



## The Co-operative Organic Agriculture: Success Engine for Green Growth & Sustainability

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### ABSTRACT

*Organic farming system in India is the most modern as well as most ancient method of farming and livelihood security. It is a method of farming system which primarily aimed at cultivating the land and raising crops in such a way, as to keep the soil alive and in good health by use of organic wastes (crop, animal and farm wastes, aquatic wastes) and other biological materials along with beneficial microbes (bio-fertilizers) to release nutrients to crops for increased sustainable production in an eco-friendly pollution free environment. Organic farming avoids use of synthetic inputs, and relies upon crop rotations, crop residues, animal manures, off-farm organic waste, mineral grade rock additives and biological system of nutrient mobilization and plant protection. Organic agriculture is a unique production management system which promotes and enhances agro-ecosystem health, including biodiversity, biological cycles and soil biological activity, and this is accomplished by using on-farm agronomic, biological and mechanical methods in exclusion of all synthetic off-farm inputs.*

**Keywords :** Organic agriculture, Co-operatives, Credit, NABARD, Decentralization, Planning

### Introduction

Seventy two percent (72%) of India's population lives in more than 550,000 villages and is dependent on agriculture based economy. Agricultural co-operatives in India are the backbone of the cooperative system and involved in variety of function and serving the rural masses by providing credit, fertilizers, seeds, agro-Chemicals, agriculture implements and marketing etc. Co-operatives are the best mechanism to address credit, market and supply chain in organic agricultural commodities (Artz & Newman, 1990).

Organic agriculture is mostly popular & practiced by small & marginal farmers so it makes cooperative a double success. The formation of cooperatives has to be with the full involvement of members (Putnam, Markovchick et al, 1996).

### Origin of Agriculture Cooperation

Agriculture co-operation has been in practiced since the Babylonian civilization. However its present form owes its origin to the industrial revolution in Britain in the 19th century (Johnson & Johnson, 1975). Cooperative movement in India started way back in 1905. Till 1939, Agricultural Cooperatives in India were distributing only the credit to the farmers, but is now diversified for production, marketing, distribution etc. The co-operatives were formed to take advantages of economies of scale against exploitation by middlemen and traders and share the benefits "equitably" among the members. Consequently, cooperatives are always found to be engaged in economic activities promoting increase in income and thereby enhancing living standards. All agriculture cooperatives are formed around a common "commodity" or "group of similar commodities" e.g. thrift cooperatives around savings and credit (Asia & Africa), dairy co-operatives around milk (India), oilseeds co-operatives around oilseeds (India), coffee growers cooperatives around coffee (Ethiopia) etc. The principle of formation and management of cooperatives, as the term itself refers, is the promotion of cooperation among members for common good, equitable ownership of the enterprise thus formed and profit distribution in share of the patronage by members (Johnson & Johnson et al, 1984).

### The Need for Formation of Agricultural Co-operatives

Analysis of cooperative formation points out two major rea-

sons for the formation of agricultural co-operatives:

1. Solve market failures and,
2. To address distortions in the supply chain.

Market failures have mainly been in the form of exploitation of individual farmers or producers largely by market intermediaries resulting in remunerative prices not reaching the individual producers. Distortions in supply chain are mainly through market intermediaries who get into a win-win situation for themselves both from the supply of raw material or agricultural inputs to the disposal of the produce. Global studies on agricultural produce markets have revealed that supply chain inefficiencies contribute to as much as 30-50% loss of revenue to the producer. Thus individual producers—typically small and medium farmers who do not have a great deal of negotiation powers due to:

1. Quantum and value of the assets they have,
2. Carrying capacity—both financial and infrastructural,
3. Volume of operations;
4. Lack of market information and
5. Lack of access to formal financing mechanism in absence of collaterals.

This relationship also prevents the individual farmers in seeking alternative market mechanisms because loans against no collaterals also means advance mortgaging their produce to the market intermediaries who discount procurement prices and sale at market prices making high profits.

### Benefits of Organizing into Cooperatives

The co-operatives are formed around a commodity or group of similar commodities, it enables the members to pool their resources and thus take advantages of economy of scale (Slavin, R. 1996). The economy of scale provides benefits at all level of supply chain starting from the procurement of raw material or agricultural inputs to economical warehousing facilities; to leveraging of transportation costs, processing and finally marketing eliminating intermediaries. The other benefits are social in nature as experiences have shown that the cooperative model allow for employment of local youth. Cooperative promotes social cohesion, gradation of societal infrastructure, creation of employment opportunities, updat-

ed market information, quality consciousness, education on power of collective action, common goods etc. Cooperatives also enable their members to leverage finance at softer interest rates and attract international development agencies to even provide grants for societal infrastructure up gradation and investment in other livelihood opportunities.

