

Research Paper

Cooperatives and Sustainable Development: A Case Study of Dairy Cooperatives

Dr. Narayan Chopra,
Sr. Astt. Prof., C.G.O., Gp. 'A',
Deptt. of Geography, N.D.A., PUNE.

ABSTRACT

Cooperative, an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise is and has been instrumental in sustenance of the rural folk. It is now increasingly recognized that the co-operative system in India has the capacity and potentiality to neutralize the adverse effects emerging from the process of globalization.. In the present study an attempt has been made to study the development of dairy cooperatives, its contribution to the dairy industry and sustainable development of the rural communities thereby highlighting its inherent advantages in tackling the problems of poverty alleviation, food security and employment generation. The present study whilst underlining their immense potential to deliver goods also throws light on some pertinent issues plaguing this sector.

INTRODUCTION
EVOLUTION OF COOPERATIVES

Co-operation is a world-wide movement. It was introduced in India in the early years of this century in the wake of famines, which had resulted in economic hardship and an alarming increase in the indebtedness of the farmers to the moneylenders. Co-operative credit on easy terms appeared to be the best means of getting the farmers out of the vicious circle of indebtedness and poverty. The idea was to free the farmers from the necessity of having to borrow money on usurious rates of interest from Sahukars or village moneylenders.

The Co-operative Societies Act, which was passed in 1904 envisaged the formation of village credit societies. In 1912, the Act was amended to enable formation of other types of societies for activities relating to sale, purchase, production, housing etc. This Act also provided for the creation of federations of primary societies and for supervision, audit, mutual control and overall development of the co-operative movement. In 1919, the subject of co-operation was transferred to the provinces and most of the provinces enacted their own laws to regulate the working of co-operative societies.

To give a stimulus to the co-operative movement, the Government of India set up an Agricultural Credit Department in the Reserve Bank of India with a view to providing financial assistance and credit to the co-operatives.

Co-operation was introduced in India mainly as a defensive organization for dealing with problems of rural indebtedness. With the acceptance and implementation of a planned economic development wedded to the ideas of socialism and democracy, co-operation became a dynamic economic instrument for achieving the social objectives of the National plan.

THE FRAME OF REFERENCE

Report of the World Commission on Environment and Development entitled 'Our Common Future' defines sustainable development as “Development that meets the needs of the present without compromising the ability of the future generation to meet their own needs. Thus it seeks to satisfy the compulsions of equity within generations of the humans and also of inter-generational equity”.

The United Nations Development Programme has also developed a more general concept of sustainable livelihoods, which it defines in this way: “livelihoods connote the means, activities, entitlements, and assets by which people make a living, and include not only natural and biological assets, but also social, human and physical assets.”

Advantage of using such a crude and low-level measure as the UN uses is that:

It has greater political legitimacy;

Set the threshold much higher and some people might begin to dispute whether policies are really about poverty or just an attempt to redistribute wealth;

It is possible to raise the threshold and aim higher, esp. in evaluating the contribution that cooperatives have made, and could make, to sustainable development, a severe criterion of absolute poverty, or less severe criteria such as reduction in vulnerability and inequality, greater social inclusion, and a more sustainable way of making a living.

THE CONCEPT :

The International Co-operative Alliance (ICA), the apex organization that represent

Please cite this Article as : Dr. Narayan Chopra , Cooperatives and Sustainable Development: A Case Study of Dairy Cooperatives : Golden Research Thoughts (March ; 2012)

cooperatives worldwide, defined a cooperative as 'An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise'.

The principles on which they are based reinforce this definition. Cooperatives have voluntary and open membership, democratic member control, and economic participation on the basis of membership rather than size of investment, autonomy and independence. Because they are member owned businesses they need to make a commitment to the education and training of their members, and because they are share similar values are expected to cooperate with each other.

Finally, though they exist primarily for the benefit of their members, they also have responsibility for their wider community.

✦ Behind these principles are values such as self-help, equity, democracy, equality among members, and solidarity.

✦ The relationship between the values, principles and practices of cooperation is one that has been worked out over almost hundred years in a continual process of iteration – values leading to principles and then being tried out in various practices, and the experience of running cooperatives feeding back to reinforce certain principles and strengthen the values. The more we emphasize these shared values and principles, the more likely it is that we will develop strong arguments for cooperatives as a means of sustainable Development.

