

**Focus India
Publications**

November, 2016

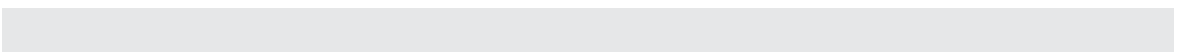
Let's Cooperate!
Rural Producers Collectives in India
Background and Case Studies



Supported by
**Rosa Luxemburg
Stiftung, South Asia**

Let's Cooperate!
Rural Producers Collectives in India
Background and Case Studies

FOCUS
ON THE
GLOBAL
SOUTH



Let's Cooperate!

Rural Producers Collectives in India – Background and Case Studies

Author: **Ashlesha Khadse**

Published in: **November 2016**

Published by: **Focus on the Global South, India**
To request copies contact 33-D, 3rd Floor, Vijay Mandal Enclave,
DDA SFS Flats, Kalu Sarai, Hauz Khas,
New Delhi – 110016. India
Tel: +91-11-26563588; 41049021
www.focusweb.org

Supported by: **Rosa Luxemburg Stiftung, South Asia
Centre for International Co-operation**
C-15, 2nd Floor, Safdarjung Development Area Market,
New Delhi - 110016
www.rosalux-southasia.org

“Sponsored by the Rosa Luxemburg Foundation e.V. with funds of the Federal Ministry for Economic Cooperation and Development of the Federal Republic of Germany.”

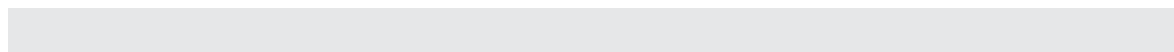
“Gefördert durch die Rosa-Luxemburg-Stiftung e.V. aus Mitteln des Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung der Bundesrepublik Deutschland”

Images by: Author (unless stated otherwise)

Design & Printed by: **Indigo**, 9313852068

The contents of this booklet can be freely reproduced and quoted on the condition that the source be mentioned. Focus would appreciate receiving a copy of the text in which the report is mentioned or cited.

This is a campaign publication and for private circulation!



Contents

Foreword

Introduction

- a. *Potential of collective production for small, marginal producers, and women*
- b. *What is cooperation and what are cooperative values*
- c. *Top down versus bottom up collective farming models—some history*
- d. *Successes of Cooperatives in India*
- e. *Challenges facing traditional cooperatives in India*

India's Laws regarding Rural Cooperatives

- a. *In the Constitution in India*
- b. *Cooperative Societies Act, 1912*
- c. *The Multi-State Co-operative Societies Act (2002)*
- d. *Mutually Aided Co-operative Societies (MACS) Acts (1995)*

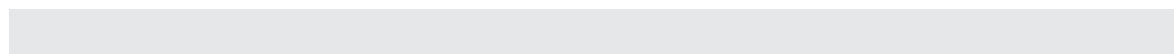
New Generation Cooperatives—Farmer Producer Companies (FPC)

Self Help Groups (SHGs) and Micro enterprises

Case studies

- a. *Dharani Cooperative (an example of a Mutually Aided Co-operative Society- MACS) in Telangana*
- b. *Kudumbashree – Women's Collective Land Lease Farming Program in Kerela*
- c. *Gambhira Collective Farming Society*
- d. *Deccan Development Society - Women's collective farming in Telangana*
- e. *Vasundhara Agri-Horti Producer Company (VAPCOL) Farmers Producers Company*

References



Foreword

The fact is that under the rules of this system, food flows through the global economy from areas of poverty and hunger toward areas of wealth and abundance. And food is being homogenized into an unhealthy global diet consisting largely of processed fat, sugars, starch, and carcinogenic chemical residues, which is deficient in fiber, protein, vitamins, fruits and vegetables.

“Sustainable Peasant and Family Farm Agriculture Can Feed the World.” Page 3. La Via Campesina. 2014ⁱ

Contrary to claims by proponents of economic growth and the industrial agriculture-food system, corporate food production continues to fail in both, reducing hunger as well as providing safe and nutritious food. The World Food Programme (WFP) and the Food and Agriculture Organisation (FAO) estimate that based on 2015 statistics, there are about 795 million (79.5 crore) hungry people in the world, 98% of who live in developing countries. Three-fourths of the world's hungry people live in rural areas—concentrated in Asia and Africa—and depend almost completely on agriculture for food, employment and income. The FAO has also calculated that half of the world's hungry are from small-hold farming communities; another 20% are from landless farming communities; about 10% depend on fishing, herding and forest resources, and 20% live in slums in and around cities, many of who are migrants from rural areas.ⁱⁱ Though telling, these statistics do not include the swelling numbers of refugees displaced by natural disasters and fleeing wars and armed conflicts.

Majority of those who are hungry are food producers themselves. This is especially shocking since most of the world's food is produced by small-scale food producers, and the food needs of much of the world's poor are met through local, small-scale food production. Women are widely acknowledged as the world's primary food producers and providers and yet, because of a combination of social, cultural and structural factors, face greater hunger and experience deeper and longer-term effects of malnutrition.ⁱⁱⁱ

Research by La Via Campesina (LVC), ETC Group, GRAIN, Focus on the Global South, International Development Research Centre (IDRC) and others show that peasants, fisherfolk, pastoralists, forest communities and indigenous peoples produce an astonishing amount and variety of food using less than a quarter of the world's arable land and other resources.^{iv} This production nurtures and enables biodiversity, protects eco-systems, conserves water, strengthens local economies and builds genuine resilience to natural disasters and climate

variability.^v In contrast, industrial agriculture and corporate farms use 70% of the world's resources to produce only 30% of global food supply through production systems that result in massive amounts of waste, ecological destruction and harmful effects on people, animal and environmental health.^{vi} The industrial food system has an extremely high climate footprint and is accelerating genetic erosion, reducing the basis of survival of majority of the world's rural poor, who depend on plants for much of their food, fuel, fibre, medicines and shelter.^{vii}

Research and trends also show that although small farms are more productive and multi-functional than large farms, they are getting increasingly squeezed onto less than a quarter of the world's farmland because of the capture of land, water, forests and eco-systems for mono-crop tree plantations, industrial agriculture, large infrastructure, energy production, extractive industry, tourism, urban expansion and population expansion.^{viii} Land, and access to and control over water, seeds and other critical resources are becoming concentrated in the hands of corporations and elites, cutting off peasant and other small-scale producers from the very foundations of their livelihoods and survival, and deepening the agrarian crisis.

With the expansion of economic and financial globalization, food production, subsistence, social-cultural exchanges and even the most essential life sustaining activities have come into the grips of money markets enabled by governments and dominated by corporations. Availability and access to money to purchase production inputs, and to pay for healthcare, education, essential services and other daily needs are tied to land and other wealth that rural families possess, which have to be put up as collateral for loans under usurious conditions, pushing rural families into vicious debt traps. Across Asia, distress migration has greatly increased as family members leave their villages to seek wage labour in urban or other rural areas to pay off debts, retain their lands and ensure some family income. Much of the work they find, however, is poorly paid, precarious and unsafe, with no social and human rights protections.

Peoples' Food Sovereignty

Food sovereignty is the right of peoples to healthy and culturally appropriate food produced through ecologically sound and sustainable methods, and their right to define their own food and agriculture systems. It puts those who produce, distribute and consume food at the heart of food systems and policies rather than the demands of markets and corporations. It defends the interests and inclusion of the next generation... Food sovereignty prioritises local and national economies and markets and empowers peasant and family farmer-driven agriculture, artisanal-fishing, pastoralist-led grazing, and food production, distribution and consumption based on

environmental, social and economic sustainability... Food sovereignty implies new social relations free of oppression and inequality between men and women, peoples, racial groups, social classes and generations.

“Declaration of the Forum for Food Sovereignty”Nyeleni 2007^{ix}

Launched by LVC and allied organisations at the World Food Summit in 1996, food sovereignty is a concept that both, challenges the corporate dominated, market driven model of globalised food production and distribution, as well as offers a new paradigm to fight hunger and poverty by developing and strengthening local economies. Recognising that many elements of food sovereignty were already in practice by local communities and peoples' movements in different parts of the world, the concept was further elaborated at the International Forum on Food Sovereignty in Selingue, Mali in 2007. An important qualification was the addition of “People's” to distinguish the efforts of peoples' movements from those of states, some of who use “sovereignty” to legitimize destructive trade and investment policies.

Food sovereignty is different from food security in approach and politics. Food security does not distinguish where food comes from, or the conditions under which it is produced and distributed. National food security targets are often met through food produced under environmentally destructive and exploitative conditions, and supported by subsidies and policies that destroy local food producers but benefit agribusiness corporations. Food sovereignty emphasizes ecologically appropriate production, distribution and consumption, social-economic justice and vibrant local food systems as ways to tackle hunger and poverty, and to assure that people are genuinely food secure in the longer term. It advocates trade and investment that serve the collective aspirations of society rather than the profit imperatives of corporations and elites. It promotes community control of productive resources; agrarian reform and tenure security for small-scale producers; agro-ecology; biodiversity; local knowledge; the rights of peasants, women, indigenous peoples and workers; social protection and climate justice.

Food sovereignty does not offer a readymade solution to the continuing problems of hunger, poverty and inequality, but rather, offers a strategy for genuine democratization of food systems, that can be developed and adapted to different conditions. Its central principles include: the defense of land and territories, redistributive agrarian reform, agroecology, decent work, respect and realization of human rights, building local economies, and strengthening markets that are remunerative for small scale food producers, providers and workers. These in turn indicate significant changes in production, marketing and consumption: greater collectivity, transformation of food chains to food webs, addition and retention of value

in local areas, fair pricing of goods and services, and stronger, mutually supportive relations between producers and consumers. People's food sovereignty makes sense for both, rural and urban populations.

Many of the above come together in collective approaches to production, protection, financing, distribution, storage and governance. Collectivities range from indigenous peoples councils for territorial governance, women's seed saving and food processing groups, and local producers cooperatives to worker run businesses, community land trusts and urban food cooperatives. Cooperative efforts in the food sector can result in a wide range of benefits: enabling the production and consumption of local grains and foods; encouraging the revival of local crops, plants, trees, fish and livestock varieties; reducing 'food miles' and carbon footprints of food systems; building/strengthening local food systems and economies; assuring fair prices and markets and reducing financial risk; encouraging broader community involvement in food quality and safety, and; providing opportunities for employment, and building technical and managerial skills and knowledge. Importantly, cooperative food-agriculture initiatives have the potential to systemically challenge the domination of supermarkets and elite consumption, making quality goods, services and other opportunities available to the poor.

Such initiatives and food sovereignty overall, need strong governmental and social support and public policies. Some of the biggest challenges for small-scale producers are storage, pricing and marketing of their goods, access to finance, social services and protection, and insurance against risks and disasters. In the absence of appropriate infrastructure and services, small-scale producers are easy prey for traders, moneylenders and brokers who lure them into exploitative contract farming arrangements. Our governments need to protect local and national markets from dumping, hoarding and speculation by corporations that are enabled through Free Trade Agreements (FTA), and place strict regulations on the operations of agri-food and agri-chemical corporations and their brokers. Governments must guarantee fair, remunerative prices to small-scale food producers, support direct marketing of small scale production, support and link rural and urban cooperatives, and ensure public sector food procurement from local, small-scale producers.

