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**Kerala State Co-operative Bank  
Diamond Jubilee Endowment**

**EXTENSION LECTURE**

FEBRUARY 26—28, 1986

**The Role of Co-operative Sector  
in  
Agricultural Progress & Development**

By  
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EXTENSION LECTURE

by  
B. K. Sinha

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*Sri. Sinha, Dr. Menon and friends,*

I am very happy that we have Sri. Sinha with us for delivering the Endowment Lecture series in three instalments. As the Director of Extension, Dr. Menon, pointed out in his welcome speech, one could imagine or think of very few people more qualified than Sri. Sinha to deliver these lectures as his experience in co-operation extends from the basic grass-root level to the global level and this type of experience is difficult to come by. Therefore, we are indeed happy and proud to have Sri. Sinha to deliver the lectures.

I personally feel that we have almost come to a stage in the agricultural development of our country where technology probably may have reached a saturation point. We have also reached a saturation point in the organisation frame to transfer technology to the farming community. Any further refinement in technology will be a function of organisational change and here I would like to point out experience of Kerala with some precaution. Many of the changes that are being envisaged in the country in the next several years have already taken place so far as Kerala is concerned. For example, diversification of agriculture from subsistence farming to farming for profit, the fragmentation of holdings that has been the curse of Kerala for the last several decades and the absence of organisational strength are factors which submit the farmer to the increasing pressures of exploitation that is embedded in the history of Kerala. We, in Kerala have also pioneered and perhaps advanced ahead of the rest of the country in so far as theoretical perfection of the legal framework of co-operation is concerned. The co-operative movement which has gained strength in the last twenty years was established in Travancore-Cochin area even before independence.

The early co-operative movement in the State of Travancore-Cochin was different from the rest of the country,

in that public co-operation and public involvement in co-operatives were greater in these princely States. After independence the bureaucratic forms of co-operation from Malabar area inheriting the All India pattern have changed very rapidly and became a people's movement due to the political situation that prevailed in Kerala. And it also introduced into the arena of co-operative management all the polarisation of political party rivalry. We had party rivalry but in a much healthier form in the co-operative sector than in the governmental organisations. In the governmental organisations the party system is based upon party in power and the party in opposition and the opposition stood only to oppose everything. You might have heard the famous statement that in a parliamentary democracy the role of the opposition is only to oppose. But in a co-operative organisation the role of the opposition ceases to be that of opposing as soon as election is conducted. The party political system influences the elections in co-operatives through the position of power, but beyond that the opposition system does not persist once the elections are over. But unfortunately, we found that once a co-operative society got into the hands of any particular political party a deliberate effort is made to see that in every subsequent election that party alone would come back into power. The perpetuation of political leadership and often a perpetuation of the individual in a position of leadership has become a fact of history in the co-operative movement in Kerala. We also find that wherever the co-operative movement started to deviate or extend beyond finance and credit, the problem became continuously and progressively greater. In other words, once the co-operative society started to enter into the production area or the marketing area, we found that the movement did not seem to have an internal power to resist the competition from the rest. Perhaps, this is not the fault of the co-operative movement in Kerala alone, because it is part and parcel of a total system presided over by the Reserve Bank of India directives in so far as money and credit are concerned. So when a co-operative society starts entering suddenly into new areas of operation like production and so on we found that a total system of constraints started to crush it and it could not survive competition.

I do not want to go on like this, but I think I would conclude this inaugural speech by a very microscopic experience that I have had in a tribal co-operative society. We organised about ten years back a co-operative society for one of the most primitive tribal communities in Kerala namely the 'Kurumbas' of Attappady.

This community was just emerging into the agricultural level of technology. They were a pre-agricultural community subsisting mainly on the collection and sale of minor forest produce and as you know the collection system in the minor forest produce is entirely controlled by two agents. Number one is the forest department and number two is the minor forest produce contractor. The tribals used to collect materials from the forest and hand over the minor forest produce to the contractor who gave them only a small fraction of its real value. The system was that the tribal family would be contacted by the contractor and given some rice or other materials so that they could go out into the forest and just survive for about 3 to 7 days. During this period of survival the materials given by the contractor was supplemented by hunting and trapping small animals, fishing, catching crabs and so on and so forth. They came back with their collection of honey and minor forest produce which would be grabbed by the forest contractor. The value of the produce will be accounted for against the rice and other materials which were given as loan to them with a higher rate of interest and the tribal persons mainly being illiterate would never really find out what was the percentage of profit and the percentage of interest on the so called loan that they had to pay. The result was that they were getting only below one half of the market value of the produce that they collected. This was the serious problem. Another problem was the shifting type of cultivation in that particular area. The main crop produced was red gram. The Attapady red gram fetches a premium in the Pollachi market, as they are bold and tasty and we found that this produce was also taken by the various traders who gave them probably one third to one fourth of the value that the produce fetched in the Pollachi market.

In this system we wanted to try and see how we could organise a little better method and formed a co-operative society as we found that it was the easiest thing to do. But this was a co-operative society with a difference. We had a set of by-laws specially prepared for Girijan multipurpose co-operative society under which we could take over any economic activity. So we first examined how the credit system worked among the tribals. We found out that there was a thing called 'shallagey system'. The shallagey system was that as soon as the tribal family started cultivating, a trader would come and give them a bag-full of coarse grain or something like that they required to tide over the lean season and this was supposed to be a credit arrangement for them. The value of the shallagey used to be written up and the value of the interest seems to be something like 300 to 400 per cent a year calculated on a simple interest basis. At 400 per cent per year they were getting Rs. 30 to 40 worth of coarse grain for 3 to 4 months of the lean period. After the end of the lean period when the red gram was harvested it will be bought by the trader and again they will be cheated by weight and price. Further some quantity will be taken away as free sample. Everything added, the rate of exploitation would be something like 500 per cent more than the initial payment of the money the tribal family had taken from the trader. So we thought that we would start giving interest free loans. We found that in a State with 70 per cent literacy the poor Kurumbas had only 0.6 per cent literacy. This was a handicap for them to apply for loans and for the society to process the loan applications. The typical experience of tribal co-operatives was that if you want to get a loan from a co-operative society you had to walk about 20 to 25 kms to the society and pay Rs. 3 or so to a professional petition writer for writing the application and hand it over to the Secretary of the society. The board will be meeting once a month or so and the loan will be granted a month later. During this period you have to come to the society three or four times. To get rid of this entirely meaningless exercise we formed a sub-committee of the board which went round and sat down under a tree and wrote down the applications on the information elicited from the members. The tribal family will come and say what they need and the

investigations were done on the spot and the money paid to the party at once. It was found that every Rs. 100 loan could be repaid from the produce of 150 red gram plants. Every time it made an advance of money, the society would mark out a plot of land containing that number of red gram plants and the produce would come back to the society. So this way there was an immediate link up between production and loan that is distributed and that way the society officials and members went round and saw that no other traders took away the produce. That system worked. In the meantime we organised the minor products produce collection system also. The system was better organised and the products that were collected were brought and accounted for physically on weight basis and linked to money that was paid out to the family as an advance to enable them to have something during the period of collection. This innovation was followed by forming a co-operative store. The level of the honesty of the people can be gauged by the fact that no watchman was ever needed for protecting the co-operative stores in the tribal area. Stores were always open and it was in a thatched hut. Anybody could come up and take anything. Meanwhile we found that women had some special needs like ear-rings and so on. So we went to the extreme of stocking these items for the women of the community. Rations were started to be given and the Central Government gifted the society with a 'Sakthiman' truck from the military surpluses. We found that a parity existed between the red gram and rice and found that the price of the red gram at farmstead plus the price of transportation and sale to Pollachi was roughly equal to the price of one kg. of rice at Pollachi and delivered at the gate of the family. But the equation was also very interesting and we could trade paddy against red gram and the society fetched a very good profit out of it. And the society was anxious to further its activity. When the 'Sakthiman' truck was brought in, the society immediately took transport business. There was a lot of bamboo collection for the Mavoor Rayon and the truck was found very useful for getting quite a lot of revenue from transporting bamboo. The Government gave a grant for house building for the tribal families. The society took up the construction activity and took up a labour contract with the forest

department. The society also took up brickmaking. It brought some experts from the plains and transferred the skill of brick making to the community for making houses to tribal people. The brick could be used for the construction activity. They also took up the construction of houses and made some profit out of it. The total transaction of the society went upto lakhs of rupees and the 200 odd members could make a profit of roughly about 2 lakh rupees in the first year of operation of the society. But then came the bad days of the society.

