Chapter 2

CO-OPERATION AND CO-OPERATIVE MOVEMENT
THEORETICAL FRAME WORK
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A THEORETICAL FRAME WORK

2.1 Introduction and Meaning: -

Co-operation in its ordinary sense would mean ‘working together’. The International Co-operative Alliance (ICA1995) defines a co-operative 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”. (Hajela T.N 1997) According to C.R. Fay, “A Co-operative Society is an association for the purpose of joint trading, originating among the weak and conducted always in an unselfish spirit, on such terms that all who are prepared to assume the duties of membership may share its rewards in proportion to the degree of their association” (Bedi R.D1995). It is an organization which has as its object the promotion of the economic interest of its members or the promotion of thrift, self help and mutual aid among agriculturists and other persons with common economic needs, so as to bring about better living, better business and better methods of production. The Section 4 (c) of the Indian Co-operative Societies Act 1969 defines a co-operative society, “as a society which has its object, the promotion of the economic interests of its members in accordance with the co-operative principles” (Mathur B.S. 2002).
The co-operatives are engaged in agriculture, industry and in service sector with the ultimate goal to lift up the living standards of the members through increase in the level of production and productivity, employment, technology, and several other useful services. The co-operatives are essential self-help groups of people who get together to satisfy their needs. The consumer co-operatives provide their members with food and other products they need, while the housing co-operatives provide shelter and the workers co-operatives provide decent and remunerative work, the credit co-operatives provide savings and credit, while the agricultural co-operatives helps farmers to provide inputs they need to grow crops and keep livestock, and help them to market and process their products.

### 2.1.1 Scope of Co-operation

The modern phenomenon of co-operation is an economic concept and not a social or cultural concept as it was regarded during the ancient times. Co-operation in the olden days was an integral part of a man’s life; today it is a distinct form of business, which affects the pattern of production and distribution within the economy. It now offers a hope to the economically weak to live a better life in the modern world. The scope of co-operation is:

1) To establish social harmony.

2) To counter the exploitation of the weaker sections.

3) To provide special privileges and concessions to its members.

4) To improve the value of society and enables people to lead a virtuous life.
2.1.2 Objectives of Co-operation

1) The Elimination of intermediaries: - The primary objective of a co-operative society is to remove the middlemen or intermediaries present in different fields of economic activity.

2) The Raising of the Economic Status of the Weaker Sections: - Poor people form an association to undertake business independently and get the rewards for their work without being exploited by employees.

3) The Removal of the Evils of Capitalism: - Capitalism leads to exploitation, class struggle, inequality, unfair competition and all related ills. The co-operative movement is an effective alternative to capitalism wherein it provides fair profit to its members and better services to improve their quality of life.

4) The Raising of the Moral Standards of its Members: - The combination of business with ethics is a novel feature of a co-operative society. This leads to the conduct of business activity with honesty and truthfulness. The co-operatives try not only to improve the economic life of its members, but also try to instill in them the qualities of virtue.

5) The Increasing of the Prosperity of the Community: - An important objective of co-operation is to instill among the people a sense of the community. People are encouraged to deviate from the individualistic attitude and take a broader view of life. The dictum “all for one and one for all”, stresses the fact that the co-operative society aims at bringing about the welfare of not a particular individual but of the whole community. Hence, co-operation and community life go hand in hand as parts of the same organization for the betterment of both the individual and the community.
6) **The Abolition of Social Inequalities:** - Wealth and power have caused a lot of social inequalities and tensions in the society. The removal of such inequalities is another objective of the co-operative movement. Here members are guaranteed equal rights and opportunities and there is no possibility of hurting anybody’s interests.

7) **The Neutrality in Religion and Politics:** - A co-operative society is expected to remain aloof from the political parties and religious groups; otherwise it is likely to be detrimental to the interests of its members.

8) **The Development of Corporate Life:** - A co-operative aims at providing a corporate life for its members. It has no faith in the natural law of the “survival of the fittest”. It aims to transform the weak into the strong and make them fit for a better life. The ultimate objective of co-operation is, “Co-operative common wealth, where the whole economy is regulated and controlled by co-operatives”.

2.1.3 **Characteristics of a Co-operative Enterprise**

i.) **It is an Association of Persons:** - A co-operative society is an association of persons and not an impersonal grouping of capital like a joint stock company. The emphasis is on men and not on capital he contributes.

ii.) **It is an Undertaking:** - It is not a charitable or philanthropic association, it is an undertaking run by members themselves at their own expense and not at their own risk.

iii.) **It is a Democratic Organization:** It is controlled by their members, who actively participate in setting their policies and making decisions. Every member of the society has only a single vote.
iv.) **Spirit of Service and not Profit:** A co-operative enterprise is motivated by a spirit of service; its whole business mechanism is geared towards the provision of most economical services.

v.) **Based on Proportionality:** The surplus is distributed according to the proportion of business operation a member has effected with the society.

vi.) **Service to the Members and to the Community:** The efficiency of a co-operative enterprise is measured primarily, not in terms of return on investment, but in terms of quality, adequacy, and cost of service rendered to the member users.

vii.) **Social Characteristics of Co-operatives Predominate over Economic Character:** It places premium on creating the superior moral man by means of education and development of the total person.

2.1.4 **Principles of Co-operation:**

The commission appointed by the ICA in 1964 has given the following principles which should be observed by co-operatives of all types and in all social and economic systems.

1. Voluntary and open membership.
2. Democratic administration.
3. Limited interests on capital.
4. Distribution of surplus to the members in proportion to their transactions.
5. Co-operative education.
Finally, the commission observed that all the principles are equally important and must be observed equally. The principles of co-operation lead to the conclusion that they stand for, “all for one and one for all.”

