

# Role of agriculture cooperative societies



## **PRIMARY AGRICULTURE COOPERATIVE SOCIETIES**

An agricultural cooperative society, also known as a farmers' co-op, is a cooperative where farmers pool their resources in certain areas of activity.

A broad typology of agricultural cooperatives distinguishes between agricultural service cooperatives, which provide various services to their individually farming members, and agricultural production cooperatives, where production resources (land, machinery) are pooled and members farm jointly. Agricultural production cooperatives are relatively rare in the world, and known examples are limited to collective farms in former socialist countries and the kibbutzim in Israel. Worker cooperatives provide an example of production cooperatives outside agriculture.

The default meaning of agricultural cooperative in English is usually an agricultural service cooperative, which is the numerically dominant form in the world. There are two primary types of agricultural service cooperatives, supply cooperative and marketing cooperative. Supply cooperatives supply their members with inputs for agricultural production, including seeds, fertilizers, fuel, and machinery services. Marketing cooperatives are established by farmers to undertake transformation, packaging, distribution, and marketing of farm products (both crop and livestock). Farmers also widely rely on credit cooperatives as a source of financing for both working capital and investments.

Various development activities in agriculture, small industry marketing and in processing, distribution and supplies are now carried on through the co-operative societies. The co-operatives societies have made an all-round

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progress and their role in, and contribution to agricultural progress has particularly been significant. The schemes regarding the construction of godowns and the conversion of villages into model villages have assumed great importance in the wake of the Green Revolution.

### **INTRODUCTION OF COOPERATIVE MOVEMENT**

The Co-operative Movement was introduced into India by the Government. It is the only method by which the farmers could overcome their burden of debt and keep them away from the clutches of the money-lenders. The Co-operative Credit Societies Act, 1904 was passed by the Government of India and rural credit societies were formed. Through the appointment of registrars and through vigorous propaganda, the Government attempted to popularize the Movement in the rural areas. Within a short period, the Government realized that there are some shortcomings of the 1904 Act and, therefore, passed a more comprehensive Act, known as the Co-operative Societies Act of 1912. This Act recognized non-credit societies also. But the rural credit societies have continued to be predominant till now.

### **MAIN FEATURES:**

#### **1. PRIMARY AGRICULTURAL CREDIT SOCIETIES**

- Assessment of credit needs
- Disbursement of credit to members
- Recovery of credit
- Promote the economic interests of the members

#### **0. DISTRICT CENTRAL COOPERATIVE BANKS**

- Serve as balancing centre in the district central financing agencies

- Organise credit to primaries
- Carry out banking business
- Sanction, monitor & control implementation of policies

#### 0. STATE COOPERATIVE BANKS

- Serve as balancing centre in the state
- Organize provision of credit for credit worthy farmers
- Carry out banking business
- Leader of the cooperatives in the state

#### 0. NATIONAL FEDERATION OF STATE COOPERATIVE BANKS

- Provides a common forum to the member banks
- Promotes and protects the interests of the member banks
- Co-ordinates and liaison with government of India,

#### 0. RESERVE BANK OF INDIA , NATIONAL BANK AND OTHERS

- Provides research and consultancy inputs to the member banks
- Organizes conferences/seminars/workshops/meetings

### **THE PRIMARY AGRICULTURAL CREDIT/SERVICE SOCIETIES**

The agricultural co-operative credit structure is broadly divided into two sectors, one dealing with the short-terms and medium-terms finance and the other with the long-term credit. The short-term and medium-term credit structure is based on a three-tier system, i. e., the Apex Co-operative Bank at the State level, the Central Co-operative Bank at the district/tehsil level and the Primary Agricultural Credit Societies at the village level. The major objectives of the primary agricultural credit service societies are to supply

agricultural credit to meet the requirements of funds for agricultural production, the distribution of essential consumer commodities, the provision of storage and marketing facilities and for light agricultural implements and machinery.

Owing to an increasing emphasis on the development of land and agriculture, long-term co-operative credit has assumed great importance.

There is the Punjab State Land Mortgage Bank at the Apex and the Punjab Mortgage Bank at the district/tehsil level. These Primary Land Mortgage Banks advance loans to the farmers for long term purposes.

