Chapter 1

INTRODUCTION

1.1 Background

Dairying is an important supportive occupation to millions of resource poor families in India. Many of these families opt for dairy farming as it offers economic, food and social securities to them.\(^1\) It is a valuable tool for poverty eradication, employment generation and social change.\(^2\) The dairy sector provides a channel of upward mobility for those on the bottom rungs of the socio-economic ladder leading to large-scale voluntary income distribution without conflict or confrontation, as milk flows from low to high-income groups and money in the reverse direction. It also acts as a cushion against increasing disparity in income distribution in rural areas.\(^3\)

The Indian dairy industry has developed since 1970, when Operation Flood, a rural development programme, was launched. It is a dairy development programme inspired by the Amul model and implemented by the National Dairy Development Board. The program was a producer oriented, people-centred and holistic program emphasizing integrated development of all important facets of dairy industry.
The present study is on the Economics of Dairy Co-operatives in Kerala with special reference to Operation Flood.

Dairy co-operatives have a long history of development and its importance in the national economy is steadily growing. They are the backbone of the Indian dairy Industry. It is generally accepted that they have an important role to play in the economic growth and the agricultural development of the country and in view of this fact, the study may be meaningful and purposive.

1.2 Significance of the Study

In pursuance of the Government directive (1964) to set up milk co-operatives on Anand Pattern throughout the country, the National Dairy Development Board was set up at Anand in 1965. The National Dairy Development Board drew up a programme known as Operation Flood, and it was launched in July 1970. The purpose of the dairy development project was to implement an integrated programme for increasing the production of milk in rural areas through a co-operative dairy development programme following the Anand Pattern, which also includes quality cross-breeding, animal health improvement, milk collection, processing, marketing and provision of training for farmers and instructors.

Although the dairy industry was a traditional enterprise in India, the production and marketing of milk in a large scale was possible after the introduction of Operation Flood and its Anand Pattern Co-operative mode
of production, processing and marketing. Since its inception in Kerala in 1980, it has achieved rapid progress.\textsuperscript{6}

The State Government attaches great importance to dairy development as an instrument for promoting socio-economic development of rural people, particularly the poor. A number of measures have been taken by the Government after independence to increase the production of milk in the rural and urban areas by launching special programmes like the Key Village Scheme (KVS). The Intensive Cattle Development Project (ICDP), Operation Flood (O.F), establishment of National Dairy Development Board (NDDB) and the Indian Dairy Corporation (IDC) are examples of some of the other measures taken at the national level to promote dairy development in the country.\textsuperscript{7}

Viewed in this background, the need for an in-depth study of the performance and the problems of Anand Pattern Dairy Co-operatives, the comparison of Anand Pattern and Non-Anand Pattern Dairy Co-operatives etc are obvious. The present study attempts to fill in some of the gaps in the literature and tries to overcome some of the limitations of the previous studies. It would be an important contribution to the existing knowledge about the dairy economy.

\textbf{1.3 Purpose of the Study}

The purpose of the study is to understand the extent of dairy development in Kerala keeping the Operation Flood programme in view. It
is to evaluate the financial performance of the Anand Pattern Dairy Co-operatives and to compare Anand Pattern Co-operative Societies (APCOS) and Non-Anand Pattern Co-operative Societies (Non-APCOS) in Kerala. It also tries to examine its social and economic impact on the members of Anand Pattern Co-operative Societies. Moreover, it identifies the constraints in the functioning of Anand Pattern Dairy Co-operatives.

The researcher, while maintaining a neutral stand, has gone forward with the study with the hypotheses that there are no regional variations in the financial performance of Anand Pattern Co-operatives in Kerala; that Anand Pattern Co-operative Societies are less productively efficient than Non-Anand Pattern Co-operative Societies; that the Operation Flood programme has no impact on the incomes and employment on producer families; that there is no overall impact of the Operation Flood strategy on rural milk production and that there is no relation between income and savings of dairy farmers.

1.4 Statement of the Problem

The dairy co-operatives were facing problems in its functioning since it was first formed. But the co-operatives were able to function better since Operation Flood was introduced. The procurement, production, processing and marketing of milk could be done better than was possible in the Pre-Operation Flood period. More farmers became members of the co-operatives. Although the co-operatives were
functioning better than when they were formed, there were still problems in its functioning, the identification and solving of which could make it more efficient and productive. It is with this objective in mind that the scenario in Kerala is considered in the researcher’s study, where the case of milk production and its various aspects are studied, especially with reference to the Operation Flood program’s influence.

1.5 Objectives of the Study

The objectives set forth in the study may broadly be stated as below.

1 To evaluate the financial performance of Anand Pattern Co-operatives in Kerala.

2 To compare Anand Pattern Co-operative Societies (APCOS) and Non-Anand Pattern Co-operative Societies (Non-APCOS) in Kerala.

3 To examine the social characteristics of the members of Anand Pattern Co-operative Societies.

4 To examine the economic characteristics of members of Anand Pattern Co-operative Societies in Kerala.

5 To identify the constraints in the functioning of Anand Pattern Co-operatives Societies in Kerala.
1.6 Hypotheses

The study makes the following hypotheses.

1. There are no regional variations in the financial performance of Anand Pattern Co-operatives in Kerala.

2. Anand Pattern Co-operative Societies are less productively efficient than Non-Anand Pattern Co-operative Societies.

3. The Operation Flood programme has no influence on the social conditions of the members of Anand Pattern Co-operative Societies.

