

## Chapter - II

### *History of Dairy Co-operative In India*

Dairying has been a part and parcel of Indian culture and civilisation from ancient times and remains so even today. Our ancestors had recognised the importance of cattle in economic well-being of the people. They, therefore, elevated the cow to the level of mother and incorporated the protection of cow as an integral part of their religion and culture<sup>1</sup>. This sentiment continues to be shared by the Indian masses even today. Portrayal of 'Kamadhenu' as a cow indicates the importance Indian sages attached to the cattle. Reverence for the cow, the use of milk and milk-products in religious rites, rituals and festivals are important parts of our life since times immemorial<sup>2</sup>. Moreover, it is universally recognised that

in our country dairying is next only to agriculture in importance as a source of income to the rural folks<sup>3</sup>.

HISTORY OF THE ENACTMENT OF CO-OPERATIVE SOCIETIES ACT :

In 1875, there were agitations organised by the farmers in the Deccan. After a Government enquiry, it was found that the cause of these agitations was poverty and farmers' debts. The Commission recommended action to reduce the burden of debts<sup>4</sup>.

In 1882, Sir William Bedburn recommended that agricultural bank cash-credit facilities be provided to the farmers to reduce their dependence on money-lenders. But his recommendation was not approved. In 1883, the Land Reform Cash-Credit Act was drafted. Under this act, farmers were given loans on the surety of their land. The land labourers were not benefited by this Act. The Madras State Government was the first to implement the co-operative system with a view to solve the economic problems of the farmers<sup>5</sup>.

On the basis of recommendation of Sri Fredric Nicholson Institutions were established on the lines of 'European Bank' having joint and unlimited liability, restricted area of operation, allocation of certain portion of profit to a indivisible reserve funds,

limitation of loans to members, the issue of loans on personal security and administration of societies by honorary office bearers<sup>6</sup>.

Registration of the societies at that time was done under the companies Act 1882 or Societies Registration Act 1860. Indian Famine Commission (1880) recommended the necessity of the agricultural Bank on the line of the Mutual Credit Association in Europe. In 1901 the then Viceroy, Lord Curzon took a decision and a committee was formed under the Chairmanship of Sir Edward Low to study the existing pioneer societies and to suggest a better line. Mr. Nicholson was also a member of that Committee. On the recommendation of this committee, Co-operative Credit Societies Act was passed in 1904<sup>7</sup>.

The Co-operative Credit Societies Act of 1904 the first one in India had such features as simplicity and elasticity, classification of societies as rural and urban, unlimited liability for rural societies, (Urban Societies can give credit to members on personal security of landed property) exemption from stamp registration, wide powers for the Registrar of Co-operative Societies<sup>8</sup>.

On the basis of this Act various Provincial Government appointed Registrars to initiate expansion of co-operative ideologies specially to the rural people for starting the Co-operative Credit Societies<sup>9</sup>.

Subsequently, through amendments the Co-operative Societies Act of 1912 came into being with the objective to promote the Co-operative Societies for the promotion of thrift and self-help amongst the agriculturists, artisans and persons of limited means. The new Act (1912) contained the provisions for the registration of all types of societies and provided that all the Societies had to declare dividend on shares after creating a reserve of 25% of the net profit and a portion of the profit had to be expended for educational and charitable purposes.

The effect of the new Act was that there was increase in the number of the societies, its membership and in working capital. To examine the growth of Co-operative movement and to suggest the financial implication in it, Government appointed "Maclagan Committee" which published its reports in 1915. It made the classification of the Co-operative Societies into four categories : (1) Primary Societies, meant for individuals, (2) Union Federation of Societies for supervision having no banking business, (3) Central Bank Federal Institutions which were doing banking business and (4) Provincial Bank meant to lead the Central Banks.

After the World War-I (1918-19), provincial Co-operative Societies Act was passed in Bombay in 1925 followed by Madras and Bihar in 1932 and 1935 respectively. During

this period Cooperative Societies Act had been passed by the several provincial governments<sup>10</sup>.