At the operational level, there exists a primary co-operative to extend credit to the farmer. This unit epitomizes the vitality and service potential of the Co-operative Movement in India. The organization of these societies dates back to 1904, when the first Co-operative Societies Act was passed. These societies were started with the object of providing cheap credit to the agriculturists in order to free them from the clutches of the rapacious money-lenders. The agricultural primary credit society is the foundation-stone on which the whole co-operative edifice is built. Even now these societies dominate the co-operative picture.

The first Agricultural Credit Society in the Ferozpur District was registered on 4 October 1911, at the Village of Khalchi Kadim in the Ferozpur Tehsil.

Originally, the movement was confined to the credit societies only and, thus, credit dominated till the partition (1947). After the partition, the Co-operative Movement began to spread to other fields, viz labour, construction and farming.

**AGRICULTURAL NON-CREDIT SOCIETIES**

While credit is and must remain for some time the chief concern of the Co-operative Movement relatively slow, since 1912, when the non-credit societies were brought officially under the aegis of the Movement. The World War II (1939-45) came as a God send boon with respect to the development of the Co-operative Movement. Prices of agricultural goods began to rise and touched new peaks. The repayment of loans was accelerated and deposits began to pour in. The number of societies also rose. Another interesting development in co-operative during the War was the extension of the Movement to non-credit activities, viz. Consumer's co-operative marketing societies, consolidation societies, etc.

- Agricultural co-operative Marketing Societies: Marketing has occupied a far smaller place in the co-operative picture in India than in many countries, notably Denmark and the USA, but not other non-credit line of co-operation, with the possible exception of the consolidation of land holdings and joint farming enterprises, seems to hold greater possibilities of help to the agricultural population of India. The development of co-operative marketing in India is closely bound up with the problem of credit-the claims of the money-lenders commonly inhibiting the cultivator's freedom of action in disposing of his crop.

The full utilization of loans advanced depends upon the arrangements for the marketing of surplus produce. For this purpose, there the Punjab State Marketing Federation at the State Level, wholesale societies at the district level and marketing societies at the market level. These societies also

provide other agricultural facilities and make arrangements for the supply of domestic items in the rural areas.

At the State level, the Punjab State co-operative Supply and Marketing Federation (MARKFED) is playing an important role in building up an integrated structure for remunerative marketing and storing of agricultural produce. It has played an important role in hastening the Green Revolution in the State by arranging ready supplies of essential farm inputs needed by the cultivators.

- **Co-operative Farming Societies:** The Royal Commission on Agriculture in 1928 observed that if co-operation failed, there would fail the hope of the Indian agriculturist. Co-operative farming is a compromise between collective farming and the peasant proprietorship and gives all merits of large-scale farming without abolishing private property. It implies an organization of the farmers on the basis of common efforts for common interests. Under this system, all landowners in a village form a co-operative society for tilling the land. The land is pooled, but each farmer retains the right of property. The produce is distributed by each. They are allowed to withdraw from the co-operative farm whenever they desire. In India, the exceedingly small size of holdings is perhaps the most serious defect in our agriculture. If agriculture has to be improved, the size of the holdings must be enlarged.

#### **TYPE OF SOCIETIES**

- Co-operative Weaver's society
- Co-operative Consumer's Societies

- Co-operative Housing Societies
- Co-operative Women's Societies
- Co-operative Milk-Societies

#### **NAME OF THE SOCIETY**

- ADAWAD Primary Agriculture Co-operative Credit SOCIETY (713/29-1-1914)
- AKULKHEDE Primary Agriculture Co-operative Credit SOCIETY (7769/7-6-1937)
- ANWARDE BK. Primary Agriculture Co-operative Credit SOCIETY (7873/16-3-1939)
- ANWARDE KD. Primary Agriculture Co-operative Credit SOCIETY (5291/30-6-1926)
- ADGAON Primary Agriculture Co-operative Credit SOCIETY (5497/26-6-1926)
- AKHATWADE Primary Agriculture Co-operative Credit SOCIETY (3652/18-10-1921)
- BIDGAON Primary Agriculture Co-operative Credit SOCIETY (9421/18-03-1946)
- BUDHGAON Primary Agriculture Co-operative Credit SOCIETY (5182/10-03-1926)

