UNIT 2 PRINCIPLES AND PRACTICES OF COOPERATIVES

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2.0 OBJECTIVES

After going through this unit, you will be in position to:

• describe the criteria for evaluating successful cooperatives;
• explain the successful cooperatives in Agriculture in India; and
• discuss how cooperatives empower communities.

2.1 INTRODUCTION

Cooperatives are people's organizations, formed voluntarily to carry some of the economic activities of its members for their mutual benefits. Thus, Cooperatives are user owned and user governed organizations. As these organizations are member driven and for their self benefit it is essential that these organizations run successfully. Success of these organizations depends on purpose for which these organizations were formed is being achieved and the members of the cooperatives are getting products or services as desired by them in a manner that is beneficial to all. Success of a people's organization is judged by member participation in governance and implementation of the activities, professional management, economic performance, distribution of services, transparency in dealings, investments, social and community concerns etc. In this unit, we shall learn about the principles and
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practices of cooperatives and know about some of the successful agriculture cooperatives in India at national and local level.

2.2 PRINCIPLES OF COOPERATIVES

Cooperatives have been successful all over the world because they apply certain fundamental principles. These have come to be known as the International Principles of Cooperation. Though often reviewed at international conferences in view of changing circumstances, essentially they have remained unchanged through the years.

The list of the principles that follows, is that adopted in 1995 at the Manchester Congress of the International Cooperative Alliance (ICA), the World organization for cooperatives.

A cooperative is 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.

Cooperatives are based on the values of self-help, democracy, equality, equity, and solidarity. The members of Cooperative believe in the ethical values of honesty, openness, social responsibility, and caring for others.

The cooperative principles are guidelines by which cooperatives put their values into practice. There are seven cooperative principles; these are described here along with the explanation:

1) Voluntary and open membership

Cooperatives are voluntary organizations; open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

The questions related to membership should studied from two complementary standpoints, that of the individual and that of the cooperative. The freedom of each - the individual and the cooperative, to consult its own interest and pursue them, needs to be reconciled and blended together.

The individual should be free to join a cooperative and share its economic and social advantages on an equal footing with other members. This implies that he must undertake his due share of responsibility, also. However, he should not be compelled into joining, either directly or indirectly, under social or possible political pressure. His decision to apply for membership should normally be the result of his appreciation of cooperative values and consideration of his economic gain, including that of his dependants. He should be free also to withdraw from the cooperative when he finds that he no longer has any need of its services or when the cooperative is unable to satisfy his needs in an efficient way.

A cooperative, on the other hand, also needs freedom to modify its welcoming attitude to applicants for membership, even to the point of refusal, as well as to have in reserve powers to terminate membership if the interests of its members as a whole are not respected or are being jeopardized. Thus, the rule of “open membership” does not mean that all persons who may apply to join a cooperative
are accepted as members. Nothing shall be gained by bringing in a person who unsettles the cohesion of the membership. In some cooperatives, there are further obvious limitations on the admission of new members. For instance, the very specialization of producers' cooperatives limits automatically their membership to persons interested in a given product or range of products and excludes others who have no such interest.

In general terms, the essential consideration is that, if an individual has interests within some specific field of service for which the cooperative is formed, he should be regarded as eligible for membership and if he applies, he should be admitted, unless he is personally unacceptable on some obviously justifiable grounds. The general practice of cooperatives for generations has been in the direction of easing the conditions of admission by allowing shares to be paid up in instalments or out of accumulated savings on purchases or sales (patronage refunds).

From the very beginning it was realized that if cooperatives have to maximize economic power of its membership it should not exclude any person on account of his political opinion or activities, his religious belief or lack of belief, his race, his colour or any other consideration not relevant to the economic and social purpose of the cooperative. Thus, one of the criterions for evaluating success of a cooperative would be to look into the growth of membership that will also reflect on the people's faith in the performance of the society.

2) Democratic member control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote), and cooperatives at other levels are also organised in a democratic manner.

The primary and dominant purpose of a cooperative is to promote the interests of its members. Only the members should finally decide their interests in any given situation. A cooperative therefore will not in the end work well and prosper without agreed and effective methods of consulting the members as a body and enabling them to express their wishes. Moreover, since it is the members who bring a cooperative into existence and whose loyal support keeps it alive, those who administer its affairs and, in particular, conduct its day to day business must be chosen directly by the members and enjoy their confidence.

