

National Seminar on

# Co-Operative Enterprises for Sustainable Development

27<sup>th</sup> August 2014

COOP

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Organized by

Department of Co-Operation

Tiruppur Kumaran College for Women

Tiruppur



# Agribusiness Cooperatives and Sustainable Development in India

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சுழன்றும்ஏர்ப்பின்னது உலகம் அதனால்  
உழந்தும் உழவே தலை

## PROLOGUE

The Millennium Development Goals (MDGs) were to eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDS, malaria, and other diseases, ensure environmental sustainability and develop a global partnership for development. The MDGs have made a profound difference in people's lives. Global poverty has been halved five years ahead of the 2015 timeframe. In this juncture the UN has framed Goals and Targets on Sustainable Development for the Post 2015 Development Agenda. They realized that Poverty eradication is the greatest global challenge facing the world today and an indispensable requirement for sustainable development. UN committed to freeing humanity from poverty and hunger as a matter of urgency. Further UN recognizes that poverty eradication, changing unsustainable and promoting sustainable patterns of consumption and production and protecting and managing the natural resource base of economic and social development are the overarching objectives of essential requirements for sustainable development.

Sustainable development is defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED 1987). The major concern is that by irreversibly depleting the world's stock of natural wealth, today's development path will have detrimental implications for the well-being of future generations. Hence, moving towards a green economy must become a strategic economic policy agenda for achieving sustainable development.

Green economy results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities. In its simplest expression, a green economy can be thought of as one which is low carbon, resource efficient and socially inclusive (UNEP). Practically speaking, a green economy is one whose growth in income and employment is driven by public and private investments that reduce carbon emissions and pollution, enhance energy and resource efficiency, and prevent the loss of biodiversity and ecosystem services. These investments need to be catalyzed and supported by targeted public expenditure, policy reforms and regulation changes. This development path should maintain, enhance and, where necessary, rebuild natural capital as a critical economic asset and source of public benefits, especially for poor people whose livelihoods and security depend strongly on nature. In this context I tried to see the scope of agribusiness cooperatives for sustainable development and poverty eradication with special reference to India.

## SUSTAINABLE DEVELOPMENT MODEL FOR COOPERATIVES

Sustainable development through cooperatives is possible and the best viable alternative to any other models proposed by the economists. This is mainly due to the fact that the cooperatives are governed by the universally accepted principles and strive to develop the economy of any nation. The co-operative sector needs to demonstrate convincingly that sustainability is in the intrinsic nature of co-operatives, and that co-operative enterprise makes a positive contribution to sustainability in three senses: Economic, Social and Environmental.

Fig: 1 Sustainable Development Model for Cooperatives



The International Cooperative Alliance has published a paper entitled 'Blue print for a Cooperative Decade-January 2013' and it explains the sustainable model for cooperatives as stated below:

**Economic Sustainability:** Co-operatives act in the interests of their members, not shareholders. They pursue 'stakeholder value' not 'shareholder value', making them intrinsically less risky. There is good evidence to suggest that credit co-operatives contribute to greater financial stability and sustainability. By putting human need and utility at the centre of their organizational purpose, rather than profit, co-operatives do not suffer from the same problem of short-termism that afflicts all manner of financial and non-financial firms. To put this in another way, they do not suffer from the problem of 'financialisation' that has afflicted capitalism over the past twenty years, in which financial performance is the central indicator of good business. By their nature and form of ownership, they are less likely to reduce the quality of products or services in the pursuit of profit. They thereby improve the diversity and overall ecology of business forms, introducing real choice as to how business is done. In developing economies, they play a mainstream role in economic development, both directly and indirectly as well as supporting the introduction of new technologies.

