

CHAPTER I

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## CHAPTER I

### Introductory Chapter

#### Introduction :

The advent of the late 1940's and the period thereafter has witnessed a radical change in the political map of the world. Economically, however, the situation remains relatively more or less the same. India remains in an unenviable position of having to look after her teeming and growing millions and the object poverty continues to be grim. It cannot be denied that economic progress has been achieved, but that progress is inadequate to meet the requirements of a vast majority of Indian people.

About 77 percent of the population lives in the rural areas and is dependent on agriculture for its livelihood. This heavy pressure of population, on agriculture makes it difficult to provide continuous work to the people throughout the year. The slack agricultural season frequently extends from three to six months. The great majority of India's unemployed and underemployed are in the rural areas. In fact, that may be considered a basic cause of mass rural poverty, in India.

Poverty is a complex phenomenon that exists in both the developed and developing countries, the difference is one of degree. Poverty might be defined as the state of not having sufficient income to provide what is regarded as a minimum standard of living. Thus, poverty implies the absence of economic efficiency needed to command basic minimum subsistence. Seebom Rowntree, in his famous survey in Poverty, states that people whose income is insufficient for the necessities

of life, are living in poverty. Prof. Theodore has aptly observed that poverty is an inadequate index of economic efficiency.<sup>1</sup>

Government of India has adopted different types of measures to remove poverty, viz accelerated economic development, land reforms, expansion of social services like education, medical aid, encouragement of cottage and small-scale industries and family planning programmes to check the rapid rate of population growth. It has laid greater stress on agriculture, irrigation and small and village industries, so that employment generation is substantially stepped up and the incomes of the poorer sections are significantly raised. Development of dairy industry is one of the important measures to improve the economic conditions of poorer sections.

Dairy activity on modern lines has become an appropriate and remunerative business enterprise. It provides an assured and steady source of subsidiary income to the rural population of India. Apart from its valuable contribution in reduction of rural unemployment and underemployment. Certain aspects of dairying are vital to the rural economy.<sup>2</sup>

#### General Concept of Dairy Industry

A brief review of the definition of dairy industry will be in order. Some concepts of dairy industry are as follows.

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1. K.V.Varghese. Economic Problems of Modern India. Ashish Publication House, New Delhi 1985 P.100
  2. R.K.Narula - Agricultural and Rural Advances by Commercial Banks - UDH Publisher - Delhi. P.183.

a) "The business of producing, processing and bottling, and distributing milk and manufacturing butter and cheese."<sup>3</sup>

b) "That department of farming, or of a farm, which is concerned with production of milk, butter, and cheese. Hence occasionally, the milch cows on a farm collectively."<sup>4</sup>

(These concepts of dairy industry are concerned with the production of milk, processing and bottling of milk and manufacturing of milk products. But in India, and particularly in the rural areas, dairy activities are concerned only with production of milk, collection and transport of milk to the chilling plants and its supply to the Government agencies through the federations. )

#### Concept of Co-operative Dairy Society :-

A co-operative society carries a general connotation of people working together for a common cause and common good. More specifically a co-operative society means "A union of persons for the production and distribution of goods, in which the profits are shared by all the contributing members"<sup>5</sup>

3. New Webster's Dictionary of the English Language.  
College Edition - PP. 396-7.
4. The Shorter Oxford English Disctionary on Hisorical Principles. Volume I Third Edition ed by C.T.ONIONS  
P.450
5. The Shorter Oxford English Disctionary on Historical Principles. Volume I, Third edition ed by C.T.ONIONS.  
P.450

From the concepts of dairy industry and co-operative society, it is clear that the co-operative dairy society implies, among others a union of persons for the production, collection and transport of milk to the chilling plants and supply it to the Government agency through the federations, in which the profits are shared by all the contributing members.

On the village level milk producers form a society on a co-operative basis. A Primary co-operative dairy society collects milk from its members, transports it to the chilling plants and supplies it to Government agency through the federations. Co-operative dairy societies provide various types of facilities to their members such as advances, cattle-feed, guidance etc.

#### Dairy Industry In India :-

India has the largest bovine population in the world. The cattle population accounting for 179.4 million,  $\frac{1}{6}$  th of the world's total cattle population and 61.2 million buffaloes, which is half of the world's buffalo population.

With almost one quarter of all the world's milk producing animals, India accounts for only 6.5 percent of the world's total milk production. Despite these, India ranks fourth in the world in the matter of milk production, with about 33 million tonnes (1981.82). Nearly 60 percent of milk produced is marketed and the balance is used for home consumption or feeding calves.<sup>6</sup>

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6. The Times of India, Directory and Year Book -1983

The 'per capita' availability of milk in India was estimated at around 122 grams in the year of 1981. According to the Nutritional Advisory Committee, atleast 294 grams of milk ought to be consumed perhead, per day. It is clear that the percapita availability of milk in India is very low. Low milk yielding capacity of Indian animals is a major cause of lower availability of milk per head. This is reinforced by the fact that only 35 percent of the cattle population is milch animals population. In case of cows the milk yield is 159 kgs. and in case of buffaloes, the yield per year is 504 kgs. This compares very unfavourably and unmitigatedly with the average annual milk production per cow of 4154 kgs. in the USA, 3959 kgs. in the U.K. and 3902 kgs. in Denmark.