It follows further that the Board of Directors is accountable to the members. They must report regularly in a business-like manner on their activities and submit the results to the members' judgment. If the members are not satisfied, they have the authority and the power to criticize, to object and in extreme cases, to dismiss and replace the Board of Directors and other officials.

In the cooperative, the status of all members should be equal and they should have equal opportunities of participating in decisions and expressing views on policy. There is no way of ensuring this, except following the rule of one member one vote. In a fully developed cooperative society, the cooperators themselves must take ultimate control, with no external interference.
3) **Member economic participation**

*Members contribute equitably to, and democratically control, the capital of their cooperative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the members.*

There is no cooperative principle, which obliges interest to be paid on the investment made by members. The principle is that, if interest is paid on share capital, the rate should be limited and fixed, on the ground that the supplier of capital is not equitably entitled to share in the residual (surplus or profit) that remains of the value of the cooperative's output of goods and services, after its costs have been met. In the early days of cooperation, maximum rates of interest were often stated in the byelaws of cooperatives and remained constant for relatively long periods. Contemporary conditions, however, demand some more elastic system of interest limitation. This does not imply any departure from the principles, but a more flexible approach to their application, given the realities of everyday life.

In the distribution of surplus, the members must take the following two aspects into account:

a) to find the proper balance between the interests of the individual members and those of the cooperative as a whole; and

b) to do justice as between one individual member and another.

The economic benefits conferred by cooperatives to their members are of various kinds and become available according to circumstances in a variety of ways. They may take the form of money, goods or services. The benefits may be of immediate, short-term, or long-term significance. Some benefits may be enjoyed collectively; others can only be enjoyed individually. In deciding in what form and in what proportion or amount the surplus should be allocated or divided the members as a body has absolute discretion.

In reaching their decisions, however, there are two sets of considerations that, if they hope to prosper, they should not neglect: (1) considerations of business prudence, and (2) considerations of justice. If they neglect the former, they will run into economic and financial difficulties. If they neglect the latter, they will provoke resentment and disunity in the cooperative.

Some cooperatives adopt a policy of allowing their members to purchase their inputs or to deliver their products at prices so near the cost that no margin remains large enough to be worth distributing. In other cases, business prudence sometimes counsels a cooperative to place the whole or greater part of its net earnings in reserves. Again, cooperatives often devote a portion of their net surplus or savings to the provision of services for the common enjoyment of their members, as being more useful to them than the equivalent in cash, because the members could not provide them economically as individuals.

To sum up, any surplus arising should be disposed off in one or more of the following ways:
a) Provision for the cooperative’s stability and development.

b) Provision for collective services.

c) Refund to members according to transactions with the cooperative.

4) Autonomy and independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

Cooperatives, all over the world, are very much affected by their relationship with the State. Governments determine the legislative framework within which cooperatives may function. In their taxation, economic and social policies, governments may be helpful or harmful to cooperatives depending upon their own perception of the issues. For that reason, all cooperatives must be vigilant in developing open, clear relationships with governments.

At the same time, the Autonomy Principle addresses the essential need for cooperatives to be autonomous, in the same way that enterprises controlled by capitalists are autonomous in their dealings with governments.

In referring to “other organizations”, the Principle acknowledges the fact that, around the world, more cooperatives are entering into joint projects with private sector firms, and there is no reason to believe that this tendency will be reversed. It does stress, however, how important it is that cooperatives retain their freedom ultimately to control their own destiny whenever they enter such agreements.

5) Education, training and information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public—particularly young people and opinion leaders—about the nature and benefits of cooperation.

The loyal support of members, which is fundamental to the success of the cooperative, must be based on convictions about the ideals of cooperation. No cooperative, therefore, can be indifferent in its own interest and for its own survival, to the need for educating its members in appropriate ways.

For the purpose of cooperation, education needs to be defined in a very broad sense. Every phase of experience, which adds to people’s knowledge, develops their faculties and skill, widens their outlook, trains them to co-operate harmoniously and effectively with their fellows and inspires them to fulfil their responsibilities as men and women, has educational value for cooperatives. Learning the cooperative concept is a life-long process of cooperative education and training.