The first enemy of the society was the Inspector of the co-operative department itself. The Inspector wanted that the minutes should not be passed until he saw it. So every minutes of the Board of Directors had to be first submitted to the Inspector of the co-operative societies for his approval before anything could be done and his argument was that the co-operative society was entering into activities far beyond its scope. When it was pointed out to him that the transport contract was very much within the activities of the society's by-law, he did not agree. He wanted to refer it to the Dy. Registrar of co-operatives and he impounded the minutes of the society and even impounded the cash book. The President of the society was helpless and he went to the Dy. Registrar and told him that the cash book was impounded. The Deputy Registrar gave him a wrong advice by asking him to start another cash book. The duplicate cash book was opened and finally for that the President was taken to task. The President being the employee of another Govt. dept., was placed under suspension for having a duplicate cash book and the difference in the duplicate cash book and vouchers were attributed to his negligence and the poor person had to suffer nine months suspension though finally he was exonerated. In these nine months, the co-operative society stagnated and now this society is only handling minor forest produce. All other activities were cut down and the society just managed to survive on minor forest produce. This example is a case study of an extremely microscopic society which I thought fulfilled all the vast global objectives of the co-operation. The society introduced entrepreneurship unknown in a community. Here under a co-operative umbrella we introduced a new value of entrepreneurship which was

entirely non-exploitive in the sense that the members got the full benefit out of it. But inspite of all that we found that the constraints of officialdom, the constraints of larger audit and so on and so forth inhibited the development of a co-operative society at a microscopic level and I leave the conclusions to you and various lessons to be drawn out of the experience. After all every other rent except the rent on ability can be socialised. The rent on ability is the reward of entrepreneur and unless the co-operators enter into entrepreneurship role and make it social you will not be eliminating the seed of exploitation in an economic activity. If that is the ultimate aim of the co-operative, if the socialisation of rent on ability is one of the objectives of the co-operative movement, I think much vaster changes are required and I am very happy that Shri. Sinha is here with us and he will be able to guide us through the various problems of policy, practice and administration that faces us before we proceed. Thank you very much indeed and may I declare this lecture series inaugurated.

Thank you.

T. MADHAVA MENON  
Vice-Chancellor



**PART—I**

**CO-OPERATIVE & AGRICULTURE SECTORS**

# I. The Co-operative Sector

## Introduction :

1. 'Co-operative Sector' as a concept, according to Dr. George Fanquet, (1935), an eminent co-operative thinker, emerged at a time when capitalism was becoming less competitive and more monopolistic, the liberal State had disappeared, States were increasing their functions and powers, attempting to plan their respective economics and directly undertaking economic enterprises. Under the circumstances, the Co-operative Movement could consequently no longer count, as in the past, upon the indefinite growth in the environment of economic liberty. It had to adapt itself, by struggle in one place, by agreement in another, to the elements of a complex environment, partly free and partly organised. The 'mixed economy' as against the 'pure economy' way was fast becoming the order of the day, and the need for the counter-attack of the 'human' against 'inhuman' was increasingly felt in the era of war economy that followed the first world war in Europe.

## A Sector of Economy :

2. The co-operative sector was then one of the four sectors of economy comprising the 'public sector', 'capitalist sector', 'private sector' and 'co-operative sector'. In practice, the co-operative sector competed with the capitalist sector and yet had business relations with it; private sector (a pre-capitalist sector) was connected with the co-operative sector and the two largely coincided in various economic activities and co-operative societies were formed within it. Relations with the public sector varied according to the type of State in some they were completely subject to control by the State, and although, the form of a co-operative society remained, the co-operative spirit had been completely expelled. The public and co-operative sectors were, however, considered as complementary to each other. It was recognised that co-operative as a voluntary organisation close to individual persons and concrete realities of life, and organised from the bottom upwards working in conjunction with the State's organs of a centralised economy, could remedy some of the State's defects and weaknesses.

## Economy without Private Profits :

3. In the efforts towards finding a radical solution to the problem of profit and achieving the aim of bringing people as consumers together, almost the same time, Charles Gide founded the 'co-operativist, doctrine' which envisaged :

The co-operative sector is an economy without private profit. Surplus do appear but since they are returned to members or used for common aims, they do not contribute a source of revenue for anyone, or a means of making a fortune. The principle source of

very large income of inequality between people, and of opposition between classes is done away with.

#### **Provides Motivation of Higher Order :**

4. 'Co-operative democracy' and 'collective structure' are basic to co-operative sector. Co-operative democracy exercises and trains citizens for political democracy and it exercises a break on democracy co-existing with a plutocratic capitalist economy. It is more humane and provides higher order of motivation in business. Its structure make it more receptive to the considerations of morality, humanity and solidarity in its development and decision-making. Human relations based on collaboration, mutual aid and friendship flourish more effectively at the grassroots where small men doing small business join hands in small co-operatives to work shoulder to shoulder. The moral ideal of the co-operative sector is to cross over from "competition in individualism to individuality in Co-operation".

#### **Largest NGO with Enormous Potential :**

5. The co-operative sector represents the co-operative movement which is the largest Non-Governmental Organisation in the world. It consists of 740,655 co-operatives having 494,964,185 individual members representing about 2000 million people. These include 256,392 agricultural co-operatives accounting for 34.6% of the total with membership of 66,612,740 individual farmers representing 13% of the total membership. Despite such a global expansion, the future of the co-operative sector depends on several unknown factors. The crisis of capitalism is the first unknown as the diminution of natural resources, and the demographic explosion and mounting unemployment are preparing the way for death and famine and regression in quality of life. The alternative, no doubt, is planning and socialism. But the kind of socialism to suit the genius of the people in a State, is still almost another unknown factor. In India, the establishment of a democratic socialist co-operative society was aimed at during the fifties and sixties.

6. Its potential in meeting "general needs" as also "occupational needs" is immeasurable. The role in facilitating discipline in crisis economy is regarded valuable, and its effectiveness in promoting social association of people coupled with common economic undertaking is remarkable. In the co-operative sector, the poor and the economically disadvantaged groups have pinned high hopes for a better future. It is the singular distinctive feature of the co-operative sector that it represents the efforts of the voluntary people's democratic organisation based on self-help through mutual aid, strengthened by State partnership for its integrated growth, supplemented by the promotional and developmental public sector corporations, and ideological and inspirational initiatives of the voluntary agencies for its rapid expansion in isolated communities. The co-operative sector has before it enormous progress to make.

## II. Instrument of Development Plan in India

### Need for Planned Co-operative Development :

7. In India, the prevalence of traditional co-operation, experience of co-operative activity in sporadic manner, compulsions of the emerging economic situation and, above all, the warning of the Royal Commission on Agriculture in 1927 that: "If co-operation fails, there will fail the last hope of rural India", the essentiality of the approach for a planned development of co-operatives on nationwide scale was emphasised by the Co-operative Planning Committee in 1946 for the first time. Its recommendations related to targets for co-operative development, diversification of activities of village credit societies and strengthening of co-operatives at various levels. The country then realised that "co-operation was the sheet anchor of rural economic democracy".

### Preference for Co-operatives:

8. With the attainment of Independence, India adopted a policy of democratic planning and mixed economy. The first Five Year Plan (1951-56) "expressed preference for the co-operative organisation of the economic activities of the people, especially of those activities e.g. agriculture, marketing, cottage and processing industries and internal trade which form the most important part of the developmental schemes included in the Plan". The Plan then emphasised, "As an instrument of democratic planning and combining initiative, mutual benefit and social purpose, co-operation must be an essential feature of the programme for the implementation of the Five Year Plan". At the same time, the Plan cautioned that "It is, however, not our intension that co-operatives should be bolstered up indefinitely, irrespective of the quality or cost of the service they offer". The task set for the planners, administrators and the implementing agencies as outlined in the Plan was implied in the policy guideline which emphasised: "As it is the purpose of the Plan to change the economy of the country from an individualistic to a socially regulated and co-operative basis, its success should be judged, among other things, by the extent to which it is implemented through co-operative organisations".

### Building up Co-operative Sector—A National Policy:

9. Primarily based on the findings of the Rural Credit Survey Committee relating to the progress, achievements and weakness of the Indian Co-operative Movement, and on the historic conclusion: 'Co-operation has failed, but Co-operation must succeed'. Co-operation was assigned an important role in the Second Five Year Plan (1956-61). The Plan laid down:

“Economic development along democratic lines offers a vast field for the application of co-operation in its infinitely varying form. Our socialistic pattern of society implies the creation of large number of decentralised units, both in agriculture and in industry. These small units can obtain the advantages of scale and organisation mainly by coming together. The character of economic development in India, with its emphasis on social change, therefore, provides a great deal of scope for the organisation of co-operative activity. The building up of a co-operative sector as a part of the scheme of planned development is thus one of the central orders of national policy”.

10. The Industrial Policy Resolution of 1956 also indicated that, in order to realise the objective of a socialistic pattern of society, it was essential “to build up a large and growing co-operative sector”. Of special mention is one of the resolutions of the National Development Council on Co-operative Policy adopted in 1958 as: “Takavi and other loans should be made available through co-operatives to create conditions in which every peasant and rural workers would find it to his advantage to join the village co-operative”.