The period from 1938-45 saw another Great War. In that period the development of Co-operative Societies took place considerably and many consumer Societies like Milk Supply Societies, Cane Growers Societies, Fruit Growers' Societies and Weavers' Societies etc. were organised.

In 1945, the Government of India appointed a twelve man Committee which recommended (1946) for more financial assistance to different types of Co-operative Societies and more involvement of the village people in the Co-operative movement; and stressed that Co-operative movement should be spread over in different types of activities, viz. marketing, processing, insurance, housing, animal husbandry and in different types of factories<sup>11</sup>.

Subsequently, the Acts were reviewed by the Committee on Co-operative law appointed by the Government of India in 1956. A model bill was prepared. On the basis of this model eleven State Governments passed Co-operative Societies Act<sup>12</sup>.

In the several Five Year Plans emphasis was laid on the successful development of the Co-operative Sector.

Table 2.1

## Development of the Cooperative Sector in India

Particulars	1950-51	1955-56	1960-61	1965-66	1968-69	1970-71	1971-72	1972-73
No. of societies (Lakhs)	1.8	2.4	3.3	3.3	3.3	3.2	3.2	3.3
Membership of Primary Societies (Lakhs)	137	176	342	500	585	591	614	678
Share capital (In crores)	45	77	222	405	663	851	994	1051
Working capital (Rs. in crores)	276	409	1312	2794	4473	6810	7695	8575

Source : Indian Economics (A Development Oriented Study)  
By Kewel Krishna Dewett and J.D. Varma.

It could be seen that between 1950-51 and 1972-73, the membership of Primary Societies increased more than four times, whereas the share capital increased more than 23 times and the working capital by more than 31 times (Table 2.1).

On the whole, the period from 1912 to 1935 proved to be one of advancement in the field of Co-operation side by side with livestock and dairy development. The Indian Co-operative societies Act of 1912 enabled the co-operatives to be divided into credit and non credit types and again as urban or rural in character. Co-operative Banks started under the style of Urban Credit Societies at district level Central Banks. These Banking institutions have contributed greatly to the promotion of Co-operative dairying. As a subsequent stage co-operatives have been classified into 'unlimited liability' and 'Limited Liability' societies. Dairy co-operatives organised and registered with the objectives of cattle breeding and milk production and supply were classified as non-credit societies with limited liability to safe-guard the interest of the share-holders<sup>13</sup>.

#### DEVELOPMENT OF DAIRY CO-OPERATIVE IN PREINDEPENDENCE PERIOD :

In 1919, an organised dairy enterprise was registered at Calcutta. And, it was in the Co-operative sector. It

was a pioneer venture in this line not only in the eastern region but also in all the regions. Behind its formation, there were the blessings and keen desires of a great National Leader Deshbandhu Chittaranjan Das<sup>14</sup>.

Milk trade in Calcutta was then, controlled by two agencies viz. (1) Big "Khatalwallas" who were primarily traders in milch cows and buffaloes; (2) Traditional milk-men of the villages who were not many in number. But the combined total volume, though very large, was quite inadequate for the total requirements of the institutional or individual consumers of the city. Naturally, the milk trade came to be controlled by some corrupt men, and adulteration of milk became the order.

Deshbandhu observed that milk supplied by such traders to the cities open market and to the hospital attached to the Medical College (run by the 'National Education Board', set up by the then National Leaders of Bengal in protest against the education system and discriminatory treatment meted out to the Indian Patients at Government hospitals run by the British Government) was not at all safe for patients or children. With the hope of putting an end to the business of corrupt milk-traders Deshbandhu took the initiative to organise Dairy Cooperative Society in Calcutta.

In the villages one or two cows used to be kept at each household mainly for the purpose of agriculture. Production of milk by these cows was not so much that their owners could make good business with it.

Deshbandhu proposed that small quantities of milk produced at each village home, were to be collected by the co-operative organisation to meet the demands of the hospital of the National Education Board, the maternity Homes of Calcutta Corporation and also of the low-income group people of the city.