6) Cooperation among cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.
Cooperation among cooperatives represents no more than a natural and beneficial extension of the fundamental cooperative idea of combining for mutual benefit. Secondary organizations, if they operate at first on a district or regional basis, eventually grow or merge into national organizations. There is no reason why this form of cooperation should stop at national frontiers. The idea of greater unity and cohesion within the cooperative movement is gaining ground among co-operators, as they come to realize that their most formidable competitors' large-scale businesses are integrating, vertically and horizontally. It is only through the wide and effective application of the principle of cooperation amongst cooperatives that cooperatives will be able to compete efficiently and serve best the interests of their members.

7) Concern for Community

While focusing on member needs and wishes, cooperatives work for the sustainable development of their communities.

Cooperatives are organizations that exist primarily for the benefit of their members. Because of this strong association with members, often in a specific geographic area, cooperatives are also often closely tied to their communities. It is up to the members; however, to decide how deep and in what ways their cooperative should contribute to their community's affairs.

Acknowledging this special character of the true, genuine cooperatives and their socially beneficial nature, many international institutions like the United Nations General Assembly, the European Union have come out strongly in favour of cooperatives, while international organizations, like Food and Agriculture Organization, International Labour Organization, United Nation Intemation;) Child Emergency Fund (UNICEF) etc., are actively supporting the development of cooperatives, all over the world.

2.3 OPERATIONS IN COOPERATIVE MANAGEMENT

The success of cooperatives depends upon the operations of the society that considers the principles of cooperation. The cooperative management function necessarily includes holding of annual meeting of the general body of the society. General body of the society consists of all the members of the society. The annual General body Meeting (AGM) besides deliberating on various other subject essentially consider annual report and audited account of the society, annual budget and operational plan, disposal of net profit, long term perspective plan etc.

Regular and timely conduct of AGM is an indicator of operational transparency, business development, member participation, democratic control, concern for community etc. The meeting allows the members to understand, guide and control the business of the society. Since presentation of the audited account of the society and annual plan are discussed in AGM, members apprise themselves and participate in giving shape and direction to the management functions of the society. Regular audit and holding of AGM becomes the indicator of success of a cooperative society. General body of the society is the supreme decision making organ. They also elect Board of Directors. The Board implements the decisions taken by the General Body.
Check Your Progress 1

Note: a) Use the space given below for your answer.
    b) Check your answer with those given at the end of the unit.

1) List any three principles of cooperation.

2.4 SUCCESSFUL COOPERATIVES IN AGRICULTURE

Formation, functioning and structure of successful cooperative in agriculture in India are discussed in this sub-section. Their area of operation, annual turnover and other development activities being undertaken are also highlighted.

2.4.1 Indian Farmers Fertiliser Cooperative Limited (IFFCO)

IFFCO, a significant player in India’s green revolution, was registered as a Multi-Unit Cooperative Society on 3rd November 1967 and made a beginning with a modest membership of 57 societies. Since then, the society has grown in strength and stature with a membership of over 37 thousand societies. IFFCO, the largest global fertilizer manufacturer and distributor initially set up its plants at Kalol and Kandla in Gujarat, which were commissioned in 1975. Subsequently, IFFCO also commissioned two more plants at Phulpur and Aonla in Uttar Pradesh in the year 1981 and 1988 respectively. Marketing of IFFCO’s products—NPK/DAP/Urea— is channelised through cooperative societies and institutional agencies in over 28 States and Union Territories of the country. It contributes 20 per cent of the country’s total nitrogenous fertiliser production and 24 per cent of total phosphatic fertiliser production.

During the year 2003-04, IFFCO became a cooperative fully owned by cooperatives themselves. The Society has repatriated the entire share capital of Government of India and thus achieved an autonomous status. During 2004-05, the Society has registered a turnover of over Rs. 7,224 crore and distributed dividend at the rate 20 per cent of the paid up equity to its shareholders. Net worth of the society as on March 31, 2005 was Rs. 3,301.15 crore.

Apart from its own growth, IFFCO has contributed towards creation and development of other organizations like Godavari Fertilisers and Chemicals Limited, Industries Chemiques Du Senegal, Indian Potash Limited, Maharashtra State Cooperative Limited, Indian Tourism Cooperative Limited and National Film and Fine Arts Cooperative Limited. IFFCO also entered into an agreement with Oman Oil Company for setting up Ammonia – Urea fertiliser project in Oman with an annual capacity of production of 16.52 lakh tonne urea and 2.5 lakh tonne of ammonia. The project has commenced production from August 2005.
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Being farmers organizations with a well spread out network at grassroots level, cooperatives have an important role to play in the growth of agri-marketing, which will directly benefit farmers and rural workers, and generate employment. Keeping this in view, IFFCO has set up Agri-marketing Division for value-addition and marketing of agricultural products. IFFCO has acquired 12 per cent equity shareholding in National Commodity and Derivative Exchange Ltd. (NCDEX).