2.1.5 The Benefits of Co-operation

A co-operative is an association of persons, which through mutual support obtain material advantages available to large scale business concerns. They have contributed to the modernization of small scale production in agriculture, fisheries, handicrafts and industry, improved the quality and volume of production and led to more efficient marketing.

a) Economic Benefits: - Substitution of profit motive by service motive and equitable distribution of wealth, reduction in the cost of distributive system by elimination of unnecessary middlemen, removal of useless duplication of services, eradication of such practices as misleading advertisement and high pressure salesmanship, elimination of fraudulent practices like adulteration, short weight etc.

b) Social Benefits: - The co-operative movement is an exercise in fellowship, which seeks to end the exploitation of man by man. Co-operation teaches that man is his brothers’ keeper and that he can best lighten his own burden by lightening the burden of others, can achieve his own happiness only by including within it the happiness of others.

2.1.6 The Structure of Co-operatives

The co-operative structure in India follows three tire systems. At the bottom of this structure are the primary societies; at the district level central co-operative banks and at the top, State Co-operative Banks.
a) **Primary Co-operative Societies**

The primary co-operative societies are functioning at the village level and they provide various services to their members. They are divided into two groups namely:-

1) Credit societies are meant for providing financial assistance to the members.

2) Non credit societies are meant for rendering services to their members. Each of these two groups is again divided into sub groups: - (a) Agricultural societies and (b) Non–agricultural societies. Agricultural societies (both credit and non credit) are found in rural areas, but non agricultural societies (both credit and non credit) are found in urban areas.

b) **Central /District Co-operative Banks**

For supervision and financial assistance to co-operative credit societies there are central banks for each district. The central banks supervise the functioning of the primary societies of a district and offer financial assistance to them. Their capital is drawn from public deposits, share capital and loan from other sources. Because of variety of sources from which these banks can draw money, they act as a link between co-operative societies and the money market. They function as balancing centers by diverting funds of surplus societies to the needy societies. They also perform ordinary banking functions.

c) **Apex/ State Co-operative Bank**

At the top of the co-operative credit is the State Co-operative Bank, at the state level, known as the apex bank. It controls the working of central banks and provides finance to them. It also acts as the link between Reserve Bank of India, from which it borrows and the District Co-operative Banks and primary societies. It directs the co-
operative movement in the state. Its capital comes from share capital, public deposits and loans and advances from the State and Reserve Bank of India.

The National Co-operative Union of India (NCUI) is the apex organization promoting the co-operative movement in the country. All the above three types of institutions are concerned with short and medium term credit of the people. Long term loans are given by Land Development Banks, which have a unitary structure having branches at different places. These banks obtain their funds from share capital, reserves, deposits, issue of bonds and debentures. However, a major portion of their resources is drawn from the floating of ordinary debentures in the market. The investors in these debentures are LIC, Commercial banks, Co-operative banks, Central and State Governments and the Reserve Bank of India.

2.2 Co-operative Movement in the World

This section provides a summary of major co-operative movement took place in the world at different points of time.

2.2.1 Co-operatives in the United States: -

The first American cooperative was created in 1735, in Charleston, South Carolina, but was liquidated five years later after a fire destroyed more than half of the city. In 1752, Benjamin Franklin founded, “The Philadelphia Contribution Ship for the Insurance of Homes from Loss by Fire,” the oldest mutual insurance company in the United States. The majority of the 19th century co-operatives closed due to insufficient capital. It was not until the beginning of the 20th century that the co-operatives really began to have long-term success. By the dawn of the 21st century, in
America, there are over 29,000 co-operatives employing 2 million people with over $652 billion in annual revenue. (Website: http://co-op.movement in world .wikipedia, the free encyclopedia. htm, down loaded on 9th September 2010).

2.2.2 Co-operative Movement in France: -

Charles Fourier (1722-1837), published a Treatise on, “Domestic Agricultural Association,” in 1822 for the first time on co-operation and Saint–Simon worked on various theories of ‘Association’. Schulze Delitzsch (1808-1865), was the pioneer of urban co-operatives and co-operatives in handicrafts; while F.W. Raiffeisen (1818-1888), did the same for rural co-operatives (Memoria C.B. and Saksena R.D., 1973).

2.2.3 Co-operative Movement in England: -

As a modern phenomenon, the co-operative form of business organizations originated in England among the industrial workers in the mid-nineteenth century. The co-operatives started as an Urban Consumer Stores, but soon spread to rural areas amongst the farmers. During the latter half of the nineteenth century, the co-operative concept was spread to several parts of Europe and North America.

The real co-operative movement had been credited to ‘Rochdale Pioneers’, a person who established the Co-operative Consumer Store in North-England, at the end of 1844 which can be called as the first in the co-operative consumer movement. Robert Owen (1771-1858), is generally regarded as the founder of the modern co-operative movement with the workers of Bellers. His ideas put together had been named as, “doctrine of circumstances”. Owen started his practice-work by introducing reforms in his own cotton mills of New Lanark, Scotland, as a measure to improve the
conditions of workers. In Great Britain, Robert Owen established self-contained, semi-agricultural and semi-industrial communities. (Bedi R.D. 1971). The English Consumers Wholesale Society (CWS) was formed by the merger of many independent retail, wholesale and federal societies across Yorkshire and Lancashire by 1872.

The agricultural co-operation in England was of a comparatively recent growth. The British farmers had never been in debt, nor did they have any difficulty in the marketing of their produce but they felt some difficulty in producing farming requirements such as fertilizers, seeds, and feedstuffs. Agricultural Co-operation started with what is called “Requirement Societies”. The first society, “The Agricultural and Horticultural Association”, was started in 1867 with the objective of purchasing and selling of quality inputs. They also started selling agricultural machinery, petroleum and veterinary supplies. The agricultural societies organized their federations called the “Agricultural Central Co-operative Association” in 1856. William King (1757-1865), helped to spread Owens’s doctrine (Bedi R.D. 1971).