Peoples' food sovereignty is a call to small-scale food producers, workers and all of us who are committed to ending hunger, inequality and ecological destruction for reclaiming dignity and self-determination. It is a paradigm in which we can change the rules of the present corporate dominated agricultural system that is driven purely by financial profit motives. Collective and cooperative approaches are central in this effort, especially for women, whose marginalization

as economic and social actors continues under capitalism much as it has under feudalism and state-centred socialism. Re-imagining life, well being, benefits, gains, health, happiness and economies as collective enterprises challenge the self-centred individualism that neoliberal development promotes. They also enable the evolution of accountable and ethical financial systems, innovations in production and distribution, and the autonomy and strength of women's leadership.

Shalmali Guttal

Executive Director
Focus on the Global South

ⁱ *Sustainable Peasant and Family Farm Agriculture Can Feed the World.*
<https://viacampesina.org/downloads/pdf/en/paper6-EN-FINAL.pdf>

ⁱⁱ <http://www.fao.org/hunger/en/>

ⁱⁱⁱ <https://www.wfp.org/hunger/who-are>

^{iv} *Sustainable Peasant and Family Farm Agriculture Can Feed the World.*
<https://viacampesina.org/downloads/pdf/en/paper6-EN-FINAL.pdf>

^v *Making Agroecology Viable for Small Farmers: Experiences from the Field*
<http://focusweb.org/content/making-agroecology-viable-small-farmers-experiences-field>

Handbook on Agroecology: Farmer's Manual on Sustainable Practices
<http://focusweb.org/content/handbook-agroecology-farmers-manual-sustainable-practices-0>

^{vi} *With Climate Chaos, Who Will Feed Us? The Industrial Food Chain? Or the Peasant Food Web?*
<http://www.etcgroup.org/content/who-will-feed-us-0>

^{vii} <https://www.idrc.ca/en/article/facts-figures-food-and-biodiversity>

^{viii} *Hungry for Land.* <https://www.grain.org/article/entries/4929-hungry-for-land-small-farmers-feed-the-world-with-less-than-a-quarter-of-all-farmland>

^{ix} <https://nyeleni.org/spip.php?article290>

Introduction

Ever since the integration of India's peasants into global agri-food markets, their livelihoods have become at risk. In this globalized food system where large corporations rule, small-scale farming is not economically viable because global economic rules are against it. For example, the World Bank's Structural Adjustment Programme (SAP), and the World Trade Organization (WTO) brand of trade liberalization had forced India to open its agricultural markets to foreign agribusiness. Unlike Indian farmers, agribusiness companies receive massive subsidies in Industrial countries like the US. They can produce massive quantities at cheap prices. Trade rules have forced India to allow such agribusiness to sell their cheap produce in India by asking India to lower import duties/tariffs. This dumping of cheap agricultural commodities into Indian markets has pulled down local market prices of agricultural products, and made it difficult for local Indian farmers to compete with rock-bottom prices. While market prices are falling, the cost of inputs is rising. Many agricultural inputs like seeds or fertilizers have become privatized and sold at high prices, which makes it difficult for small farmers to earn profits. These and many other unfair policies have made it difficult for small farmers to survive in globalized markets.

Even if there is ample research that shows that a small farm is indeed more efficient than a large farm because of the sheer diversity of functions it plays¹, the odds are against it. Many of India's farmers today commit suicide because of the inability to earn an income that can pay off loans to keep their farms running. Eighty-four per cent of India's farmers fall into the category of landless, marginal, and small landholders; they do not have access to organized markets for their produce and the availability of agriculture credit is far too inadequate. Non-agriculture activities in rural areas are equally credit starved. The rural economy as a whole is under crisis. Non-remunerative agriculture is one of the key reasons behind why farmers are looking to leave agriculture. The National Sample Survey Organization (NSSO) reported that, given the choice, 40% of Indian farmers wish to leave agriculture (Murray 2008).

Women suffer even more in such circumstances, and in most cases, they don't have land or credit access, which directly impacts their ability to feed their families. On another note, there is the problem of land fragmentation. Land fragmentation refers to a phenomenon that explains

¹ Research shows that small diverse farms are more productive than large farms. The total output of agricultural products per unit area is much higher. Large farms engage in monoculture farming and grow just one crop, but a small more diverse farm will grow lots of different crops in the same amount of land. Furthermore, a monoculture crop is geared to the market and serves no other function; while a diverse farm can provide food, medicine, animals, fodder, timber. Monoculture farming is also more expensive, as monocultures need more application of chemicals and pesticides as they are more susceptible to pest attacks in comparison to diverse farms.

the reduction of operational land holdings over time. As population increases, and if there is not adequate off farm employment available, then the size of the operational land holding decreases across generations. For example, a family owning 5 acres, if they have 5 children, would have to divide the land among 5 children. Each child would inherit 1 acre each. This phenomenon would be repeated in the next generation. Thus land gets continuously fragmented into smaller holdings, which has a direct impact on the incomes of the farmers. The average size of operational holdings in India has come down steadily from 2.28 hectares in 1970-71 to 1.16 hectares in 2010-11 (Kulkarni 2012). Thus, many argue that aggregation of land through cooperatives can give resource-poor producers a platform to come together and thrive in a market that is otherwise marginalizing them individually (Singh and Singh 2012). Besides instilling market success in primary activities like farming, livestock and dairy, they can also enable farmers to move up the value chain by owning and operating their own processing units, and even retailing directly to consumers.

One on-going problem since the economic liberalization policies of the 1990's in India is that value addition in agricultural products only happens post-production. Since most Indian farmers do not engage in value addition and sell of their produce in a raw form, they do not attain the surpluses that value addition brings. Table 1 below shows the difference between what the farmer is paid and the percentage mark up at the retail point. The farmer can thus increase her share in the final price by adding value to produce. Selling jaggery, for example, is much more profitable than selling cane directly, or selling ghee rather than selling fluid milk. This can be a key strategy to make farming more remunerative for farmers, and also for attaining more autonomy in the local food system.

Table 1 : Inequity in farmers remuneration

	Tomato	Potato	Cabbage	Cauliflower	Banana
Price paid by end consumer (Rs. per kg)	8.20	12.00	9.00	9.50	12.00
Price received by farmer (Rs. per kg)	2.00	6.60	5.00	5.50	4.00
Price realization by farmer as % of end consumer price	24.00	55.00	56.00	58.00	33.00
Percentage mark up (price paid by end consumer to the price received by farmer)	310.00	82.00	80.00	73.00	200.00

Source: Murray 2008

While enhanced business prospects, marketing, and surviving in the global market have been promoted as virtues of cooperatives, it is important to stress that producer collectives, instead of being looked upon as merely business enterprises, must be more broadly placed into the context of the village economy and autonomy. Most of the needs of the villages—from food to cosmetics, to medicines and instruments—can be locally produced through a thriving cooperative structure, which enhances self-reliance and the local economy.

While today, the traditional top down government-led cooperative sector is plagued with problems like politicization, elite capture and others, a new generation of bottom up producer collectives are evolving out of newer legislations and grassroots efforts.

The cooperative movement in India has a century-old history. Even before the colonial days, small peasants were under oppressive feudal arrangements under landlords, and were harassed by moneylenders. They also faced recurrent droughts or other calamities. These were the reasons behind the cooperative model's introduction to India by progressive colonial officials. Back then cooperatives focused only on credit. The first Cooperative Act of India was enacted in 1904 called “Cooperative Credit Societies Act, 1904”. Eventually, cooperatives expanded to include numerous other activities including production, finance, marketing, and processing in a wide range of sectors, as well as trading several important farm products, consumer stores, and housing. (Vaidyanathan 2013)

a. Potential of collective production for small, marginal producers, and women

Whether in joint farming, services, or other areas, forming collectives have a number of benefits. Collectives could allow farmers to jointly invest in inputs such as machinery and seeds, to pool and lease land, to build wells and unite in all other efforts to cultivate and market their produce collectively. Cooperatives help farmers buy or sell better due to scale benefits², as well as lower transaction costs for both sellers and buyers. United, producers can more easily arrange technical help in production, processing, or marketing for all of them. (Singh and Singh 2012)

Especially those farmers living closest to each other could engage in various pooling activities—including joint cultivation. Such gains can increase their collective bargaining power as compared to those who work individually, where exploitation is more common. Most women farmers, even if they do most of the work, do not have access to land, and thus producer

² In microeconomics, economies of scale (also called scale benefits) are the cost advantages that enterprises obtain due to increased scale of operation. The higher the quantity of a product they produce, the lower becomes the cost of producing each item.

collectives could give them an opportunity to lease land and access other services to engage in production and marketing activities. Farmers organized into collectives can also have more clout with the government and be able to avoid exploitative conditions, for example under contract farming arrangements. Contract farming arrangements between corporations and individual farmers are becoming increasingly popular in India, and are a serious cause for concern due to the weakness and exploitation of individual farmers who are often not even aware of the contract arrangement and thus get the short end of the stick; losing profits to corporations and internalizing all risks. Such situations can be avoided in group approaches. On another note, a collective can bring together a greater diversity of skills, talents and knowledge than found in one person or family which increases the potential for higher returns.

Some argue that primary producers' collectives are the only institutions that can protect small farmers from the ill-effects of globalization and modern competitive markets (Trebbin and Hassler, 2012).

In India, various forms of collective producer organizations exist legally— be they traditional, state-governed cooperatives or the new generation of Farmer Producer Companies, Mutually Aided Cooperative Societies or the increasingly popular Self Help Groups (SHGs). A variety of laws also exist under which such collectives could be formed. It is thus important to find the appropriate law and design of a producer institution, which would be most beneficial to a group and one that will make it more likely to succeed.

This study booklet aims to provide an overview of producers' collectives in India, which broadly falls under the cooperative movement. It will also highlight some case studies of successful collective organizations, with a variety of organizational styles and under different laws, mainly to get a taste of the diversity of rural collectives in India.

The paper will start with an introductory section on cooperatives—what cooperative values signify, the difference between top down versus bottom up collective farming models, their brief history, and challenges faced by state controlled cooperatives. After this, we will look at the large cross-section of laws and acts that govern the formation of producers' collectives in India. We will then move into the so-called new generation cooperatives like Producer Companies and Self Help Groups that have proliferated around the country. Finally, we will look at five case studies. The first case study is of the Dharani producers' cooperative, a Mutually Aided Cooperative Society (MACS) which is a part of the Timbaktu Collective in Anantpur district of Telangana. The second is Kudumbashree, an all-women's collective supported by the state and covering 50% of all houses in Kerala. It engages in joint cultivation, value addition, and micro-entrepreneurship through SHGs. This is followed by Gambhira Collective Farming Society, which is a successful joint farming cooperative in Gujarat. We then look at the Deccan

Development Society, an all-Dalit women's network of collectives in Medak district of Telangana to carry out collective farming for food security in an environmentally friendly way. The last case study is of Vasundhara Agri-Horti Producer Company (VAPCOL), a successful farmers' producer company from Maharashtra. This is followed by a conclusive summary of some key lessons.

b. What is a cooperative and what are cooperative values?

“A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.” (International Co-operative Alliance n.d.)