Milk and milk products contribute about Rs. 8933 million to the national income.<sup>7</sup> According to the National Commission on Agriculture, liquid milk consumption accounts for 45 percent of total milk output, while 39 percent is converted into ghee and butter, 8 percent into curds and 5 percent into khoa or similar milk sweets, with cream, milk powder and other dairy products accounting for the remaining 3 percent.

Dairying in India is conducted mostly in very small units with one or two milking animals and is usually secondary to other forms of agriculture. In rural areas a sizable proportion of the total dairy herd is owned by landless

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7. The Times of India, Directory and Year Book -1983.

producers such as agricultural workers and marginal farmers. However an estimated 5 percent of the milch animals is kept by specialised producers in urban and semi-urban areas, often in milk colonies. Thus the dairy industry in India depends mainly on production of milk in the rural areas by a large number of small producers.

Dairying is the major subsidiary occupation of the rural population and is a major source of income to the weaker sections of the Indian population, particularly, the marginal farmers and, therefore, it plays a vital role in improving socio-economic conditions of the backward and weaker sections of the Indian Society.

Nearly fifty lakh people are engaged in collection of milk in India and dairying also provides employment in organisation and administration of co-operative milk societies, transport of milk and milk products.

The total number of dairy plants in operation during 1981 was estimated to be 217, comprising 103 plants handling liquid milk, 39 milk product factories and 75 pilot milk schemes and rural dairy centres with an average output of some 7.25 million litres perday. Recently, there has been a spurt in milk production, particularly in Maharashtra and Gujarat due to the "Operation Flood" programme, which aims at restructuring the milk production, procurement processing and marketing infrastructure in the country. Presently, processing and marketing is done by government and public sector agencies in many areas leaving the co-operatives to act merely as a collecting agency.

### Principles of co-operation :-

At the request of the International Co-operative Congress held at Bournemouth, in the UK, in 1963, the International Co-operative Alliance appointed a commission to formulate the fundamental principles of co-operation. The commission, after considering and analysing the traditional principles recommended that the following should be considered as essential to genuine and effective co-operative practices.

- i) Voluntary, open and active membership.
- ii) Democratic control.
- iii) Limited interest on share capital.
- iv) Patronage dividend.
- v) Promotion of education and
- vi) Mutuality.

#### i) Voluntary, open and active membership :

In the words of the commission "Membership of a co-operative society should be voluntary and available without artificial restrictions or any social, political or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibilities of membership". Co-operative institutions are essentially voluntary organisations and there is no compulsion on anyone to join a co-operative society or having once joined it to continue as such. The principle is based on the phenomenon of human behaviour. Persons of flesh and blood, as they are, are always at their best in an atmosphere of freedom. Besides co-operation being essentially a movement with a

social purpose it is necessary that all eligible persons should be welcomed to join the society whenever they so desire.

While the society should follow the principle of open membership, there should be no objection to its prescribing certain qualifications. For example, a member must be of sound mind and a solvent. He should not follow a profession or trade in competition with the society. The co-operative dairy society may not admit a person who does not produce milk or who is producing milk products. The Mirdha Committee on co-operation also considered this question and remarked that "a society must keep its door open for the admission of all persons who desire to join it provided that they have common economic interest.

Open membership does not mean that anybody can demand the right of admission to any co-operative society. It only means that a society formed with certain definite objects keeps its doors open for all people who share those objects."<sup>8</sup>

Similarly, some restrictions can be imposed on a person withdrawing his membership. While a member is free to withdraw, he can-not free himself from his liability for losses that may have arisen during the period of his membership. Restrictions in co-operative laws or bye-laws of co-operative societies providing that the liability of a past member shall continue for some time, even after he leaves the society do not, therefore contravene the principle of open membership.