4. The Operation Flood programme has no influence on the economic conditions of the members of Anand Pattern Co-operative Societies.

1.7 Methodology

The method adopted in the study involves determination of the area for collecting the sample, collection of primary and secondary data directly through interviews and systematic observations based on regular visits and long discussions with the participants using the schedule prepared, analysis of the data collected using statistical tools like chi-square, ANOVA, logistic regression, correspondence analysis etc. and conclusion based on the results of the analysis. The method adopted is detailed below.
1.7.1 Survey Methodology

The population considered consists of all the dairy co-operatives in Kerala. Since the geographical area is wide, the researcher attempts a sample survey in this study. The data for the same was obtained from Kerala's dairy development department.

1.7.2 Sample Selection

Multi-Stage Stratified Random Sample method is adopted in this study. The researcher was compelled to limit the population to 80 dairy co-operatives and 522 dairy farmers. Of the 80 dairy co-operatives, 62 were selected from Anand Pattern Co-operative Societies and the other 18 were selected from Non-Anand Pattern Co-operative Societies. Out of the 522 dairy farmers, all are members. The period of the study covers seven years, that is, 2000 to 2007. Considering the geographical factors, the dairy co-operatives in the state were grouped into three regions, viz, Southern region comprising Kollam, Central region including Kottayam and Northern region covering Kannur. In this study, factors like the amount of share capital, number of members, the volume of sales turnover, profit and costs were considered.

After preparing the schedule, information was collected from 187, 176 and 159 dairy farmers (members) from Sasthamcotta in Kollam district, Uzhavoor in Kottayam district and Talipparambu block in Kannur district respectively. The number of sample members and Anand Pattern Dairy Co-operatives surveyed is shown in the following table.
Table 1.1
Number of Dairy Co-operatives and Members Surveyed in the
Three Regions

<table>
<thead>
<tr>
<th>District</th>
<th>Types of survey</th>
<th>No. of dairy societies</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>APCOS</td>
<td>Non-APCOS</td>
</tr>
<tr>
<td>Kollam</td>
<td>Census</td>
<td>262</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td>Sample</td>
<td>27</td>
<td>7</td>
</tr>
<tr>
<td>Kottayam</td>
<td>Census</td>
<td>216</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>Sample</td>
<td>22</td>
<td>4</td>
</tr>
<tr>
<td>Kannur</td>
<td>Census</td>
<td>127</td>
<td>66</td>
</tr>
<tr>
<td></td>
<td>Sample</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>Census</td>
<td>605</td>
<td>164</td>
</tr>
<tr>
<td></td>
<td>Sample</td>
<td>62</td>
<td>18</td>
</tr>
</tbody>
</table>

Source: Sample Survey 2008

1.7.3 Sources of Data

Sources of data include primary and secondary data. The primary data was collected through interviews as per the schedule prepared. The secondary data was collected from the annual reports of the animal husbandry department and dairy co-operative societies for the period from 2000 to 2007, various magazines and various internet web sites.

The details of the financial performance of the dairy co-operative societies were collected from the audit reports and registers of the selected dairy co-operative societies. The bylaws of the societies and annual reports of the societies also provided the required information. The dairy farmer
attitudes towards the dairy co-operative societies were measured on the basis of field survey with the help of schedule. The problems faced by the co-operative societies were identified with through discussions with the office bearers, secretary and other employees of the societies.

1.8 The Research Questions Addressed

1. Are Anand Pattern Co-operative Societies financially performing well in Kerala?
2. What is revealed on comparing Anand Pattern Co-operative Societies with Non-Anand Pattern Co-operative Societies?
3. What are the social characteristics of the members of Anand Pattern Co-operative Societies?
4. What are the economic characteristics of the members of Anand Pattern Co-operative Societies?
5. What were the constraints in the functioning of Anand Pattern Milk Co-operatives?

1.9 Chapter Scheme of the Study

The study has been organized into seven chapters. Chapter I (the present chapter) is the introduction. It represents the statement of the problem, significance of the study, scope of the study, objectives, hypothesis, methodology and limitations of the study.

In the second chapter, a brief review of the existing literature in the field is presented.

The third chapter attempts an overview of dairy economy of Kerala.
The fourth chapter is an attempt to evaluate the financial performance of Anand Pattern Co-operative Societies (APCOS) and comparison of Anand Pattern Co-operative Societies and Non-Anand Pattern Co-operative Societies in Kerala.

The Fifth chapter is the study of social and economic characteristics of the members of Anand Pattern Co-operative Societies.

The Sixth chapter has the constraints identified in the functioning of Anand Pattern Co-operative Societies.

The Seventh chapter presents a summary of the findings in the foregoing chapters, the conclusion arrived at and suggestions based on the findings and the conclusion of the study.

1.10 Limitations of the Study

There are some limitations in the present study, which are to be taken into account in interpreting the results as well as in carrying out further studies. The limitations are:

[1] Non-availability of latest information is a limitation in the discussions on the dairy co-operatives.

[2] The economic impact of dairy co-operatives with special reference to Operation Flood programme is spread over farmers, dairy co-operatives, milk consumers, co-operative employees and input suppliers. But because of the lack of resources, the study was confined to dairy co-operatives and dairy farmers alone, which is also a limitation.
REFERENCES:-