On this back-ground, primary Milk Producers' Co-operative Societies were organised with farmers of the villages of 24 Parganas, Howrah, Nadia, Hooghly, Burdwan, Midnapore, Khulna and Jessore districts as its members. These districts were situated within a reasonable distance from Calcutta and were connected with the city by road and rails. Milk Union was organised by the Federal unit of those primaries. The Union appointed a Manager at every Primary Milk Producers' Co-operative Society for collecting milk from individual society members and for delivering of milk so collected to the milk Union through the visiting milk collectors. The Union paid commission on the basis of quantity of milk supplied to the Managers of Primary Milk Producers' Co-operative Societies.

The Union took initiative to pasteurise and also of tonning milk to the required standard as well as of proper canning and bottling the milk under hygenic condition. The Union opened retail outlets at the Municipal and other private markets of the city. Thus, scientific handling of milk and milk products was first initiated at this city of Calcutta during the early "twenties" of this century<sup>15</sup>.

With the passage of time, more and more farmers became interested in joining village primary Co-operative societies to sell their small quantities of milk. Collection of milk by the Unions gradually increased to nearly 180 Mds. through 140 primary milk co-operative societies<sup>16</sup>.

After partition of Bengal the area of operation of the Milk Union was bifurcated into two parts, viz. India and Pakistan. The instant impact over the union was that, its daily collection fell down to about 40-50 Mds. a day and the liability was of Rs. 94,617/-<sup>17</sup>. A large number of primary milk cooperative societies were rendered dormant. The Union had to depend on the Managers of the remaining primary societies for maintaining the then existing milk market. The Managers took opportunity to seize upon the Union's discomfoting predicament. They began to dictate terms and conditions to the Union, and insisted upon induction of their chosen candidates to the staff of the Union. The candidates were neither qualified nor skilled.

Thus, the entire administration of the Union was virtually overtaken by the corrupt Managers. They did not however, succeed to increase supplies of milk from the villages by any appreciable volume. Quality control of milk began to lose ground. Good customers, also, by and by, turned about. Several attempts had been made by the West Bengal Govt. to revive, the Union as an active Union but to no effect.

Calcutta Co-operative Milk Union was born too early for our country, and had passed away, making no mark in the history of Indian Dairying.

FRAMING OF BYE LAWS OF PRIMARY COOPERATIVE MILK SOCIETIES AND COOPERATIVE MILK SUPPLY UNIONS :

With the change in outlook consistent with dairying co-operators started framing 'Bye-laws' for various types of co-operatives, which included milk societies, milk supply Union, cattle breeding societies etc. The co-operative in Madras province received technical advice and guidance from William Smith, Imperial Dairy Expert in framing suitable bye-laws. The Imperial Dairy Expert had also organised and conducted short course training at the Imperial Institute of Animal Husbandry and Dairying Bangalore (Present NDRI) to educate the co-operative personnel.

"The provincial government of Madras decided that urban milk supply to Madras city and other district headquarters should be organised and handled by Co-operative milk supply Unions; serving as marketing organisations for the primary producers. The milk producers in rural and urban areas are to be organised into Primary Co-operative Milk Producers' Societies and get affiliated to a Milk Union.

The Model Bye-Laws, drawn for the Primary Co-operative Milk Societies and Co-operative Milk Supply Unions, were primarily based on the Indian Co-operative Societies Act of 1912, as amended in 1932. These Model Bye-laws have served as guide lines for the formulation of Bye-laws in other provinces"<sup>18</sup>.

MODEL BYE LAWS :

PRIMARY SOCIETIES :

The model bye-laws contained specific guide lines/provisions for both the primary societies and the milk union : (1) Provision of common milk yards/sheds for animals; (ii) use of sanitary milking pails; (iii) correct weighment of milk using proper spring balances and stamped measures to ensure equitable payment for milk;

(iv) introduction of fat test using certified apparatus; efficient cleaning and sterilization of milk utensils, maintenance of necessary account books; (v) provision of veterinary aid and service; (vi) maintenance of approved bulls for breeding; (vii) supply of balanced cattle feeds at reasonable cost; (viii) arrangement of credit to the member producers for purchase of animals and undertaking of distribution milk in the absence of the Union<sup>19</sup>.