✦ Some people argue that because they are open to new members, do not require people to invest large amounts of capital, and tend to share economic results equitably, they have an automatic tendency to benefit the poor. Others take a more minimalist view of cooperatives, as 'people-centred businesses' that are mainly concerned with benefiting their members and do not have any built-in obligation to the poor.

✦ In this working paper we take a more balanced view, that they have the potential of sustainable development and – provided their values and principles are respected - will do this more effectively than other forms of economic organization.

✦ However, this potential may not always be realized, either because members lose sight of the needs of other potential members, or because those concerned with sustainable development see cooperatives as tools rather than as autonomous organizations.

Cooperative values and principles set up a creative tension between what 'is' and what 'ought to be' in cooperative practices. Or to put it another way, cooperatives are designed to be ethical businesses, and so are challenging both for their member's relationship with each other, and for the cooperative's relationship with its environment. How far has this creative tension within cooperatives benefited the poor? What is the record of cooperatives in poverty reduction?

There are numerous examples small-scale cooperatives working in areas where people are socially excluded – food cooperatives, credit unions, cooperative health centres, community businesses and so on. There are also many examples among large cooperatives of decline, financial crises, liquidations and recently demutualization to investor-owned businesses.

The complexity of the picture makes it difficult to generalize about the record on sustainable development.

DEVELOPMENT OF DAIRY COOPERATIVES

Dairy development in India has been acknowledged the world over as one of modern India's most successful developmental programme. In the Indian dairy cooperatives, these developments helped smaller farmers as well as larger.

A HUMBLE BEGINNING

In the forties the dairy industry was dominated by one firm - Polsons. Established by a rather enterprising gentleman who discovered that Kaira District, of what was then Bombay Presidency, produced a good deal of milk. He established a creamery and for a while the name Polsons was synonymous with butter - much as Amul is today. Before the cooperative movement began, the dairy industry in the Kaira District was being exploited by middlemen who supplied milk to the consumer. It began as a response to this exploitation and put an end to it.

THE FIRST STEP: FORMATION OF KAIRA UNION

Realizing that something needed to be done about the unequal balance of wealth, they turned to Sardar Vallabhbhai Patel for advice. He said, "Throw out Polson and his milk contractors". They followed his advice and the Kaira District Cooperative Milk Producers' Union (AMUL) was born, in 1946. By good fortune, they could get as Chairman - Shri Tribhuvandas Patel, Because the farmers of Kaira district trusted and respected Tribhuvandas Patel, the cooperative was able to pass through some very difficult times and eventually become a model of cooperative dairying throughout the world.

The Kaira Union began with a clear goal, to ensure that its producer members received the highest possible share of the consumers' rupee. This goal itself defined their direction.

The focus was on production by the masses, not mass production. The Kaira Union began pasteurizing milk for the Bombay Milk Scheme in June 1948. An assured market proved a great incentive to the milk producers of the district. By the end of 1948, more than 400 farmers joined in more village societies, and the quantity of milk handled by one Union increased from 250 to 5,000 liters a day.

As the movement spread in the district, it was found that the Bombay Milk Scheme could not absorb the extra milk collected by the Kaira Union in winter, when the production on an average was 2.5 times more than in summer. Thus, even by 1953, the farmer-members had no assured market for the extra milk produced in winter. They were again forced to sell a large surplus at low rates to the middlemen. The remedy was to set up a plant to process milk into products like butter and milk powder. A Rs 5 million plant to manufacture milk powder and butter was completed in 1955. In 1958, the factory was expanded to manufacture sweetened condensed milk. Two years later, a new wing was added for the manufacture of 2500 tons of roller-dried baby food and 600 tons of cheese per year, the former based on a formula developed with the assistance of

Please cite this Article as : Dr. Narayan Chopra , Cooperatives and Sustainable Development: A Case Study of Dairy Cooperatives : Golden Research Thoughts (March ; 2012)

Central Food Technological Research Institute (CFTRI), Mysore. It was the first time anywhere in the world that cheese or baby food was made from buffalo milk on a large, commercial scale..

Another milestone was the completion of a project to manufacture balanced cattle feed. The plant was donated by OXFAM under the Freedom From Hunger Campaign of the FAO.

By the early 'sixties, the modest experiment in Kaira had not only become a success, people began to recognize it as such. Farmers came from all parts of Gujarat to learn.