### **Balancing Force in Mixed Economy**

11. Co-operative Sector in the Third Five Year Plan (1961–66) emerged as a vital factor for social stability and economic growth, a balancing force among the sectors of our mixed economy and as a major form of organisation in many branches of economic activity including agriculture. For the first time, the Plan envisaged a systemic and planned approach to development of co-operative farming on pilot basis as a part of the national plan. The plan envisaged.

“Thus, a rapidly growing co-operative sector, with special emphasis on the needs of the peasant, the worker and the consumer becomes a vital factor for social stability, for expansion of employment opportunities and for rapid economic development. Along with a growing public sector and a private sector which functions with responsibility to the community as a whole, the influence of co-operation extends far beyond the particular activities organised on co-operative lines, and gives to the social structure and the national economy, balance, direction and a sense of value”.

### **Performance to Qualify for State Support**

12. While approach to the co-operative sector in Fourth Five Year Plan which should have started in 1966–67, remained unchanged, it was made amply clear that “it is ultimately for the co-operative organisations themselves to frame their own programmes of growth with such assistance as is available from other sources”. It was further pointed out that “The

Planning Commission has to keep open the possibility of turning to the private or to the governmental sectors if the co-operative institutions fail to reach either the quantitative target or the qualitative performance". This underlined two basic points. Firstly, the co-operative sector could no longer claim unqualified state support; and secondly, the adoption of multi-agency approach to achieve the results could not be ruled out. Listing out the problems of considerable importance, the Plan suggested that the key to success of co-operation "lies in ensuring sound business practices, competent managerial personnel and systematic training of members and office bearers of co-operative institutions".

### **Consolidation for Sustained Agricultural Development**

13. The co-operative sector came to be regarded as an important instrument for implementing national policies of "Growth with Social Justice" in the Fifth Five Year Plan. Towards that end, the objective of the Plan was 'to consolidate and strengthen the network of agricultural co-operatives in aid of sustained agricultural development, making consumers' co-operatives more viable, correcting regional imbalances, and focussing the activities of the co-operative more and more on small and marginal farmers and weaker sections of the population". In the implementation of the 20 Point economic programme also, the co-operative sector was to play an important role.

### **Reorientation to Support Expanding Agricultural Sector and Rural Poor**

14. The development of the co-operative sector received special attention in the Sixth Five Year Plan (1980-85). The Plan outlined the measures being taken for the purpose. These included (i) action programme for transformation of village societies into effective multipurpose society catering to the diverse needs of members (ii) simplification of policies and procedures to ensure that the efforts of the co-operatives are more systematically directed towards ameliorating the conditions of the rural poor, (iii) reorientation and consolidation of the role of the co-operative federal organisation to effectively support a rapidly diversifying and expanding agricultural sector and (iv) development of professional man power and appropriate professional cadres to man managerial positions.

### **A Counterveiling Force**

15. According to our Prime Minister, Shri Rajiv Gandhi "Agriculture remains the core of our economy..... Faster agricultural growth is necessary... .. Our agricultural strategy has achieved remarkable success over the past decades and we must pursue it with greater vigour in the Seventh Plan. The Seventh Five Year Plan (1985-90), therefore, lays down the following main tasks in the strategy for co-operative development.

- a) Comprehensive development of primary agricultural co-operative societies which are the sheet-anchor on which the entire co-operative structure rests, as multi purpose viable units.
- b) Realignment of the policies and programmes of co-operatives to expand the flow of credit and to ensure supply of inputs and services particularly to the weaker.
- c) Taking up of special co-operative programmes for implementation in the under developed States specially in North-Eastern Region.
- d) Strengthening the consumer co-operative movement in the urban as well as rural areas so that it can play a pivotal role in the public distribution system and
- e) Promoting professional management and strengthening of effective training facilities for improving the operational efficiency.

16. It is further observed that the major thrust of the co-operatives in the agriculture sector is towards supporting agricultural production through the provision of inputs for increasing production and productivity and post-harvest facilities to protect the interest of the farmers. Through these and its role as nodal agency in price support and market intervention operations, the co-operative sector would be a counterveiling force in agricultural economy.

### III Co-operation and Agriculture

#### An Opportunity to Collaborate and Fraternise

17 Working together denotes co-operation. It is an opportunity for men to unite their forces, to associate in a common effort with a view to improving together the condition of their lives. "The men in co-operation are co-operators who work together, and comrades who break their bread together". In other words, it is an opportunity to collaborate and to fraternise. At the same time, the co-operative ethics is a self-help, the dignity and pride of liberating oneself, one's own efforts, and solidarity: one for all and all for one. A co-operator anywhere is a source of strength to co-operators every where.

#### Co-operation: Workers Invention

18 Unlike the renaissance (intellectual revolution), reformation (spiritual revolution), agricultural revolution (land for tillers), political revolution (democracy), industrial revolution (modern capitalism) which were invented by intellectuals, the Co-operation was invented by workers. Notable are the weavers of Rochdale (England) the originators of Co-operation in 1840s and dairy farmers of Jura in France in 1880s. The Co-operation aims to serve the members by strengthening the position in the economy of workers, farmers, consumers, borrowers, and those who seek housing. The members themselves are the entrepreneurs; they exercise power in it, they obtain the advantages and assume the responsibilities. Its specific and essentially constructive character and method of action by creating enterprises distinguishes co-operation from other forms of workers' action. Over the period, orientation in approach to initiative, government participation, targetted expansion, community service centre and instrument of State policy has taken place.

19 The principles of co-operation are those enunciated by Rochdale Pioneers in 1844 to regulate the working of the Rochdale Society of Equitable Pioneers which was the first consumers' co-operative and reformulated from time to time by the International Co-operative Alliance, a world confederation of co-operatives. These are briefly:

- i) Voluntary association and membership,
- ii) Democratic control,
- iii) Limited interest on capital,
- iv) Equitable division of surplus
- v) Co-operative education, and
- vi) Co-operation among co-operatives.



## **Agricultural Co-operation**

20 The origin of agricultural co-operative stemmed from peasant poverty, indebtedness, great agricultural crisis, draught and famine situations, sentiment of solidarity in poverty, need for collective action as a means of escaping poverty and rediscovering the spirit and tradition of the old community agricultural institutions. Agricultural co-operative also springs up to facilitate "better farming, better business and better living." It has been used as an important instrument of raising production and productivity by facilitating economic land use, providing inputs and services, resource management for economy and efficiency. Promoting rural industrialisation, developing entrepreneurship among the agriculturists, spreading knowledge and benefits of science and technology to modernise agriculture and, above all, enabling small farmers to own and manage big agri-business.

## **Traditional Co-operative Activity in Agriculture**

21 At home, co-operation is indigenous, ancient and ever older than the co-operative movement. Of relevance to agriculture is the reference in Kautilya's Artha Shastra that "whoever stays away from any kind of co-operative undertaking and send his servants and bullocks to carry on the work, shall have a share in the expenditure but none in the profits". This emphasised active participation in the activities of the co-operative, high ideals of equity and justice in sharing the expenditure and fruits of labour, and denouncement of the practice of exploitation of labour by absentee landlords. 'Grama', 'Phad' and 'Gonchi' are some of the traditional forms of agricultural and farming co-operative organisations still in vogue.

## **Indigenous Co-operatives of Agriculturists**

22 Co-operative society for common land management and use was in operation in Punjab in 1891; and association of landholders was organised in Mysore in 1894. To meet the financial needs of farmers, village banks were started in Uttar Pradesh in 1903. These examples of co-operative institutions were precursors to the introduction of co-operative credit society in 1904 as a relief measure for famine stricken agriculturists. Since then, Co-operation has been an inseparable aspect of agricultural activity and development and farmers welfare measures. They are, in fact, two sides of the same coin in the national economy of the country.

## **Agriculture in National Economy**

23 The country's population in 1983 was 725.5 million out of which agricultural population accounted for 442.1 millions representing 60.9 per cent of the total. The primary agricultural co-operatives of different forms numbered 1.72 lakh with 88.65 million members

(Appendix-1). The coverage by co-operatives in terms of villages and agricultural population is estimated at 98 per cent and 76 per cent respectively. In the national economy, the agricultural sector occupies a place of vital importance. More than 40% of the national income is contributed by this sector. It supports around 70% of the work force. Agriculture is the largest sector of economic activity and plays a crucial role in the country's economic development by providing food and raw materials, employment to a very large proportion of the population, capital for its own development and surpluses for national economic development. Growth of the economy and national prosperity are closely linked to agricultural advancement, resources development and efficient management. Raising the level of productivity and production, strengthening and modernising farmers' co-operatives as support agency.

24 The achievements of Green Revolution is seen in record food grains production of over 150 million tonnes in 1984-85 are indicators of fastly taking the nation to the goal of self-sufficiency in food. An overview on agricultural perspective, however, shows that while India's agriculture has taken massive strides during three and a half decades of planning, its growth and development has not been uniform all over the country and regional disparities are visible. Farmers co-operatives would have a role in facilitating the balanced growth of agriculture and reducing imbalances in regional development as well as crops production to meet the needs of the growing population.

