

# Cooperative Agriculture and Rural Economy

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## INTRODUCTION

Cooperative Agriculture is start with cooperative movement in India is one of the largest movements in the world, with a legacy spanning over a century. The Cooperative movement was introduced in the country primarily to free the farmers from the clutches of money lenders. Thus the first Cooperative Credit Societies Act of 1904 was passed with a focus on freedom for farmers from debt burden. The thrust was to establish primary credit societies. Under the Government of India Act of 1935, Cooperatives were categorized under the provincial subject and the Multi-unit Cooperative Societies Act was enacted in 1942. Cooperative was taken as the State subject in the Constitution of India and it assumed greater importance for economic progress, after independence.

Cooperatives became a part of the National Development Plans from 1950. The First Plan (1951-56) recommended the training of personnel involved in cooperative development and setting up of cooperative marketing societies. In 1954, the All India Rural Credit Survey Committee recommended an integrated approach to cooperative credit and highlighted the need for expanding its role for diversification into various business operations. The Second Plan proposed to expand the activities under the cooperatives with specific emphasis on storage and warehousing services. In 1958, the National Development Council prepared a National Policy on Cooperatives. The Third Plan proposed to involve the cooperatives in processing of agricultural commodities such as sugarcane, cotton, milk, etc. and take up other agro-based activities such as spinning and weaving. A Cooperative Training College was established in Pane with many regional centers to build capabilities of the staff, office bearers and farmer members. The Fourth Plan emphasized on the consolidation of the cooperative systems. The Fifth

Plan focused on reorganization of marketing and consumer organizations to support agricultural development. The Sixth Plan aimed at transforming village primary societies into multipurpose societies and to extend the activities to food processing, fishery, poultry, dairy farming and other fields. The Seventh Plan emphasized on people's participation to achieve the basic objectives, with a focus on employment generation and poverty alleviation. Thus, since its introduction, the cooperative movement in India has been considered more as a product of Government Policy rather than a people's movement. Nevertheless 100% villages and 75% of the rural population in India are serviced by the cooperatives today. It is estimated that there are 5.45 lakh cooperatives functioning with 2.36 core members and a working capital o 34,000 core, who have made significant contribution to the development of institutional infrastructure, formation of private capital, distribution of agricultural inputs, and processing and marketing of the produce, which are the key components of value chain development. Cooperatives have also been active in the areas of land development, water resources management, farm machinery services,

Power distribution, labour supply and many other sectors. Cooperative organizations had several advantages such as easy access to financial and administrative support for developing critical infrastructure and services required to boost agricultural production and to replicate on a wider scale. However, the disadvantage was lack of active participation of all the farmer members, as formation of cooperatives was taken as a mandatory target of the ongoing development schemes launched by the Government, without any awareness for the members and clear cut objectives. This has led to inefficiency and dominance by a small number of members to take undue advantage of the institutions, ending up in failure. Overstretching of the capabilities of the

institutions without adequate technical, administrative and monitoring support could be the other reason for poor performance of many of the cooperatives. The time is now ripe to analyze the current status of agricultural cooperatives and identify the factors which can enable them to improve their capacity to boost agricultural production in the country.

#### ROLE OF COOPERATIVES AND THEIR PROGRESS

- Different types of cooperative societies operating in India with different activities can be grouped into the following four categories:
- Production Cooperatives which deal with agricultural and industrial production, such as Farming Cooperatives, Industrial Cooperatives and Processing Cooperatives.
- Marketing Cooperatives which are engaged in marketing of agricultural produce, such as Agricultural Marketing Societies and Consumer Cooperatives.
- Service Cooperatives which provide services necessary for their members, such as Cooperative Credit Societies and Cooperative Banks and also Housing Cooperatives,
- Allied Service Cooperatives which are dealing with activities necessary for daily life and business of the agriculturists, artisans, etc.

#### AGRICULTURAL PROCESSING COOPERATIVES

The first processing cooperative society was established in India for setting up of a ginning factory in 1917. Subsequently, cooperatives for sugar processing, paddy milling, groundnut decorticating, copra and oilseed crushing, processing of fruit, vegetables, tea and jute were established. These processing cooperatives with individual farmers, cooperative marketing societies and local service cooperatives as members, are regulated by cooperative rules and by-laws.