Agriculture and rural development is the main plank of IFFCO's promotional strategy. It has massive programme of extension education for the farmers and organizes large number of field programmes of crop demonstrations, field days, farmers meetings, crop seminars, agricultural campaigns etc., in the villages. IFFCO also have institutional arrangements for farmers training at Kalol and Phulpur. IFFCO has developed model agriculture villages through its village adoption programme and has also established storage-cum-community centers through out the country for storage of fertilisers and agri-inputs. IFFCO has its own 158 Farmers Service Centres, these centers apart from supply of agro-inputs under one roof also serve as the contact point for providing technical know-how.

IFFCO has also taken initiative to carry the benefits of Information Technology (IT) to the doorsteps of Indian farmers with specific focus on meeting the requirements of agriculture and cooperative sector. For this purpose, it has taken measures to develop web-based services to provide exhaustive information on agriculture, fertiliser industry, agro-chemical and also on cooperative sector. Information KIOSKS with touch screen monitors has been installed to promote e-culture in rural India.

IFFCO has promoted few Trusts to help farmers, cooperatives and rural development. These are Cooperative Rural Development Trust, IFFCO Kisan Sewa Trust and IFFCO Foundation. IFFCO has also promoted a separate Multi-State Cooperative Society named as Indian Farm Forestry Development Cooperative Limited in 1993 with the prime objective of development of wasteland and to enhance the socio-economic status of the rural poor through sustainable Natural Resource Management by collective action.

2.4.2 Krishak Bharati Cooperative Limited (KRISHIBHCO)

KRISHIBHCO, another premier cooperative society for manufacturing of fertiliser, registered under Multi-State Cooperative Societies Act 1985, was promoted by Government of India, IFFCO, National Cooperative Development Corporation and other agricultural cooperative societies spread all over the country and incorporated on April 17, 1980. Total membership of KRISHIBHCO is 5732.

KRISHIBHCO has set up a fertiliser complex to manufacture urea, ammonia and bio-fertilisers at Hazira in Gujarat. Hazira fertiliser complex has two streams of ammonia plant and four streams of urea plant. Annual capacity of urea and ammonia is 17.29 lakh tonnes and 10.03 lakh tonnes, respectively. The total Project cost was Rs. 890 crores against the estimated cost of 957 crores. The trial production commenced from November 1985 and the commercial production commenced from March 1986. Since then, it has excelled in the performance in all areas of its operations. KRISHIBHCO has a well-established Environment Management System, which has been certified in line with ISO 14001.

The promotional and agricultural activities of KRISHIBHCO do not limit merely to increased use of fertilisers but also aims at over all improvement of the living
standards of farming community and to provide them social/educational infrastructure. Various programmes have been designed to meet the requirements of farmers, cooperative societies and communities at large. KRIBHCO has established a chain of Krishak Bharati Sewa Kendras in various states for providing all essential agro-input to farmers under one roof. KRIBHCO Kisan Help lines are also available at different locations for answering farmers queries. KRIBHCO has promoted Gramin Vikas Trust (GVT) to manage different rural development projects in various states of the country. The activities undertaken by GVT are formation of Self-Help Groups, general health camps, animal health camps, grain banks, soil and water conservation etc. GVT has adopted many tribal villages across India for their development.

KRIBHCO has invested in Nagarjuna Fertilisers and Chemicals Ltd., OMIFCO and Gujarat State Energy Generation Ltd. KRIBHCO is a zero debt organization and is having a net worth of Rs. 2,000 crores. KRIBHCO is consistently making profits since its commercial operations began in 1986. KRIBHCO has been paying dividend to its shareholders since 1986-87 and has an uninterrupted record of dividend distribution.