2.2.4 Co-operative Movement in Germany: -

Germany is the birthplace of co-operative credit movement in the World. Two pioneers, Franz Schulze and F.W. Raiffeisen, both well known personalities in the co-operative field, moved by the miserable condition of farmers and labourers in Germany, started making experiments with various methods of relief. (Bedi R.D. 1971). Franz Schulze (1808-1883), judge and the mayor of Delitzsch, started his efforts of co-operation after studying the conditions of famine stricken people as a
chairman of the “Famine Commission”. In 1849, he established his first friendly society of shoemakers with the object of making purchases of raw material in bulk and supplying it to the members. In 1850, Schulze established his first credit society in his native town. Its function was to raise funds to be lent to its members. The number of his banks grew rapidly and in 1859, he called a congress of his banks which resolved to set-up “The General Union of German Industrial Societies”. He remained its Director till death in 1883. He also secured the “First Co-operative Law” from Prussia in 1867, which was made applicable to the whole Germany in 1889 (Bedi R.D. 1971).

Raiffeisen is the one person to whom the co-operative movement owes the maximum. As the Mayor of Wyerbusch, he came across with the poverty stricken peasants and greedy money lenders. He organized the “Union in Aid of Impoverished Farmers” in 1849, in which the needy farmers joined as members. At Heddesderf, Raiffeisen organized the “Heddesderf Beneficient Society”. The phrase “each for all, all for each” was coined. Principles of honorary service and unlimited liability were also worked out. In 1877, “The General Union of Rural Co-operative Societies” which was known as the “Raiffeisen Union” was also set up. (Website: http://co-op.movement in world .wikipedia, the free encyclopedia. htm down loaded on 9th September 2010).

After the national collapse and German defeat in 1945, the formal agricultural production co-operatives had been formed on the pattern of collective farms in Russia. These societies combined in themselves the work of providing credit, supplying agricultural requirements, marketing of crops and processing of produce (Memoria C.B. and Saksena R.D.1973). In Germany, the rural co-operative movement, which
started merely for the elimination of financial debility of members, covered the whole economic field in rural areas. The co-operatives are also present in growth sectors such as the service industry, in data processing and new media industries and in the education and health sectors.

2.2.5 Co-operative Movement in Sweden:–

The wholesalers and retailers were fixing high margin for the consumer goods, which provoked the workers to think of methods of saving themselves from this organized exploitation. Based on the Rochdale Pioneers Model, the first known co-operative enterprise in Sweden, “District Commodity Buying Company”, was established in 1850.

The consumer co-operative movement is a very strong force in the Swedish economy and a bulk work of protection to the Swedish consumer. The Swedish co-operative Union and Wholesale Society known as Ko-operative Farbundet (K.F.) were established in 1899 to act as a medium for publicity and an advisory body to primary co-operative stores. In 1904, K.F. began to act as a supplier of goods to the primary co-operative stores. Just after the First World War agricultural co-operatives expanded their sphere of work and societies were established in almost every sphere of agricultural activity.

2.2.6. Co-operative Movement in Canada: –

Farmers were the first Canadian group that successfully developed co-operatives. Between 1860 and 1900 farmers in Ontario, Quebec and Atlantic Canada, developed over 1200 co-operative creameries and cheese factories to meet the needs
of the rapidly growing dairy industry. Prairie farmers led by E.A. Partridge, organized the “Grain Growers' Grain Co-operative”, in 1906 to market directly to millers and European buyers. In 1911 Saskatchewan farmers, aided by the provincial government, organized the “Saskatchewan Co-operative Elevator Company”. Two years later, Alberta farmers organized the “Alberta Farmers’ Co-operative Elevator Company”. Numerous other Canadian farm groups - fruit growers, livestock producers and tobacco growers organized smaller but important supply, purchasing and marketing groups before First World War. A few from Ontario and Nova Scotia met in Hamilton in 1909 to form the Co-operative Union of Canada, a national representative body and educational institution.

In 1900 in Quebec, Alphonse Desjardins developed co-operative banking in organizing his first Caisse Populaire. Farm co-operatives expanded rapidly, including the new multipurpose Co-operative Federee (established 1910 in Quebec), and United Farmers' Co-operative (established in 1914 at Ontario). By 1919 most farmers wished to gain greater control over the marketing of their produce. They were soon drawn to "co-operative pooling," a system whereby members contracted to sell all produce through their co-operative and in return would receive dividends based on the quality of the produce they supplied. The most innovative effort was developed by the Extension Department of St. Francis Xavier University in Antigonish, Nova Scotia. The Antigonish movement was particularly effective in developing study clubs, which became the basis of Credit Unions, Fishing and Housing Co-operatives, and Co-operative Stores. Other forms of co-operatives appearing during the 1930s included handicraft co-operatives in Atlantic Canada, fishing co-operatives on both coasts and on inland lakes, recreation co-operatives, co-operative health facilities, co-operative
film clubs, petroleum co-operative and a farm-implement co-operative organized by prairie farmers. Since the 1950s the co-operative movement has continued to grow. Today, it consists of related organizations with significant influence in agriculture, finance, insurance, fishing, retail and housing industries. The grain- and dairy-marketing co-operatives dominate their industries and the retail co-operatives play significant roles on the Prairies and in Atlantic Canada.

2.2.7 Co-operative Movement in Russia: -

The co-operative movement in Russia began in 1864 when some co-operative stores and credit societies were organized. By 1914, the movement had become strong enough and the consumers’ stores in the country handled more than half the country’s supplies. The earliest form of co-operative movement is Russia was “Labor Artels”. Labor Artel means an association formed to carry on certain industries or render personal services on the joint responsibility of the members of the Artel and their joint account. Such Artels were organized by carpenters, masons, handicrafts-men and other artisans. The Artels were financed through deposits obtained from the members and non-members. These Artels flourished for some time but when large-scale industry came into being, their important declined. The Russian farmers organized their own association in the last decade of the 19th century. An important association of this nature was organized in 1895 by the ‘butter producers’ in Siberia. These societies soon multiplied and in 1908, they organized their federation called, “The Union of Siberian Creameries Association”. The primary units set up creameries and sold their butter through the union. The union still exists and is very strong. In Russia, Credit Co-operative Societies were set up to fight the evils of moneylenders. Their
object was to create the habit of thrift among members and grant loans to them for agricultural requirements. On the contrary, there was a second type of co-operative organization, called ‘Credit Associations’. These societies were fully supported by the government, especially after 1905. They provided the credit needs of their members who were mostly cultivators.