COOPERATIVE MILK UNION :

(i) Undertaking all the above functions of a society where primary societies do not exist; (ii) installation of plant and machinery for processing milk and manufacture of products; (iii) marketing of milk and milk products procured from the primary societies and member producers; (iv) supply of cattle feeds and other requisites to primary societies; (v) maintenance of grazing lands and breeding bulls for the benefit of the member producers; (vi) arrangements for salvage of dry animals; (vii) raising cattle mortality fund to cover the risk of members in the purchase of animals; (viii) undertaking field publicity and extension work to promote hygienic milk production and (ix) other improved practices and maintenance of proper records<sup>20</sup>.

DEVELOPMENT OF DAIRY CO-OPERATIVE IN POST INDEPENDENCE PERIOD :

MILK COLONY :

After independence the attention of the Government was first drawn by the consumers in big cities to an adequate supply of cheap, hygienic and unadulterated milk. During 50 's the Government started organising milk marketing infrastructure in big cities by establishing city milk supply schemes. Some foreign companies were permitted to manufacture milk products like baby foods, condensed milk, malted milk etc. Moreover, steps were taken to shift the city kept cattle to the areas outside the cities and thus to form cattle colonies like those at Aarey in Bombay, Haringhata in Calcutta and Madhavaram in Madras<sup>21</sup>. But these schemes proved to be very expensive establishments for milk production and they failed to prevent the widening gap between supply and demand for milk in the urban centres.

To increase the supply of milk in Bombay an experiment was made by the Government. Government imported, Skim milk powder and mixed it with the locally produced milk to make 'Toned Milk', which contains less fat than whole milk, but which has the same quantity of non-fat solids. This toned milk was cheaper as well as more nutritious than the whole-milk. But this could not be

the permanent solution because of scarcity of foreign exchange and increasing price of Skim milk powder in the world markets. This also delayed initiatives on other programmes for stimulating local milk production.

KEY VILLAGE SCHEME :

During First Five Year Plan (1951-52 to 1955-56) One hundred fortysix Key village blocks were set up in different States, each with 2000 breedable cows and buffaloes for improving productivity of milch animals and technical inputs viz., artificial insemination work, health coverage etc. The schemes could achieve only a limited success because of the lack of market facility for the increased milk production.

INTENSIVE CATTLE DEVELOPMENT PROJECT :

It was realised that the production of milk could not be increased without an integrated programme of technical inputs and an efficient milk marketing system. For this reason about 40 Intensive Cattle Development Projects (ICDP) in the milk sheds of existing milk plant were set up in mid 60s. The Projects took up the integrated package of inputs for cattle improvement viz. breeding,

health cover, feeding extension and marketing. Each project had 1,00,000 breedable cows and buffaloes. Many semen collection centres and artificial insemination centres were also established.

But the situation did not improve much due to lack of co-ordination between the procuring agency and the technical inputs services agency. The personnel in most Intensive Cattle Development Projects (ICDP) were accountable neither to the producers nor to the consumers and had no sense of purpose of commitment. In addition to this, lack of safe-guards against the exploitation of the producers by "gowalla" (local milk man) or other middlemen who were the procurement agents in most of the milk plants could not be stopped. And the main beneficiaries of the projects were no other than the middlemen.

#### THE EMERGENCE OF ANAND MODEL :

The milk producers in the Kaira district of Gujrat had revolted against the exploitation by middlemen just before Independence. They organised Milk Producers' Co-operative Societies in the village level for the marketing of milk produced by them and also for improving the productivity of the cow applying technical inputs programme viz. artificial insemination, health cover,

extension service etc. One dairy plant had also been established to manufacture milk products from surplus milk. And the milk processing facilities were expanded time to time as the organisation and strength of co-operatives went up.

This organisational set up has proved most successful in increasing milk production as well as improving the socio-economic status of the milk producers. This system known as the "ANAND MODEL", has been adopted by the government of India as the proper one for dairy development work throughout the country (Annexure I).