### **Agricultural Co-operative Sector**

25. The Indian Co-operative Movement comprising about 300,000 co-operatives and a membership of 125 million, is the largest in the world. Nearly two-thirds of these societies are in rural areas for supporting agriculture and allied activities. The total working capital invested in the co-operative sector amounts to approximately Rs. 25,000 crores. As the principal source of institutional credit in the country, the co-operative structure provided Rs. 3,250 crores as agricultural production credit during 1984-85. The co-operatives marketed Rs. 3,000 crores of agricultural produce distributed 3.63 million tonnes of NPK fertiliser worth Rs. 1500 crores. Significantly, the share of co-operatives in total institutional credit worked out to 55%, in distribution of fertilisers to 45%, in national production of sugar to 55%, in cotton marketing to 30% and in fertilizer production to 14% and 24% in respect of Nitrogen and Phosphate respectively. Moreover, 10% of the total capacity of oilseed processing and spinning units, each is accounted for by the co-operative sector. The Agricultural commodities exported through co-operatives during 1984-85, valued at Rs. 82.30 crores accounting for an increase of 37% over the previous year.

26. As a measure to motivate farmers for sustained growth of agricultural production, to ensure reasonable returns to growers on certain agricultural produce, and to protect their interest in the crisis of fall in prices, price support and market intervention schemes are being implemented by the designated agricultural marketing co-operatives at the national and State level as the nodal agencies. During 1985, the co-operatives purchased an unprecedented quantity of oilseeds and perishable agricultural commodities and paid to growers a total of Rs. 505.5 millions and thus saved them from distress sale and economic ruin. Entering the market for the purpose at Government's instance was a bold step taken by co-operatives to ensure remunerative prices to growers. The losses incurred by co-operatives on the operations would be met by the Central and State Governments on prescribed terms and conditions.

### **Institution Building Measures for Continued Growth**

27. In the scheme of things, human resource development and institution building programmes are crucial for the continued growth of co-operative and agricultural sectors. These are being implemented in an integrated manner and through package of measures. Notable in this regard are: education, farm guidance and extension; training, research and consultancy; financial, management and policy support. Inbuilt measures relating to co-operative principles, democracy and decision making are strengthened. Co-ordination between the co-operative structure and promotional agencies is encouraged through collaborative programmes.

28. The impact of these measures would be felt on qualitative performance of co-operatives at various levels and reduction in dependence on government financial support in terms of share capital contribution which is about 27.8% in respect of major relevant areas of co-operative activity as shown in Appendix-II. These would also be an important input to the implementation of the programmes of co-operative development in the Seventh Plan as shown in Appendix-III. The Seventh Plan outlays on co-operative development is Rs. 1400.58 crores in the Central and State sectors, out of the total out lays on agriculture sector of Rs. 10,573.62 crores accounting for 13.2% of the total.

29. The primary objective of the said measures is to ensure efficiency in management, growth of forward looking co-operatives equipped to meet the challenges ahead, continuity and dynamism of the co-operative as an enterprise, a movement, a sector and a system. This is, however, not an end in itself, but a means to raising the level of production, employment and income, quality of a responsible citizen, standard of living and human values.

APPENDIX - I

PRIMARY AGRICULTURAL CO-OPERATIVES

Sl. No.	Type	Number	Membership (Individuals)
1	Primary Agricultural Credit Societies.	92,496	666,69,000
2	Farmers' service societies and large sized multi-purpose societies.	5,222	93,92,000
3	Grain Banks	4,960	486,000
4	All Primary Marketing Societies	6,227	43,41,342
5	Cotton Marketing Societies	100	63,146
6	Fruits and Vegetables Marketing Societies	432	78,570
7	Areca nut Marketing Societies.	13	28,411
8	Tobacco Marketing Societies.	40	20,390
9	Coconut Marketing Societies.	23	27,071
10	Sugarcane Supply Marketing Societies.	23	74,792
11	Sugar Factory Societies.	209	14,98,767
12	Cotton Ginning and Pressing Societies.	233	2,08,374
13	Other Agricultural Processing Societies.	734	3,89,496
14	Co-operative Cold Storages.	79	32,960
15	Milk Supply Societies	39,678	35,46,716
16	Poultry Societies	1532	87,149
17	Fisheries Societies	6672	7,38,269
18	Irrigation Societies.	3355	1,82,719
19	Farming Societies	8899	3,42,030
20	Cotton Grower's Spinning Mills	38	1,17,853
21	Forest Labour's Societies	1532	2,08,779
22	Electricity Co-operatives.	23	1,15,966
<b>Grand Total:</b>		<b>1,72,485</b>	<b>8,86,49,800</b>

## APPENDIX—II

### GOVERNMENT CONTRIBUTION TO SHARE CAPITAL 1982-83

(Rs. in crores)

Sl. No.	Type of Society	Total share capital.	Government contribution
1	State Co-operative Banks	130.24	27.64
2	Central Co-operative Banks	450.72	115.03
3	Urban Co-operative Banks	146.20	0.83
4	Central Land Development Banks	174.32	45.74
5	Primary Agricultural Credit Societies.	720.75	117.29
6	Primary Land Development Banks.	128.44	17.21
7	State Marketing Societies (1979-80).	64.84	58.05
8	Central Marketing Societies (1979-80)	13.12	4.18
9	Primary Marketing Societies (1979-80)	50.61	32.14
10	Sugar Factories (1979-80)	249.09	146.18
11	Spinning Mills (1979-80)	60.88	40.17
Grand Total.		2,189.21	604.46

## APPENDIX—III

### TARGETS FOR CO-OPERATIVE DEVELOPMENT

Sl. No.	Physical Programmes	Unit	Base level anticipated achievement (1984-85)	Level for the terminal year (1989-90)
1	Short term loans	Rs. crores	2500	5500.00
2	Medium term loans	—do—	250	1845.00
3	Long term loans	—do—	500	3954.00
4	Value of Agrl. produce to be marketed through Co-ops-	—do—	3032	4000.00

5	Fertilizer to be distributed through Co-ops.				
	(a) Quantity	Lakh tonnes (NPK).	36.31		65.00
	(b) Value	Rs. crores	1634		3000.00
6	Value of consumer goods to be distributed through Co-ops in rural areas	—do—	1500		3500.00
7	Value of consumer goods to be distributed in urban areas through Co-ops.	—do—	1463		3500.00
8	Construction of additional godowns.				
	(a) Rural godowns				
	(i) No.		40085	12000	(52085)
			(cum)		cum.
	(ii) Capacity	Lakh tonnes	43		54
	(b) Marketing godowns				
	(i) No.		6431	1108	(7539)
					cum.
	(ii) Capacity	Lakh tonnes	26		46
	(c) Total storage capacity to be completed.	—do—	79	100	(cum)
9	Construction of Cold Storage:				
	(i) No.		161		228
	(ii) Installed capacity	—do—	3.71		6.40
10	Processing Units installed				
	(i) Sugar Factories		2,491		2,845
	(ii) Spinning Mills		183		234
	(iii) Oil Units (including Copra Units)		380		450
	(iv) Others		1846		2051
11	Training of Co-operative Personnel				
	(i) Senior level—Training capacity of National Institute		5000		6000
	(ii) Intermediate—Training capacity of Co-operative Colleges		38000		51800
	(iii) No. of Junior Co-operative Training Centres		83		150

PART II

CONTRIBUTION OF CO-OPERATIVES  
TO AGRICULTURAL DEVELOPMENT

# I. Support to Agriculture

## Landmarks

1. As a measure to protect agriculturists from debt relief and clutches of moneylenders, adoption of the Co-operative Credit Societies Act in 1904 marked the commencement of the institutional financing system for agriculture. Thus, as a relief to farmers, Co-operatives were promoted. The provision for concessional finance for agricultural purposes by the Reserve Bank of India, Five Year Plan programmes and outlays, setting up of a National Co-operative Development Corporation (NCDC) in 1962, establishment of the National Agricultural Bank for Rural Development (NABARD) in 1982 and constitution of National Dairy Development Board (NDDB) and above all, growth of National Co-operative Federations are the other landmarks which led to the expanded role of Co-operatives in the progress and development of agriculture.

## Policy Orientation

2. The policy orientation given from time to time facilitated organisation of Co-operative Societies other than Credit Societies. Relating credit to production plan, linking of credit with marketing, emphasis on supply of inputs in cash as well as kind, promotion of storage and marketing, policy preference to co-operatives in licensing of processing and agro-based industries, liberal pattern of financial assistance and extension of Government guarantee for term loans have significantly contributed to improve the ability of co-operative structure in supporting agriculture.

## Comprehensive Approach

3. Through deliberate decisions, procedural orientation and better delivery system, adoption of HYV seeds, fertiliser, pesticides, machinery and implements, land development works, irrigation pump-sets, fishery equipment, dairy stock etc. have been brought within the reach of even the small farmers. Motivation and incentives for sustained agricultural growth are provided through price support and market intervention operation through co-operatives. Under the 'operation flood' programmes, co-operatives are playing a dynamic role in dairy development as an important aspect of the mixed farming efforts. Fishery and poultry farming co-operatives are speedily working for the welfare of the poor and involvement of women in co-operatives.