They went back to their own districts and started their own cooperatives. The response to these provided stimulus for further growth. In 1964, the then Prime Minister Shri Lal Bahadur Shastri came to inaugurate a cattle feed factory owned by Amul near Anand.

Impressed by the cooperative's success, he expressed his wish to "transplant the spirit of Anand in many other places". He wanted the Anand model of dairy development replicated in other parts of the country. With institutions owned by rural producers which were sensitive to their needs and responsive to their demands, it was an ideal tool for progress. The NATIONAL DAIRY DEVELOPMENT BOARD was created in 1965 in response to this call.

THE NEXT ACHIEVEMENT: OPERATION FLOOD

In the late sixties, the Board drew up a project called Operation Flood (OF) - meant to create a flood of milk in India's villages with funds mobilized from foreign donations. Producers' cooperatives, which sought to link dairy development with milk marketing, were the central plank of this project. Operation Flood, launched in 1970, has been instrumental in helping the farmers mould their own development. The scheme sought to establish milk producers' cooperatives in the villages and make modern technology available to them. The broad objectives are to increase milk production ("a flood of milk"), augment rural incomes and transfer to milk producers the profits of milk marketing which are hitherto enjoyed by well-to-do-middlemen.

It was carried out in three phases:

PHASE:I

Phase I of Operation Flood was financed by the sale within India of skimmed milk powder and butter oil gifted by the EC countries via the World Food Program. As founder-chairman of the National Dairy Development Board (NDDB) of India, Dr Kurien was the project authority for Operation Flood. During its first phase, the project aimed at linking India's 18 best milksheds with the milk markets of the four metropolitan cities of Delhi, Mumbai, Calcutta and Madras

PHASE:II

Phase II of the project, implemented during 1981-85 raised this to some 136 milksheds linked to over 290 urban markets. The seed capital raised from the sale of WFP/EEC gift products and World Bank loan had created, by end 1985, a self-sustaining system of 43,000 village cooperatives covering 4.25 million milk producers. Milk powder production went up from 22,000 tonnes in the pre project year to 1,40,000 tonnes in 1989, thanks to dairies set up under Operation Flood. The EEC gifts thus helped to promote self-reliance. Direct marketing of milk by producers' cooperatives resulting in the transfer of profits from milk contracts --increased by several million liters per day.

PHASE: III

Phase III of Operation Flood (1985-1996) enabled dairy cooperatives to rapidly build up the basic infrastructure required to procure and market more and more milk daily. Facilities were created by the cooperatives to provide better veterinary first-aid health care services to their producer members.

FAR REACHING CONSEQUENCES

Operation Flood has had far reaching impacts on the development of modern dairying facilities in the country. It has not only impacted growth in production and distribution of milk and milk products, but also dominated the rural development scenario by providing sustainable livelihood options to millions of rural farmers.

Contributing about 5.3 per cent to India's agricultural GDP, milk is a leading agricultural produce. The value output from milk at current prices during 2006-07 has been over Rs.144386 crores which is higher than the output from paddy (Rs.85032 crore) alone and is also higher than the value output from Wheat (Rs.66721 crore) and sugarcane (Rs.28488 crore), put together. The unique feature of the system is that about 120 million rural families are engaged in milk production activities as against big specialized dairy farmers in the west.

A World Bank audit showed that of the Rs. 200 crores invested in Operation Flood (II), the net return into the rural economy has Rs. 24000 crores per year over a period of ten years, or a total of Rs. 240,000 crores in all. No other major development programme in the world has matched this input-output ratio.

The impact of Operation Flood on India's modern dairy sector has been paramount. From an insignificant 200,000 litres per day (lpd) of processed milk in 1950-51, the organised sector is presently handling more than 25 million lpd in more than 400 modern dairy plants setup in different milk sheds in the country. One of the largest liquid milk processing and pasteurizing plants has been established in Delhi handling over 800,000 lpd (Mother Dairy). India's first automated dairy plant with handling capacity of 1,000,000 lpd has been established at Gandhinagar near Ahmedabad in Western India.

Several domestic cooperatives have mushroomed, and many of them are now emerging as major players in the global market. The Gujarat Cooperative Milk Marketing Federation Limited, with its popular brand “Amul”, has become the one of the largest food companies in Asia, with annual turnover in excess of Rs. 30 billion.