2.2.8 Co-operative Movement in Japan:

The co-operative movement in Japan was introduced in the form of consumers’ co-operatives, the first of which was established in 1879, with the object of controlling prices. In 1900, the Industrial Co-operative Law was passed on the lines of the German Law. In 1905, a non-official body named “Co-operative Union” was established which made extensive propaganda for the promotion of co-operative societies and by 1909; the number of societies had risen to 5690 with about 3.8 lack members. The primary societies soon felt the need for organizing their secondary societies and in 1923 the “National Purchase Co-operative Federation” and the “Central Co-operative Bank” were established. The Japanese agricultural co-operatives cover 91per cent farmers as members, and they provide an integrated system of marketing, supply, credit and insurance for the whole rural economy. In fiscal 2007, the Ministry of Japan considered the system of direct payment subsidies, under the farm income stabilization policy and the government decided to include community farming collectively of more than 20 hectares, even if they comprised primarily of part-time farmers.
2.2.9 Co-operative Movement in Italy:-

In Italy, due to the great depression in 1880, the poor could not repay their loans taken from the money lenders, and as a consequence of which whatever little assets they possessed, began to pass into the hands of the money lenders. In such a situation, Luigi Luzzati and Leone Wallenberg began to think of ways and means to improve the conditions of the people who were suffering from poverty.

Luzzati started his work by organizing a friendly society at Lodi in 1864-65. Later it became a regular co-operative bank. In 1866, he started his first co-operative bank at Milan named “Banca Popular”. Luzzati insisted on honorary management to reduce the rate of interest on loans. He pleaded for limited liability. He kept smaller shares, which were payable in ten months. Wallenberg started co-operative activities in the rural areas. It was in 1883 that he started a bank in his home village Loreggia with 32 members.

2.2.10 Co-operative Movement in Denmark: -

In Denmark, the farmers were most affected because of the lack of finance and the existence of tenancies. In order to escape from these difficulties, at the end of the 19th century, the co-operative movement started in Denmark. The first co-operative dairy was established in Hjedding, with the efforts of a young dairyman named Stilling Andersen in 1882. In 1884, “Dairy Society Denmark” was established, which coordinated the production and marketing of dairy business in the country. The Consumer Co-operative movement in Denmark was introduced by H.C.Sonne, who was impressed by the successful example of consumers’ co-operative societies of England by Rochdale Pioneers who convinced a number of persons to form “Thirsted
Workers Society” which was established in 1886. In 1895, the “Co-operative Egg Export Association” was established. It introduced the system of grading and stamping of eggs to ensure quality of the eggs exported to England. In Denmark, co-operation also spread in other spheres such as Co-operative Poultry Killing Stations, Co-operative Cattle Sale Societies, Co-operative Seed Supply Societies, Fruit Growers Co-operative Association, Co-operative Feeding Stuff Societies and Co-operative Fertilizer Purchase Society. The Promotion of the member education has always been considered as one of the important jobs of the co-operative movement. In 1932, the Danish Co-operative College was established by the Danish Co-operative Wholesale Society at Middleport. It was realized that in Denmark Agricultural Marketing and Processing Co-operatives were beneficial and thereby in the beginning of the 20th century, virtually all the needs of the rural communities were met by co-operatives. In 1990s the Danish Consumer Co-operatives represented a market share of roughly 33 per cent of the national foodstuff and beverage consumption. The co-operative movement also resulted in a series of co-operative stores known as Brugsen, under the administration of the Danish Consumer Co-operative Society.

2.2.11 Co-operative Movement in Ireland:

Horace Plunkett in 1892, inspired by the consumers’ co-operative movement of England, introduced the co-operatives in Ireland, as a measure to remove their poverty. His slogan of “Better farming, Better business and Better living”, soon became a motto for the co-operative movement all over the world and organized a number of co-operative stores. On the agricultural side, he established the ‘Irish
Agricultural Organization Society (I.A.O.S.) in 1894. There were 2.9 million members engaged with the co-operatives in 2008.

2.2.12 History of the Philippine Co-operative Movement: -

The history of the co-operative movement in the Philippines, divided into 3 stages. The first stage, from 1895 to 1941, was characterized by the aborted germination of co-operatives (or the pre-formation period), the introduction and endogenization of the Raiffeisen-type agro-based co-operatives by American missionaries, teachers and western-educated Filipinos which featured the principles of self-help and self-reliance (or the formation period), and the introduction of state-initiated farmers co-operatives by the American colonial administrators.

The second stage was from 1941 to 1986. This stage can be subdivided into 4 phases. The first phase was the period of Japanese occupation which featured a rapid increase in co-operatives as a result of food shortages. The second phase was the period of rehabilitation after the 2nd World War. The third phase was the resurgence of the state-initiated co-operatives while the fourth phase was the introduction and rise of the non-agricultural co-operatives. The fifth and final phase was the martial law period and the politicization of the co-operative movement.

The third stage of the evolution of the Philippine co-operative movement from 1986 to the present. This stage showed the emergence of the co-operative movement as a potent political force as it allies with the NGO and trade union movements in pursuing the goals of people empowerment and the strengthening the country's civil society sector. During the 1998 party list elections, the co-operative movement was
able to elect 3 sectoral representatives who led all other sectors, groups and non-dominant political parties in representing the marginalized and underrepresented masses of the Filipino people.