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8. R.D.Bedi - THEORY, HISTORY And PRACTICE OF CO-OPERATION :  
International Publishing House, Meerut-. P.20

ii) Democratic Control :

Describing the principle of democratic control, the commission observed that "Co-operative Societies are democratic organisations. Their affairs should be administered by persons elected or appointed in a manner agreed to by the members and agreeable to them. Members of primary societies should enjoy equally the right of voting on one member, one vote basis, and participation in decisions affecting their societies. In other than primary societies, the administration should be conducted on a democratic basis in a suitable form". Differences of wealth, caste, colour or creed are not to affect the status or position of individual members, so far as the organisation and management of the society are concerned.

iii) Limited Interest on Share-Capital :

A co-operative society is organised to enable the members to improve their economic ~~xxxxxxxx~~ condition by helping them in their business. It has, therefore become an accepted principle of co-operation that the share capital contributed by the members should receive only a limited rate of interest. They should not be entitled to an unreasonably high dividend as is allowed in join-stock companies. Therefore, sharecapital should only receive a strictly limited rate of interest.

iv) Patronage Dividend :

The main objective of the co-operatives is to improve the economic conditions of their members, and to earn profit. The co-operative societies need not run on "no-profit, no loss"

basis. An efficiently managed society will, of necessity, earn profits. The profit, however is meant to meet unforeseen losses, if any, at a later stage. They are also utilised to strengthen the funds of the society, so that it may be able to render better and cheaper and adequate services to the members and make its footing strong. Any surplus left over again goes to the members in the shape of dividend or rebate.

The surplus of the society should instead be distributed in such a manner that it goes back to the pockets from which it was received. This may be done either by investing it further in the business of the society or by paying rebates in proportion to the transactions of the members with the society.

v) Promotion of Education

The commission remarked that "all co-operative societies should make provision for the education of their members, officers and employees and the general public in the principles and techniques of co-operation, both economic and democratic".<sup>9</sup> A co-operative society is a voluntary organisation and its members can not be kept together by compulsion. Propagation of co-operative principles is the only alternative. In order to secure intelligent participation of the members in the working of societies it is necessary that a system of continuous education be evolved and members kept informed of the decisions and activities of the society. The Rochdale Pioneers laid great stress on the continuous education of the members and

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9. Ibid, P.23

even began to set aside a fixed sum out of the surplus for purposes of education.

vi) Mutuality :

Explaining the principle of mutuality the commission observed that "All co-operative organisations in order to best serve the interests of their members and their committees should actively co-operate in every practical way with other co-operatives at local national and international levels".<sup>10</sup> This principle relates mostly to the importance of mutual co-operation among the co-operatives.

In the co-operative organisation the members work for mutual benefit. It is an organisation of people, who are financially weak and who can not enjoy the same privileges and advantages which the rich people can. Thus 'Co-operative' means self help as well as mutual help. The benefit arising out of the collective effort is available to all the members. Co-operation provides strength to economically weak people and "each for all and all for each" is the guiding principle of all co-operative activities.

General Policies of the Government :-

(A) Dairy Co-operatives and Government of India :

Dairying is a major source of income to the weaker sections of India's population, particularly, the marginal farmers and landless agricultural labourers and, therefore,

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10. Ibid, PP 23,-24.

it plays a very important role in improving socio-economic conditions of backward and weaker sections of the Indian society.

Realising the importance of the dairy industry, and its related activities, with respect to employment and income generation possibilities the Government of India made a provision of Rs. 7.81 crores for dairy development programmes in the First Five Year Plan which was almost fully utilised. The main programmes for the schemes related to the supply of milk to large cities under hygienic conditions supported by schemes of procurement from rural areas.

In the Second Five Year Plan, a provision of Rs. 17.44 crores was made for the dairy development programmes which was increased to Rs. 36 crores in the Third Five Year Plan.

The Third Five Year Plan, however, brought about a qualitative change in the policy to be pursued in regard to dairying. It sought to develop dairy projects with greater emphasis on milk production in the rural areas linked up with milk plants for marketing of surplus milk in the urban cities. The supply and collection of milk was to be undertaken by a network of producers' co-operatives in the villages. The processing and distribution of milk and manufacture of milk products was to be organised through plants operated, as far as possible, on co-operative lines.

The Ministry of Agriculture in India, constituted on 26th September 1965, a National Dairy Development Board (NDDB),

to develop dairy industry in India. In 1969-70, National Dairy Development Board developed an ambitious integrated scheme for development of dairy industry and marketing of milk, which is commonly known as 'Operation Flood'.

The Operation Flood First was launched on July 1, 1970 and completed by June 30, 1981. From 1970 to 81, 14.6 million rural producers and their families had benefited from it. The Operation Flood, Second was started in July 1978 and was scheduled to end in June 1985.

(B) Policy of the Government of Maharashtra :

The national demographic employment and other factors find their reflection, in more or less similar proportions in Maharashtra. Here 65 percent of the population lives in the rural areas and its main source of income is agriculture. But though advanced in pockets the agricultural sector is quite neglected and backward. About 75 percent of the cultivable area is under cultivation. Of this only 12 percent is irrigated. It is not possible to bring more than 25 percent of the area under irrigation even with full application of available resources.