The member/user is at the heart of the cooperative. Some of the key principles that define a cooperative as a user-owned business enterprise are user-ownership, user-control, and user-benefits (Nilsson 1996); those persons who fund the cooperative also own it, those who use it also control it, and those who use it also reap its benefits. Thus, cooperatives follow certain values other than those associated purely with profit making.

Profitability is balanced with other key values of importance to the wider interest of the community. The values universally recognized as cornerstones of cooperative behaviour are self-help/autonomy, democracy, equality, equity, and solidarity. Below we list and define key cooperatives values (International Co-operative Alliance n.d.):

1. Voluntary and Open Membership

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination. This is a very important element because there are cases where members are coerced to join or remain despite their interest, which could happen due to political pressure or elite pressure.

2. Democratic Member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. In primary co-operatives members have equal voting rights (one member, one vote), and co-operatives at other levels are also organized in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital that is pledged as a condition of

membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of these reserves would at least be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership such as village development, education of members, health services among others.

4. Autonomy and Independence

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

5. Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives.

6. Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. Concerns for Community

Co-operatives work for the improvement of their communities through policies approved by their members.

c. Top down versus bottom up collective farming models—some history³

Historically around the world, agricultural collectives have been of two types—joint cultivation collectives and service collectives (i.e. for credit, inputs, or marketing). While production cooperatives failed to a large extent, service cooperatives were relatively successful (Agarwal 2010a).

Joint cultivation was mainly linked to socialist collectivization (e.g. in USSR, China), but other countries also implemented these in the 1960's—Nicaragua in Latin America, Ethiopia and Tanzania in Africa, and Israel (the kibbutz) in West Asia. While all of the experiences vary, one of the main problems that most of these collectivization experiences faced stemmed from a top-down imposition approach rather than a bottom up approach.

³ This section is a summary of parts of Bina Agarwal's paper (Agarwal 2010a)

Some of the negative characteristics of Socialist collectivization were:

1. Forceful pooling of peasant's farms; this was not necessarily voluntary on the part of the peasants;
2. Compulsory appropriation of produce;
3. Production enterprises that were too large in size and farmers were thus unable to have a voice in management decisions;
4. Hidden as well as explicit forms of socio-economic inequality including gender inequality. The inequalities of society were reproduced in these enterprises, women for example continued to do more labor for less returns and had no voice

Outside state socialism, in other countries in the 1960's and 1970's collectivization came from pro-small-peasant land reform, but these mostly maintained the assumption that large-scale farms were more efficient. Either massive production cooperatives were formed by pooling together small farms (e.g. Ethiopia and Tanzania), or the state expropriated all land to set up large-scale production cooperatives on state controlled land (e.g. in Nicaragua, Ecuador and Israel). Even if these were initiated under ideas of voluntariness, often times the process would become coercive under state pressure for efficient implementation and some of the problems discussed with socialist collectivization became reproduced through very large-scale enterprises and top-down management.

Class, gender or other social differences were usually ignored in their formations and such collectivization efforts reproduced those inequalities. Even in those cases where each household was given one membership, it was the male member that got to participate in decision making related to the collective enterprise.

A different kind of cooperative???

Reviewing some of these important drawbacks of top-down cooperatives then brings us to the point of envisioning a different kind of collective enterprise – one where everyone has a voice, which are small enough for equal decision-making, and where the weakest are not exploited. These are the bottom-up collectives. In those countries where gigantic cooperatives were downsized and peasants allowed to continue, most remained in reformed collective arrangements or formed new bottom-up groups for joint cultivation on restituted land. This shows that cooperative action has potential if freed from some of the drawbacks of the top down collectivist form, which continue to plague much policy thinking even today.

Adding to the cooperative values mentioned earlier we can add some new values to envision bottom up cooperatives–

- Small sized groups – as we saw, large sized groups often cause problems in fulfilling the major point of cooperatives: joint decision making
- Socio-economic homogeneity or marked social affinities among members – this is important so that social inequalities are not reproduced in cooperatives. Furthermore, women-only cooperatives would do much better on this front because women are at the fore front rather than being maintained in subservient, traditional roles while men are part of the cooperative. In addition, cooperatives made up of only marginal peasants or agricultural workers would be better than mixed ones with large landholders in the same institution as there is a lower probability of the marginalization of small peasants or workers by larger land owners, as these agrarian classes share an unequal social relationship in the Indian agrarian class structure.
- Voluntariness- members must be allowed to join and leave freely.
- Participatory decision making- all important decisions must be made by everyone.
- Checks and penalties for containing free riding or shirking of responsibilities. Free riding or shirking means that some people may not work as much as everyone else but still receive the same amount of benefits as everyone else. This would lead to the failure of a cooperative effort, as some people would end up working extra hard, while others “shirked” their responsibilities. This is usually the case with very large cooperatives as people don't really know each other, and may not feel a sense of obligation to the other unknown members of their large cooperative. However, when a group is small enough, then they are able to monitor each other more easily, and they may also have a deeper of, responsibility towards each other as they are part of the same group and see each other regularly.
- Group control over the returns so that transparency is maintained over how their returns or incomes are spent.

The challenge of the cooperative movement in India is to encourage more of such above forms of bottom up, grassroots producer collectives. As we will see subsequently, cooperatives in India have suffered from a top-down approach, which has prevented the true potential of cooperatives to be reached in this country. Some argue that this top down effort has prevented cooperatives from becoming a grass-roots movement motivated by the ethos and spirit of

cooperative enterprise (Vaidyanathan 2013). The good news is that success stories do exist, as we will see in the case studies in this booklet. These must be scaled up by social movements and community groups with support from friendly NGOs and the state, but not in a way that increases dependency.

Different types of cooperative societies operating in India, a broad classification (Kumar et al. 2015):

1. **Production Cooperatives** : These deal with joint production in the farming or industrial sector. In agriculture, small and medium farmers can come together for joint farming operations and form collective farming societies in which they pool their land resources or lease their lands to the cooperative against a profit share.
2. **Processing cooperatives** : These deal with joint processing of agriculture produce. Today there are thousands of cooperatives that engage with sugar production, dairy processing, paddy milling, groundnut decorticating, copra and oil seed crushing, processing of fruit, vegetables, tea and jute among others. Both the sugarcane and dairy industries are hailed as success stories of the cooperative movement and engage in both processing and marketing, but not 'joint production.'
3. **Marketing Cooperatives** : These engage in marketing of agricultural produce, one example being Agricultural Marketing Societies and Consumer Cooperatives. The National Agricultural Cooperative Marketing Federation of India (NAFED), an apex body of agricultural marketing cooperatives, was established in 1958 to promote agricultural produce trade across the country. NAFED has been procuring food grains, pulses, oilseeds, spices, cotton, tribal produce, jute products, eggs, and fresh fruits and vegetables from farmers through its cooperative network in selected areas whenever farmers face problems of marketing their produce. The advantages of cooperative marketing were the increased bargaining strength of farmers, direct dealing with consumers, credit availability, cheaper transport, storage, grading and processing facilities, and market intelligence. Indian Farmers' Fertiliser Cooperative Limited (IFFCO), the world's largest fertilizer cooperative, was established in 1967 to produce and distribute fertilisers through cooperatives. Presently, over 40,000 cooperative societies are members of IFFCO.
4. **Service Cooperatives** : These provide various services necessary to their members, such as Cooperative Credit Societies, Cooperative Banks, or Housing Cooperatives. Such cooperatives play a major role in disbursement of agricultural credit to agricultural producers, agricultural labourers, and artisans. The Primary Agricultural

Cooperative Credit Society (PACS) at the village level is the base for many of these activities. They federate into Central Cooperative Bank at the district level and with an apex bank at the State level. The loans advanced by the cooperative banks increased from Rs.55 crores in 1950-51 to Rs.48,203 crores in 2005-06, and in 2010-2011 the total amount of loans advanced by district cooperative banks was Rs.1,37,754 crores (Sinha et al. 2012).

5. **Allied Service Cooperatives** : These deal with allied activities like poultry, piggery dairy farming, etc. Among them, poultry was a major activity with over 4,233 cooperatives in 2008-2009, with 39,857 labour contracts and construction cooperatives and 2,789 Forest Labour Cooperatives (Sinha et al. 2012)

Although in India there have been various attempts to promote co-operatives in farming or farm production through farming societies, tenant farming societies, joint farming societies, and collective farming societies since the 1950s, most of these have not succeeded, especially when compared to co-operation at higher stages of the value chains of farm commodities—i.e. in processing, procurement and marketing, services, and credit (Ebrahim 2000, Agarwal 2010a). Farming collectively demands a higher level of cooperation, and successful examples of this mostly involve poor women farmers supported by local NGOs and state schemes (Agarwal 2010a).

Production cooperatives were strongly promoted during the initial years of the Five Year Plans. However, various problems came to the forefront. Some societies were not homogenous in terms of class, and thus all types of land holdings could come together, which resulted in class conflict and the elites dominating over weaker members. Furthermore, many fake cooperatives were formed with an aim to exploit government subsidies; in such cooperatives, laborers were hired to do the 'work' and provided dummy memberships while the founders (mostly larger landowners) supervised, and profit sharing was based on land holdings rather than labour contribution. In such an environment, small peasants and landless people eventually lost interest in such societies and they did not succeed (Choudhary 1979, Ebrahim 2000). Eventually the government of India started to promote cooperatives directed only at poorer peasants, but such efforts have been more successful on the credit, processing, and marketing fronts rather than in joint farming (Ebrahim 2000).

d. Successes of Cooperatives in India:

In 2009-10, according to the National Cooperative Union of India, there were some 1,47,991 primary credit cooperatives with a membership of 181.150 million, while there were 4,58,068 non-credit cooperatives with a membership of 68.216 million. In terms of size, this is a massive movement, the largest of its kind in the world.