### Cooperatives Role in Organic Agricultural Credit Disbursement

Cooperatives play a very important role in disbursement of organic agricultural credit. Credit is needed both by the distribution channel as well as by the farmers. The distribution channel needs it to finance the input & fertilizer business and farmers need it for meeting various needs for agricultural production including purchasing fertilizers (Metzke & Berghoff, 1999). The credit needed by the farmers for purchase of fertilizers and other inputs is called 'short term' credit or 'production credit' whereas credit needed by the distribution channel is called 'Distribution Credit'. Cooperatives also play a very important role in disbursement of 'Medium Term' and 'Long Term' credit needed by the farmers for purchasing agricultural equipment's viz tractors, installation of tube wells and land development works etc. India is the seventh-largest country by geographical area, the second-most populous country with over 1.2 billion people, and the most populous democracy in the world. The Indian organic agriculture sector is the fastest growing sector in the world. Following market-based economic reforms in 1991, India has become one of the fastest growing major economies, and is considered a newly industrialized country; however, it continues to face the challenges of poverty, illiteracy, corruption and inadequate public health. Thus the poor and not so well educated have been the worst sufferers whether in villages or in the cities can be incentivizing for the organic farming & organic trading. In India, 78 per cent of the farmers belong to the category of small and marginal farmers. They depend heavily on credit for their agricultural operations. These farmers will not be able to adopt the modern organic agricultural practices unless they are supported by a system which ensures adequate and timely availability of credit on reasonable terms and conditions. National Bank for Agriculture and Rural Development (NABARD) was established in the year 1982 works for progressive institutionalization of the rural credit and ensures that the demands for credit from agriculture including the new and upcoming areas like floriculture, tissue culture, bio-fertilizers, sprinkler irrigation, drip irrigation etc. are met. The public guarantee system (PGS) of organic certifications & production to processing & marketing of organic produce is finding enormous boost from the cooperative & groups.

**Analysis of Success Factors:** The analysis of factors enabling the cooperatives for their success point to two major reasons.

1. Interventions and investment along the supply chain
2. Investment in the societal infrastructure.

### Supply Chain Interventions:

Agricultural commodities by their very nature are dependent on supply chain efficiency. Thus interventions were made along the supply chain. Success has been dependent on the identification of the priority intervention at the level of the supply chain which makes the significant difference followed by other intervention to make best use of limited resources.

The second factor for success has been the tie up of the supply chain functions to leverage cooperative advantage e.g. micro finance, finance, raw material procurement, production and processing technology, quality awareness, and market linkages.

Thirdly, the success achieved was in building the capacity of members on farming practices and relevant organic agricultural practices which not only boosted yields but also created better crop management & husbandry practices.

### Societal Investments:

All the investments made by cooperatives are undertaken after taking into consideration societal mores and practices especially the ones that help strengthen the societal fabric. (Stevens & Slavin 1995) Consequently, the creation of organic farmers schools, processing centers and organic nurseries, organic seed banks employment opportunities contribute to the wealth generation in different forms for the society at large.

### Conclusions:

For Mahatma Gandhi, a free India meant the existence of thousands of self-sufficient small communities who rule themselves without hindering others. Presently this has remained a utopia. The lopsided development process needs to be corrected by taking the education to the village poor and giving them access to the latest in technology, so as to enable them and empower them. Organic agriculture & rural development implies both the economic betterment of people as well as greater social transformation. In order to provide the rural people with better prospects for economic development, increased participation of people in the rural development programmes, decentralization of planning, better enforcement of agriculture & land reforms and greater access to credit are envisaged by the Government of India under its various schemes for rural development. The cooperative development has been associated with the best mechanism to address market and supply chain failures in organic agricultural commodities. The only caveat being that the formation of cooperatives has to be with the full involvement of members. Additionally, relevant tie ups and use of business principles to run and manage cooperatives professionally are important factors of success. Their role has been commendable and helped in making essential inputs availability to the rural masses. These need to be further strengthened.

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