regulations of the government is essential. The bureau-

cratic control and interference has also adversely affected the democratic and autonomous character of these cooperatives.

vi) *Abolish the Institution of Registrar:* It is the most superfluous but powerful institution in the entire framework of cooperative structure and is the major source of all difficulties that the cooperative movement in India is facing today. It does not allow the cooperatives to function democratically and independently. The Registrar can refuse the growers the right to voluntarily set up a cooperative society; can amalgamate, merge, divide cooperatives; can unilaterally amend the byelaws; can conduct and withhold elections; can nominate persons to the Board of Directors or managing committee of a cooperative society; can supersede the board and appoint a new one, who may not necessarily be the members; decide on staff strength, recruitment procedures and service conditions of employees; can decide on investment of funds by cooperatives; can appoint auditors and receive the report; can liquidate or continue the existence of a cooperative even when members think otherwise. The concept of Registrar was initially introduced in the cooperative movement as a friend, philosopher and guide. But with the passage of time, it has assumed the character of creator, preserver and destroyer all combined in one. With such vast and draconian powers that are vested in the Registrar, where is the democracy, which is the essence of cooperatives.

vii) *No Governmental Aid to Cooperatives:* The cooperatives could not stand on its own feet even after a century of its initiation in India largely because of the governmental interference in the garb of aid - financial or otherwise - to them. In the beginning, the government wanted to discharge its social responsibilities towards farmers but the bureaucracy did not want to take the risk, and blamed for the failures. Therefore, it made the cooperative movement a tool to discharge such responsibilities. To ensure their existence, the government extended financial and other assistance such as a) to provide business to cooperatives by awarding contracts even if the amount quoted is higher, b) extended a lot of concessions, facilities and benefits like exclusive business to cooperatives in the matter of buying stationery, distribution of sugar, salt, tea and other items through public distribution system, c) waiving of condition of depositing total or partial earnest/security amount, d) disposal of confiscated goods through cooperatives; e) purchase of goods by government departments from cooperatives without quotations etc.

This policy of the government has severely damaged the cooperative fabric in many ways. To cite a few, it made the cooperatives crippled and disabled. They became permanently dependent on government. Secondly, when the government is financing the cooperatives, it naturally wants to have a say in its affairs on the pretext of protecting its financial interests. This brought excessive government control thereby adversely affecting its democratic and autonomous character to the extent that the general public perception of cooperatives in India is that these are government organisations, which is blatantly untrue. Thirdly, the subsidies, quotas, permits, easy loans, business preferences etc tempted and lured the undesirable and corrupt elements to cooperative fold. This discourages the honest and sincere persons to come forward to take responsible positions in cooperatives.

viii) *Strengthen financial base of agricultural cooperatives*: It is absolutely necessary that the agricultural cooperatives should make their own fund base strong. The enlarged financial stake in the society makes the member more keenly interested in its affairs. This apart, on strong owned fund base, the society can obtain loans from the commercial/cooperative banks easily. This can be done by increasing contribution from the members and further asking them to leave their profit or at least good portion of it with the society and in lieu of it, deposit certificates maturing say after three years be issued to them. This can become a revolving financial plan.

A programme should be drawn to enrol a large number of individual members in the primary societies. This will help in improving their share capital fund. In addition, there should be compulsory financial contribution from the members, which should be up to a certain percentage of the turnover of the members' sale. It should be credited to the members account and a reasonable interest be paid to him. These measures will strengthen the financial base of such societies.

ix) *Improve Quality of Management*: Cooperatives would not be able to accomplish their objectives without bringing about a qualitative change in their management systems and practices. Result oriented management is the need of the hour. If the cooperatives have to win the confidence of the people and compete with the private trade, they will have to induct a new breed of professional managers to put their management on sound footing.

The management of cooperative societies can attract competent professionals if proper emoluments, security of job, prospect of promo-

tion and an assurance of fair deal are promised. The competent persons within the organisation should be given a chance to man the top posts. Arrangement for proper training and short period refresher or functional courses will progressively enhance their professional skills to the great advantage of the societies.

x) *Combine Marketing with Processing*: Combining marketing with processing would enable the agricultural societies to take advantage of better marketing conditions. It is instrumental in value addition, initiate industrial development in the region, reduce post harvest losses, higher price realisation for the farmers, raising employment etc. Some societies have already started processing of agricultural commodities. However, much more is yet to be done. Whatever development in this field has taken place is restricted to a few commodities such as paddy, sugarcane, cotton fruits and vegetables. Processing activities are yet to gain momentum in such important areas like maize, gram, oilseeds, spices, dry fruits etc. In order to enable the societies to take up processing on modern lines, it is necessary to increase the size of the organisation. This will enable them to cover a wider area and undertake more developed and diversified business.