2.2.13 Co-operative Movement in Israel: -

The most important contribution towards the co-operative movement was “The First Agricultural Collective Settlement” at Dagania in the Jordan Valley in 1908 (Liam Kennedy, 2007). In 1923, Hevrat Ovdim was registered under the Co-operative Societies Act. Co-operative farming and living was adopted in Israel because of a desire of mutual aid actuated by national affinity, pioneering zeal in the immigrants to uplift their homeland, lack of technical and farming knowledge in the immigrants, lack of resources and experience necessary to reclaim large areas of barren land and mutual protection from hostile Arabs. The co-operative sector contributes 70 per cent of the country’s entire agricultural output; whereas the contribution of the private sector is only 30 per cent, as on July 2009.

2.2.14 Co-operative Movement in China: -

The history of co-operative movement in China belongs to famines, floods, mutual quarrels and the Japanese war. In 1912 Sun Yet Sen, the founder of Chinese Republic gave a lead to the co-operative movement and with his efforts he established “Shanghai National Co-operative Savings Bank” in 1919. The movement, however, got an incentive from the severe drought of 1922, in which year the International Famine Relief Commission was set up in China and it submitted its report in 1924, which recommended the introduction of the co-operative movement as a measure of improving the economic conditions of the people. In 1927, a co-operative union was
set up to encourage the development of the movement. C.W. Wu, a Chinese citizen educated in Scotland, organized the workers into small co-operatives. Wu succeeded in starting the first industrial co-operative society of blacksmiths, followed by a number of societies of soap and candle makers, printers, weavers and others. In 1932, there were over 350 co-operative societies making a variety of goods. About half of these were spinning and weaving societies and others were leather, metal workers, mining, chemical, food stuffs, printing and paper etc. The co-operative transport societies also provided transport to industrial societies for shifting their business or machines. In China primary co-operative societies were grouped into Country Unions, which were further federated into Provincial Unions. At the top was the ‘All China Federation of Co-operatives’ which was organized in 1950. In 1955, the wholesale societies of Manitoba and Saskatchewan were combined into a large organization called the ‘Federated Co-operative Limited’.

2.2.15 Co-operative Movement in Singapore: -

The Co-operative concept was introduced in Singapore as early as 1924, at a time when money lending was a roaring business. There were, at that time, no institutions, finance companies or banks which wage earners, who were struggling to make ends meet, could depend upon for financial relief in times of need. The Straits Settlement Co-operative Societies Ordinance was passed in 1924 and came into force in 1925. The first thrift and loan society to be established was the Singapore Government Servants’ Co-operative Thrift and Loan Society Ltd, which was registered on 7 October 1925, with 32 members. Between 1925 and 1940, more people began to see the usefulness of the co-operative concept of self-help and mutual
assistance. Altogether 43 thrift and loan societies were formed to cater to the needs of civil servants, teachers, custom officers as well as those working in the private sector. The growing number of societies made it necessary to create a central organization to enable co-ordination and collaboration. Thus, on 16th November 1933, the Singapore Urban Co-operative Union Ltd was established. It was renamed Singapore Co-operative Union Ltd. in July 1954 and later, Singapore National Co-operative Union Ltd in May 1972. On 18th September 1980, SNCF was formed as the apex body of the co-operative movement. The Singapore National Co-operative Union (SNCF) assumed its new role as Singapore Amalgamated Services Co-operative Organization Ltd. in 1982 and became an affiliate of SNCF.

In brief the global Co-operative movement has about 800 million members in over 100 countries and is estimated to account for more than 100 million jobs around the world, 20 per cent larger than multi-national enterprises combined. The strength, reach and resilience of Co-operatives have been recognized by the United Nations, as being instrumental to helping the world to meet its Millennial Development Goals (MDG). In 1994, the United Nations asserted that the co-operative enterprises had made a difference to the lives of almost half of the world’s population (3 billion people). The top 300 Co-operatives world-wide has been valued at one trillion US Dollars, equivalent to the 10th largest economy in the world (based on Gross Domestic Product). Under the umbrella of the World Council of Credit Unions, 49,000 credit unions serve 177 million members in 96 countries, and 4,200 banks. The European Association of Co-operative Banks serves 149 million clients. The Agricultural Co-operatives account for 80 to 99 per cent of milk production in Norway, New Zealand and the United States, 71 per cent of fishery production in the
Republic of Korea, and 40 per cent of agriculture in Brazil. The Electric Co-operatives play a key role in rural areas in Bangladesh and the rural electric Co-operatives serve 28 million people. In the United States, 900 rural electric Co-operatives serve 37 million people and own almost half of the electric distribution lines in the country. (www.sncf.org.sg/web/index.php, downloaded on 6th July 2011).

2.3 Co-operative Movement in India

The beginning of the Co-operative movement in India dates back to 1904 when official efforts were initiated to create a new type of institution based on the principles of co-operative ideology. Co-operative institutions were considered to be the solution for the problems, particularly to the Indian conditions relating to over-all rural development. Co-operatives are the vast and powerful instrument which engaged in the tasks of production, processing, marketing and distribution, servicing and banking in Indian economy. The co-operation has shown its effectiveness in various fields like removal of poverty by reducing members’ indebtedness, lowering interest rates, increasing productivity and thrift, lowering of the cost of disposal of their produce and discouraging unnecessary social expenditure.

Early in the twentieth century, the co-operative movement spread to India and gradually to other Asian and African countries; mainly due to the colonial administrators. Indian Co-operatives can be appropriately described as the co-operative movement representing: “a happy mean between the forces of extreme individualism on the one hand, and socialism and communism on the other. It stands for individual rights tempered by considerations of justice, equity and fair dealing as
between man and man, and its one of the greatest aims is to prevent the exploitation of the weaker by the stronger party” (Hajela T.N. 1997).