Farmers in India have been growing sugarcane from time immemorial but the first sugar plant was established by a French group in Odisha in 1824. The first vacuum pan process sugar plant was set up in Bihar in 1904. By 1932, there were 31 sugar factories,

all in the private sector, producing 1.5 lakh tonnes while the annual consumption was about 12 lakh tonnes. Hence India had to import sugar mainly from Indonesia. With favourable policies, there was a sudden spurt in the establishment of sugar factories. By 1933-34, there were 111 sugar factories with 4.6 lakh ton production, which further increased to 148 factories with 11 lakh ton capacity by 1940-41, all in the subtropical regions of north India.

However, sugar was in short supply and the production was unstable due to heavy fluctuation in the supply of sugarcane. The private sugar factory owners were exploiting sugarcane farmers and the Government had to take various measures to protect sugarcane growers. Meanwhile, sugarcane growers in other states engaged in jaggery production were affected by the glut in the market and exploitation by moneylenders. Hence, there were many initiatives to establish sugar cooperatives and the first cooperative was established in Andhra Pradesh during 1933-35. Although sugarcane was not a principal crop, the growers were badly affected by the violent fluctuations of the jaggery market. Hence, they decided to set up cooperative sugar factories at Etikoppaka, Thummapala and Vuyyuru. However, due to initial teething problems, lack of managerial ability and scarcity of funds, Thummapala and Vuyyuru had to be sold off to private enterprises. Etikoppaka Cooperative Sugar Factory survived because of good leadership, strong backing of the Central Cooperative Bank, and payment of higher cane price. During 1933-35, another cooperative sugar factory was set up in Uttar Pradesh, but sold off to a private enterprise. In 1948, the Government of India passed the Industrial Policy Resolution, followed by the Industrial Act, 1956, wherein the principle of Cooperation was assigned an important role for the economic development of the country, particularly for industries based on agricultural produce. Under this policy, the Government of India gave preferential licences to new sugar factories in the cooperative sector. This created an opportunity not only to establish cooperative sugar factories, but also to establish irrigation facilities to bring arid areas under sugarcane production, while generating huge employment opportunities all round the year. In Maharashtra too, there were many private sugar factories who were exploiting sugarcane growers.

The Government of India further protected the cooperative dairy sector, by restricting the milk processing exclusively to cooperatives. Presently, 170 Milk Producers' Cooperative Unions and 15 State Cooperative Milk Marketing Federations are involved in milk processing. However, many of these dairy federations could not function successfully, in the true spirit of a people's movement, barring a few states. Nevertheless, the dairy cooperatives account for the major share of processed liquid milk marketed in the country. During 2004-05, there were 12.95 million members of dairy cooperatives who sold milk and milk products worth ` 3,320 crores. Dairy Cooperatives have been instrumental in transforming the rural economy on the lines of cooperative sugar factories. Several agro-processing cooperatives have also been set up in the country, but the progress has been slow. Some of the cooperatives were successful in establishing rice mills, dal mills, oil mills and processing of vegetable and plantation crop produce. However, in the absence of special protection, these cooperatives had to face stiff competition from private entrepreneurs, not only due to delay in decision making but also due to unfair trade practices. For promotion of agricultural production, processing, marketing, storage, export and import of agricultural produce, the Government of India had established the National Cooperative Development Corporation (NCDC), under the Ministry of Agriculture.

#### AGRICULTURAL MARKETING SOCIETIES

Establishment of marketing cooperatives were encouraged to provide marketing facilities to small farmers. The anticipated advantages were increase in bargaining strength of farmers, removal of intermediaries and direct interaction with consumers. There was also scope for availing credit and cheaper transport, storage facilities, grading and processing of agricultural produce to fetch better prices. Based on the government policy, two types of cooperative marketing structures were promoted in India. One was a two tier system with primary societies or Mandi at the local level with the State level apex society. The second type was a three-tier system, with Mandi or primary society at the village level, Central Marketing Societies at the district level and State Marketing Society at the state level, which are operational in many states. State level marketing cooperative

societies expanded their activities till 2002-03. Subsequently, the operations were slowed down due to poor performance, inadequate working capital, influence of traditional methods of marketing, lack of technical support, lack of processing facilities, untrained personnel, high operational cost, etc. Indian Farmers' Fertiliser Cooperative Limited (IFFCO), was established to produce and distribute fertilisers through cooperatives. Presently, over 40,000 cooperative societies are engaged in this programme. The National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) was established in 1958 for promoting cooperative marketing of agricultural produce. NAFED has been procuring foodgrains, pulses, oilseeds, spices, cotton, tribal produce, jute products, eggs, fresh fruits and vegetables from farmers through its cooperative network in selected areas whenever farmers faced problems of marketing their produce.