xi) *Utilise the informal farmers organisations*: The informal farmers organisations are no threat to cooperatives. In the Indian scenario, there is basic difference between the nature, structure and to some extent objectives of these organisations. A cooperative society has to be necessarily registered under one of the cooperative societies legislations, whereas informal farmers' organisations may be registered or may not be registered. Further, a cooperative society is a business organisation where members contribute towards it share capital and are responsible in its profits or losses. An informal farmers' organisation is usually not a business enterprise but a promotional body, which is funded through subscription or donations. However, since the essential and ultimate objective of these organisations is the welfare of agriculturist, such farmers' organisations can be effectively used by the cooperatives to mobilise public opinion in its favour and to pressurise the government to look into the problems of agricultural cooperatives. For this purpose, the state and national level federations should keep a list of such organisations with contact address of their key leaders and maintain close liaison with them. There should be proactive interactions between the two more frequently by arranging conferences, seminars etc. where the ways and means to solve the

general problems of the farmers can be discussed and line of action decided for future course of action.

xii) *Food Security & WTO Policies*: For Indian agricultural cooperatives, there seems to be no immediate direct hazard from WTO. Only State Trading Enterprises come under the purview of WTO according to article XVII of GATT 1994. The GATT however has not provided any definition of what constitutes State Trading. Irrespective of the fact, whether agricultural cooperatives are state trading enterprises or not, there is indeed a real fear that Indian Agriculture may get swamped by giant international grain enchanting firms, especially in commodities such as wheat, where India is not globally competitive and that there is also a threat perception that Indian food security may get adversely affected if faced with cheaper imported grains. To dispel such fears, it is necessary to work out new types of modalities so that the agricultural cooperatives continue to function without being adversely affected by WTO obligations. Some of the immediate steps that can be initiated are:

- Evolve a system of appropriate quality standards for major agricultural commodities, which should explicitly incorporate the requirement of other countries.
- Provide available technology to the farmers to improve yield levels and reduce yield risks.
- Marketing infrastructure such as cold and other storages, testing labs etc. be established in the cooperative sector.
- Training programmes be organised to help improve quality and productivity.
- The agricultural cooperatives have to professionalise their management cadres in order to bring in the required efficiency in planning and operations.
- Networking of cooperative institutions should be done in order to reduce costs, explore new markets and share production and market information.
- India must fully exploit the quarantine and phyto-sanitary provisions to resist injudicious inflow of various agricultural commodities.
- Genetically engineered or modified seeds must be labelled to discourage their imports.

- Anti-dumping mechanism be strengthened to curb the menace of dumping.
- Provide farmers possibilities to go beyond producing food for their families and generate income from the commercial market. Strengthen the farmers' organisations to better balance the market power of the giant multinational companies that dominate the food chain.
- Provide farmers with secure access to resources on a long terms basis such as access to electricity / power, credit, improved seeds and livestock, irrigations facilities etc.
- Build efficient infrastructure for marketing, transportation and communications.



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# ICA CO-OPERATIVE IDENTITY STATEMENT

## DEFINITION

A Co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

## VALUES

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, Co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

## PRINCIPLES

The Principles of Co-operation are guidelines by which Co-operatives put their values into practice.

**First Principle: Voluntary and Open Membership:** Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

**Second Principle: Democratic Member Control:** Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women, serving as elected representatives, are accountable to the membership. In primary Co-operatives, members have equal voting rights [one member one vote], and Co-operatives at other levels are also organised in a democratic manner.

**Third Principle: Member Economic Participation:** Members contribute equitably to, and democratically control, the capital of their Co-operative. At least part of that capital is usually the common property of the Co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their Co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the Co-operative; and supporting other activities approved by the membership.

**Fourth Principle: Autonomy and Independence:** Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their Co-operative autonomy.

**Fifth Principle: Education, Training and Information:** Co-operative provide education and training for their members, elected representatives, managers, and employees, so that they can contribute effectively to the development of their Co-operatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of Co-operation.

**Sixth Principle: Co-operation among Co-operatives:** Co-operatives serve their members most effectively and strengthen the Co-operative Movement by working together through local, national, regional and international structures.

**Seventh Principle: Concern for the Community:** Co-operatives work for the sustainable development of their communities through policies approved by their members.

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