During the British rule, Nicholson, a British Officer in India, suggested to introduce Raiffeisen model of German Agricultural Credit Co-operatives in India. As a follow-up of that recommendation, Co-operative Credit Societies Act was passed in 1904, which envisaged the formation of village level "Agricultural Credit Co-operatives" under government sponsorship. With the enactment of 1904 Act, Co-operatives were to get a direct legal identity as every agricultural Co-operative was to be registered under that Act only. In 1912, the Act was amended to enable, formation of other types of societies for activities relating to production, purchase and sales, housing etc. This Act provided for the creation of federation of primary societies. In India, the inspiration for the co-operative movement came largely form Germany. Fredrick Nicholson studied the working of agricultural banks and suggested measures for the introduction of co-operative movement in India. His advice to Indian co-operators, “Find Raiffeisen” explains for itself the importance he gave to the Raiffeisen system of credit as a means of solving problems of indebtedness in India.

In 1919, the subject of co-operation was transferred to the provinces. The provincial governments were empowered to enact their own laws and to promote and regulate the working of co-operative societies and placed the subject under the charge of a minister. Different kinds of societies in the fields of credit, supply, distribution, farming, mortgage and banking emerged after the First World War period. The Second World War period broadened the functional range of the co-operative movement and brought about a shift in the lopsided emphasis from the credit aspect to
the productive and distributive functions. Since the multipurpose potentialities of co-operatives were recognized, the government of India set up an Agricultural Credit Department in the RBI in 1935 to give a stimulus to the co-operative movement. In 1942, the British Government enacted the Multi-Unit Co-operative Societies Act, with an object to cover societies whose operations are extended to more than one state.

Since the attainment of independence in 1947, the co-operative movement in India has been making rapid progress in various directions. The co-operation has been assigned an important role in the country’s Five Year Plans. The central government enacted the Multi State Co-operative Societies Act in 2002, which provided for democratic and autonomous working of the co-operatives that came into force with effect from 19th August 2002. Various developmental activities in agriculture, small industry, marketing and processing, distribution and supplies etc. are now carried on through co-operatives. The co-operatives in India have made an all-round progress and their role in and contribution to the agricultural progress has particularly been significant.

2.3.1 Co-operative Movement in Gujarat

Since Gujarat is the pioneer in milk marketing, some glimpses of the Gujarat co-operative movements are given below.

The exploitative, unfair and manipulative trade practices followed by the traders, inspired the farmers of the district under Sardar Patel, Morarji Desai and Tribhuvandas Patel, formed their own co-operative in 1946 in Anand, a small town in the state of Gujarat in Western India. This co-operative, the “Kaira District Co-
operative Milk Producers Union Ltd.” began with just two village dairy co-operative societies and 247 liters of milk and today better known as “Amul Dairy”. Amul grew from strength to strength, thanks to the inspired leadership of Tribhuvandas Patel, the founder Chairman and the committed professionalism of Dr. Varghese Kurien, who was entrusted the task of running the dairy from 1950. The then Prime Minister of India, Lal Bahadur Shastri, decided that the same approach should become the basis of a ‘National Dairy Development’ policy. He understood that the success of Amul could be attributed to four important factors. The farmers owned the dairy, their elected representatives managed the village societies and the district union, and they employed professionals to operate the dairy and manage its business. Most importantly, the co-operatives were sensitive to the needs of farmers and responsive to their demands. At his initiative in 1965 the National Dairy Development Board was set up with the basic objective of replicating the Amul model. Dr. Kurien was chosen to be the head of the institution as its Chairman and asked to replicate this model throughout the country.

The Amul Model of dairy development is a three-tiered structure with the dairy co-operative societies at the village level federated under a milk union at the district level and a federation of member unions at the state level. The Amul model has helped India to emerge as the largest milk producer in the world. More than 15 million milk producers pour their milk in 1,44,246 dairy co-operative societies across the country. Their milk is processed in 177 District Co-operative Unions and marketed by 22 State Marketing Federations, ensuring a better life for millions. (www1.ximb.ac.in/users/GCMMF/20Case/20ACRJ/20version.pdf, downloaded on 14th October 2011).
2.3.2 Co-operative Movement In Maharashtra

Since Maharashtra is the pioneer in sugar marketing and processing societies, some glimpses of the Maharashtra co-operative movements are given below.

Maharashtra Government has identified the importance of the co-operative movement as the best source to apply for rural development, peoples’ empowerment and poverty alleviation programme. The government hopes that the revival of successful co-operative societies could well become the biggest employer in the country and will create new employment opportunities for the people, especially, in rural areas. Initially, this movement was confined mainly to the fields of agricultural credit. Later it rapidly spread to other fields like agro-processing, agro-marketing, rural industries, consumer stores, social services, etc. Progress of co-operative movement in the last four decades showed increase more than four times. The co-operatives in Maharashtra have a political, historical, social and cultural heritage. It is particularly strong in Western Maharashtra as the independent movement and the leaders from Pune, Mumbai and Ahmednagar initiated social reforms. Due to favorable climate conditions, soil and the development of irrigation facilities Maharashtra made good progress in sugarcane and sugar production through the help of co-operative sugar factories. The “Pravara Sugar Co-operative Factory Ltd.”, established in 1949, made a success. Co-operatives played a crucial role to fulfill these needs of the farmers. Co-operative societies support for purchase of seeds, fertilizers, insecticides etc. and also provide several services such as marketing, processing, storage, credit, transport etc. Co-operatives in fact supports to the poor and marginal farmers. However, due to small size of the co-operative societies they could not provide adequate services to their members. The Government therefore gave financial
assistance to these societies and thus increased their borrowing capacity. ‘Crop Loan System’ has also been introduced. The government has introduced various schemes to improve the economic conditions at the rural level i.e. subsidy to agricultural credit stabilization fund, contribution to risk fund, share capital contribution, loans to co-operative credit societies for the conversion of loans from short term to medium term and crop production incentive to agriculturists.