**Social Sustainability:** Amongst the negative externalities generated by contemporary capitalism, and which the state is often tasked with addressing, are social problems associated with individualism and inequality. Some of these simply involve unnecessary human suffering, as increasingly measured by happiness economists and wellbeing surveys. Others bring monetary costs for governments, where they are manifest as health problems and crime. The study of 'social capital'<sup>1</sup> suggests that Societies with higher levels of membership associations also do better economically, in addition to enjoying higher levels of trust and democratic participation. Co-operatives make a very positive contribution here, in two ways. First, they deliver social services to the needy. Co-operatives aren't simply market operators, but also deliver services that would otherwise come from private insurance or the state. Where this happens, there is a very strong fiscal case for states to support them in doing this, especially in the context of apparent fiscal crises. Second, membership and association are goods in and of themselves, while also acting as important resources on which successful societies – and economies – thrive. Co-operatives contribute to the stock of a nation's 'social capital', in ways that investor-owned businesses do not. This is crucial to developing nations. It is a factor which endears them to governments and policy-makers, and enables them to out-perform their profit-maximizing rivals in ways which are understood and appreciated.

**Environmental Sustainability:** There is a growing body of evidence demonstrating that co-operatives have a superior environmental record. There are various reasons for this. First, as participatory organizations, concerns about future environmental outcomes can simply be voiced democratically by members, without needing to be calculated in terms of return on investment. Second, where co-operatives are multi-stakeholder, the capacities for businesses to push negative environmental externalities (i.e. waste and pollution) upon particular stakeholders are diminished.

#### *Agribusiness Cooperatives in India*

In agriculture, agribusiness is a generic term that refers to the various businesses involved in food production, including farming, seed supply, agrichemicals, farm machinery, wholesale and distribution, processing, marketing, and retail sales. Within the agriculture industry, agribusiness is widely used simply as a convenient portmanteau of agriculture and business, referring to the range of activities and disciplines encompassed by modern food production. Considering the phenomenon prevailing in the field of agriculture, the term agribusiness could also be defined as a business carried out by a private firm/farm, a cooperative, a company or a government firm to market agricultural input and output with a value to the consumer.

Cooperatives that are engaged in agribusiness and registered under the state and federal government acts can be

*Social capital refers to the institutions, relationships, and norms that shape the quality and quantity of a society's social interactions. Increasing evidence shows that social cohesion is critical for societies to prosper economically and for development to be sustainable. Social capital is not just the sum of the institutions which underpin a society – it is the glue that holds them together. (world Bank)*

called as Agribusiness Cooperatives. However, there are other new generation collectives such as Producers' Companies, self-Help Groups, Producer Societies contributes significantly to the betterment farming community. Though they were not brought under the cooperative societies acts, theoretically they can also be considered as cooperatives.

The following paragraphs explain the status of agribusiness cooperatives in India and its economic, social and Environmental role for the sustainable development.

**Agricultural Credit:** Agricultural Credit Cooperatives in India are classified in to short term and long term structures. The short-term co-operative credit structure comprises of 31 State Co-operative Banks (StCBs), 370 District Central Co-operative Banks (DCCBs) and 92432 Primary Agricultural Credit Societies (PACS). The long term credit structure comprises of 20 State Co-operative Agriculture and Rural Development Banks and 697 Primary Co-operative Agriculture and Rural Development Banks. These cooperatives have covered 97 % of rural India. The role of rural co-operatives in providing agricultural credit has weakened over the years due to myriad factors as reflected in the decline in the share of these institutions in total agricultural credit from 64 per cent in 1992-93 to around 17 per cent in 2011-12 necessitating corrective steps in rural co-operative credit institutions.

**Marketing Cooperatives:** The Structure of Marketing Cooperatives is by and large 2 Tier i.e. Primary Marketing Cooperative Societies at Taluk level and State Marketing Cooperative Federation. There are different types of Cooperative Marketing Societies namely General Purpose Marketing Societies and Specialized /Commodities Marketing Societies such as Fruits & Vegetable, Cotton, Tobacco, Arecanut, Coconut, Sugarcane Growers Cooperatives, Rubber Cooperatives, Coir Cooperatives, Oil marketing and processing Cooperatives, Tea and Coffee processing Cooperatives. In India we have 57 State Level Marketing Federations and State Level Tribal and Commodity Federations, 7202 Primary Marketing/Processing Societies. Marketing societies are trying to ensure better price for the producers.