The share of Co-operatives in the National economy is as follows (in 2009-2010 as reported by the National Cooperative Union of India (Sinha et al. 2012):

Share of Cooperatives in National Economy	Percentage share of cooperatives (%)
Rural Network (Villages Covered) – this means that 98% of all Indian villages have cooperatives.	98
Total Agricultural Credit Disbursed by Cooperatives - this means that 16.9% of total agricultural credit disbursed in India has come from the cooperative sector.	16.9
Short Term Agricultural Credit Disbursed by Cooperatives – this means that 20% of all short term agricultural credit has come from the cooperative sector	20
Kisan Credit Cards Issued (43.66 Million upto 31st March, 2012 since inception)- this means that 38.3 % of credit cards for farmers under the government scheme “Kisan Credit Card” have been issues by cooperative banks. Other types of banks apart from cooperative banks are private commercial plans, or Regional Rural Banks.	38.3
Fertiliser Distributed - this means that 36% of all fertilizer distributed in India has come from the cooperative sector.	36
Fertiliser Production (4.598 Million MT for the year 2009-10)- this means that 28.3% of all fertilizer produced in India has been produced by cooperatives – for example the Indian Farmers Fertiliser Cooperative Limited.	28.3
Installed Capacity of Fertiliser Manufacturing Units (31.69 Lakh MT, N Nutrient, As on 31.03.2010)–this means that 26.3% of total fertilizer manufacturing capacity of Nitrogen in the country comes from the cooperative sector.	26.3
Installed Capacity of Fertiliser Manufacturing Units (17.13 Lakh MT, P Nutrient, As on 31.03.2010) - this means that 30.3% of total fertilizer manufacturing capacity of Phosphorus in the country comes from the cooperative sector.	30.3
Installed Number of Sugar Factories (324 as on 31.3.2012) – this means that 48.2% of total sugar factories in India are cooperatively owned.	48.2
Sugar Produced (9.304 Million Tonnes as on 31.3.2012) – this means that 39.7% of all sugar produced in India is by cooperatives.	39.7

Capacity Utilisation of Sugar Mills (As on 31.3.2012)–This means that 44.7% of the total possible capacity of sugar manufacturing by cooperatives in the country is currently in use.	44.7
Wheat Procurement (9.440 Million Tonnes during 2012-13) – this means that 24.8% of total amount of wheat procured from farmers has been done by the cooperative sector	24.8
Paddy Procurement (5.518 Million Tonnes during 2011-12) – this means that 14.8% of total amount of paddy procured from farmers has been done by the cooperative sector	14.8
Retail Fair Price Shops (Rural + Urban)-This means that 20.3 % of all Fair Price Shops (ration shops where subsidized grain is sold) are run by cooperatives	20.3
Milk Procurement to Total Production- this means that 7.85% of milk procured out of total production in the country is by dairy cooperatives	7.85
Milk Procurement to Marketable Surplus –this means that 16% of the marketable surplus in the country is taken by cooperatives	16
Oil Marketed (branded) – this means that 49% of the oil marketed in India is done by the cooperative sector	49
Spindleage in Cooperatives (3.636 Million - As on 31.3.2009) – this means the percentage of spindleage of cooperatives in national economy is 9.83 %	9.83
Handlooms in Cooperatives – this means that 54% of total handlooms in the country are within cooperatives	54
Fishermen in Cooperatives (active)- this means that 23% of fisherman are members of cooperatives	23
Rubber Procured and Marketed – this means that 18.5% of rubber in the country is procured and marketed by cooperatives	18.5
Arecanut processed and marketed (3.65 lakh tonnes) – this means that 15% of the arecanut in the country is processes and marketed by cooperatives	15
Salt Manufactured (18,266 Metric Tonnes) – this means that 7.6% of the salt manufactured in the country comes from cooperatives	7.6
Direct Employment Generated	1.22 Million
Self-Employment Generated for persons	16.58 Million

The cooperative sector has built a network consisting of more than 5.45 lakh individual cooperative organizations and over 236 million members.

In the first few decades after Independence, cooperatives played a major role in the agricultural sector of the country by bringing food security during the Green Revolution. It created a network for seeds, fertilizers, and credit. Its greatest success has been in the dairy sector where, through the Operation Flood program, India went from a milk-deficient nation to being the world's largest milk producer, all through the formation of an outstanding cooperative model centered on poor rural peasants.

Operation Flood managed to connect a diversity of very small producers (selling even just 1 liter a day). Instead of increasing milk production through technological methods, improved breeds, or large-scale infrastructure, it mainly focused on connecting small producers to pre-existing markets. Women were a big part of Operation Flood, in which 6000 women's dairy cooperatives were established. Although, there are mixed interpretations on women's benefits due to debates about additional work burden as well as compromises to health due to selling of household milk (Duncan 2013).

While not without criticism, Operation Flood was successful in proving that agriculture and especially livestock can play a fundamental role in poverty reduction. It improved livelihoods and incomes of small peasants and livestock rearers, especially women in rural India. It set up more than 55,000 dairy cooperatives. It established fair pricing policies to benefit both producers and consumers. Milk production increased during the Operation Flood period, in its last year 9.3 million producers were supplying 10,900 metric tonnes of milk a day (Duncan 2013). The model created an effective local food system. It was based on a three-tier system of local village unions, district unions, and state level federations. It prioritized local consumption and sold excess milk to state federations for marketing of the milk,

The dairy cooperative network in the country today includes 254 cooperative milk processing units, 177 milk unions covering 346 districts, and over 1, 33,000 village-level societies with a total membership of nearly 14 million farmers (Planning Commission 2012).

e. Challenges facing traditional cooperatives in India

As mentioned earlier, the top-down approach towards cooperatives has led to some major problems that plague the cooperative sector in India. These problems are (Administrative Reforms Commission 2008, Singh and Singh 2012, Vaidyanathan 2013, Malla 2015):-

1. **Excessive bureaucratization and control** : The Registrar of Cooperative Societies has turned into an excessively controlling position, one that controls all cooperatives. A

complex hierarchy of bureaucratic power has been created that prevents autonomy and does not allow the sector to turn into a people's movement.

2. **Politicization** : According to the Administrative reforms Commission of India (Administrative Reforms Commission 2008), the "boards of a majority of cooperative Bodies are dominated by politicians....many of them are in cooperatives because they want to use this position as a stepping stone for their political ambitions...There are some who join this sector because their current political standing has gone down," pointing out that is a key problem causing a decay in the system. This is especially evident in the case of the dairy sector (Bureau 2014, Aji 2016) as well as the sugarcane cooperative sector. In an article published in Frontline in 2005, a sugar industry official from Maharashtra said:

"There is not a single cooperative that is not under political control. While 5 per cent of the sugar factories are controlled by Bharatiya Janata Party-affiliated unions, 95 per cent are under Congress control. Of the latter, 60 per cent are under the control of the Nationalist Congress Party (NCP),"

3. **Dependence on government funding and subsidies**: Cooperatives have failed to induce self-help, which is one of the key principles of cooperatives. Most Indian cooperatives are dependent on government subsidies to bail them out, and due to bad leadership, especially given the reasons above, they are unable to become autonomous or profitable. The government also maintains its dominance over cooperatives through financial control and dependence. A key effort of self-financing, even if partly done, could bring a much-needed self-reliance to cooperatives.
4. **Elite capture**: In the case of many cooperatives it is the larger landowners or the richer farmers that have benefitted more. For example, in the case of the successful sugar cooperatives of western India, while they have achieved large scale production they have not necessarily narrowed class differences, which has led to the exploitation by the richer farmers of the working class that have remained outside the benefits of such cooperatives. A more homogenous membership could ensure that a certain group doesn't benefit at the cost of another (Ebrahim 2000).
5. **Market orientation instead of member centrality**: Instead of focusing on their members, many, especially the very large cooperatives, are trying to behave like corporations to remain competitive. This is especially true after the onset of a hyper-competitive market as a result of liberalization and globalization where cooperatives are forced to reorient their functioning towards the market. In the case of the dairy

sector, for instance, cooperatives like AMUL or OMFED are in a price war with the corporates, selling at rock bottom prices, dumping, or suddenly stopping procurement, which is leading to the falling of farm-gate prices and destroying livelihoods of small farmers (Ramdas 2015, Srikrupa et al. 2016).

6. **Lack of infrastructure:** Issues like the lack of storage facilities, lack of power, and low processing capacity are common problems faced by most producer collectives (Gaikar 2015, Malla 2015).
7. **Difficulties in finding and keeping trained professional staff:** On-the-ground experiences show that there are not many possibilities for available training (Malla 2015). On the other hand, cooperatives themselves have been unable to attract or train quality professionals or retain them over the long run.
8. **Free riding:** This is a classic problem that has affected all public goods and efforts. In the case of cooperatives, an example could be the shirking of work by some members in group cultivation efforts. This is especially true of large cooperatives where not everyone knows each other or knows about one another's working style.

As a result of such problems, several committees were formed to study and recommend changes to fix this sector. Committees like the Choudhary Brahm Prakash Committee (1990), Mirdha Ccommittee (1996), Jagdish Kapoor Committee (2000), Vikhe Patil Committee (2001), and V. S. Vyas Committee (2001 and 2004) made their recommendations, most of which have centered around the replacement of the State Cooperative Societies Act by newer legislation to provide more autonomy and breathe new life into the cooperatives.

India's Laws Regarding Rural Collectives

a. In the Constitution of India

Cooperatives are mentioned in two places in the Indian Constitution (Administrative Reforms Commission 2008):

- (i) in Part IV, Article 43 as a Directive Principle which orders the State Government to promote the cottage industry on an individual or cooperative basis in rural areas, and
- (ii) in Schedule 7 as Entries 43 and 44 in the Union list and Entry 32 in the State list.

The Right to form cooperatives can also be construed as a Fundamental Right emanating out of Article 14—Right to Equality—and Article 19(1) (c) as 'Right to form Associations or Unions.'

Thus, forming a cooperative association is a fundamental right. Constitutionally, even if the state is financially supporting a cooperative, it is not permitted to exercise any control over it (Kapoor 2015). Any law made by the State to regulate or control cooperatives is prima facie an infringement of the Constitution and the Fundamental Right. However, in practice the growth of the cooperative sector has ended up with total government control and manipulation.

As forming a cooperative is a constitutional right, it is thus possible to set up an organization without any registration (Kapoor 2015). In fact, many loose organizational forms such as village-based SHGs are not registered at all. Registration and legal structures only come into play when benefits from the government are availed or exemptions claimed under the Income Tax Act.

Below are listed the main laws that govern the formation of rural production collectives in India:

b. Cooperative Societies Act, 1912

Following the very first Cooperative Credit Societies Act of 1904, which was limited to credit, the government legislated the Cooperative Societies Act, 1912. This provided for the formation of non-credit societies and federal cooperative organizations. As this was a Central Act, most states enacted their own cooperative laws on the lines of the 1912 Act, forming what are called State Cooperative Societies Acts. For example, the AMUL dairy cooperative is registered under the Gujarat Cooperative Societies Act 1961, and Nandini Milk's Karnataka Milk Federation is registered under the Karnataka Cooperative Societies Act, 1959.

The Act obliges an organization to follow certain cooperative rules and principles (e.g. voluntary membership, democratic system, limited interest, equitable distribution, cooperative education, and mutual cooperation) (Kapoor 2015).

The registration process under this Act is formal, and in order to form a cooperative organization, ten adults from different families are required to fill out an application. An elected general body is the final authority in decision making. Annual auditing, general meetings, and accounting are required along with the election of committees. Any change in the by-laws of a cooperative must be filed with the Registrar of Cooperatives, and prior permission must be obtained to make these changes. The Registrar has all-encompassing powers and can divide or re-organize a cooperative in public interest. Furthermore, agricultural cooperatives have to reserve half of the membership for scheduled castes.

As mentioned earlier, this Act has led to major government interference and control of cooperatives as well as a host of other problems.

c. The Multi-State Co-operative Societies Act (2002)

This Act was created to enable cooperative structures to operate across state boundaries in India.

Those cooperatives whose members come from within one particular state are governed by the State Cooperative Societies Act of that particular state, while a Cooperative Society whose main objective is to serve the interests of its members across many states is governed by the Multi-State Cooperative Societies Act, 2002. Thus there are two Acts – one is the State Cooperative Societies Act of a particular state – for example Karnataka State Cooperative Act, Gujarat State Cooperative State, Maharashtra State Cooperative Act. The other Act is the Multi-State Cooperative Societies Act which governs those cooperatives that operate across many states.