#### **CHALLENGES BEFORE CO-OPERATIVES**

The Indian Co-operative Movement has earned distinction of being the largest in the world. This is true in terms of membership and Co-operative network which spread over almost all the villages in the country and the number of Co-operative Societies. In our country:

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1. There are about 5.5 lakhs of cooperative Societies with membership of more than 22crores.
2. It covers a wide range of commercial activities and nearly 50% of them are engaged in agriculture and agriculture related matters.
3. Nearly 70% of the Indian population being dependant on agriculture, is thus, connected with agricultural Co-operatives.
4. Co-operatives have covered 100% of villages and 67% of rural households.
5. Co-operative sector contributes 50% of total agricultural credit and distributes 35% of total fertilizer consumption in the Country.
6. They are procuring 60% of total sugar-cane. They are also playing crucial role in the agro-processing sector i. e. processing of sugar-cane, milk, cotton and oil seeds etc.
7. Dairy Co-operatives have excelled in their area of operation and have enabled India to attain top position in milk production in the world.
8. Edible oil marketed through Co-operative channel is estimated at 50% and handloom Co-operatives account for 55% of the total out-put.

But in spite of being largest movement in the world and strongest link, it faces number of challenges like lack of internal resources and poor mobilization of external resources, inadequate infrastructure, competitive tier structure, apathy of members towards management, lack of accountability increasing sickness, dormancy, low level professionalism, excessive government control, political interference, dominance of vested interest over the management, lack of human resources development, education and training. Despite all challenges, Co-operatives have to be

sustainable over a period of time for which professionalism is a must. Co-operatives have been looking for Governmental help. But they have been paying of it like official domination and interference in their day-to-day working etc.

Dr. Kuriyan, an eminent co-operator in the country said recently “ that the Co-operatives have undergone a crisis of identity being neither government nor private.” He further said that “ Co-operatives need to be more efficient and competitive, but at the same time they cannot sacrifice the basic tenets of co-operation.” Inefficient Co-operatives will have to either pull up their socks or down their shutters. Co-operatives have many advantages in tackling problem poverty alleviation, employment generation and food security. They also have the potential to deliver goods and services in areas where both the State and Private sectors have failed. Over the past few years, steps like the enactment of mutually aided Co-operative Societies Act by some States and the Multi-State Co-operative Societies Act have been taken to give the Co-operative sector a boost.

But we are aware that the Co-operatives registered under the Mutual Aided Act have certain constraints and deficiencies, which may be

1. Lack of supervision and inspection by Registrar of Co-operative Societies resulting into financial misuse and disproportion institutional development.
2. Government is hesitating to entrust any important government work since it does not have any participation.

3. These Co-operatives are away from the mainstream. The Co-operative Banks and other important institutions are not prepared to admit them as members.
4. NABARD and RBI are not agreeing for conversion of Central and Urban Co-operative Banks.
5. R. B. I. has also objection about the use of word “ Co-operative” since Banking Regulation Act uses the word “ Co-operative Society”.
6. Perhaps we are not prepared or educated or sensitized enough to work without control and supervision.
7. Mischievous persons may take advantage of the situation to cheat the general public.
8. When the Government is exploring the possibility of regulating the Non-governmental organizations having vast experience, it is doubtful as to whether the mutually aided Co-operatives in various fields can give desired result.

The circumstances and the situation give rise to the Co-operative Movement in the Country are still prevalent. The market is still not accessible to small and marginal farmers. Supply of agricultural credit is not adequate. About 50% of our rural and tribal household still has no facility for institutional credit. The Co-operatives are today at the cross road at their existence, particularly in view of the fast emerging economic liberalization and globalization. The Co-operatives still continued to function in a traditional way with poor governance and management, poor resource mobilization, outside interference, dependence on Government and lack of professionalization. The Co-operatives are neither member-driven nor

functioned professionally in a transparent manner with accountability to members. In spite of all these, no doubt, the Co-operatives have contributed a lot to the agriculture development of the Country. We cannot afford to see that these institutions wither away. It needs reform. It is not-worthy to say that in the National Common Minimum Programme of present UPA Government it has been mentioned to bring constitutional amendment to ensure the democratic autonomous and professional functioning of Co-operatives. The constitutional amendment may limit itself with –

- timely conduct of elections
- timely conduct of audit,
- uniform tenure of managing committee
- conduct of general body meetings
- right of a member for access to information and
- The accountability of the management.