2.4.3 National Agricultural Cooperative Marketing Federation of India Limited (NAFED)

National Agricultural Cooperative Marketing Federation of India Ltd.; popularly known as NAFED, was established on Gandhi Jayanti on 2nd October 1958. It is an apex cooperative marketing body playing a key role in the cooperative movement. NAFED has a unique place in the agriculture sector of India being a ‘farmer friendly’ organization dealing in a wide range of agricultural commodities like Foodgrains, Pulses, Oilseeds, Spices, Horticultural produce, Cotton, Tea, Jute & Jute goods, Poultry products, Chemical and Bio-fertilisers.

NAFED functions through its Headquarters at New Delhi and four Regional Offices located at Delhi, Chennai, Calcutta and Mumbai, which are supported by 24 Branch Offices, 8 Sub-Offices and 18 Industrial Units/Agro-Service Centres/Godowns/Shops spread all over India. Membership of NAFED comprises of state level marketing federations, apex level marketing federations, state level tribal and commodity federations, Primary marketing/processing societies, National level cooperative organizations and Government of India. The total number of members as on 31.3.2004 was 751.

NAFED has achieved a turnover of Rs. 1,412.14 crore in 2003-04 and export was to the extent of Rs. 561.54 crore. Rice, wheat, groundnut and maize were the major commodities exported, besides some quantities of onion, garlic, sugar, rubber etc. The Government of India provides support to farmers through the mechanism of Price Support Scheme (PSS) to sustain and improve the production of foodgrain, oilseeds and pulses. As Central Nodal Agency, NAFED procure various other commodities, such as Urd, Gram, Moong, Copra and Potato. Bumper production of perishable crops of times, leads to sudden crash in the prices. Government of India, on the request of the concerned state government, allows NAFED to purchase of such commodities (not covered under PSS). NAFED also procures jute and poultry products.
To uplift the socio-economic condition of the farmers in North East Region, NAFED has been continuously extending its marketing support to NE States by handling products like tea and arjun flower. Similarly, NAFED is providing support to the tribal, particularly Niger seed growers in the states of Orissa, Madhya Pradesh, Karnataka and Bihar. NAFED also involved itself in distribution of fertilisers in the states of Bihar, U.P., Assam, Punjab, Uttarakhand and Tamil Nadu. As part of diversification, NAFED has also taken up seed business. Consumer marketing has been identified as one of the focal areas of expansion. Voluminous supplies of NAFED brand of edible oil, basmati rice, tea, spices etc., were made in various states and through its various retail outlets.

NAFED has created infrastructure for warehousing, grading and packing of important agricultural commodities. NAFED has also setup various industrial units for production of agricultural inputs. Production of bio-fertilisers has been under taken from its Indore (M.P.) and Bharatpur (Rajasthan) plants. Processing and cold storage facilities have also been provided by the organization. NAFED launched a scheme to provide advance to farmers against stock stored in NAFED/Societies godowns. The underlying idea of the scheme is to provide funds to the farmers to meet their immediate needs and, at the same time, give them an option to arrange sale of their produce at the most opportune time instead of selling it in a hurry at whatever price available. Framers can avail of advance facility upto 80 per cent against the total value of stock.

2.4.4 The Kaira District Cooperative Milk Producers' Union Limited

Rural economic scenario in Kaira District was dismal when the momentous activity of organizing milk cooperatives in the district was initiated way back in 1946. Farmers in Kaira district, as elsewhere in India, were deriving their income almost entirely from seasonal crops. Keeping of milch cattle was the subsidiary occupation for majority of agriculturists and others in the rural areas. Only one or two buffaloes can be maintained with the by-products of the farm and available surplus family labour.

In the absence of fair marketing arrangements, milk producers were at the mercy of traditional traders who would pay slightly better prices in lean season and extremely low prices in the flush season. Milk being perishable commodity farmer was compelled to offer milk at throw away prices. Thus, income of farmers and other rural people owning milch cattle was not only meagre but undependable. With this background of economic malady of milk producers, Kaira District Milk Producers Union was registered on 14th December 1946 as Union of village milk producers' societies in the district. A humble beginning on 1st June 1948 was made when 250 liter of milk was collected from a handful of farmers. This marked the birth of AMUL (Anand Milk Union Limited). In the year 2003-04, daily milk collection was 7 Lac litre from 1059 village level cooperative societies and the union had a turnover of Rs. 546 crores.