There is a large number of marginal farmers as well as landless agricultural labourers in Maharashtra. Nearly 48 percent of the marginal farmers and agricultural labourers live below the poverty line. Various schemes and programmes have been started by Government of Maharashtra, to improve the economic conditions of such people and to bring them

above the poverty line. The development of dairy industry is one of the important schemes to meet such aims. The scheme is fairly wide-spread to cover such people and at present 75 percent of income of these people emanates from the dairy business.

The Government of Maharashtra is adopting policies to develop the dairy industry in the State to :

- i) provide an assured and remunerative market to the milk producers;
- ii) Provide an incentive and infrastructure to increase the milk production in the rural areas;
- iii) form the primary milk producers co-operative societies at the village level and their unions at taluka and district levels;
- iv) improve standards of dairy farming and productivity by popularising improved programmes of feeding and management of animal breeding, veterinary services, feed staff supplies and related extension services.

In order to achieve these aims and for the development of dairy industry, the Government of Maharashtra has made financial provision in the Five Year Plans as shown in the table 1.1.

Table - 1.1

Financial provision for dairy development in the Five Year Plans by Government of Maharashtra.

Plan	: Provision : : (Rs. in lakhs)	: Actual : expenditure : (Rs. in lakhs)
Second Plan (1956-57 to 1960-61)	174.82	173.50
Third Plan (1961-62 to 1965-66)	196.61	279.26
Yearly Plan		
1966-67	153.63	157.99
1967-68	112.47	155.84
1968-69	130.92	91.60
Fourth Plan (1969-70 to 1973-74)	683.00	290.00
Fifth Plan (1974-75 to 1978-79)	653.00	902.00
1979-80	240.00	282.00
Sixth Plan (1980-81 to 1984-85)	1832.00	2100.00

Source : Maharashtra Manas - 10 Dec. 1984 P.8

The above table indicates that the provision for the dairy development programme has been increased with the resultant effect of increasing the expenditure also except during the Fourth Five Year Plan Period.

In the Fifth Five Year Plan the expenditure has increased substantially reflecting the importance and concern of the Government of Maharashtra with respect to the dairy development.

### Objectives of the study :-

The main objectives of this study are to,

- i) Study the structure and progress of co-operative dairy societies in Baramati Taluka;
- ii) compare the dairy development in irrigated and nonirrigated area in Baramati Taluka;
- iii) examine critically the working of co-operative dairy societies with respect to its socio-economic benefits;
- iv) study the problems and difficulties of individuals farmers and co-operative dairy societies, and to make necessary suggestions.

### Methodology of the Study :-

As has been mentioned above, the present study provides historical sketch of the dairy industry in India and its development in the co-operative sector. As a prelude to the study, the theoretical framework of co-operative dairy societies and economic development have also been elaborated.

The library source in the form of various books, journals and reports provided for the theoretical gist.

Development of co-operative dairy societies in Baramati taluka is attempted. For the details of registration of co-operative societies, members and total collection of milk visits were paid to the concerned offices and chilling centres.

The socio-economic benefits derived from the co-operative dairy societies by their members, and their problems and difficulties have also been attempted. For this, the sample

survey method was followed. A structured questionnaire was personally administered to the selected sample co-operative dairy societies and selected sample members. The sample design is given in a detailed manner in the chapter relating to the result of the final study.

The problems faced by the co-operative dairy societies in their policy matter as well as day-to-day working were also to be identified, for which unstructured interviews were conducted, of persons who have been concerned with co-operative dairy societies for a long time.

The methodology of the present study consists of both the library method in part and survey method for the rest.

The study is divided into six chapters. A brief description of each chapter is given below.

#### Chapter 1 :- Introductory Chapter

- : Introduction .
- : General concept of dairy industry .
- : Dairy industry in India (brief history) .
- : Principles of Co-operatives .
- : General Policy of Government .
  - A) Dairy Co-operatives and Government of India .
  - B) Policy of the Government of Maharashtra .
- : Objectives of the study .
- : Methodology of the study .

Chapter 2 :- Co-operative Dairy Development in Baramati Taluka.

- : Co-operative Dairy Development in Maharashtra State (brief history).
- : Co-operative Dairy Development in Pune District.
- : Co-operative Dairy Development in Baramati Taluka.
- : Services Received from The Federations And Rendered to the Members.

Chapter 3 :- Comparision of The Co-operative Dairy Development In Irrigated And Nonirrigated Areas in Baramati Taluka.

- : Importance of Water Supply.
- : Determination of Irrigated and non-irrigated Area.
- : Comparision of Co-operative Dairy Development in Irrigated and Non-irrigated Area.
- : Causes of Disparities.

Chapter 4 :- Socio-Economic Benefits From Co-operative Dairy Societies.

- A) Direct Benefits
- B) Indirect Benefits

Chapter 5 :- Problems and Difficulties of the Co-operative Dairy Societies.

Chapter 6 :- Summary, Conclusion and Suggestions.