## Twenty Five Year Record

4. During the last 25 years, the production of foodgrains has almost doubled from the level of 82 million tonnes in 1960-61 to 151.5



million tonnes in 1983-84. Credit, a basic input to agricultural progress, provided by the Cooperative Structure increased from Rs. 2,144 million in 1960-61 to Rs. 32,500 million in 1984-85 recording a step up by 15 times.

### **Progressive increase during Five Years**

5. The support to agriculture, provided by Co-operative during the last five years may be seen in the table 1.

6. The figures in table 1 show the big leap forward of co-operatives in their support to agricultural progress and development. The achievement of Kerala State is decidedly more impressive than that of the all India average. In fact, the Kerala Co-operative Movement is a leading one in the country.

Table 1

Sl. No.	Key Indicators	All India		Kerala		% (+) / (-) during five years	
		1979-80	1984-85	1979-80	1984-85	All India	Kerala
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
I.	Short-term loan advanced by Co-operatives per hectare (in Rs.)	90.3	141.2	462.6	860.5	56.47	86.15
II.	Agricultural Produce Marketed per hectare Cropped area by Co-operatives (in Rs.)	106.50	173.27	280.31	188.7	61.46	(-) 67.32
III.	Godown capacity (in Kg. per hectare) in the Co-operative Sector.	26.90	44.89	43.87	58.52	59.92	74.96
IV.	Supply by all agencies of fertiliser in Kg./hectare (Figures in brackets indicate Co-operative share).	31.1 (44.7)	47.3 (43.4)	37.0 (53.2)	47.8 (57.5)	57.6 65.75	30.00

## II. Agricultural credit

### Major Policy Thrust

7. The major policy in the sphere of agricultural credit has been progressive institutionalisation for supporting agriculture and rural development programmes with larger flow of funds and to assist weaker sections and less developed regions. The basic objective of the policy is to step-up provision of timely and adequate credit to farmers particularly to small and marginal farmers to enable them to adopt modern technology and improved farm practices for augmenting production productivity which will increase farmer income and employment opportunities in rural areas. It emphasises dryland farming, increasing productivity of rice in major paddy growing areas and step up in production of pulses and oilseeds. Significantly, about 70% of the total land in the country is under dryland farming. The bulk of pulses and oilseeds crops and 40% of the total foodgrains crops are grown in these areas. Incidentally, by end of 1989-90, the objective is to reach the level of 185 million tonnes of production.

### Credit co-operatives

8. During the last twenty five years, the process of reorganisation of primary agricultural credit societies has been a continuous process. Through amalgamation and diversification of functions, viable multi-purpose co-operatives are being created. The number of these societies which was 2, 12, 129 in 1960-61 reduced to 92,496 in 1983-84; and in Kerala from 2,397 to 1,566. Their membership have increased during the period from 17 million to 66.67 million and in Kerala from less than one million to 5.2 million covering almost the entire rural population. Note all the members, however, were borrowing members. While the percentage of members availing of the credit service increased from 44.2% of the total in 1969-71 to 47.58 in 1983-84 in Kerala, the all-India average decreased from 52% to 33.7% during the period. This is, no doubt disquieting feature as it is well recognised that farmers do need credit for investment in production purposes. The number of members in the category of weaker sections in 1980-81 was 37.8 million representing 65.62% of the total of 57.6 million; and in Kerala these figures were 3.2 million and 3.8 million respectively accounting for 84.21% of the total. The share of weaker sections in the total institutional credit (agriculture) was about 40% in 1979-80. This was expected to reach a level of 50% by 1984-85.

### Production credit

9. The performance of short and medium term co-operative credit structure in 1983-84 accounted for 12.31 times the level of 1960-61 at

the National level and 44.52 times in Kerala as would be seen from the data given below:-

Table 2

Year	All India (Rs. in crores)	Kerala (Rs. in crores)
(1)	(2)	(3)
1960—61	203.00	6.48
1970—71	578.00	30.12
1980—81	1773.59	206.91
1983—84	2499.21	288.34

### Term Loan for Investment

10. In the land development and productivity improvement efforts, long-term credit structure has been making a significant contribution in the country as a whole and in the State of Kerala. The progress of total long term loans issued has been many fold as would be seen from the figures given below:-

Table 3

Year	All India (Rs. in crores)	Kerala (Rs. in crores)
1960—61	11.62	0.19
1970—71	168.28	1.56
1980—81	363.10	23.89

11. The purpose-wise long-term credit provided indicated in the following Table would show the multidimensional functioning of co-operatives and their initiatives in assisting adoption of resources development projects and technology aids in the area of agricultural development:-

Table 4

Purpose	All India (Rs. in crores)		Kerala (Rs. in crores)	
	1960—61	1980—81	1960—61	1980—81
(1)	(2)	(3)	(4)	(5)
1 Sinking of new wells and construction of tanks.	0.36	80.33	0.01	3.05
2 Boring, deepening and repairs to old wells and tanks.	4.21	22.98	0.17	1.77

	(1)	(2)	(3)	(4)	(5)
3	Purchase and installation of Persian wheels and electrification.	—	97.60	—	0.57
4	Levelling, bunding reclamation & fencing of land.	4.65	17.06	0.01	7.58
5	Construction of godowns, farm houses, and sheds.	—	9.40	—	2.69
6	Preparation for orchards and plantation.	—	12.49	—	3.67
7	Other purposes including soil conservation, purchase of machinery, implements and cattles.	2.40	123.24	—	4.56

#### Co-operatives in Multi-Agency System:

12. In the attainment of the aforesaid basic objects, as a matter of policy, multi-agency approach to agricultural credit has been adopted and it has been in operation since early sixties. The system comprises of (i) the co-operative credit net-work, (ii) the commercial banks, and (iii) the regional rural banks. The role of other agencies is supplementary. A review of credit for agriculture provided by the various agencies indicates that of the total agricultural credit outstanding at the end of June 1980, Co-operatives accounted for 59.4%, Commercial Banks for 38.8% and Regional Rural Banks for 1.8%. Thus, co-operative sector is the major partner in the system. One of the serious problems being experienced in the operation of the multiagency approach to agricultural financing relates to the disbursement of credit in an un-coordinated manner resulting in multiple-financing, over financing/under financing, financial indiscipline and diversion of scarce resources to unproductive purposes:

#### Problem of Reaching Weaker Sections:

13. The Co-operative Agricultural Credit Management is affected by two serious problems namely, (i) effectively reaching the weaker sections and (ii) mounting overdues. Some of the special measures initiated with regard to increasing the flow of credit to weaker sections relate to (a) lower share capital required to be contributed by them, (b) consumption credit to those having no land or land below 0.50 acre, (c) loans for subsidiary occupations without surety of land, (d) lower, down payment or margin for long term loans, (e) universal membership, (f) longer period of repayment for longterm loans and (g) lower rates of interest on loans.

## Mounting Overdues and Causes thereof:

14. Increase in overdues affects the capacity of the Co-operatives to expand their credit in the subsequent years and support agricultural development programmes. Eligible borrowers, who are not able to obtain credit from the institutions due to the bad recovery position of the institutions also tend to default, and thus, a vicious circle of mounting overdues sets in. While in Kerala, the overdues are within the tolerable limit of 20% or so in the case of short and medium term credit structure, at the all-India level it is a cause of serious concern. The percentage of overdues to demand at the level of primary agricultural credit societies declined from 41.4% in 1980-81 to 39.9% in 1982-83, increased from 37% to 37.8% at the Central Co-operative Banks level, declined from 9.8% to 7.4% in case of State Co-operative Banks, and reduced in respect of Primary Land Development Banks from 43.9% to 44.8% (gross total) but increased from 38.9% to 43.3% (Net total) during the period. To deal with the problem, coercive measures against wilful defaulters and corrective action to create a climate of recovery would have to be taken systematically and effectively on a planned and time bound basis. Organisational, operational, policy and procedural orientation may also have to be affected keeping in views the causes of overdues.

15. The causes of overdues based on the findings of various studies are reported as under:-

- (i) Wilful default;
- (ii) Natural calamities;
- (iii) Deficiencies in loaning policies and procedures including untimely disbursement, under/over financing, unrealistic schedule of loan repayment etc.;
- (iv) Failure of link credit to marketing;
- (v) Lack of effective supervision and indifference of management;
- (vi) Infructuous investments;
- (vii) Non-availability of production loan to borrowers of Land Development Banks;
- (viii) Denial of genuine consumption credit to borrowers and their dependence on money lenders;
- (ix) Indiscriminate conversion/replacement/postponement of loan;
- (x) Political favours;
- (xi) Indiscriminate write off of loans vitiating the climate for recovery; and
- (xii) Lack of institutional managements to write off the irrecoverable overdues.

