CO-OPERATIVE SECTOR & GLOBALIZATION

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INTRODUCTION

The emergence of information communication technologies seems to change the nature of agricultural cooperatives and their impact on people and nation-states. There are several core assumptions behind cooperatives: voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education training and information, cooperation among cooperatives and concern for the community.

The major purpose for establishing agricultural cooperatives was to free the poor and the indebted farmers from the clutches of the traditional moneylenders who provided credit at exorbitant interest rates. As the process of delivery in their products and services become more complex, a number of agricultural cooperatives, apart from their continuing adherence to the organizing principles of their movement, have leveraged their home markets into the global arena. The strategy consisted of an enabling environment with the critical support of the State, building human resources and developing ICT applications.

There is a regional ICT dimension to the agricultural cooperatives in Asia. Specifically, Japan and South Korea have paved the way. This paper is about examples of economic success and efficiency based on local responsiveness and transfer of learning facilitated by ICT to bring about an overall productivity in the agricultural sector.

National Cooperative Union of India

India has 230 million cooperative members. The cooperative movement in India is one of the oldestin the region and the largest in the world in terms of membership and cooperative institutions. Starting as a credit movement in 1904, it has now branched off into several specialized sectors such as marketing, international trade, agro processing, fertilizer production and supply, production of heavy machinery, housing, consumers and fisheries. Cooperatives cover 100 percent of villages and 73 percent of rural households.

The National Cooperative Union (NCUI) serves as the peak aggregation and has its membership open to national and state level cooperative organizations as well as multi state cooperative societies. Presently, membership stands at 194. In the 1990s, the NCUI created a centralized data base. The data base helped cooperative managers in their decision making. With its applications software, NCUI has established the State level cooperative data banks, developed the training modules for ICT and published studies on primary agricultural cooperatives, marketing cooperatives and consumer cooperatives. Furthermore, the information system is a critical part of NCUI's drive to expand India's agricultural industry leading position such as in sugar and textile cooperatives in a global economy. Some 59 percent of sugar is produced by cooperatives. The focus on data collection towards market information, networking and ICT connectivity produced a wired village project with sugar cooperatives in the Maharashtra State.

For the past several years, the Indian economy has been experiencing a high growth rate. In 2006, the overall domestic product increased 8 percent with the agriculture and allied sector growing at 3.9 percent. There are 14.5 million of people employed by cooperatives. Agricultural cooperatives have contributed significantly to the dynamism of the economy.

Regional and Global Network

The challenges of globalization, rapid technological change, and rise in global activism call for international bodies to seek partnerships, alliances and close working relationships in order to increase their knowledge base and impact on global developments. Of the many partnerships in the cooperative movement, the International Cooperative Alliance (ICA) features prominently. The ICA is an independent non-government association with 220 member organization in 84 countries. As an integrated network, it has joint committee meetings and information exchange with the

The Asia-Pacific Rural and Agricultural Credit Association (APRACA) is an association offinancial intermediaries involved directly in rural finance and institutions working directly for the development of rural finance schemes and banking system in the Asia and Pacific region. Established in 1977, it promotes cooperation and facilitates mutual exchange of information, ideas and expertise in the field of rural finance. The strategies of APRACA include: promotion of financial innovation and sustainable financial services; support to replication of successful rural finance systems and technologies and projects; policy dialogue on financial reforms; continuing emphasis on research and development surveys, training visits, conferences, consultancy and exchange of information and experts; and continuing support to agricultural development.

Global Textile Industry Scenario

Global Textile Market today is worth more than $500 billion and it is still growing every year. Textile and apparel trade represents nearly 6% of total world exports. Textile Trade has exploded eighty-fold during the past forty years, from under $6 billion in 1962 to $453 billion in 2004. The more labor-intensive apparel export sector has grown more rapidly than textile exports. The recent globalization of the textile trade has opened up highly demanding and evolving requirements for outsourcing of textiles. During the last quarter of the previous century, the share of developing countries in world textile exports improved from 15 to 50 per cent.

Textile Agreements Pre & Post MFA

The Trade in Textiles from 1974 – 1994 was controlled under MFA (Multi-Fiber Agreement) through which a particular country is restricted to export its textile products beyond a certain level to European and US markets. It is clear, efforts to liberalize trade and textiles have been tough. The key players from the developed countries took protective measures and made heavy investments in textile, and the result, the developed countries became the most capital-intensive nations within the textile manufacturing segment. At the same time, developing countries were subject to quantitative restrictions, thus keeping a strong hold on textile exports, keeping the edge by optimum textile production. The MFA was terminated with entry into force of the World Trade Organization (WTO) and its Agreement on Textiles and Clothing (ATC) on 1 January 1995.