When milk producers in other districts of Gujarat started their cooperatives, they turned to Kaira Union for help and guidance. They drew on Anand's experience in project planning and execution. In 1964, the then Prime Minister of India, the late Lal Bahadur Shastri, visited Anand to inaugurate the Union's cattle feed plant. He desired that cooperatives on the Anand Pattern should be set up throughout the country. The National Dairy Development Board (NDDB) was thus set up in
Anand in 1965. NDDB drew up the programme ‘Operation Flood’ to replicate the Anand Pattern in several milk sheds of the country. For the implementation of the programme started in 1970-71, heavy reliance was placed on the expertise of the Kaira Union. In each area NDDB deployed a spearhead team consisting of specialists who were fully conversant with the Anand Pattern. The creation of more ‘Anands’ was recommended under World Bank projects in Karnataka, Madhya Pradesh and Rajasthan also. In these projects as well, Kaira Union served as a “live laboratory” and NDDB as the ‘multiplier’.

The Anand Pattern of cooperative dairying is now being replicated in all the States and Union Territories of India. By March 31, 1995, there were 69875 village dairy cooperatives established in 170 milk sheds, with a total membership of 8.9 million farmers. Basic unit, in the Anand Pattern is the village milk producers cooperative - a voluntary association of milk producers in a village who wish to market their milk collectively. Primary level milk producer’s cooperatives in the district are members of their district cooperative milk producers union. With more district unions getting organised in the state, these unions were federated into state level cooperative milk marketing federation. Primary milk producers cooperative undertake regular collection of milk from its members. Milk delivered by members are measured, samples are drawn for quality testing and payments made following morning/evening based on the quality and quantity of milk.

Since primary milk producers’ cooperatives are first and continuous contact point of the members, these are assigned the responsibilities of undertaking activities relating to transfer of technology for better animal feed, animal husbandry and animal care practices at the instance and with the help of district union. Amul’s affiliated cooperative societies are the first in the world to be certified for ISO-9001 certification in a rural enterprise. Amul has been a pioneer and a guiding force for others to follow, with a humble beginning at 50 societies, more than 250 societies were certified for ISO-9001 and many more societies are audited by the International Agency and recommended for certification. It is intend to have 100 per cent societies certified for ISO-9001. ISO certification has not remained limited to improving quality of the milk procured, but also resulted in improvement in cleanliness of the societies and employees, consistency in their performance, cooperation of members and change in individual life style and behaviour.

AMUL started Cooperative Development (CD) Programme in 1992, which has been instrumental in bridging the gap between the Union and the farmer members. The CD programmes have been of great help in imparting scientific training to the members and the society employees as well. It has been helpful in studying various issues concerning the members and taking up the same with the concerned divisions of the Union to reach amicable solutions. Women awareness programmes are also organized in all the talukas of the district where women participate in large number discuss their problems in detail. Management Committee members of primary societies are given training on Cooperative laws and better management practices. This has resulted in improvement in their performance. Societies are now exercising cost control measures.

The CD programme is a living example of how the collective, concerted effort and motivation put in by the field staff of the Union can bring about manifold development of the societies. Due to implementation of these programmes, societies have become neat and clean, which has resulted in substantial improvement in the quality of milk. The efficiency of the employees has increased and they have adopted latest dairying techniques. Modernization has become the order of the day.
As of now, 150 societies with chilling units are supplying chilled milk in tankers and more than 718 societies are using Automatic Milk Collection Station. Technologies such as solar lighting system and use of computer and Internet have also been adopted in several societies. For the growth of the Union, involvement and contribution of employees is equally important as that of the societies. Therefore, along with the milk producers, the employees are trained.

Today, Amul is held in very high esteem by all sections of society. “The biggest dairy operation in India”, “Best milk products on the market”, “Most consumer-conscious marketer”- these are some of the compliments commonly heard to describe Amul.

Check Your Progress 2

Note: a) Use the spaces given below for writing your answers.

b) Check your answers with those given at the end of the unit.

1) Why you will consider IFFCO as a successful cooperative?

2) Discuss the way in which NAFED is helping its members and agriculture sector of the country.

2.5 COOPERATIVES FOR ECONOMIC AND SOCIAL EMPOWERMENT

Cooperative movement was initiated with primary objective of providing credit to the members. Private moneylenders use to charge exorbitantly high rate of interest. It was said that an Indian farmer is born in debt, lives in debt and dies in debt. The farmer and his progeny were never out of the clutches of the moneylender. With the availability of credit on reasonable rates, it has become possible for a small farmer to aspire for higher production and repay the loan. Many such works like processing, value addition etc., that he was not in position to do independently can be done collectively through cooperative set up. Thus, he is in position to market his produce with value addition and have better realization of money.