In this context the strategies may be as follows.

1. Co-operatives need be member-driven; stakeholders should have a command over its affairs and activities. There is need for more transparency, more of interaction and confidence -building measures.
2. Aggressive marketing strategy be adopted for sensitizing members and general public about the service and quality rendered by the Co-operatives. Commitment to best
3. Service and pursuit for excellence should be the hallmark of Co-operative. Every society should adopt their customers' or members' charter and should meticulously adhere to this charter.

4. Co-operative should compete with other players in prevailing market forces without any protectionist or discriminator approach.
5. In respect of short-term, medium-term, long-term sector and Urban Bank sectors, restrictions have been stipulated by Reserve Bank of India, NABARD in respect of finance. These restrictions need be liberalized which would help Co-operative to optimize its lendable resources and provide finance to members.
6. Strengthening information and database of Co-operatives is of utmost importance. MIS need be adopted by the process of computerization and inter-connectivity to provide best services to members and customers with anytime and anywhere service.
7. Professionalization of management is one of the basic prerequisites of Co-operatives. Both the personnel as well as directors of committee of management should be exposed to regular training, interaction and orientation.
8. Adoption of scientific planning for deployment of human resources on the principle of 'right man for the right post at right time' would help Co-operatives to accelerate the pace of reforms. Human resources need be proactive. Motivation, recognition for good work and leadership be inculcated for augmenting productivity.
9. Basic tenets corporate governance is adopted like fair play, transparency and accountability.

The PACS, as the foundation of the Co-operative system are meeting the development needs of the farmers by providing credit, inputs and storage and processing and marketing facilities. The Co-operative federated at the

district and State level constitutes the Co-operative system. But it is found that the Apex institutions have grown stronger whereas the primaries and in some cases, Central Co-operatives have gone weaker. The situation has to be changed and the primaries have to grow stronger. The business of the Primary Societies has to be diversified.

### **AGRO-INPUTS DISTRIBUTION IN AGRICULTURAL COOPERATIVES**

Agricultural Cooperatives in India are very actively and intimately involved in several agriculture related activities. The most important activities are the disbursement of production credit and distribution of fertilizers and other inputs viz seeds, pesticides and agricultural implements. Agricultural Cooperatives are also involved in procurement of farm produce, processing and marketing of oilseeds, Cotton, sugar, milk and milk products, distribution of essential commodities, clothes, kerosene oil and merchandise etc.

Coop. movement in India started way back in 1905. Till 1939, Agricultural Cooperatives in India were distributing only the credit to the farmers. Its activities got diversified to consumer articles and also some agricultural inputs in the rural areas over a period of time. Subsequently, based on the suggestions made by different committees and commissions, the cooperatives were given a significant role in distribution of fertilizers.

Currently, cooperatives are playing a significant role both in production and marketing of fertilizers.

- Cooperatives Role in Agricultural Credit Disbursement

Cooperatives play a very important role in disbursement of agricultural credit. Credit is needed both by the distribution channel as well as by the farmers. The distribution channel needs it to finance the fertilizer business and farmers need it for meeting various needs for agricultural production including purchasing fertilizers. The credit needed by the farmers for purchase of fertilizers and other inputs is called 'short term' credit or 'production credit' whereas credit needed by the distribution channel is called 'Distribution Credit'.