Competitiveness and the Future

Manufacturers in developed countries are more likely to adapt by relocating operations to production centers in low wage countries. Those who choose nearby locations will also benefit from market proximity and speed of response. Textile manufacturers supplying regional and domestic apparel producers have survived by investing in technology. It allows them to achieve some of the highest productivity in the world. Innovative approach has helped manufacturers to differentiate their products and maintain an edge over competitors. Quota elimination has its flip side as well. It will force down clothing prices further and will also help retail buyers to concentrate upon the most competitive suppliers in terms of cost, quality and productivity.

Indian Textile Industry Scenario

The Indian Textile Industry has an overwhelming presence in the economic life of the country. Apart from providing one of the basic necessities of life, it also plays a pivotal role through its contribution to industrial output, employment generation, and the export earnings of the country.

Currently, it contributes about 14 percent to industrial production, 4 percent to the GDP, and 16 percent to the country's export earnings. It provides direct employment to about 35 million people. The Textile sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the economy of the nation. The Indian textile industry is extremely varied, with the hand-spun and hand woven sector at one end of the spectrum, and the capital intensive, sophisticated mill sector at the other.

Concerns in agriculture

Growth of agriculture decelerated from 3.5% from 1981-82 to 1996-97 to around 2% during 1997- 98 to 2004-05 although there are signs of improvement in recent years (more than 3.5% in the last three years). Yield growth has also declined. Farmers' suicides have continued/increased in some states. Farming is becoming a non-viable activity. There are also other problems. Further scope for increase in net sown area is limited. Land degradation in the form of depletion of soil fertility, erosion and, water logging has increased. There has been decline in the surface irrigation expansion rate and reduction in ground water table.

Policy Challenges

What is the policy challenges achieving these goals? Both supply side and demand side factors important. On supply side, both price and non-price factors are needed to achieve the goals of agriculture. We discuss on 6 aspects on supply side : (a) price factors ; (b) investment in infrastructure; (c) land and water management including land issues; (c) inputs including credit and technology; (d) domestic and international trade reforms; (e) diversification, marketing and rural non-farm sector. Institutions are needed in all these aspects.

Investments and Subsidies

Investment in irrigation and rural infrastructure is important for agricultural growth. It is known that public investment in agriculture is lower than the requirements needed for achieving 4% growth. Subsidies continue to mount, at cost of investment. Public investment declined from 3.4% of agri.GDP in the early 1980s to 1.9% in 2001-03. At the same time subsidies increased from 2.9% to 7.4%. Right now public and private investment is 12% agri. GDP. Estimates show that 16% of investment (both public and private) are needed to get 4% growth in agriculture. Subsidies are crowding out productive investment in rural infrastructure including irrigation and research and extension, roads, markets and communications. Apart from the resource problem, main problem with subsidies is its adverse affect on environment. Subsidies led to highly wasteful use of canal water, ecological degradation from water logging, salinity, pollution, over drawl of ground water

Land and Water Management (including land issues)

The decline in productivity growth is attributed, *inter alia*, to deterioration in soil quality and water shortages including ground water depletion. Therefore, land and water management should be given number one priority. Both investment and efficiency in use of water are needed. Investment in irrigation, watershed development and, water conservation by the community are needed under water management. Water use efficiency and Participatory irrigation management are important to have adequate returns to major & medium projects.

Land Issues: Diverting land to SEZs, Tenancy reforms, land rights to tribals and women are someof the issues on land. On land market, the Report of the Steering Committee recommended the following. "Small farmers should be assisted to buy land through the provision of institutional credit, on a long term basis, at a low rate of interest and by reducing stamp duty. At the same time, they should be enabled to enlarge their operational holdings by liberalizing the land lease market. The two major elements of such a reform are: security of tenure for tenants during the period of contract; and the right of the land owner to resume land after the period of contract is over" (Planning Commission, 2007a). Basically, we have to ensure land leasing, create conditions including credit, whereby the poor can access land from those who wish to leave agriculture.

Agricultural Credit

Farm credit has expanded very significantly in recent years but its outreach has not. The number of credit accounts is declining, particularly small accounts. Promoting financial inclusion is greater priority than the more popular demand for lower interest rates and debt waivers. Failure of co-operatives is the main reason why the system is less inclusive now than earlier.