Operation Flood offers some very crucial lessons for policy-makers. The first lesson is “inclusive growth”. By establishing dairy cooperatives at the grassroots level, it brought the milk farmers into its ambit, and placed control in their

Please cite this Article as : Dr. Narayan Chopra , Cooperatives and Sustainable Development: A Case Study of Dairy Cooperatives : Golden Research Thoughts (March ; 2012)

hands to decide what and how much to produce and sell. This market-oriented, participatory approach to development led to many grassroot-level innovations in designing of the supply chain in dairy.

Secondly, efficiency is the key to success in food processing industries such as dairy, and thus, streamlining and strengthening of the supply chain holds paramount importance. With setting up of a strong supply-chain network, leakage from the system to middlemen can be checked and more returns can be realized for the milk producers (who are the ultimate stakeholders of the system).

Thirdly, for higher price realization, one needs to graduate from simple, low-value commodities to high-value added processed products. Marketing holds the key to ensuring that products are available at the right place, at the right time, at the right price. Brand building is an essential exercise for all dairy companies to exploit the full potential of the dairy value-chain.

Finally, the most crucial lesson of Operation Flood to all policy makers is that growth and development should be “market-oriented” and “market-led”. By developing the market forces, and ensuring healthy competition among different players in the market, a robust and transparent system can be developed, which benefits both the producers and consumers by ensuring quality products at “value-for-money” prices.

There are, however, many pitfalls in the Operation Flood.

OPERATION FLOOD SUCCESSFUL IN LIMITED STATES ONLY: The success of dairy cooperatives has been largely confined to a few states in India such as Gujarat, Punjab, Andhra Pradesh and Rajasthan, where brands like Amul, Verka, Vijaya and Saras have become household names. However, a large number of dairy cooperatives, unions and federations are defunct and are not able to create value for their members. Cooperatives in Uttar Pradesh (Parag Dairy), Kerala (Milma), and Madhya Pradesh (Uttam Dairy) are largely loss-making. A lot needs to be done to strengthen such non-performing cooperative

EXCESSIVE GOVERNMENT INTERFERENCE IN DECISION-MAKING: Since these cooperatives have large rural base, excessive government intervention because of vested political interests has led to massive politicization of dairy cooperatives. Consequently, cooperatives have become agencies for implementing the populist policies of the government, and thus unprofitable and unviable business units.

POLITICIZATION OF COOPERATIVES: Politicization of cooperatives has caused a plethora of problems. Overstaffing, low capacity utilization, weak market orientation and poor financial controls have become the norm rather than exception in case if most Indian dairy cooperatives.

LIMITED SOURCES OF FINANCE: Limited sources of finance available to these cooperatives also hinder the smooth functioning of many dairy cooperatives. The cooperatives cannot raise equity from the market, and have to depend either on their own retained earnings or on equity from member farmers. Both these sources are woefully inadequate for meeting the financial needs for technological upgradation and innovation, and thus the cooperatives have to resort to government loans and grants. This in turn makes them an easy prey for government interference in decision-making.

GOVERNMENT DICTATED INPUT-OUTPUT PRICING: In case of most cooperatives the state government fixes the minimum producer price. This has caused inevitable distortions in the pricing of processed dairy products, and has adversely affected the financial health of the cooperatives.

CONCLUSION

- ❖Dairy development in India has been acknowledged the world over as one of modern India's most successful developmental programme. Today, India is the largest milk producing country in the world.
- ❖When the world milk production registered a negative growth of 2 percent, India performed much better with 4 percent growth. The milk production was almost stagnant between 1947 to 1970 with an annual growth rate of merely one percent which has since registered a vigorous growth of over 4.5% per annum after the year 1970. The production of milk in India has been increasing steadily. India also ranks first in milk production with a production of 100.9 million tonnes in 2006-07.
- ❖Another point of view is from the eyes of the small farmer, it has revoultionized their way of life. Dairying has become an important secondary source of income for millions of rural families.
- ❖Village cooperatives have created jobs for people in their own villages -- without disturbing the socio-agro-system -- and thereby the exodus from the rural areas has been arrested to a great extent.
- ❖The income from milk has contributed to their household economy. Besides, women, who are the major participants, now have a say in the home economy.
- ❖Since dairying is a subsidiary occupation for the majority of the rural population, this income is helping these people not only to liberate themselves from the stronghold of poverty but also to elevate their social status.
- ❖Most important, whilst it has been successful the various issues plaguing this sector, viz., excessive government interference in decision-making, politicization of cooperatives, limited sources of finance & government dictated input-output pricing, etc. needs to be addressed.