Cooperatives also play a very important role in disbursement of 'Medium Term' and 'Long Term' credit needed by the farmers' for purchasing agricultural equipments viz tractors, installation of tube wells and land development works etc. will not be able to adopt the modern agricultural practices unless they are supported by a system which ensures adequate and timely availability of credit on reasonable terms and conditions. Credit in India is made available to the farmers through a multi-agency network consisting of cooperatives, commercial banks and Regional Rural Banks (RRBs). However, cooperatives accounts for a large proportion of the agricultural credit made available to the farmers. National Bank for Agriculture and Rural Development (NABARD) was established in the year 1982 by an Act of Parliament and was entrusted with all matters concerning policy, planning and operation in the field of credit for agriculture and other economic activities in the rural areas. Before that, this job was being done by Reserve Bank of India itself. NABARD works for progressive institutionalization of the rural credit and ensures that the demands for credit from agriculture including the new and upcoming areas like

floriculture, tissue culture, bio-fertilizers, sprinkler irrigation, drip irrigation etc. are met. The medium and long term of loans are disbursed to the farmers through Primary Land Development Banks (757) who draw their finances from Central Land Development Banks (20) who in turn draw their finances from NABARD. As for the short term credit, this is disbursed to the farmers through Primary Agricultural Credit Societies (PACS -66, 200) who draw their finances from Central Cooperative Banks (363) who in turn draw their finances from the State Cooperative Banks (29). The State Cooperative Banks draw their finances from NABARD.

- Cooperatives Role in Fertilizer Distribution

Agriculture continues to be the mainstay of India's national economy. Its contribution to India's Gross Domestic Product (GDP) is about 30 per cent. Nearly two thirds of the population still depends on this sector directly or indirectly. Self-sufficiency in food grains has been the basic objective of India's policy on agriculture. Food grain production has increased from the level of 52 thousand tones in 1951-52 to 199 million tonnes in 1996-97. However, the food grain production declined to 193 million tonnes in 1997-98. The present population of the country is about 960 million and is likely to touch 1000 million by the turn of this century. To feed this level of population, India has to produce 208 million tonnes of food grains from the present level of 193 million tonnes which is; no doubt, a gigantic task The vital role of fertilizers in increasing agricultural production is well recognized. Since, the land man ratio is declining due to increasing population; the additional food grain production has to come by increasing the productivity of land under cultivation. Adoption of modern agricultural practices is the



only way for increasing agricultural productivity. This calls for application of inputs like chemical fertilizers, high yielding seeds and pesticides besides use of mechanical equipments like seed-cum-fertilizer drills, sprayers, pump sets etc. Chemical fertilizers are very costly, particularly the phosphatic and potassic ones which have been decontrolled w. e. f 25th August, 1992. Urea, of course, is relatively low priced due to grant of subsidy by GOI. However, unless balanced trients are applied, the productivity cannot be sustained.

- Fertilizer Distribution Channels

Fertilizers are produced/ imported at about 200 locations in the country and distributed to the farmers scattered through the length and breadth of the country in about 600, 000 villages through a network comprising of private and institutional channels. Some quantities are also made available through manufacturers' own outlets. Private trade accounts for about 60 per cent of the total fertilizers distributed in the country followed by institutional agencies at 35 per cent and remaining 5 percent through the manufacturers' own outlets. Among the institutional agencies, cooperatives are the main agency which alone account for nearly 30% of the total fertilizer business. The total number of fertilizer sale points in the country is 262, 000; out of which about 71, 000 (27%) are institutional agencies' sale points (mainly cooperatives) and the remaining 1, 91, 000 (73 %) are controlled by the private trade.

- Cooperative Channels

Cooperatives are the main institutional agency in the country handling fertilizers. Cooperative network, at present, comprises of 29 state level marketing federations, 171 district level marketing societies and about 66, <https://assignbuster.com/role-of-agriculture-cooperative-societies/>

200 village level cooperative societies. These village level cooperative societies are generally called Primary Agricultural Credit Societies (PACS). These societies are the backbone of the cooperative marketing system. These societies are well spread in the entire country covering 97 % of the 0.6 million villages and 95 % of the farming families.

The other main institutional agencies engaged in the distribution of fertilizers are State Agro-Industries Development Corporations, Commodity Federations and State Departments of Agriculture etc. They operate both through their own sale depots as well as through the private dealer's network. However, their share is only marginal.

The cooperative structure differs from state to state and societies at different levels (district/taluka/village) perform different functions in different states. Generally, the cooperative network operates through a 3 tier system. However, in some states such as Haryana, the cooperative marketing system operates on 2 tier basis, while in some others like Gujarat a 4 tier system exists. At the state level, Apex Cooperative Marketing Federations act as wholesalers; marketing societies at district/taluka level as sub-wholesalers while PACS, PAMS (Primary Agricultural Marketing Societies) at grass root level act as retailers.