### Crop Insurance:

16. Introduction of Crop Insurance Scheme linked with crop loans advanced by Co-operative Institutions, is yet another bold initiative to facilitate higher growth rate in agriculture. Under the scheme the sum invested is 150% of the crop loan and maximum limited of insurance is Rs. 10,000 in irrigated areas and Rs. 5,000 in un-irrigated areas. The crops covered under the scheme are (a) Rice, Wheat and Millets, and (b) Oilseeds and Pulses.

17. The objectives of the scheme are:-

- (a) To provide a measure of financial support to farmers in the event of a crop failure as a result of drought, flood etc.
- (b) To restore the credit eligibility of farmers, after a crop failure, for the next crop seasons; and
- (c) to support and stimulate production of cereals, pulses and oil seeds.

### Financing by Urban Banks

18. Urban Co-operative Banks have been conceived as a small men's bank in the non-agricultural sector to serve predominantly weaker sections of the society. In view of their special responsibility in this regard, a view was taken in 1982 that Urban Co-operative Banks should be effectively involved under the discipline of priority sector advances. However, a study of the data available shows that advances to individuals for activities allied to agriculture account for a sizeable proportion of advances made by the Urban Co-operative Banks, for the purpose and to weaker sections. The figures given in the Table below are interesting.

Table 5  
Percent to total  
Priority Sector Advances

Year	Percent to total Priority Sector Advances	
	Total	Weaker Sections
(1)	(2)	(3)
1982-83	4.6	56.3
1983-84	2.5	64.9
1984-85	3.2	39.5

## **Expanding Services**

22. Expansion of agro-service centres, formulation of pesticides, seed development, soil testing laboratories, manufacturing of agricultural implements, manufacture of Rhizobium culture, extension services and development of co-operative societies at the village level are encouraged in the co-operative sector as a matter of policy. Also of special mention is steps taken to facilitate availability of credit for inputs, higher margin to co-operatives on fertilizer distribution and improved delivery system.



### III. Fertilizer and other inputs

#### Crucial Factor

19 In increasing productivity and production in agricultural sector, inputs like fertilizer, improved seeds, pesticides, agricultural machinery and implements play a crucial role. Significantly, while China produced 160 million tonnes of milled rice from 30 million hectare of land, in India the output was 60 million tonnes from 40 million hectares. The major contributing factor in this regard is adequate, timely and quality input supply, application and management, and the role of co-operatives which is very significant. India is yet to make strides in this regard.

#### Main Institutional Agency

20 Co-operatives, in India, continue to be the main institutional agency in the distribution of agricultural production inputs. The State Co-operative Marketing Federations, Primary Co-operative Marketing Societies and Primary Agricultural Co-operative Societies have established an integrated network for distribution of fertiliser and other inputs in rural areas through co-operative retail outlets which have increased to above 70,000 in 1984-85. Fertiliser is the major farm input. Its total consumption has increased from 51.17 lakh tonnes in 1978-79 to 83.74 lakh tonnes in 1984-85. During the period, fertiliser distributed through co-operatives increased from 21.50 lakh tonnes to 36.31 lakh tonnes. The progress, during the last three years, of agricultural inputs through co-operatives has been as under.

Table 6

(Rs. in crores)

Type of Inputs	1982-83	1983-84	1984-85
(1)	(2)	(3)	(4)
Fertilizer NPK ('000 tonnes)	3016.53	3375.40	3631.00
Improved Seeds	74.00	76.00	92.00
Pesticides	35.00	39.00	55.00
Agricultural Machinery/Implements	27.00	29.00	35.00

#### Manufacturing Units

21 The fertilizer manufacturing units in the co-operative sector are Indian Farmers Fertilizer Co-operative (IFFCO) and Krishak Bharati Co-operative (KRIBHCO). IFFCO is presently producing 1.5 million tonnes of fertilizer material. KRIBHCO is expected to produce another 1.5 million tonnes of urea and Aonla Plant of IFFCO will be producing 7.5 lakh tonnes of urea. These farmers' co-operatives will be producing a total of 3.75 million tonnes of fertiliser by 1988.

## IV. Marketing of Agricultural Produce

### Marketing Services

23 Co-operative marketing societies help the farmers in marketing the agricultural produce at better and remunerative prices, with value added benefits, where possible. The services provided to members in this regard include.

- a) to prepare the produce for market by sorting, grading, packing and repacking
- b) to transfer the farmers' produce to the market
- c) to encourage members to grow improved and standardised varieties of produce.
- d) to rent or own godowns primary yards and cold storage to facilitate storage, processing and sale of goods.
- e) to act as the agent of the government for the procurement of agricultural produce and supply of requisites of agricultural production.

### Co-operative Marketing Structure

24 The net-work of co-operative marketing societies developed as a result of successful Five Year Plans presently comprises 3632 primary marketing co-operatives at the mandi level, 171 district/central societies, 29 State Co-operative Marketing Federations besides 12 State level commodity federations, and the National Agricultural Co-operative Marketing Federation of India (NAFED). Tobacco Co-operative Marketing Federation, Co-operative Dairy Federation, Fishermen's Co-operative Federation are also operating at the National level for the promotion of marketing of non-virgenia tobacco, milk and dairy products, and fish respectively.

### Market Operations

25 The working systems envisage the Primary Marketing Societies (PMS) as the basic contact point for the farmers. The village multipurpose co-operative societies are to facilitate pooling of agricultural produce and to act as collecting centres or agents of PMS. The marketing operations are undertaken on (a) outright basis, (b) in joint venture with higher level co-operatives, and (c) on agency/commission basis. The value of agricultural produce marketed by Co-operatives was Rs. 1,950 crores in 1980-81 and has increased to over Rs. 3,000 crores in 1984-85. The commodity-wise break up is given in the Table below.

Table 7

(Rs. in crores)

Crops	1980-81	1984-85
(1)	(2)	(3)
1 Foodgrains	500.00	900.00
2 Sugarcane	580.00	750.00
3 Cotton	530.00	700.00
4 Oilseeds	70.00	160.00
5 Plantation Crops	125.00	185.00
6 Fruits and Vegetables	69.00	105.00
7 Others	76.00	200.00

### Price Support Agency

26 Implicit in the strategy for increasing productivity and production is a remunerative price to the farmer. This is being facilitated through price support and market intervention measures in the implementation of which farmers co-operatives are playing an important role. The co-operatives act as the agents of Food Corporation of India which is the nodal agency in the procurement of wheat and paddy, of the Jute Corporation of India in respect of jute, the Cotton Corporation of India in case of cotton (in Maharashtra, co-operatives are implementing agency of the State Cotton Monopoly Procurement Scheme). In respect of oilseeds, coarse grains, potato and onion, NAFED is the nodal agency and it operates through the State Co-operative Marketing Federations. In the year 1984-85, the co-operatives supported the farmers in the situation of fall in prices below the support/intervention level and paid Rs. 508.45 millions directly to farmers under the scheme as under:

Table 8

Crops	Quantity purchased (in Mts.)	Support/Intervention Price (Rs. per quintal)	Total price paid (Rs. in millions)
(1)	(2)	(3)	(4)
1 Mustard/Rape Seed	76,784	385.00	295.62
2 Soyabean	70,282	240.00	168.68
3 Potato	31,653	50.00	15.83
4 Onion	36,200	60.00	21.72
5 Ginger	3,300	200.00	6.60

In the current year 1985-86, copra has been included in the commodities covered under the market intervention scheme and the purchase operations are in progress in Kerala and Lakshadweep.

### Challenging Task Ahead

27 According to a survey of primary marketing societies undertaken by NAFED in 1983 reads that 38% of these societies do not undertake marketing of agricultural produce, they cover 75% of the villages and receive produce from 40% of the area, the value of produce marketed works out to Rs. 30,000 per village utilising the services, the primary societies handled 7.5% of the marketable surplus in the area. The task before the co-operative sector is thus challenging.

### Contribution to Mixed Farming

28 In the development of Agricultural economy, mixed farming is crucial. The co-operative sector has made some contribution in this regard. The level of marketing operations of co-operatives in some key areas is as under:

Table 9

Commodity (1)	(Rs. in crores)
	1983-84 (2)
Fish	7.07
Milk and dairy products	384.05
Eggs	1.62
	(328.85 lakhs)

Bracket figure indicates the quantity of eggs sold in the year 1983-84

## V. Processing & Agro-Industry

### Growers' Co-operatives

29 In order to ensure value added returns, growers' co-operatives for the processing of agricultural produce have been promoted and developed. By and large, these are integrated projects for production, development-cum-processing. These have contributed immensely to evolving new cropping pattern and increasing agricultural productivity. Special mention may be made to the role of co-operative sugar factories in this regard. In areas where not a blade of sugarcane was grown, the area is blushing with high quality of sugarcane crops and some of the largest sugarcane crushing capacity. The co-operative sugar factories are successfully operating there. An industrial environment in rural agro- industry is also, thus, created and the benefits flow straight to the producer. The large processing units in the co-operative sector have grown as growth centres and nucleus of rural development in the area.