2.4 Co-operative Movement in Kerala

The co-operative movement in Kerala was started after Co-operative Societies Act of 1912. Travancore Co-operative Societies Act was passed in 1914. The Travancore Central Co-operative Bank (the first society) was set up in 1915. Many primary societies were registered subsequently. The first Taluk bank was started at Nagercoil in 1923. Within a short time all the taluks started such banks. According to the recommendations of the Registrar, a Land Mortgage Bank was started by the Government, under its control for distributing long term loans. In 1936 the Travancore Co-operative Societies Act was passed and that was in force up to 1951. The co-operative society started at Edavanakkad as per the provisions of the Cochin Co-operative Societies Act of 1911 was the first society of the former Cochin State. A Central Co-operative Bank also started working at Trichur, under which a number of credit and non-credit societies were registered.

At that time, the present Malabar area was a part of the former Madras State. The Co-operative Credit Societies Act of 1904, which was replaced by the Co-operative Societies Act of 1912, was in force in this area up to 1932. When the
Montagu Chelmsford Reforms were introduced under the Government of India Act of 1919, co-operation became a provincial subject and accordingly the Madras Province passed its own Co-operative Societies Act in 1932. This Act was in force in the Malabar area until the Kerala Co-operative Societies Act came into effect in 1969. The first society formed in Malabar area was the Koduvayur Agricultural Credit Society, registered in 1909.

When the Kerala State was originated in 1956, two co-operative laws were in operation that is Travancore Cochin Co-operative Societies Act of 1951 in the Travancore Cochin area and Madras Co-operative Societies Act of 1932 in Malabar area. Hence, the necessity for a uniform legislation covering the whole of Kerala State was felt, and Kerala Co-operative Societies Act was passed in 1969.

2.5 The Co-operative Marketing Societies

The Co-operative Marketing Societies are agricultural non-credit societies organized by the producers for the sale of their commodities. Marketing includes not only purchase and sale of goods, but also the various business activities and processes involved in bringing the goods from the producer to the consumer. Marketing thus begins at the farmers’ field. It includes all activities such as, collection of surplus from the individual farmers, transport to the nearest assembling centre, grading and standardization, pooling, processing, warehousing, packing, transporting to the consuming centers, bringing the buyers and sellers together and selling to the ultimate consumers. Majority of the agriculturists are exploited by the traders and middlemen. Orderly and efficient marketing is essential for agricultural prosperity in India.
The role of co-operatives in marketing of agricultural produce is manifold; they help farmers to pool their produce and secure a better price in the market and provide protection to the farmers. In conjunction with the public sector organizations, like the Food Corporation of India (FCI), the co-operatives provide support as agents for purchase of agricultural produce directly from the farmers. Besides, the commercial purchase of agricultural produce, marketing co-operatives seeks to set the trend for prices in favour of farmers. Thus, the marketing co-operatives have emerged as the second largest institutional network among agricultural co-operatives, which operates right from the village to national level in India. They play a greater role in recent years in establishing closer contact with the farming community for developing market oriented production of agricultural commodities, rather than continuing the practice of marketing surplus production.

### 2.6 The Co-operative Processing Societies

The agro-processing units have assumed greater significance in different parts of the country in view of the farmer’s realization, that the sale of their processed products fetches more returns than that of the products in the raw form. Since the agro-processing has become an integral part of rural economy for providing value added price to the farmers for their produce, a large number of agri-business units have been organized in the co-operative sector.

The agri-business co-operatives have played an important role in areas for bringing radical changes in the form of generation of employment. The benefits of different economic activities of these co-operatives are witnessed in the growth of assets and better living standards of the farmers.
The co-operatives being farmers’ own organizations, they are the best suited agency to ensure remunerative returns to farmers for their agricultural produce and to encourage them for increasing higher production. The marketing co-operatives have made remarkable progress over the years in keeping with the growth in agricultural productivity in the country. Efforts have already been initiated to strengthen the structure of the co-operative marketing in the country, supported by the creation of sound infra structure facilities, development of professional management system etc. The marketing co-operatives are in fact, bound to assume greater importance in the coming years, in the context of increase in agricultural production and productivity of food grains, oilseeds, sugarcane, cotton and more notably fruits and vegetables. Although the Indian economy is still heavily dependent on agriculture, its share in world trade in agriculture is less than 1.5 per cent, (WTO International Trade Statistics 2004). India ranked second in the production of fruits and vegetables in the world after China and India’s share in world trade was about 12 per cent in fruits and 14 per cent in vegetables during the year 2007. India is the fruits and vegetables basket of the world. India produces 54 per cent of world’s mango, 23 per cent of banana, 24 per cent of cashew nuts, 36 per cent of green peas and 10 per cent of onion production. India is the largest producer of banana in the world. However, fruits and vegetable export potential also lies in processed forms and as fiber. Banana powder and pulp is largely used in baking and confectionery and in baby food.

The Report of the Rural Credit Survey Committee (1954), considered the development of co-operative marketing societies as one of the most important pre-requisites for the success of crop loan system. “In the ultimate analysis, the success of green or white revolution will have to be measured not merely in terms of increasing
production but in terms of increasing income of the farmers and its gradual stabilization” (Goel B.B.1988). This is possible only when the crops grown are properly marketed. Marketing constitutes the final stage of the production process through which the farmers get their reward. The co-operative marketing society is one of the agencies through which the farmers are guaranteed of a fair return on their crops. Their main objectives are to secure the best possible market price for the members’ produce, to reduce the cost of marketing, act as a powerful check upon the monopolistic power enjoyed by the private traders, save the growers and consumers from the exploitation of the middlemen and protection of consumers’ interests. The co-operative marketing societies have met with appreciable success in countries like United States, France, Germany, Denmark, Canada etc.