#### MILK CO-OPERATIVES IN MADRAS :

The Madras City Co-Operative Milk Supply Union Ltd., Madras was the first to install a Pasteuriser plant with a bottling unit to market pasteurised milk, both in cans and bottles in Madras. For installation of this plant, it received the help of Dairy Institute, Bangalore. During ~~fourth~~ Five Year Plan periods, modern dairies with pasteurization plant had been installed in 5 places, viz. Coimbatore, Madurai, Madras, Trichirapally and Tanjore. In 1970-71, Madras had 23 Co-operative milk unions with 9,524 members and 2,566 Primary Co-operative Milk Societies consisting of 2,83,575 members<sup>22</sup>.

### MILK CO-OPERATIVES IN UTTARPRADESH :

With the impetus given under the Grow More Food Campaign, Co-operative milk supply unions were organised and started in Lucknow, Allahabad, Kanpur and Varanasi,

The Imperial Dairy Departments gave the necessary technical advice and guidance to these Co-operatives. Their objectives and functions were similar to those of the dairy cooperatives in Madras. But unlike the Madras Milk Cooperatives which had common milking yards, they adopted the system of centralized collection of milk at rural centres<sup>23</sup>.

### MILK CO-OPERATIVES IN GUJRAT :

Co-operative dairying has developed very rapidly in Gujrat ever since the days of independence. The first co-operative Milk Union in Gujrat was setup in 1946, and in the 1970-71, Gujrat State had 11 Co-operative Milk Union with 3,079 members and 1,736 Primary producers' societies with 3.3 lakh members<sup>24</sup>. Of the several Co-operative Milk Unions the top most were the following :

1) Kaira Co-operative Milk Producers' Union Limited :

This union started functioning in June, 1948, with two villages producing just 250 litres of milk a day. By 1970-71 the union had 706 affiliated societies with 1,80,000 farmer members. The quantity of milk collected during 1969-70 was 1,24,000 tonnes and the farmers were paid Rs. 19.39 crores. The average daily collection of milk was about 3.40 lakh litres and in the flush season it was a little over 4 lakh litres.

During 1970-71 the amount of milk supplied by Amul every day to Bombay milk Scheme was 2 lakh litres and to Anand and neighbouring towns about 50,000 litres. The balance was converted into various milk products. The total turnover was Rs. 28.0 crores<sup>25</sup>.

ii) Mehsana District Co-operative Milk Producers' Union Limited :

The Mehsana Co-operative Milk Union Limited established the 'Didsagar Dairy' in 1960-61 with 11 primary producers' societies and an annual collection of 2.2 lakh litres of milk. By 1971-72 it had 370 affiliated producers' societies and the annual milk collection came to 630 lakh litres. After distribution of 20,000 litres per day to Ahmedabad Municipal Corporation Dairy, the rest was converted into various milk products<sup>26</sup>.

MILK CO-OPERATIVES IN MAHARASTRA STATE :

With the advent of the greater Bombay milk scheme, milk Co-operative have come into existence in Maharashtra. In 1970-71 there were 45 co-operative milk unions with 9,396 members; and 2,021 primary co-operative milk societies with 1,26,320 members in this State<sup>27</sup>. The Dhulia Co-operative Milk Producers' Union Ltd., Dhulia, had set up a modern dairy plant which could pasteurise with 20,000 litres of milk per day. This Union had introduced centralized milking, at all centres of milk collection. This system was being extended to other co-operative milk unions in the State.

The following Statement indicates the overall development in co-operative dairying during the first 18 years after independence of India.

TABLE 2.2  
Primary Co-operative Milk Societies

Year	Number	Membership	Value Rs. in crores
1953-54	1354	1,17,510	3.0
1961-62	3728	2,75,953	9.6
1969-70	10831	9,18,889	40.5
1970-71	11909	10,23,330	49.3

Source : Compiled from Reserve Bank of India Bulletines.