### Types and Numbers

30 The processing activity in the co-operative sector primarily relates to foodgrains like paddy, pulses, oilseeds e. g. mustard, soyabean, cotton seed; sugarcane, cotton, other cash crops like jute, plantation crops, fruits and vegetables. There are over 2,000 processing co-operatives ranging from small unit operating in a village to complicated and sophisticated ones such as sugar and spinning mills. The details of the type and number of the processing units are given in the table below.

Table 10

Sl. No.	Type	Number (cumulative)	
		1980-81	1984-85
(1)	(2)	(3)	(4)
1	Sugar factories	154	183
2	Spinning Mills	62	82
3	Rice Mills	725	692
4	Dal Mills	62	—
5	Cotton Ginning and Pressing	357	383
6	Fruits & Vegetables	25	28
7	Jute baling units	144	160
8	Oil mills, groundnut decorticators, rice bran oil units, solvent extraction plants, etc.	237	313
9	Milk processing units (including chilling units)	217	233
10	Others	163	190
Total		2,146	2,264

31 The co-operative sugar, factories and spinning mills set up by the growers are the large agro-industrial units. The co-operative sector is the major partner in the national sugar industry; its growth in the spinning mills sector has phenomenal and its role in the urban development has been innovative. Promotion of byproduct industries is an important aspect of the schemes of development and diversification and modernisation, operational and technological efficiency of the unit are continuous process of facilitating viability and growth with strength.

**PART—III**

**THE CRISIS AND CHALLENGES**

# I. The Crisis:

## Crisis of Productivity in Agriculture:

1. At the end of the Sixth Five Year Plan (1984-85), an all time record production of over 150 million tonnes of food grains has been achieved. By the end of the Seventh Plan (1989-90), it is envisaged that production of food grains may touch the level of 183 million tonnes. Yet, the productivity of Indian agriculture is not so high. This is the critical area of agricultural development. In order to win over the crisis of low productivity, one cannot look at agriculture in isolation. Agriculture has to be treated as a package of land, agriculturist, cattle power, farm management and technology. These are inseparable elements of agriculture.

2. Vast tract of land coming in dry farming zone is yet another limiting factor. The progress made in the sphere of production technology, preharvest technology and post-harvest technology continues to be beyond the reach of vast multitude of agriculturists, and the institutional facilities created are grossly inadequate, as also these are not utilised to full capacity. Infrastructural developments relating to godowns, cold storage, transportation, grading etc. leave much to be desired. Evolution of appropriate technology and transfer of technology are nascent to agriculture. Age old problems arising out of sub-division and fragmentation and soil erosion are horrifying. Agriculture continues to be a victim of the vagaries of nature, and one draught or flood is enough to ruin the destiny of the farmers. These are the basic factors responsible for the crisis in agriculture.

3. Farmer, individually, finds himself in a precarious position under the circumstances and the strength of group activity is yet to be fully demonstrated to restore his full confidence in the organisations like the Farmers Co-operative which he owns and manages as a group.

## Crisis of Management in co-operation:

4. The achievements of Co-operation in quantitative terms and in respect of selected institutions, certain sectors of activity and regions are encouraging. At the same time, varieties of disquieting features are being observed in the working of the co-operative movement.

These include:

- large number of dormant societies at the primary level;
- relatively smaller percentage of members availing of the services offered;
- mounting overdues;



- high percentage of co-operatives running in losses and not providing the services aimed at in their byelaws;
- irregular, ill-organised and poorly conducted meetings;
- heavy arrears in audit;
- large scale supersession of the elected Board of management;
- absence of personnel policy resulting in the prevailing low morale of employees;
- dwindling initiative of co-operatives and growing apathy and even negative attitude of members leading to strikes against the very organisation they own;
- leadership vacuum in the movement at various levels;
- inadequate appreciation of co-operative democratic character and management by administration; and above all,
- almost a break in the provision of intellectual leadership by the Universities.

5. Consequently, the co-operatives, by and large, are operating with low profile and at low level of efficiency. The management cost is beyond the capacity of the enterprise concerned justifying the demand for government subsidies.

## II. Crucial Questions before Co-operation:

### Ability to come up to Expectations:

6. With a view to tackling the problems in the strategy of expansion of co-operative activity, measures for revitalisation of co-operatives and their management efficiency, among others, have been indicated. Targets for co-operative development, as earlier presented (Annexure-II), include provision of agricultural credit amounting to Rs. 11,299 crores in the terminal year of the Seventh Plan (1989-90) as compared to Rs. 3,250 crores in 1984-85. This, among other programmes, shows the gigantic tasks awaiting agricultural co-operatives in the years ahead. The ability of the co-operative sector to come up to the expectations would be crucial to get over the crisis of confidence in co-operation.

7. Another question of great importance would relate to the likely effect of the growing new conventions on the traditions of co-operation. Passing through an era of creating new conventions, as we are, would we as co-operators, in the years ahead, be required to move towards breaking the traditions of co-operation characteristics, socialist democratic voluntary people's movement, shield for the poor, State agency in crises, and, above all, a way of life?

8. Co-operation, an 'utopia' in the 19th century, is now an 'operating system'. Would it undergo a conceptual change at the end of the 20th century? Would co-operation survive the pressures of economic compulsions of a new generation, aggressive designs of external socio-political and commercial factors influencing group dynamics, requirements of modern management, speed and fastness in operation necessitated by advancing technology and electronics, Universality of State's concern for the disadvantaged section of population and preference for planning for development by self-governing people, at the beginning of 21st century? To the child of three in 1986 who will be adult and eligible for membership of a co-operative society in 2001, would co-operation have any relevance in terms of values and expectations? These questions are of great significance to co-operation and crucial to the Indian Co-operative Movement.

### Problems of Growth and Universality

9. The pioneers visualised co-operation as an evolutionary concept of working together for combating the evils of exploitative society by affected individuals, protecting and promoting the dignity of man and striving for a new social order. In the course of one and a half century of its working, co-operative form of organisation has been adopted as a relief measure and to help in tackling the day-to-day problems of artisans, labour consumers, farmers, professional groups, and village and urban

elites alike. Its effectiveness as an agency in aiding consumer services, production credit and input, post harvest technology, agro-industries, weaker sections and new economic opportunities is universally recognised.

10 Co-operation, originally initiated to perform single purpose function, has grown as multi-purpose and further as comprehensive form of organisation. Co-operative credit, consumers stores, service co-operatives and co-operative settlements are respectively the examples. Commencing its activity in a city 'lane' (Toad Lane) and small village (in India) as a society of small men with small means doing small business, large sophisticated co-operative industrial ventures are now operating as illustrious testimony of the capability of small man efficiently organising and managing big enterprises. Even in the constitution of a country (Guiana), the concept of co-operation has been enshrined as a guiding principle of the State designating itself as a "Co-operative Commonwealth".

11 As a non-governmental organisation, the co-operative movement is the largest in the world. The Indian co-operative Movement is one of the largest co-operative movements in the world. Hence, the trends of development in India would, undoubtedly, have impact on co-operation elsewhere and in the Third World in particular.

12 In the aforesaid background, the forecast of a person directly associated with co-operative development for over three decades and who would be attaining seventy years of age in 2001 AD, is bound to be branded as biased and even optimistic. It occurs to him, though unconvincingly, that the seven colours of the Co-operative Flag might fade away, and 'The Rainbow' in the sky signifying the universe may merge its identity with the Mother Earth acquiring the colour of the soil, river, Jungle or blood suffering from the limitations and rigidity of one colour and divesting itself the characteristic of 'Universality'.

### **Transformation into Co-operative Corporation**

13 The growing emphasis on the precedence of community interests over the individuals, homogeneity of group and common interests of promoters as basic to organisation of co-operative society might be soft peddled. Initiative of individuals to form a co-operative for self-help through mutual aid may become secondary to establishment of co-operatives as a public agency combining the characteristics of a public sector enterprise, private company, and co-operative society. Experience is that at the local level, public sector undertakings have not come up, private sector has been disrupted as profiteers, and co-operatives with all the resource weakness and management deficiencies continue

to be the principal institutional agency of the people and the ray of hope for the common man. The 'balancing force' would thus have to be blended, and legal framework modelled to facilitate constitutional growth on a nationwide basis. As a subject, co-operation would emerge as of national importance, and it would no longer be termed as mere 'co-operative society' basically coming within the purview of State Government as a State subject. State partnership concept would gain further momentum as a means for rapid expansion of co-operatives as nodal agencies at the Central and State levels. The mutual dependence of the Co-operative Movement and State in the larger interest of the Nation would thus increase.

14 The hazy ideas on the roles of members, management and government would be cleared to remove mutual distrust and to encourage members' enthusiasm, initiative, and participation in the co-operatives. Universal and automatic membership would lead to ownership and belonging of the community in real sense thus removing the stigma that co-operative serves a group interest only. Specific measures with reference to each co-operative society would have to be evolved and implemented towards that end.