2.6.1 The Business Operations of Co-operative Marketing Societies

a) Outright Purchase: - The marketing societies directly purchase the agricultural produce and sell it at a nominal margin.

b) Advance against stock: - The marketing societies are granting short term loans; up to 80 per cent of the market value of the goods stored, against the security of goods stored in their godown.

c) Pooling: - Collecting the small marketable surplus of the farmers and selling them by the marketing societies, with a view to reduce the cost of marketing and to increase the price of the produce.

d) Grading: - Standardization of the agricultural produce on the basis of their quality.

e) Processing: - Value addition to the agricultural produce, by converting the raw produce to finished products.
f) **Procurement:** - Purchasing of agricultural produce from the farmers on behalf of the government, to ensure the minimum support price fixed by the government.

g) **Commission Business:** - The marketing co-operative societies purchase the agricultural produce from the farmers on behalf of private traders, for a commission. For example, many rubber marketing societies collect latex from the rubber cultivators and give it to the crepe manufacturing companies in the private sector for a commission.

h) **Supply of Agricultural Inputs:** - They supply inputs namely seeds, fertilizers, pesticides etc. to the agriculturists at the lowest possible price.

### 2.6.2 The Importance of Co-operative Marketing

To protect the interests of the farmers to the maximum possible extent, the marketing co-operative societies constantly explore new markets within and out side the state and the country. They have been making advances to the farmers, with a view to prevent distress sale of produce. Pooling and grading enable the farmers to get higher agricultural income. The marketing societies act as commission agents and protect the farmers from the clutches of intermediaries in marketing. They arrange for the transportation of the farmers’ produce, which has resulted in reducing the cost and raising the returns of the farmers. The marketing co-operative have their own godowns in which the agricultural produce of farmers are stored. The State Co-operative Marketing Federation acts as the agent of the state government in respect of procurement operations. It also acts as a sub agent of the Food Corporation of India or the state Civil Supplies Corporation in procuring produce from the farmers.
2.6.3 The Apex Co-operatives Marketing Societies in Kerala.

The co-operative Marketing structure in Kerala is a two tier; Kerala State C-operative Marketing Federation (MARKETFED) at the state level and primary marketing societies at the base level. The marketing societies are broadly divided into two categories, namely, general marketing and rubber marketing. There are three state level apex federations, namely, The Kerala State C-operative Marketing Federation (MARKETFED), The Kerala Co-operative Rubber Marketing Federation (RUBBERMARK) and The Kerala Kera Karshaka Sahakarana Federation (KERAFED). Two Multi State level Co-operatives function in Kerala, namely Central Arecanut and Cocoa Marketing and Processing Co-operative Society Ltd., (CAMPCO) and The Indian Coffee Co-operative Marketing Society Ltd., (COMARK). While CAMPCO is jointly sponsored by Kerala and Karnataka Governments, the COMARK is organized by the States of Kerala, Tamil Nadu and Karnataka. Apart from these Co-operatives, The Kerala Rubber Co-operatives (RUBCO) and The Regional Agro Industrial Development Co-operative Society Ltd., (RAIDCO) are functioning in the State at state level and regional level respectively. The main agricultural commodities dealt in the marketing societies are rubber, coconut, areca nut, ginger, pepper, cardamom, coffee, cocoa, tea, fruits, vegetables etc. The NCDC has extended financial assistance to the federation for the expansion and diversification of marketing activities.

The Table 2.1 revealed that the apex institutions, namely, the MARKETFED incurred accumulated loss of Rs. 64.87 crores for the year ended 31st March 2011 and the RUBBERMARK incurred accumulated loss of Rs. 154.93 crores. The KERAFED is the only apex institution which earned an accumulated profit of Rs. 8.63 crores. Out
of the 555 marketing societies registered in Kerala as on March 2011, only 116 societies are members of the MARKETFED, which is acting as the controller and guide of the primary marketing societies. 99.37 per cent of the share capital of the MARKETFED is contributed by the Government of Kerala; similarly 92.32 per cent of the share capital of the RUBBERMARK is contributed by the government of Kerala.

Table 2.1 The Position of the Apex Marketing and Processing societies of Kerala as on 31-03-2011

<table>
<thead>
<tr>
<th>Name of the Apex Society</th>
<th>Membership</th>
<th>Share Capital</th>
<th>Accumulated Profit/Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Govt.</td>
<td>Others</td>
</tr>
<tr>
<td>MARKETFED</td>
<td>124</td>
<td>20.79</td>
<td>99.37</td>
</tr>
<tr>
<td>RUBBERMARK</td>
<td>40</td>
<td>4.45</td>
<td>92.32</td>
</tr>
<tr>
<td>KERAFED</td>
<td>943</td>
<td>53.44</td>
<td>97.76</td>
</tr>
<tr>
<td>RUBCO</td>
<td>195</td>
<td>59.72</td>
<td>97.62</td>
</tr>
<tr>
<td>RAIDCO</td>
<td>31652</td>
<td>21.14</td>
<td>9.00</td>
</tr>
</tbody>
</table>

Source: www.cdit.org for Public Relations Department, Govt. of Kerala.

2.7 Conclusion

Marketing is the crux of the whole food and agricultural problem in almost all developing countries. It would be useless to increase the agricultural production as well as productivity, unless the means could be found to move the agricultural produce from the producers’ field to the consumers’ store room at a price which represents fair remuneration to the producers on the one side, and is within the consumers’ ability to pay on the other side. It is in this background that agricultural
marketing societies in India provide an organized forum for selling the agricultural produce of farmers at fair price. They are also a reliable and modern means to compete with private enterprise. The role of co-operatives has progressively expanded in the field of agricultural marketing and now the co-operatives cover all primary agricultural markets in the country. Besides, there are many co-operative agro-processing units with extra ordinary potential. Thus, agricultural marketing and agribusiness co-operatives occupy an important place in the overall strategy for national agricultural development in India.