**Agro-processing Cooperatives:** Agro-processing Cooperatives such as 324 Sugar Cooperatives, 172 Spinning Mills, 144729 Dairy Cooperatives, 702 Food grain Processing Units are contributing significantly for value addition of agricultural commodities.

**Vignette 1: Mapping the Value Chain of Paddy- A Case Study of Palakkad District Paddy Procurement, Processing and Marketing Co-operative Society Limited (Paddico Ltd)**

*Christened as the rice bowl of Kerala, Palakkad is famous for Palakkadan Matta, a special variety of rice that is brown in colour. The majority of the people of Palakkad are agriculturist who largely depends on paddy cultivation for their livelihood. The life style and culture of Palakkad is interlinked with paddy cultivation. Paddy processing saw a sea change from household operation to most scientific milling. Private traders, millers were playing a pivotal role for a quite long time. With the patronage of government of Kerala Palakkad District Paddy Procurement, Processing and Marketing Co-operative Society Limited (Paddico Ltd) was established in 2004 to systematize the value chain of paddy in Palakkad district. Hence an attempt has been made to study and map the value chain of paddy. The study evolved Maps of value chain for Paddy. Inputs are mainly supplied by the Primary Agricultural Credit Cooperatives. Paddico Ltd procures and process paddy in their modern rice mill. Produced paddy is marketed through the Kerala state civil supplies corporation and their own retail outlets. Paddico Ltd tries to ensure better price for the farmers and sale of quality Palakkadan Matta rice at a fair price to consumers.*

**Other types of Agricultural Cooperatives:** There are 6902 farming cooperatives in India producing food grains and marketing the same. Moreover, 17066 irrigation cooperatives are trying to fulfill the irrigation needs of farms particularly in the dry regions of India. Interestingly 15526 Fisheries cooperatives are there to develop the socio-economic conditions of fishermen. There are 4233 poultry cooperatives are also producing egg and poultry meat in India.

All the above mentioned agribusiness cooperatives in India are working towards the economic, social and environmental sustainability members and the natural assets. Economic functions of farm to fork value chain such as input provision, marketing of agricultural produces with or without processing ensures maximum of a consumer pie to the farmer. Through the democratic management practices in agribusiness cooperatives particularly in dairy cooperatives, social inequality among the farmers have been brought down significantly. Since the members are collectively taking decisions on the issues related to natural assets, to a large extent environmental degradation has been controlled in the rural India.

## EPILOGUE

The Agribusiness cooperatives should encourage farming practices and technologies that are instrumental in greening agriculture. Greening agriculture includes;

- restoring and enhancing soil fertility through the increased use of naturally and sustainably produced nutrient inputs; diversified crop rotations; and livestock and crop integration;

- reducing soil erosion and improving the efficiency of water use by applying minimum tillage and cover crop cultivation techniques;
- reducing chemical pesticide and herbicide use by implementing integrated and other environmental friendly biological pest and weed management practices; and
- Reducing food spoilage and loss by expanding the use of post-harvest storage and processing facilities

Agribusiness Cooperatives in India should also strive further for the following green economy measures:

1. A green economy recognizes the value of, and invests in, natural capital such as forests, lakes, wetlands and river basins.
2. Reducing deforestation and increasing reforestation also support agriculture and rural livelihood.
3. Sustainable levels of fishing by reducing the current fishing capacity and finding alternative jobs for the dependents.
4. Ensuring equitable access of food, sanitation, clean water for the hungry.
5. Renewable energy can play a cost effective role in a strategy to eliminate energy poverty.
6. Farm Tourism development when well designed can support the local economy and reduce poverty.

The stakeholders of the cooperative movement should work together to evolve strategies for the sustainable development through cooperatives. Now, the federal government has taken steps in this line and working towards sustainable development of Indian agriculture by allotting more funds to the sector. Agribusiness Cooperatives in India are contributing significantly to the economic development of our farmers. However, one third of our citizens are below the poverty line and majority of them living in the rural India. Though the cooperatives are adopting democratic governance, discrimination in the form of caste and religion exists still. Awareness about environmental degradation has not reached the people yet. Hence, I request all the stakeholders of the cooperative movement to internalize the importance of green economy and drive our cooperatives for the betterment of our mother earth.

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