The cooperative setup also becomes service provider to the individual members, which the member was not in position to avail individually. These services may be of procurement, transportation, processing, technical support, expert advice etc. With such strength, the cooperative and its member are in position to compete
with the Corporate. With the cooperative system, members become decision maker for his own economic needs of accelerating production, diversifying the activities, competing with the market economy and so on.

A member not only thinks about himself but also for his cooperative society and the entire community at large. Becoming a member of the society and further on the governing body of society provide a social identity to the person. As a society is also concerned about the community, beyond its membership, it has role in participatory development of the society. Active participation in the economic activity of the society for the mutual benefit empowers the members to take decision in the governance of the cooperative society and the community also.

Cooperative activities are teamwork that brings togetherness and social harmony among the members. The set-up also inculcates leadership qualities in the member that ultimately influence decision-making quality in the cooperative structure and community. There are several examples where financially sound societies have taken up the cause of social development of their constituent villages by providing infrastructure for social use. Fertiliser cooperatives, sugar cooperatives, milk cooperatives, consumers cooperatives have played leading role in promoting economic empowerment of the members and institutions.

Members identify their needs and work out on the solutions, generate and manage different resources and evaluate the performance of the decisions taken by them. This besides providing the opportunity of economic and social empowerment also prepares them for self-governance. Creation of Self-Help Groups and organizing them as sub-system of cooperatives has become the basic exercise of self-governance in general and particularly for the resource poor people. Cooperatives motivate people to share responsibilities in the management and responsibility is power. Power is nothing but participation in the governance.

Check Your Progress 3

Note: a) Use the spaces given below for your answer.
   b) Check your answer with those given at the end of the unit.

1) How cooperatives can empower individuals and communities.

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2.6 LET US SUM UP

We have learnt that cooperatives are people's organization formed to carry some economic activities for their mutual benefits. The cooperatives meet the social and cultural needs and aspirations of the members. Cooperatives are based on the values of self-help, democracy, equality, equity and solidarity. Cooperatives have seven principles, which guide cooperatives to put their values in practice. These principles are:

1) Voluntary and open membership
Cooperatives

2) Democratic and member control
3) Member economic participation
4) Autonomy and independence
5) Education, training and information
6) Cooperation among cooperatives
7) Concern for community

Successful implementation of these principles in the cooperative is key to the success of the cooperatives. Holding the general body meeting, audit of annual accounts, election of board members etc., are some of the activities, which signify the smooth functioning of the cooperatives.

We have also familiarized ourselves with IFFCO, KRIBHCO, NAFED and AMUL, which are some of the successful cooperatives. You should now be in position to evaluate the success of these cooperatives based on the principles of cooperation and various operations involved in managing the cooperatives. Cooperatives are also the suitable institutions for empowering its members and the community through collective action. Economically weaker and resource poor individuals and communities can benefit most by the cooperative system.

### 2.7 KEY WORDS

**Board of Directors** : It is governing body of a society to which the direction and control of the management of the affairs of the society is entrusted.

**Cooperative Society** : A society registered or deemed to be registered under any law relating to cooperative societies for the time being enforce in any State.

**Cooperative Principles** : The cooperative Principles adopted at the Manchester Congress of the International Cooperative Alliance in 1995.

**Democratic Control** : Controlled by the members, they also have equal voting rights.

**General Body** : All the members of the society, in relation to a national cooperative, it means all the delegates of the member cooperative societies.

### 2.8 SOME USEFUL BOOKS/REFERENCES

AMUL, 2005. www.amul dairy.com

2.9 ANSWERS/HINTS TO CHECK YOUR PROGRESS

Check Your Progress 1

1) Your answer should include any three of the following points.

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training, and information
- Cooperation among cooperatives
- Concern for Community

Check Your Progress 2

1) Your answer should include the growth of IFFCO in terms of plant setting, contributions in fertilizers distribution, and contribution in development of other organizations. For detail answers go through section 2.4.1.

2) Procurement of commodities, export of agricultural commodities, fertilizer distribution, consumer marketing, infrastructure development, etc.

Check Your Progress 3

1) Cooperatives provide credits, market the produce, provide services such as procurement, transportation, processing, technical support, expert advice, etc. Go through section 2.5.