The advantages of cooperative marketing were increased bargaining strength of farmers, direct dealing with consumers, credit availability, cheaper transport, storage, grading and processing facilities and market intelligence. Agricultural Service Cooperatives: Cooperatives play a very important role in disbursement of agricultural credit. These cooperatives have been aiming at increasing agricultural production through credit supply to agricultural producers, agricultural labourers, artisans, supply of agricultural inputs, arranging storage, marketing and processing of agricultural produce, arranging raw materials for industries and providing technical guidance, while promoting social and economic welfare. There have been cooperative land development banks, which provide long term loans to cultivators for land development and capital investments. The Primary Agricultural Cooperative Credit Society at the village level is the base for many of these activities. They federate into Central Cooperative Bank at the district level and with apex bank at the State level. The loans advanced by the cooperative banks increased from ` 55 crores in 1950-51 to ` 48,203 crores in 2018-19. At the same time, outstanding loans also increased to a large extent from ` 20 crores to ` 39,996 crores. Presently, the rural cooperative credit institutions are facing several problems such as low resource base, high dependence on refinancing agencies, low recovery, huge accumulated losses, lack of diversification.

### ALLIED AGRICULTURAL COOPERATIVES

These cooperatives cover activities like dairy farming, poultry, piggery, etc. Among them, poultry was a major activity with over 4,876 cooperatives with 4.4 lakh members in 2003-04. However, most of the members were not poor. There were 14,339 fishery cooperatives in 2003-04, but many suffered from inadequate financial and technical support and lack of coordination between production, storage and marketing. There were 4,714 forest labour cooperatives with 74,000 members with a business turnover of ` 227.23 crores in 2018- 19. Thus, almost all the support services required for boosting agricultural production in the country were promoted through the cooperatives. Most of these activities were planned by the experts of the Government of India. There were rigid rules and regulations. However, due to lack of awareness and ignorance of small farmers, the functioning of most of the cooperatives were jeopardised by vested interests. As a result, cooperative institutions have been losing their efficiency and credibility. In this process, the infrastructure and services required for supporting agricultural production have become non-functional, affecting the production and profitability of Indian farmers. It is therefore necessary to analyse the current status of the cooperative organizations and take corrective measures on priority. Current Status of Agricultural Cooperatives The cooperative movement which emerged in the late fifties, as a powerful tool to boost agriculture with diversified activities reached the peak in the nineties. It was mainly because of favorable policy, financial support and protection against the private sector that the activities were spread across the country. By and large, the entire design of the cooperative movement was a top to bottom approach with rigid conditions, which provided very little scope for articulation at the local community level.

### CONCLUSION

Cooperatives working at the village level can mobilise their members and help them to organize their business. However, cooperatives need additional support to monitor the working and ensure equality among all the members. There is also a need to look at the rules and regulations of the cooperative to facilitate flexibility to suit the local requirements and promote

various activities required for developing an efficient value chain. Cooperatives need to be connected with external agencies for bringing new technologies and to link with the market. This can be done by involving reputed and committed civil society organisations (NGOs) as facilitators or associates. They can also help small farmers to build their capabilities through regular mentoring.

The NGOs can coordinate the activities of the value chain partners to play their role optimally. Such association of cooperatives with other organisations such as producer companies, input suppliers and retailers for marketing their produce, will be able to take care of the pitfalls of the earlier cooperative movement and help the country to ensure food security. As India is one of the largely populated countries, dependent on agriculture for livelihood security and hosting over 25% of the world's poor, any successful agricultural development activity in India will be a role model for other developing countries for wider replication. A successful cooperative movement in India will ensure food security in India and also help to feed the world.

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