TABLE 2.3  
Co-operative Milk Unions

Year	Number	Membership	Value Rs. in crores
1953-54	56	5,589	2.0
1961-62	96	16,715	6.4
1969-70	144	29,171	46.1
1970-71	150	31,659	58.8

Source : Compiled from Reserve Bank of India  
Bulletines

WEST BENGAL :

In Bengal during pre-independence period, Dairy Co-operatives were limited in Calcutta area only. In the post-independence period the dairy Co-operatives were practically nil and its existence could be felt during the **fourth** five year, period (1970-75) with the establishment of HIMUL in Darjeeling district.

SUMMARY :

The Co-operative movement started in India in the last decade of the 19th Century with two objects in view, i.e. to protect the farmers from the hands of the private money lenders and to improve their economic condition. Madras province was the birth-place of this movement. With the setting up of Agricultural Co-operative Banks there the movement took root in our Land and slowly gained strength. However, the growth of co-operative movement in India during British rule was a very slow and haphazard one. In most of the cases, the provincial governments took the lead. The foreign ruler had only made some committees or framed a few rules and regulations. But they did not take any wide-ranging programme to spread the movement all over the country. In spite of this official indifference, co-operative organisations had been formed at that time. Banking society, consumers' society, fruit growers' society, milk supply society, cane growers' society and the like came into being in dependent India.

The golden era of co-operative movement began after India won freedom. Within two decades of independence the membership of primary societies had increased four times while the share capital and working capital increased 23 and 31 times respectively.

The history of Dairy Development Movement in India is a new one. During the pre-independence period this movement was limited to a few pockets of Calcutta, Madras, Bangalore and Gujrat. The most notable of this venture was Kaira District Co-operative Milk Producers' Union Limited of Anand, Gujrat. But after independence the national Government took great initiative in setting up new Dairy Co-operatives in many parts of the country. The National Dairy Development Board was set up to make the ambitious project a success. Besides this the Operation Flood Project was taken up to balance the demand and supply of milk throughout the country and to help the rural people in making additional income.

## Notes & Reference

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2. Dr. Jagjit Sing Punjrath, "Reaching Milk to the City consumers". 'Dairying in Eastern India - 1980' Calcutta : Published by Indian Dairy Association (East Zone), 1980, p.58.
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4. History of Co-operative Legislation in India (Study note). National Dairy Research Institute, Kalyani, West Bengal, p.1.

5. Ibid., p.1.
6. Prof. K.R.Kulkarni, Theory & Practice of Co-operative in India and Abroad, Vol.III. Bombay : Bombay Co-operatives' Book Depot, 1958, pp.5 & 6.
7. History of Co-Operative Legislation in India. Op.Cit, p.1.
8. Ibid., p.1.
9. "During 1906-07 the number of societies were 843 with memberships of 90.8 the thousands and a working capital of Rs. 32.71 lakhs and these figures increased to 17,327 numbers, 824.4 thousands and Rs. 896.6 lakhs respectively at the end of the year 1914-15". Prof. K.R.Kulkarni, op.cit., pp.7 & 8.
10. "For example, the Mysore Co-operative Societies Act, 1918 as amended upto 1927, Hyderabad Co-operative Societies Act of 1923, The Gwalior Co-operative Societies Act of 1934 and the West Bengal Co-operative societies Act of 1940 respectively. Ibid., p.13.
11. Ibid., p.41.
12. "The Mysore Co-operative Societies Act, of 1959 (as amended in 1964).  
The Maharashtra State Co-operative Societies Act of 1960;  
The Jammu and Kashmir Co-operative Societies Act of 1960;  
The Madhya Pradesh Co-operative Societies Act of 1960;

The Punjab Co-operative Societies Act of 1961;  
 The Gujrat Co-operative Societies Act of 1961;  
 The Madras Co-operative Societies Act of 1961;  
 The Orissa Co-operative Societies Act of 1962;  
 The Andhra Pradesh Co-operative Societies Act of  
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The Rajasthan Co-operative Societies Act of 1965;  
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13. R.Gopalan, Dairy Co-operatives in India (Study note),  
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20. R.Gopalan, op.cit., p.3.
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22. R.Gopalan, op.cit., p.3.
23. Ibid., p.3.

24. Ibid., p.4.

25. Ibid., p.4.

26. Ibid., p.4.