15 To members, a co-operative society would no longer be a 'borrowing' or 'buying' club to get occasional thrills, and to leaders as 'hobby horse' or springboard for their political career advancement. It would also not be an article of faith for the devoted traditional co-operators demanding sacrifice to provide service through this poor men's organisation. The members, office-bearers, employees, federation and all other constituents would claim their due compensation and motivation in economic terms. The survival and growth of co-operative would be dependent upon its competency to provide services with economy and efficiency, management and technical calibre of the staff and professional handling and guiding the affairs of the organisation by the elected representatives constituting the leadership. The requisite policy, financial, manpower and management support from the promoting agencies would be needed ensuring, however, that the initiative and self-regulation in the beneficiary co-operative is in no way curbed in this process. The co-operatives would have to be more sensitive to preserving and promoting the essentials of an autonomous democratic institutions with defined role and functions of the government and better appreciation of the values of co-operation and responsibility to the community, need for veto, directive and supersession would hardly be felt. Wiping off the dormant and inherently weak units as a one shot measure may have to be effected. At the primary level, there would be no alternative to co-operation. The registration of surviving societies and unions as co-operative corporations at higher level under a new Act with the object of introducing co-operation to the new century with refurbished image seems inescapable.

## Obsolescence of Federal Structure

16 The independence and autonomy in co-operation is ironically giving rise to isolation of the member constituents cracking the fabric of the federal structure. Whether primary, regional, State or national, each in practice, is operating basically as a primary unit. This is largely due to the absence of comprehensive manuals laying down working principles and procedures to be scrupulously observed at all levels. Unit gains, irrespective of norms of the system, are insisted to the breaking point. The reorganisation of the existing units at various levels as enterprises formed on functional basis and redetermination of their inter-relationship would be a necessity. The State and national level co-operative enterprises instead of federations would be more relevant. At the same time, the system of operating through branch offices by higher level federations may be discarded to facilitate growth of an integrated operational system within the co-operative sector. The role of State and national co-operative unions as co-ordinating agencies and spokesman of the movement would be more pronounced.

### III. Thrust Areas

#### Co-operative for Land Use and Productivity

17 The land-man ratio would become alarmingly low making individual farming and retention of land by non-cultivating owners impossible. Maintenance of cattle power, hiring of farm labour and farm management would become enormously costly beyond the reach of small and marginal farmers. Sociological problems arising from the relationship between the land owners, agricultural labour and share croppers would become acute. Large scale transfer of land and emergence of a new class of land grabbers may turn out to be the order of the day emphasising the urgency of co-operativisation or State control on the ownership and management of land. At the same time, individual rights in land would have to be ensured to protect his attachment to this valuable treasure of his life, and security for the future. As such, land use, productivity, management co-operatives, and co-operative farming would be the need of the time.

18. The relevance of agricultural credit and supplies would be to viable individual farmer having appropriate unit of cultivation. To others, it would add to their indebtedness. With repayment discipline already at the ebb, mounting overdues from willful defaulters and growing political apathy for correcting the situation, the credit structure would face doomsday. The orientation of the credit structure, as an agricultural co-operative banking institution would be increasingly felt giving rise to the establishment of Co-operative Banks for Agriculture replacing other institutions operating under the scheme of multiple agency system. There would be a necessity to protect the peasantry for the reason''. "The bold peasantry, country's pride, once destroyed, can never be replaced''.

#### Rural Workers' Co-operative Needed

19. In the changing pattern of land-based population, larger percentage of population would come under the category of rural workers. Their exodus to urban centres in search of employment like the search for oasis in a desert, would be a natural phenomenon. Keeping in view the traditional family occupations, social needs and economic opportunities of the area, educational attainments, and the skills of the persons, the employment, service and productive units would have to be organised on co-operative lines. In such cases, available manpower would constitute the foundation capital. In the strategy of co-operative development, manpower-based activity would have to be promoted on a large scale surpassing even land-based efforts. The emergence of vocal and aggressive working class in rural, urban and industrial areas would be a force

to be reckoned with, and co-operation would have to come up to their expectations to channelise their energy and resources to productive pursuits.

### **Expansion of Consumer Service Co-operatives:**

20. The need for rural consumer services would be more pressing as the purchasing power of rural population may not increase in proportion to the cost of living. Rising standard of living and desire for modern amenities in urban areas coupled with competition for pushing up goods in the market would baffle the consumers necessitating the intensification of consumer protection measures. Co-operatives undertaking wholesale and retail distribution of consumer goods, establishing consumer industries and promoting consumer welfare activities would have to be strengthened and their competitive ability improved. A net work of wholesale procurement and distribution centres and regional warehouses with proper linkage with primary stores and other distributing co-operatives would be desired. Manufacturing co-operatives like the fertilizer, sugar, spinning mills co-operatives may have to be enabled to invest their investible resources also in co-operative consumer industries. The consumer sector aiming to serve the entire population would develop as the dominant form of co-operative necessitating organisation of consumer co-operative banks. The housing co-operatives in the urban as well as in the rural areas along with transport co-operatives would acquire special importance in the efforts towards better living.

### **Processing Industry for Higher Returns**

21. For ensuring higher returns to raw material producers, processing and production industries would have to be enlarged. These would also help expand employment opportunities. Many of these units become nucleus of area development and community welfare services. The high rate of capital generation in these units is the most effective source of strength to the co-operative movement. Their contribution to diversifying industrial activities is more pronounced. There will be spurt in this sector of activity despite the hardships experienced in the marketing of finished goods under unfair competitive market conditions. The establishment of food grains and oil seeds processing units and processed food industry in the co-operative sector would have to be stepped up manifold.

### **Inbuilt Safeguards and Introspection**

22. The dangers which threaten the growth of co-operatives with stability arise from the membership itself. A person who is not successful in his personal, private and professional life cannot make a good member and a successful leader of a co-operative society. These also arise from inadequate sensitivity towards members' needs and action plan for

member management, conflicting duties and responsibilities of staff, management representatives of members and leadership; ill-conceived diversification of functions resulting in disintegration of the society, ineffective handling of external factors influencing the decision making process and working of the organisation. Timely training, orientation and consultancy services as aid to evolving inbuilt safeguards would be necessary.

Above all, regular introspection to assess as to how much co-operative is our co-operative with a view to raising the quality and content of co-operative character in the society, would be an essential pre-requisite to its healthy growth on a permanent footing.



## IV. Hope, goals and tasks

### Hope of Future Generation

23. No individual can ever be self-contained man in any society. The State cannot also be expected to do every thing for a citizen. At the same time, individual efforts, mutual assistance and State's support would be necessary for improving the quality of life of a responsible citizen in a forward looking society. Co-operation instils confidence in a man to strive for the same. The generation which has not so much experienced the sufferings of illiteracy, unemployment, scarcity and poverty, would not have the physical stamina to struggle for survival. With the fast material advancement taking place in the country, he would soon find himself as a tiny creature in a madding crowd. Unlike the fatalist of the past, however, he would have the will to work for a better future, against heavy odds. In co-operation, he would see a ray of hope for a promising future, and this would help ensure continuity of co-operation with the dynamism of age.

### Immediate Goals

24. Addressing the Tenth Indian Co-operative Congress held in December, 1985, at New Delhi, Sardar Buta Singh, Union Minister for Agriculture & Co-operation, visualised the immediate goals for co-operatives in the service of agriculture as under:

- a) reaching every farmer through co-operative agricultural credit, marketing and processing programmes,
- b) enabling co-operative sector to emerge as the major agency in the service of common man; and
- c) intensifying human resources development efforts particularly relating to orienting every youth in co-operation.

25. The Co-operative Sector is committed to achieve the goals set out as above, and it seeks the co-operation and collaboration of the extension agencies including the Agricultural Universities like the Kerala Agricultural Universities in realising the same with tangible results at the grass-root level.

### Our Task

26. As I look upon the tasks before us, the first and foremost task is that let each one of us play our respective role, willing to extend a helping hand to those left behind, and determined to work "shoulder to shoulder", with the soaring idealism and high motivation of co-operation in mind and heart.

27. Remember, our mission is to making every citizen a cheerful, responsible and useful partner in modernising the nation, transforming the village as rural nerve centre of Indian prosperity, democracy and culture and developing co-operation as a symbol of socio-economic hopes and aspirations of the enterprising meases and human values.

### **Rice as a Team and Co-operator**

28. May I conclude by saying that Indian ancient, yet India of today cannot live on past laurels. We, as the present generation of Indians, have to work hard with unity, strength and vision; and with confidence in ourselves and in the future of our country. This is the clarion call of our Prime Minister, Shri Rajiv Gandhi, who also prersonifies the India of tomorrow and promise for the future. This is the duty which the nation has assigned to us. We must rise to the occasion as a team, and as co-operators.