This type of society needs to be registered in all states in which it is active as a “multi-state cooperative”. This leads to double the amount of bureaucratic efforts and increasing conflicts with more than one government entity, however. Essentially only very large structures that have the capability of expansion and management of large organizations find this form of cooperative suitable, and there are very few multi-state cooperatives registered (Misra, 2007).

d. Mutually Aided Co-operative Societies (MACS) Acts (1995)

As a result of recommendations by several committees, the MACS Act, also called “self-reliant cooperatives,” first came into being under the government of Andhra Pradesh*. Its main intention was to give cooperatives a new lease on life and free them from government control. Andhra's example was followed by similar enactments in eight other States: Bihar, Jharkhand, Madhya Pradesh, Chhattisgarh, Jammu, Kashmir, Karnataka, Orissa, and Uttarakhand (Administrative Reforms Commission 2008).

* In 2014 the state of Andhra Pradesh was bifurcated into the state of Telangana and Andhra Pradesh

Functionally, there are two distinct kinds of cooperative institutions in India—one of which has come into existence as a result of government policies and interventions as channels for the distribution of scarce sources. These enterprises are neither competitive nor fully business-oriented. Because of considerable financial involvement of the government, the ownership, management, and controls of these bodies do not rest fully with their members. The other kind of cooperatives are member built, self-reliant societies. Such cooperatives are formed as autonomous associations of persons united voluntarily to meet their common need through a jointly owned and democratically controlled enterprise. The MACS come under the second type of self-reliant autonomous cooperatives (Administrative Reforms Commission 2008).

A key feature of the MACS Act is that government capital is prohibited, thus MACS rely on capital raised through their own efforts. The management of the societies is vested in the Board of Directors, and policies are decided by the General Body. The Government Registrar has limited powers only, for example in registering the by-laws, registering the cooperative society.

The MACS Act is more flexible in terms of adherence to cooperative principles, and has thus allowed for innovative new structures. MACS have not spread very fast as compared to other forms of cooperatives like farmers' Producers Company, and the reason behind this is manifold. First, as there is a lack of a supervisory body, many conflicts between or within cooperatives founded under the Act remain unresolved. Furthermore, MACS have not come under government reforms, leaving certain aspects of the Act underdeveloped and outdated. As MACS don't receive government funding, many organizations have had difficulties in raising sufficient funds—they depend on private or NGO funds, and this sector has had trouble raising enough funds (Kapoor 2015). Another point for the slow uptake of the MACs Act is that many existing cooperatives which were governed by the old cooperative law (State Cooperative Societies Act), even if they had the option to change their status and turn into a MACS, have not been able to do so because of financial problems. Many have not been able to gather the resources to settle their old dues and move into the new system, and so they continue under the government controlled system (Administrative Reforms Commission 2008).

New Generation Companies – Farmer Producer Company (FPC)

As a result of the problems plaguing the government-led cooperative sector in India, several critical voices demanded new legislation that would keep in check the economic failures of cooperatives as well as curtail the corruption and politicization, while keeping intact the key cooperative values. It was also felt that there was a need to give more freedom to cooperatives to operate as business entities in a competitive market, thus there was a shift from welfare-oriented structures towards business-oriented structures (Singh and Singh 2012). Some argue that the economic inefficiency of cooperative structures served as an open invitation for state governments to intervene and control them more directly (Murray 2008). This has increased the risk of political co-opting and corruption, reduced autonomy and democratic control—all of which are core principles of the cooperative.

On another note, the MACS Acts have been very slow to spread across the country, the key reason behind why some experts demanded a more business-oriented legal structure that would facilitate easy formation and functioning. Consequently, in 2003, the Companies Act of 1956 was amended to include a separate, new chapter on Farmer Producer Companies (FPCs). An FPC thus operates under a regulatory framework that applies to companies, which is different from that of cooperatives.

A Farmer Producer Company also known as Farmer Producer Organization (FPO) or Producer Company (PC), is the fusion between a private limited company and a cooperative society. These hybrid institutions that claim to bring together the best of both worlds are known as New Generation Cooperatives. The aim is to make farmers' groups competitive in a globalized market and integrate them into modern supply networks—minimizing transaction and coordination costs while benefiting from economies of scale. Unlike top-down models of smallholder market integration (e.g. contract farming), producer companies try to create an entrepreneurial spirit at the community level.

Unlike traditional cooperatives, only the actual producers can become shareholders of the FPC and not outsiders. This allows for the autonomy of the FPC, away from outside capture by politicians or government officials, who have traditionally controlled cooperatives and keep the control with the producers themselves. Also, institutional members are allowed to form an FPC; for example, SHGs can join together and form an FPC.

The objective of the Producer Company can be varied - production, harvesting, procurement, grading, pooling, handling, marketing, selling, export of primary produce or import of goods

or services for their benefit., etc. Its membership can be 10 or more individual producers, or two or more producer institutions (e.g. SHGs), or a combination of both. It is deemed to be a private limited company but there is no limit on membership, which is voluntary and open. It retains the one member-one vote principle irrespective of shares or patronage.

Initial capital is raised through the purchase of shares by the farmer members, and the share costs are not prohibitive, ranging from Rs.50 to Rs.200 (Trebbin and Hassler 2012). The shares cannot be publicly traded, but can only be transferred among the members—if a member wants to leave, she can sell her shares to another member only, and not to an outsider. This ensures that successful producer companies do not risk takeover by other companies or Transnational Corporations. This also gives farmers added flexibility in entering and exiting the organization, which is a key component of successful rural collectives as it promotes voluntariness.

FPC legislation does require that the board hire a “professional” manager or CEO—an employee whose job is the management of the FPC. One of the key problems associated with small holders integration into contemporary agri-food networks is their lack of managerial capacity. The hiring of a professional is meant to address this issue. However, in practice, it seems like most FPCs have struggled to find qualified professionals to fulfil this role. This problem has also been faced by other forms of rural collectives, including MACs, as we will see in our case studies.

Table 2: Differences between a Co-operative and a Farmer Producer Company in India

Feature	Co-operative	Farmer Producer Company
Registration under	Co-op societies Act	Companies Act
Membership	Open to any individual or co-operative	Only to producer members and their agencies
Professionals on Board	Not provided	Can be co-opted
Area of operation	Restricted	Throughout India
Relation with other entities	Only transaction based	Can form joint ventures and alliances
Shares	Not tradable	Tradable within membership only
Member stakes	No linkage with no. of shares held	Article of association can provide for linking shares and delivery rights

Voting rights	One person one vote but RoC and government have veto power	Only one member one vote and non-producer can't vote
Reserves	Can be created if made profit	Mandatory to create reserves
Profit sharing	Limited dividend on capital	Based on patronage but reserves must and limit on dividend
Role of government	Significant	Minimal
Disclosure and audit requirements	Annual report to regulator	Very strict as per the Companies Act
Administrative control	Excessive	None
External equity	No provision	No provision
Borrowing power	Restricted	Many options
Dispute settlement	Through co-op system	Through arbitraion

Source: (Singh and Singh 2012)

Various state governments have been providing initial financial incentives in order for farmers to form FPCs, including options for cooperatives to change legally into FPCs, yet take up has been slow, and figures diverge. According to Singh and Singh (2012), 170 FPCs have been registered in India as of 2011, most of them in cooperation with private companies, state governments, international organizations, or local NGOs.

FPCs are not unique to India alone, the so-called New Generation Cooperatives have evolved over time in various parts of the world, especially in US and Canada with a rationale to improve the marketing prowess of cooperatives, which is required due to competition, vertical integration, and coordination (backward and forward) by other forms of enterprises (Singh and Singh 2012).

Table 3 : Fields of assistance from Producer Companies to Farmers

Field of assistance	Smallholder farmer	Producer company
Marketing	small volumes, limited bargaining power	aggregation and marketing

Market information	limited access, but increasing with the spread of mobile phones	direct links between PC and potential buyers
Transportation	often time-consuming and/or costly	transportation is organized within/facilitated by the FPC
Cold storage	no facility	set up of cold/ripening chambers as shared infrastructure
Irrigation	no irrigation facility, or dependence on the well owner/ water supplier	establishment of community wells construction of collecting tanks; laying of pipes
Extension services and technology	no access/one-sided information	farmers' education and regular training session from farmer to farmer, preservation of traditional farming practices
Input supply	need to buy in the market, credit problem	provided by the FPC at lower than market price through bulk buying in-house production of organic manures and pest killers; links to banks
Production planning	short time horizon	constant information flows of market processes to the farmer-allow a more systematic planning approach
Excess production	risk of distress sales or waste	further processing, value addition
Branding	none	brands might be introduced by the FPC or the buyer

Source : (Trebbin and Hassler 2012)

Resource on How to set up a producer company:

<http://sfacindia.com/Docs/Resource%20Handbook%20for%20establishing%20a%20PC.pdf>

Self Help Groups (SHGs) and Micro Enterprises

Self-help as a concept is a basic tenet of cooperatives and collectives. Self-Help Groups (SHGs), unlike traditional cooperatives or FPCs, are more informal, smaller village-level organizations or subgroups. They are membership-based groups, whose members provide mutual support to each other to achieve collective goals. Mainly their aim is to support savings and thrift, and can eventually launch into other micro-enterprises. They have a membership of below 20 members, as a number higher than that requires registration under Indian law. Their informal and small nature has helped keep them away from bureaucracy, corruption, unnecessary administrative expenditure, and profit motive. Groups are expected to be homogenous in social class or caste, so that the members can participate freely without any fear of discrimination. SHG's can become members of cooperatives or FPCs, or larger formal organizational structures above them.

Self-help groups (SHGs) have become very popular in the rural credit, micro finance, and insurance sectors of India and are undoubtedly the most popular form of collective organization for village-level groups, especially women's groups, due to its informal nature. There is a difference between micro-credit and SHGs because the former is merely to provide credit to individual women, while SHGs, even if they start around savings, have a higher focus on social advocacy (Agarwal 2010a).

Examples of activities undertaken by SHGs are varied. They could deal with in-group savings, non-farming activities, as well as access to formal financial services. Some of the activities that they undertake are:

1. To save a small amount of money regularly, by each member contributing a specific amount, which can run as low as five or ten rupees.
2. To mutually agree to contribute to a common fund, which can be a reserve and given out as loans for group members to use for personal or business purposes.
3. To meet their emergency needs, and serve as an emergency back-up loan. For example, if someone has an illness in the family, they can approach their SHG and take a loan for immediate hospital costs. Such quick access to funds would not be otherwise possible under the regular banking system.
4. To solve conflicts through collective leadership and mutual discussion.
5. To provide collateral free loans with terms decided by the group.
6. They can form bank accounts at formal banks and avail bank loans to set up collective

micro enterprises like food processing, cultivation, arts and crafts, production of cosmetics, fodder production, watershed management, etc.

As SHGs have regular monthly or bimonthly meetings to discuss their loans and production activities, they often go beyond these services to also serve important social functions. They are platforms for women to discuss other issues like violence against women, alcoholism in the community, the dowry system, inadequate infrastructure, child care, health, etc. and address all these collectively.

Most SHGs are informal and unregistered, however registration is possible and necessary, even, for certain financial arrangements (e.g. micro credit). Most of the SHGs in India, about 80%, are women's SHGs (Kapoor 2015). In most cases, external actors like NGOs, private players, or the government have promoted SHGs in India.