REFERENCES

Alderman, Harold (1987), Cooperative Dairy Development in Karnataka, India,International Food Policy Research Institute , Washington.
Bakhit, I.; Ravensburg, N.; Münkner, H.; Walter, V.; Walter H. (1996) Attacking the Roots of Poverty, Marburg Consult for Self-help Promotion, (Marburg).
Birchall, J. (1994) Coop: the People's Business, Manchester University Press, (Manchester).

Please cite this Article as : Dr. Narayan Chopra , Cooperatives and Sustainable Development: A Case Study of Dairy Cooperatives : Golden Research Thoughts (March ; 2012)

- Birchall, (1997 a) The International Cooperative Movement, Manchester University Press, (Manchester).
- Birchall, J. (1997 b): “Cooperative values, principles and practices: a commentary” Journal of Cooperative Studies 30.2, 1997 pp.42-69.
- Choodambigai, S.R. and Shyamala, M. (2000), Small Scale Enterprises : Problems and Prospects, In Small Scale Industries, Vol. I by (ed.) Soudarapandian, M., Delhi : Concept Publications.
- Das, Kumar(1993) Rural Development Through Decentralization, Discovery Pub. House, Delhi. pp180.
- Deb, Alok Kumar (2006) , World Cooperative Movement , WWW. CooperativeMovement India. com
- Eleanor, Margaret Hough, K. Madhava Das (1967), Cooperative Movement in India (Ed): Oxford University Press ,pp 506.
- Food and Agriculture Organization (2001): Committee on Food Security Report, The application of appropriate agricultural technology and practices and their impact on food security and the eradication of poverty; found at www.fao.org.
- FAO (2002) Archived press release “Grameen uses Milk Vita model to help the poorest of the poor”.
- Gupta ,S P (2006) Globalisation, Economic Reforms and Employment Strategy in India, pp276.
- Hanumantha ,Rao c h ,B B Bhattacharya , N S Siddharthan (2005), Indian Economy and Society in the Era of Globalisation and Liberalisation ,Academic Foundation, Delhi, pp 439.
- Hanumantha ,Rao C H (2005),Agricultural Growth, Farm Size And Rural Poverty Alleviation In India, pp 398.
- Himachalam, D. and Janardhanam, K.(2002), “Indian Co-operative Sector in the New Millennium: Prospects and challenges.” Banking Finance, January, Kolkata, pp.9-13.
- Kelkar, Vijay (1977), Impact of Private Foreign Investments in India, 1964–72 : An Economic Analysis, In Charan, Wadhwa (ed.), Some Problems of India's Economic Policy, New Delhi : Tata McGraw Hill.
- Kshriagar, S.M.; Sananse, Dr. S.L.; and Gorade, S.W. (2007) “Peformance Appraisal of Shirolu Budruk Farmers Service Society Ltd., Junnar Taluka, Pune – A success story”, Financing Agriculture, July-Aug., pp. 13-16.
- NABARD, (2000) Statistical Statements Relating to Co-operative Movement in India –1997-98 - Part I and Part , Delhi.
- Parthasarathy , G. (2003) Economic Reforms and Rural Development in India, Academic Foundation, Delhi
- Radhakrishna, R. S.K. Rao, S. Mahendra Dev and K.Subbarao (2006) , India in a Globalising World :Some Aspects of Macro Economy, Agriculture And Poverty,Academic Foundation, Delhi, pp528 .
- Samantaray , P.C.(2004), Hundred Years of Co-operative Movement : Emerging Issues and Challenges, Orissa Review.
- Sharma, Mandira and Kumar, Rajiv (2008); “Rural Short-term co-operative credit structure”, Economic and Political weekly, March 1, pp. 13-18.
- Singh Gurusharan K(1998), India's Rural Cooperatives/edited , Vedam Books, Delhi, pp 456.
- Singh Ram Binod (2006) ,Gandhian Approach to Development Planning/. New Delhi, Concept, pp 278p.
- Swami, Dalip S. (1994), The Political Economy of Industrialization, From Self–Reliance to Globalization, New Delhi : Sage Publications.
- Titus, Varkey K. (ed.) (1997), Economic Liberalization : Its Impact on Indian Economy, Business and Society, Association of Indian Economy Studies, Illinois.
- United Nations Research Institute for Social Development (1975) Rural Cooperatives as Agents of Change: a Research Report and a Debate, UNRISD (Geneva).