The function of State level Apex Cooperative Marketing Federations differ from state to state. In some states, the Federations are actively involved in fertilizer business like Gujarat, Haryana, West Bengal, Madhya Pradesh etc. and they act as the wholesalers for the entire State. In some States like Uttar Pradesh (U. P.), they are not directly involved in the fertilizer business and do

the job of liaison and coordination only for which they are getting service charges from the fertilizer suppliers. In U. P., the State Federation is also doing warehousing as well as transportation job both for IFFCO and KRIBHCO (The only manufacturers in the cooperative sector). In the States where Federation is not involved in fertilizer business, the manufacturers are supplying fertilizers directly to the lower societies at the district/village level and the societies are getting full or near full distribution margin which has improved the financial health of these societies.

### **CURRENT COOPERATIVE FERTILISER DISTRIBUTION STATUS**

Presently, in Gujarat, Haryana, Madhya Pradesh, West Bengal, Tamil Nadu, J & K, H. P. and Assam, in the cooperative sector, fertiliser supplies are made to the Apex Coop. Marketing Federations only and they act as wholesalers. Direct supplies are not there at all. Only small quantities under the special scheme like IFFCO-NCDC scheme in Haryana and IFFCO societies adoption programme in M. P. are supplied directly to the societies. In these states district level societies operate as sub-wholesalers. In the states like Punjab, Karnataka, Maharashtra, Orissa A. P. and Kerala, both the systems i. e. supply through federation as well as direct supply to the societies are prevalent. As a result, some of the societies at the lower levels are getting supplies directly from the manufacturers while others are getting from the Federations. However, in the states of U. P. and Bihar, supplies of fertilisers are made to the village level societies directly by the manufacturers.

In states where state level federations act as wholesalers, the manufacturer has to deal with only one agency. Consequently, the job of sales planning, movement and stocks planning, realisation of sales proceeds etc. becomes

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very easy. In states where manufacturer deals with the lower tier cooperatives directly, the volume of work increases many fold and it becomes much more complex. The material has to be released to individual societies and the sales proceeds realisation has also to be done at that level only. This requires deployment of larger field force. Decentralised release system leads to establishing larger number of warehouses and correspondingly larger inventory. This all increases the operating cost.

**Manufacturers Own Outlets** Some manufacturers viz. IFFCO, KRIBHCO, GSFC, GNFC and NFL have their own retail outlets called Farmers Service Centres or Service Centres or Farm Information Centres etc. In these outlets, agricultural inputs like fertilisers, seeds, agro-chemicals and agricultural implements etc. are made available to the farmers under one roof along with agricultural production technology literature.

The main motto of these service centres is not only to provide all quality agro-inputs to the farmers but also educating them on scientific agricultural by providing technical know how in the field of agriculture. This help the farmers in increasing their agricultural productivity and profitability.

Promotion activities are also carried out in the villages located around these centres ( within radius of 8-10 kms) which includes demonstrations, farmers meetings, soil test campaigns, crop seminars etc. In addition, social campaigns like tree plantations, medical check-up, veterinary check up etc. are also organised. They also serve the purpose additional/alternative distribution channel for the organisation.

**POLICY & PLANNING OF COOPERATION DEPARTMENT**

The Department of Cooperation is responsible for promotion and development of Cooperatives, which have been recognised as an instrument of planned economic development and all-round socio-economic transformation, particularly in rural areas of the State. The Department formulates policies in this behalf and prepares plans to execute the policies.

The Department has reoriented its policies during the last four years, 1997-2000 to enhance professional competence, encourage adoption of modern methods of management and to introduce required structural, administrative and techno-legal reforms in Cooperatives to meet the challenges of economic liberalization and globalization in the country. Some of the Policies are:

- Promotion and Development of Cooperatives

The Department has so far pursued a policy of providing catalytic assistance, which include financial and technical assistance, to all Cooperatives in the State, irrespective of the fact whether they were involved in execution of policies and programmes of the Government or not. This policy has now been reforme