SHGs originated in 1975 in Bangladesh under Mohammed Yunus. The concept came to India in the eighties through the Mysore Resettlement and Area Development Agencies (MYRADA) (Parthasarathy 2015). Following this, the National Bank for Agriculture and Rural Development (NABARD) and other international organizations like the International Fund for Agricultural Development (IFAD) have taken important steps in the movement.

In order to form an SHG, the members can follow these steps:

1. Meet and decide on the issue—it can be credit oriented like savings or accessing credit. It can also be non-credit oriented such as value addition, joint production, access to inputs, change of production models to agroecology, seed saving, or education, among others.
2. Create a set of by-laws, distribute responsibilities, and decide on modes of operation, leadership, entrance fees, interest on loans given out, etc. They can arrange support from NGOs, the state, or other resource persons in order to get clarity and consultation on all of the above aspects. The NABARD, for example, provides training programs on SHGs and consultation services. Many private NGOs also offer the same.
3. Funding needs to be arranged for their 'project'—this can come from the group itself or partly from the group, with bank loans, government grants, and various other funding options available to SHGs. NABARD provides seed funding to various SHGs and groups should enquire at the NABARD office in their districts. SHGs can also make a bank account in their name and have access to credit.
4. Meet periodically to go over the accounts, progress, and operations.

SHGs have been important vehicles for women's empowerment. While their success in the credit sector is debatable, and many stories of exploitation by large micro credit programs have come under scrutiny, especially the charging of high interest rates, they have also played a key role in increasing the self-confidence of the rural poor, especially women. They create a group of mutual trust and solidarity and give women an avenue to increase earnings, collective learning, self-worth, and financial independence.

Case Studies

a. Dharani Cooperative (an example of a Mutually Aided Co-operative Society- MACS)⁴

The Dharani Farming and Marketing Mutually Aided Co-operative society Ltd, or Dharani FaM Co-op Ltd is part of the Timbaktu Collective in Telangana. This is a larger collective of various projects—cooperatives, women-run banks, education programs, weaving groups, organic farming producers, among others. We will focus specifically on Dharani as it is a producer's



Women members of Dharani Cooperative at their processing plant
Photo credits: Stephanie Wang

collective, and an example of a Mutually Aided Co-operative society. It is the procurement, processing, and marketing avenue for the farmers that have shifted to organic practices in the collective. These farmers certify their produce via the Participatory Guarantee Scheme (PGS) system, and through Dharani have access to a guaranteed market.

Dharani was registered under Andhra Pradesh Mutually Aided Co-operative Societies Act 1995 in the year 2008. The initial capital for Dharani was raised from well-wishers of the Timbaktu Collective in the form of low-interest social investment loans, as well as membership fees. As mentioned before, for a Mutually Aided Co-operative society or MACs, also known as autonomous cooperatives, capital has to be raised independently, and governments do not usually provide capital support. The reason behind this, as we stated earlier, was to provide “autonomy” to cooperatives, and to shift away from government control.

The members of Dharani are ordinary farmers, with a share capital of Rs.1000 each. Every five farmers makes a unit called Brundam, and three brundams, a total of about 15 farmers, make a Sangham. Every village has an office for these sanghams, and some people to assist in book keeping, office maintenance, etc. Every 3 villages form a constituency, and a Constituency Director is elected by members. The Board of Dharani consists of 12 such Directors, as well as three nominated members (CEO Dharani, Chairperson TC, and a Board Member of

⁴ This section is a summary of parts of Ashish Kothari's paper on the Timbaktu Collective (Kothari 2014)



*Groundnut sifting Machine at the
Dharani Cooperative
Photo credits: Stephanie Wang*

Adishakti). The Board meets monthly, while the General body meets once a year.

Dharani is getting close to 1800 farmer members, with a total share capital and deposits of over Rs. 21 lakhs. Due to lack of larger storage and processing facilities, only about 200 farmers are being supported with 100% purchase of their produce.

Dharani offers a guaranteed price to the organic farmers for millets like bajra (pearl millet), jowar (great millet), ragi (finger millet), korra (foxtail millet), and sama (little millet). These prices are higher than the market price by an average of 25 to 33%. It also purchases groundnut and paddy at market prices.

Dharani lays stress on millets procurement, as it is a beneficial crop in many ways. The marketing support provided by Dharani has led to the adoption of growing millets by many farmers in the area. So much so, that from an earlier ratio of 80-20 groundnut-millet, it is now at 40-60, thus millets have overtaken the production of groundnuts, which used to be the resource-intensive crop

that previously dominated the landscape.

Another form of incentives for growing millets are bonuses. If there is a surplus/profit, then it is typically distributed among the farmers, however the surplus paid for millets is much higher at Rs 5 per kilo as compared to Rs 1 per kilo for groundnut. Dharani also procures other crops like pulses. All of these are processed and marketed under the brand name of Timbaktu Organic.

Dharani keeps 20% of retail sales for organizational expenses and overheads. 65% goes to farmers, and 15% goes into direct costs (packaging, transport, grading).



*Photo : Products of Timbaktu Organics,
under which Dharani markets its produce
Source: <http://bit.ly/2f3GR1C>*

Dharani has a storage facility where it stores produce after purchase. However, there is a shortage of storage and processing facilities, and the cooperative plans to expand capacity in the future. About 100 dealers have tied up with and buy directly from the cooperative.

Dharani's financial status has improved steadily. It broke even in the year 2010-2011, which is within the first three years of operations. By 2011-12 it had sales of Rs. 56 lakhs, and by 2012-13, sales almost doubled to Rs. 98 lakhs. By this time, it was already distributing bonuses to its producer members. The CEO of Dharani is partially paid by Dharani and partially by the Timbaktu Collective, while all other staff are paid through Dharani's revenue.

In order to increase revenue, Dharani has had to diversify its product range, to come up with



more attractive products, like ready-to-mix dosa batters, snacks, millet malts, among other things. It is also selling products online and expanding sales operations to new cities like Bangalore.

As Kothari notes (Kothari 2014), while Timbaktu has to focus on marketing and business aspects for better sales, it is also key for the collective to focus on the consumption of these organic

grains at home and among producers' families, which seemed to be on the rise.

Other challenges remain, such as the fact that even though the membership of Dharani was increasingly rapidly, those farmers shifting to organic practices in their villages remain a minority and it is only in very few villages that they are in a majority. A lack of resource persons has prevented the training and transformation of new farmers towards organic practices.

b. Kudumbashree – Women's Collective Land Lease Farming Program in Kerala

“Kudumbashree”, meaning prosperity of the family, is the state poverty eradication mission initiated in 1998 by the Government of Kerala. It is oriented towards women's empowerment, and today boasts of more than 40,000 hectares jointly cultivated by more than 16,000 landless women (Menon 2016).

The program works through community organizations of women that work in collaboration with Local Self Governments (panchayat). While the program has a broad overarching structure and a variety of activities such as microfinance, micro-housing, and micro-enterprises, the program of key interest to this paper is their collective farming initiative which has allowed women to form farmer collectives, farm agroecologically, carry out value addition, and even create land banks for women.



*Director with a Joint Liability Group in Plakkezhru, Manikkal, Venjaramoodu
Photo credits: Kudumbashree*

A federated bottom up structure

Kudumbashree as a three-tier structure starting with the Neighbourhood Group (NHG), a grassroots group of 15-40 women from different families all living in the same area. The NHGs carry out various programs autonomously through elected 'volunteers.' For example, there is a volunteer president, a volunteer secretary, a community health volunteer, an income generation volunteer among other organizational positions. The community health volunteer's mandate is to oversee all health-related aspects of the group members' families, children, etc. The income generation volunteer acts as a local micro-enterprise consultant; she persuades and motivates the members to initiate micro enterprises and livelihood activities using the thrift loan and the linkage banking loans—both being forms of microcredit. Each Neighbourhood Group has at least one micro-enterprise to ensure some income generation activity for the group. Finally, the infrastructure volunteer liaisons with the local government to access schemes and arrange training programs for her group members among other tasks.

Above the NHGs are the Area Development Society (ADS), and finally the Community Development Society (CDS) at the panchayat level, a registered body under the Charitable Societies Act formed by federating various ADSs. The interactions between the CDS and the panchayat enables the consolidation of bottom up community demands to reach local government decisions.

Collective farming by women

One of the problems faced by landless families in Kerala was a lack of work opportunities due to an overall fall of agriculture in the state. There was a large-scale conversion of paddy fields into places of non-farm activities, or they were being left fallow. This was also in part due to the unviability of farming in general. Most of the



Kudumbashree Women's Microenterprise in Kannur District
Photo credits: Kudumbashree

agricultural workers in Kerala are women, and they faced a lack of livelihood opportunities. Another problem was the lack of availability of land for leasing, because on the one hand, leasing for cultivation is prohibited in the state's land reform laws, and on the other hand, land owners were reluctant to give out land even in informal arrangements for fear of loss of control.

It was in this backdrop that Kudumbashree set up the collective farming initiative, where women can enter as cultivators as opposed to agricultural laborers. One of the aims of the program was to connect landless women with the fallow land in the state (Geethakutty n.d.).

Women are formed into groups called Joint Liability Groups (JLG). The idea comes from Muhammed Yunus's microcredit movement where joint liability is given against group loans, which increases responsibility and loan repayment. These Joint Liability Groups of women farmers are formed to help women cultivators access agricultural credit from the banking system and are structured along NABARD guidelines, where bank accounts can be opened in the name of each JLG.

The JLGs come under the interest subsidy scheme of Kudumbashree when they avail agricultural loans from banks—the state government provides a subsidy of five per cent on the seven per cent interest of agricultural loans. So far, around 10,543 JLGs have availed of loans, amounting to over Rs. 123 crore under the project (Geethakutty n.d.).

Activities undertaken include identifying available land, selecting beneficiaries, clustering them into groups, giving training, distributing inputs and releasing incentives. The land identified may be government land lying fallow, or private land taken up for cultivation. Most of the farming carried out is under non-pesticide management. Some new programs have also been

launched to promote Zero Budget Natural Farming (ZBNF) and other agroecological techniques by the members (Hindu 2012).

Kudumbashree also provides incentives to encourage certain processes. An monetary area incentive is given for bringing fallow land under cultivation, and a monetary production incentive is for achieving good productivity of the crop.

Not only has the project increased agricultural production, it has also brought considerable fallow land back under cultivation and financially empowered thousands of women.



Products of the Alamkode producer company, a microenterprise set up by Kudumbashree
Photo credits: Kudumbashree

Data collected in 2013-14 indicates that 47,611 JLGs are cultivating on 40,218 hectares; growing paddy, fruits such as pineapple and bananas, vegetables like bitter gourd, amaranthus, snake gourd, cowpea, watermelon, bottle gourd, ginger, tapioca, ridge gourd, lady's finger, brinjal, and chilli. Coconut and cashew are popular crops as well.

Much success has been achieved by these cultivating women. As one woman said:

"We have debunked the theory that agriculture is not profitable. Our group 'Aishwarya' took a bank loan of Rs. 60,000 for cultivating the 'Nendran' variety of bananas on 75 cents of land, which had been lying bare. We paid off the loan in just six months. The subsidy was a big help. We made a profit of one lakh in one season," says 39-year-old Bina Pradeep of Vallachira village. [Cited from (Menon 2016)]

In another case, 30,000 women banana cultivators belonging to 6,000 JLGs pushed up banana production in Thiruvananthapuram district from 8 to 20 metric tonnes per hectare under the guidance of the Kerala Agricultural University.