Technology

Serious technology fatigue in all areas especially genetic productivity potential, natural resources management and efficient utilization of inputs. 11th Five Year Plan indicates yield gaps for several crops in many states. Therefore, focus has to be on enhancing genetic productivity potential, improving the inherent capacity of crops to go with stress of pests, conserve natural resources; and create conditions for value addition

Diversification

Consumption patterns are changing fast from cereals to non-cereals, meat, poultry, fish etc. Diversification to high value crops is a great opportunity for small farmers to increase income and

employment. However, the policy support is still geared to cereal crops. Punjab farmers prefer rice and wheat because risk is very low. Being perishable in nature, diversification needs a fast moving infra. and institutions and reduce risk. Business models are needed to the fast changing demand. Mostof the employment is in unorganised sector. Share of organised sector has to be raised.

Marketing

For small and marginal farmers, marketing of their products is main problem apart from credit and extension. The contract farming arrangements are particularly useful in where small-scale agriculture is widespread. The small and marginal farmers have problems in getting inputs, credit, extension and marketing. The services provided by the contract farming companies would thus be useful for small-scale agriculture. In recent years, there has been some form of contract arrangements in several agricultural crops such as tomatoes, potatoes, chilies, gherkin, baby corn, rose, onions, cotton, wheat, basmati rice, groundnut, flowers, and medicinal plants. The contract farming arrangements have to be strengthened in order to help the small farmers. There is a silent revolution in institutions regarding non-cereals. New production –market linkages in the food supply chain are: spot or open market transactions, agricultural co-operatives and contract farming, futures markets.

Domestic Reforms

Government over regulation of domestic trade, agro processing, enterprise size, and land and credit market discourage private investment.16 states have amended APMC Act that restricts marketing to govt. run market yards. However, none of the states have established the rules necessary for new marketing regime. Similarly contract farming. Effective mechanism has to be there to allow the contracts to function for benefiting small farm.

Institutions

Basically, there is a need for improvement in institutions for sustainable agriculture Institutions for land and water management, Institutions for input supplies (credit, seeds etc.), Institutions for marketing, decentralization to local councils are needed. In 11th Plan district planning is advocated

Rural non-farm Sector

Poverty cannot be removed with 55% of workers in agriculture. Thus, agriculture growth alone is not enough. Things have to be done outside to help agriculture. There is a need for promoting rural non-farm sector in the form of agro processing and rural services for shifting the agricultural population. Agro processing is low in India. 2% is only processed compared to more than 50% in

East Asia. Half of those engaged in agriculture are still illiterate and just 5% have completed higher secondary education. Even in 2004-05, around 60% of rural male workers and 85% of rural female workers are either illiterate or have been educated up to primary level. In other words, education and skills are constraints. India can learn from China on rural manufacturing. India leap fogged from agriculture to services.

CONCLUSIONS

There are many policy challenges for Indian agriculture. Small farmers are certainly going to remain in India in the next decade or more. The main challenges are moving towards high value agriculture by maintaining food security and promote rural non-farm sector for reducing poverty and hunger. There are six Deficits: investment, credit and Infrastructure deficit, research and extension (technology) deficit, market deficit, diversification deficit, institutions deficit, education/skill deficit. Both supply side and demand side are important. Small farmers can respond and benefit from the challenges under Right policy environment. Group approach is needed for inputs and marketing

Agricultural cooperatives in Asia have adopted a long term view of change and transformation. There is evidence that the application of ICT pays off. Simply put, those cooperative leaders who reflect and think about the future, and act about those reflections will be more successful than those who do not. With the global environment rapidly evolving, agricultural cooperatives must introduce new products and services, enter new markets and launch new marketing strategies incorporating the cutting edge of innovation and technology. Clearly, the scale and power of agricultural cooperatives depend on their structural features that shape and constrain ICT initiatives to continue to exert a powerful influence in the coming years. The combination of using multiple forms of communication to deliver the messages of cooperatives in terms of goals, direction and strategy as social enterprises will ensure visibility to government and the wider public. The effectiveness and sustainability of the cooperative movement is based on the clarity of purpose and the credibility of its leaders, combined with consistency and strategic involvement. Although each nation state has unique people issues to address the context and business environment of agricultural cooperatives, productivity is typically driven by a combination of leadership and technology as proven by the Japanese and the South Korean movement.

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