Gram panchayats across the state train women in using farming equipment and machinery, creating Kudumbashree's own 'Vanitha Karma Sena' or Green Army. Women save money by using their own labour.

"Money is lost if you have to pay the coconut tree climber, the tiller machine operator or the sowing machine operator. We have trained the women to operate different agriculture related

machines themselves and with loans and support available to buy equipment, most groups now own and operate their machines, saving considerable amount of money,” explains Bindu Shivdasan, 40, President of the Muttathoor Panchyat. [Cited from (Menon 2016)]

The easy access to loans through Kudumbashree and NABARD has allowed women to overcome crises like crop loss. The banking agencies that didn't give women loans in the past are now rating these women as “most credit worthy”! (Menon 2016)

c. Gambhira Collective Farming Society

The Gambhira Collective Farming Society is from Gujarat's Kheda district, close to AMUL in the neighboring Anand district. It was created in 1953 in order to overcome problems associated with unviable holdings of marginal farmers through collective action.

The collective was registered under the Co-operative Societies Act in 1953. The government gave land to the collective on the condition that the land be returned to it should the society be dissolved. After 60 years of existence, Gambhira Collective has overcome many of the problems held by traditional cooperatives such as free riding, shirking, elite capture, and opportunism. It has managed to establish proper mechanisms for sharing work and profits, sanctions or fines, and has institutionalized rules and norms that have led to its success.

The 291 members of the Gambhira Collective Farming Society have been collectively cultivating an area of 526 acres by forming 30 groups of 8 to 14 members each. These groups are small and socially homogenous in order to avoid elitism and to maintain personal contact and group responsibility. The land and other assets belong to the society, and individuals do not have ownership rights on assets or cultivation decisions. The society undertakes primary tillage, purchase of inputs, irrigation, and marketing of produce.

Organization:

The collective is organized into 30 groups of approximately 14 members each who elect their own group leader. Each group gets between 13 to 24 acres to farm. The cropping plan is decided collectively, inputs are procured collectively, and extension and technical help is provided by the Gambhira society. Members give half of the share of their produce to the society, which engages in marketing activities.

The collective also directly employs a manager, supervisors, tube well operators, a tractor driver, clerks, and peons who receive a fixed salary. At the top is a managing committee, whose eight members are elected by the general body of the collective.

The duties and responsibilities of the Managing Committee include decisions about the induction of new members into society; buying and storage of inputs (seeds, pesticides,

fertilizers); selling of farm produce; approval of loans and collection or recovery of unpaid loans; loan requirements and deposits of society; sale or donation of assets of the society; construction works to be taken up; and purchase of land in consultation with District Registrar. The Managing Committee is also responsible for the recruitment and termination of the society's employees (except Manager), deciding the latter's salary and incentives, checking accounts, the preparation and presentation of annual reports, and sanctioning funds for purchase of inputs. None of the members of the managing committee receive any salary.

Members of the managing committee also elect the President, whose term lasts for three years. The President oversees the work of the manager, visits the fields, and guides group leaders and the Managing Committee members.

Supervisors (employees of the collective) report directly to the manager of the society. Their duties include reporting day-to-day progress of work and crop condition to the president and manager, providing guidance to group leaders, overseeing the working of groups, distributing inputs (seeds, fertilizers and pesticides) to group leaders under the manager's guidance, and monitoring all agricultural activities of the society.

The functioning of the collective

Groups are responsible for all farming operations in the land allocated to them under the guidance of their group leader. Group leaders may be selected and changed by members of the group at any time, however this has never happened in practice.

For cultivation purposes, tractors are provided by the society. Seeds are procured in bulk by the Managing Committee, and supervisors distribute the seeds to group leaders based on the decision of the Managing Committee. Group leaders take care of the sowing operations on the land allocated to them by distributing the work equally amongst group members.

The crop is then overseen by the supervisors while collective operations like weeding, patrolling, etc. are conducted and planned by the group. Post-harvest operations like harvesting, threshing, or cleaning are conducted by the group collectively and the final produce is handed over to the society.

Farmers have been producing tobacco, Paddy, Wheat, Bajra and Jowar.

Risks and profits are shared equally among the members.

Fodder from crop production is also shared equally. The members themselves do the labour and the produce and profit from cultivation is shared group-wise at the end. Earlier, the society would retain 50 per cent of the crop production and return the remaining 50 per cent to the respective groups. However, during the recent years this ratio has changed and the society is retaining lower quantities of revenue and distributing more among the members. The Society

also maintains a small education and development fund which is replenished after all its expenditures are taken care of. After all these overheads are taken care of the remaining profit is distributed as a bonus.

The revenue is distributed in proportion to the contribution by each group. Each group then collects its bonus for distribution amongst its members. Group leaders maintain records with regards to the labour contribution of each group member, and the revenue share is distributed in proportion to their labour contribution.

Group leaders are paid an incentive of 1.5% and as they are also members, they must contribute to the work evenly and distribute tasks uniformly.

A member contributes labour for 150-180 days per year, and earns about Rs.90,000 per annum (in 2010) along with additional bonus (Sapovadia and Patel 2014). The members are free to work in other employment on the other days, or on their own land, too, for an added income. These farmers have increased their earnings by much more than what they would have learned on an individual basis.

With each member having to fulfil all work conditions laid down by the society and groups, there is no scope for free riding. Group leaders, while working with their groups, continuously monitor the work of members who, in turn, are able to observe the work of one another.

Violation of rules by group members incurs a fine, which is collected by group leaders. The group members are required to report to work at a predetermined time, decided upon and accepted by member consensus. Any delay in reporting to work attracts a fine that is duly collected by the group leader. It is up to the group to decide on how to spend or distribute the fines collected.

Impact

The land holdings of these individual farmers were small and uneconomical, while over 90% of them belonged to backward castes. The income obtained by each member whose labour contribution amounted to only 150-180 days per year was significantly higher compared to what they would have achieved by cultivating individually.

On average, each member received about Rs.90,000 from the average holdings of 1.76 acres per person and labour contribution in 2009-10.

The Society's operations has led to increased incomes and a rise in the standard of living, as well as carried out other social endeavours like the education of members' children and other village development activities such as the construction of schools, roads, provision of drinking water, etc.

d. Deccan Development Society - Women's collective farming in Telangana⁵

One of the best-known and outstanding initiatives of collective farming comes from the support of the Deccan Development Society (DDS) of Telangana in the drought-prone Medak district.

The DDS helped to form poor, low-caste women groups, or sanghams, in order to jointly lease or purchase land through various government credit schemes, and to cultivate the land collectively. The land is usually leased from various landlords for about 3 years, at the end of which new leases could be negotiated. Despite the caste differences of the mostly upper caste landlords and lower caste Dalit sangham members, they have formed an uncustomary business relationship. Most landlords have come to see sangham members as reliable and preferable tenants, and over the years have sought them out to cultivate their unused lands.

The cultivation is done organically and through farm-saved seeds, and the primary aim of the collective is to provide food security to the families of the collective's members and community.

The sangham members contribute a part of the cost for cultivation, and the rest is provided by DDS as interest-free loans. Very poor women who don't have cash can repay their share through labour. All tasks except ploughing are shared, for which tractors are hired.

Once all costs are covered, the harvest is shared equally among the members.

The state government has also supported these women's groups via different loans for land leasing. Some of the women's groups have also purchased land via government loan schemes for low-caste landless women. DDS helps the women to identify the land that they want, and then apply for the government loan or scheme. The land is divided equally among the group members and registered in their individual names.

In 2008, 25 women's groups constituted of 436 women were cultivating 555 acres (= 224 ha) of purchased land in 21 villages.

Most women own very small land—around 1 acre, which they then pool into the sangham in order to cultivate collectively. Usually, women lease the land first to test it before deciding to purchase it. Women contribute only a part of their time to the sangham, and are free to pursue other income endeavours such as wage labour in their remaining time.

Problems like free riding or shirking are solved via peer pressure. Those that don't complete their responsibilities are penalized. As the women live in proximity and know each other, they can tell when shirking is done due to difficult circumstances, or when it is done intentionally. In

⁵ This case study has been based on various papers by Bina Agarwal - (Agarwal 2010a, 2010b)

the case of the former, exceptions can be made and support provided.

The sanghams have created dramatic changes in the lives of their women members. None of these low-caste women could have purchased such land or learnt the production skills on their own. Other gains that women report from group farming include improvement in family diets, health care, and children's education, enhanced respect in the community, and better spousal relations. Women now bargain for higher wages when they need supplementary work, since they have a livelihood choice. Bonded labour and caste indignities are also reported to have declined. Women also say that local government officials give them priority over individual men. Within the home, women report a decline in domestic violence and greater control over their own earnings.

In connection to this program, DDS has also set up an alternative Public Distribution System (PDS), where men and women are supported by sanghams both financially as well as to apply for government loans to cultivate 1-2 acres of fallow land. In return, they are required to give a fixed quantity of grain instead of borrowed money to a public stock managed by the sangham women, who then sell the grain at nominal rates to the poorest households (Deccan Development Society 2016a). The women have support from the state to set up community grain banks to stock this produce. In 1994, the first year of the program itself, more than 2500 acres of fallow land was brought under cultivation. More than 800,000 kilograms of sorghum was produced, which equalled about three million additional meals in the 30 participating villages. The fodder generated from this initiative could support 6000 additional heads of cattle. By 2003, the program extended to 3600 acres (Agarwal 2010b).

This PDS system provides a more diverse and nutritious food basket in comparison to the rice and wheat of the governments PDS system. The community members also created their own criteria to define who would be most eligible to receive food support. Furthermore, it is community-managed, relies on agroecological farming, and provides livelihoods to community members by focusing on fallow land.

The women also have their own DDS sangham markets at the rural level, and have started a



Women's sangams organic brand -
Sangham Organics
Photo credits: Sangham Organics

branch in the city of Zaheerabad, which is the country's first organic market fully run by women (Deccan Development Society 2016b). The women have been selling most of their produce to these markets, and fulfilling their own requirements by purchasing from this market. They also own a mobile van shop to transport the produce to the different urban centers in order to bring their produce to the urban consumers. They station their van in different localities if consumers there show interest. They produce millets, pulses, oils, jaggery and other ready-made mixes for dosas, malts, porridges etc. for sale.

e. The Vasundhara Agri-Horti Producer Company (VAPCOL) - FARMER PRODUCER COMPANY*

VAPCOL was initially set up and promoted by an NGO, the Bharatiya Agro Industries Foundation (BAIF). VAPCOL became a producer company through the merging of various farmer organizations, including cooperative societies, farmers' associations, and SHG federations. VAPCOL began operations in 2008, and within its first year had already generated a turnover of 34 million (3.4 crores) rupees through the sale of mango and cashew products (Trebbin and Hassler 2012). Today, VAPCOL includes thirty-seven member groups from districts in the state of Gujarat, Karnataka, Madhya Pradesh, Maharashtra, and Rajasthan, but is centrally managed from its headquarters in Pune, Maharashtra. It is one of the largest producer companies presently existing in India, and the internal organizational structures are relatively complex.



In Maharashtra for example, there are seven farming clusters composed of a total of 13,848 families in 258 villages as of 2010. The cultivated land totalled 4975 ha (12,294 acres), in which 67% of the families worked on land of around 0.40 ha (1 acre), 31% of the plots had an approximate size of 0.2 ha (0.5 acres), and only 2% of the plots reached 0.61 ha (1.5 acres).

VAPCOL has managed to allow very poor, marginalized families as well as very small farmers, or landless people who would otherwise be ignored as potential business partners to

participate in a marketing enterprise.

VAPCOL mainly markets mango and cashew nuts. In Maharashtra, the cashew produce is collected at the local level and transported to one of the four village-level processing units set up by VAPCOL. The main activities here are the boiling, cutting, peeling, and drying of the cashew nuts. Then, the semi-processed nuts are graded and packaged for sale under VAPCOL's own brand-Vrindavan.

VAPCOL's main goal as a producer company is to establish market linkages between producers and corporate bulk-buyers. They conduct negotiations with buyer organizations centrally, and transfer information on to lower organizational levels.

VAPCOL sells its produce to institutional buyers, like large corporates (e.g. ITC), as well as in the open market to traders. The produce is also consumed at the household level (by family members of the producers). VAPCOL is also able to make many different marketing plans. One advantage of securing bulk sales as a part of its total produce with large institutional buyers at pre-negotiated prices is that this gives farmers the security of an assured market and an escape from fluctuating market prices.

VAPCOL has also introduced vegetable cultivation in kitchen gardens—of tomatoes, radish, bitter gourd, chilli, beans, cucumber, and pumpkins—which has not only improved the nutritional basis of families but also allows them to earn extra income through the sale of excess food in local markets. Agroecological farming methods, which are beneficial to the environment, such as conservation and rainwater-harvesting methods were also introduced in the community farms via regular training and support.

VAPCOL also generated employment opportunities among the community, which hence allowed families to improve their economic situation and, at the same time, reduced labour migration; 42.5% of the participating adult family members had employment through VAPCOL for between 8 and 12 months in the company's first year. Another 38.7% were employed for between 4 and 8 months. Only 6.5% of the participants had no additional employment opportunity during this time period (Trebbin and Hassler 2012). This creation of employment opportunities has led to a considerable reduction of labour migration and has spurred engagement in agricultural activities.

Some Key Lessons that we can draw in order to set up a rural producer's collective from the above cases are:

1. Bottom up collectives rather than top-down ones – We have established that top-down cooperation has run into various problems and it is important to envision bottom up collectives.
2. Keep groups small – Small groups upto 15 is an ideal size for a working unit for collective work.
3. Keep groups socially homogenous –Group members should come from a similar social standing; this prevents elitism and allows members to operate more freely and under similar aims and hopes.
4. Women's groups might be more effective- Experience shows that women's groups tend to work better than men–Both DDS and BRAC in Bangladesh (the group that initiated microcredit), for example, started working with men, but later shifted completely to working with women. There are various hypotheses for this—women are more resource-poor and have more to gain from cooperation, women tend to have social support networks and are used to cooperating with other women, women are better at conflict resolution, among others (Agarwal 2010a).
5. Voluntariness is key- The problem with government and top down initiatives is the pressure on farmers to either join or stay without will, making it draconian. In some initiatives, farmers can join but not leave, stripping them of their land if they chose to leave (Satheesh 2009).
6. Checks and penalties must be established to prevent free riding and shirking, and to ensure that everyone collaborates.
7. There must be joint decision-making on all important decisions, rather than by “experts” or outsiders. Even if experts are hired in management positions, key decisions must be left to the collective.
8. Take advantage of available public policies – All of the case studies presented have taken advantage of various government schemes and programs. For example, NABARD is one key department that groups interested in forming producers collectives can approach. NABARD provides various types of support and trainings to SHGs, FPCs, and others.
9. Role of external actors – External actors like NGOs have played a key role in the initial phases of the most successful collective organizations. They have the expertise in

establishing, organizing, and maintaining operations and are aware of key government programs and schemes. Groups can approach such NGOs in their initial phases. However, caution must be maintained that the ultimate aim is autonomy and not dependence on the NGOs; the NGOs must make a plan of phasing out after the collectives become autonomous.

10. We can see that not all producers' collectives are the same and may not serve the same functions. Some may be more market-oriented while others, especially collectives of the very poor, may be more focused on social advocacy aims like food security and land access. A fine balance needs to be maintained and debates held frequently among the members. A purely market-oriented structure may once again lead to production models that will not necessarily serve other social functions like food security. However, it is also necessary to be market savvy in order for these collectives to be independent, profitable and sustainable.

References

- Administrative Reforms Commission. 2008. Social Capital – A Shared Destiny.
- Agarwal, B. 2010a. Rethinking Agricultural Production Collectivities. *Economic & Political Weekly*, xlv(9), 64–78.
- Agarwal, B. 2010b. Rethinking Agricultural Production Collectivities: The case for a group approach to energize agriculture and empower poor farmers | EABER. No. 305.
- Aji, S. 2016. Neither farmers, nor consumers happy with loss-making Karnataka Cooperative Milk Producers Federation - The Economic Times [online]. *Economic Times*. Available from: <http://economictimes.indiatimes.com/industry/cons-products/food/neither-farmers-nor-consumers-happy-with-loss-making-karnataka-cooperative-milk-producers-federation/articleshow/50606629.cms>.
- Bureau. 2014. Politicisation of GCMMF threatens Amul | Business Line [online]. *The Hindu BusinessLine*. Available from: <http://www.thehindubusinessline.com/economy/agri-business/politicisation-of-gcmmf-threatens-amul/article5549719.ece>.
- Choudhary, K. 1979. Group farming in India, the Gambhira experience. In: *Group farming in Asia : experiences and potentials*. Singapore: Singapore university press.
- Deccan Development Society. 2016a. Community Controlled Public Distribution System: Experiences from Andhra Pradesh [online]. Available from: <http://ddsindia.com/PDF/Community PDS.pdf> [Accessed 2 Nov 2016].
- Deccan Development Society. 2016b. DDS Sangham Organics [online]. Available from: <http://ddsindia.com/pdf/DDS Sangham Organics.pdf> [Accessed 3 Nov 2016].
- Duncan, J. 2013. The White Revolution and reordering of relations among the pastoralists of Gujarat: a case for pastoralist policies. <http://dx.doi.org/10.3362/2046-1887.2013.008>.
- Ebrahim, A. 2000. Agricultural cooperatives in Gujarat, India: Agents of equity or differentiation? *Development in Practice*, 10(2), 178–88.
- Gaikar, V. 2015. An empirical study of co-operatives in India: with reference to the five year plans. *The Business & Management Review*, 5(4), 29–30.
- Geethakutty. n.d. Gaining identity as farmers – A case of women collectives in Kerala | LEISA INDIA [online]. *Leisa India*. Available from: <http://leisaindia.org/articles/gaining-identity-as-farmers/>.
- Hindu. 2012. Kudumbashree programme for woman farmer empowerment | Business Line [online]. *The Hindu Businessline*. Available from: <http://www.thehindubusinessline.com/economy/agri-business/kudumbashree-programme-for-woman-farmer-empowerment/article3573378.ece>.

International Co-operative Alliance. n.d. What is a co-operative? [online]. <http://ica.coop>. Available from: <http://ica.coop/en/what-co-operative>.

Kapoor, S. 2015. Rural Collective Action Organizations in India: Sustainability and Social Impact | Shrey Kapoor - Academia.edu. University of St. Gallen.

Kothari, A. 2014. Very Much on the Map: the Timbaktu Collective.

Kulkarni, V. 2012. Agricultural lands fragment further in five years | Business Line [online]. The Hindu. Available from: <http://www.thehindubusinessline.com/economy/agri-business/agricultural-lands-fragment-further-in-five-years/article4071210.ece>.

Kumar, V., K.G. Wankhede, and H.C. Gena. 2015. Role of Cooperatives in Improving Livelihood of Farmers on Sustainable Basis. American Journal of Educational Research, Vol. 3, 2015, Pages 1258-1266, 3(10), 1258–66.

Malla, M. 2015. Workshop Report Producers Collectives and Livelihoods: Exploring Issues for Research and Policy.

Menon, A. 2016. Kerala's Kudumbashree Programme is Turning Women into Agripreneurs [online]. thebetterindia.com. Available from: <http://www.thebetterindia.com/46685/kudumbashree-kerala-government-guruvayur-pooja-kadali-agriculture/>.

Murray, E. 2008. Producer Company Model : Opportunities for Bank Finance. Cab Calling.

Nilsson, J. 1996. The nature of cooperative values and principles: Transaction cost theoretical explanations. Annals of Public and Cooperative Economics, 67(4), 633–53.

Parthasarathy, A. 2015. A Study On Origin And Growth Of Self Help Groups In India, 14, 250–4.

Planning Commission. 2012. Report of the working group on animal husbandry and dairy. 12th five year plan (2012-2017). New Delhi.

Ramdas, S.R. 2015. Death of Small-Farmer Dairies amidst India's Dairy Boom. Economic & Political Weekly EPW MAy, 9(19).

Sapovadia, V. and A. Patel. 2014. What Works for Workers' Cooperatives? An Empirical Research on Success & Failure of Indian Workers' Cooperatives.

Satheesh, P. 2009. our initiative on Cooperative Farming; request rethinking [online]. ddsindia.com. Available from: www.ddsindia.com [Accessed 3 Nov 2016].

Singh, S. and T. Singh. 2012. Producer companies in India: a study of organisation and performance. Draft report submitted to MoA, Gol. IEG, Delhi.

Sinha, K.N., L.D. Ahuja, and R.C. Pandey. 2012. INDIAN COOPERATIVE MOVEMENT A STATISTICAL PROFILE -2012 Compiled & Designed by.

Srikrupa, R., S. Ramdas, and R. Gopalan. 2016. Small Dairy Farmers Across India are Struggling for their Livelihoods [online]. The Wire. Available from: <http://thewire.in/40436/small-dairy-farmers-across-india-are-struggling-for-their-livelihoods/> [Accessed 28 Jun 2016].

Trebbin, A. and M. Hassler. 2012. Farmers' Producer Companies in India: A New Concept for Collective Action? *Environment and Planning A*, 44(2), 411–27.

Vaidyanathan, a. 2013. Future of Cooperatives in India. *Economic and Political Weekly*, xlviii(18), 30–4

FOCUS ON THE GLOBAL SOUTH

Focus on the Global South

Focus on the Global South is a policy research organisation based in Asia (Thailand, Philippines and India). Focus provides support to social movements and communities in India and the Global South by providing research and analysis on the political economy of globalisation and on the key institutions underlying this process. Focus' goals are the dismantling of oppressive economic and political structures and institutions, the creation of liberating structures and institutions, demilitarization, and the promotion of peace.



Rosa Luxemburg Stiftung (RLS)

The Rosa Luxemburg Stiftung (RLS) is a Germany-based foundation working in South Asia as in other parts of the world on the subjects of critical social analysis and civic education. It promotes a sovereign, socialist, secular and democratic social order, and aims to present alternative approaches to society and decision-makers. Research organisations, groups for self-emancipation and social activists are supported in their initiatives to develop models which have the potential to deliver greater social and economic justice.