

From Darkness To A New Dawn: Journey Of Rural Women - A Case Study On Mulukanoor Women's Mutually Aided Milk Producers' Cooperative Union Limited

*M. Rajanikanth

ORIGIN

Mulukanoor¹ is a village located in *Karimnagar* District of Andhra Pradesh, a south Indian State, which is 30 km away from another district's Headquarter- *Warangal*. Mulukanoor Cooperative society, a primary agriculture society, was established in that village in the year 1957, and is Asia's second largest multipurpose cooperative society. It had given inspiration for the formation of Cooperative Development Foundation (CDF) at Hyderabad, the capital of Andhra Pradesh. This CDF has started promoting Thrift cooperatives in Andhra Pradesh. Initially, CDF tried to promote the involvement of women in Thrift cooperatives, but found that the men were resistant to this idea. So it started promoting women-only cooperatives in two districts namely Warangal and Karimnagar. In the year 1999-2000, these Women's Thrift Cooperatives reached new peaks (with savings worth of Rs 21,678,605.)². These savings were growing steadily and recorded more than 97% recovery regularly in these Cooperatives for 10 years. With this movement, the members of these societies began to explore several ways of productive investment of their money, as the interest rates were falling and credit absorption was measured in terms of idle cash available with the societies, which included poultry, hand crafts and meat processing³. Meanwhile, the area suffered from continuous draught, which led the rural producers to look for new options.

The searching for new options prompted the consideration of promoting a women's cooperative milk producers dairy project. CDF took the technical help of National Dairy Development Board (NDDB) and conducted a series of surveys in nearby 72 villages along with MCRB&MS⁴ on the production potential and marketable surplus in the villages and market demand in the nearby cities. The survey results showed that there is a marketable surplus of 14000 liters per day and there is a demand of 30,000 liters per day in Warangal alone. These results motivated CDF to start a new Cooperative Women's Dairy in Mulukanoor area. It has come up with a project of constructing a dairy with a capacity of 25,000 TLPD, which could be extendable to a capacity of 50,000 TLPD. The required financial support was taken from Sahavikasa⁵, an NGO which is working with a primary objective of supporting rural women and men, in the form of loan as support to the women's savings amount. (Only in cooperative sector & cooperative advocacy programs) The Dairy Union was registered on 23rd October 2000, under the MACS⁶ Act. The project work started in 2000, but the project was completed and ready for operations only by 2002. However, the women who ran the Mulukanoor dairy spent the time usefully by building capacities in terms of technical knowledge and leadership orientation. For this training, these women were sent to successful Cooperative Dairies in India and were trained in aspects of management of a dairy. After getting the legal clearances and clearance from the Pollution Control Board and Milk commissioner approvals, the dairy started its production from 17th August 2002. In the first year itself, the Dairy earned profits, beating all the projections made before its operations, and earned a good name (quality wise) in the market. This brought a new dawn into the lives of the rural women, who became strong economically and socially and their success inspired other women. The policies, procedures, maintenance and management of the Union are explained in the following paragraphs.

VISIBLE GOVERNANCE AND ADMINISTRATION

The membership has grown to 104 societies in 2006-07 against 67 societies in 2002-03. It has grown in individual membership from 8426 to 17033 in the mean time. The share capital has also increased in this time period from

*Associate Professor, Noble PG College, Nadergul, R.R. Dist-501510, Andhra Pradesh. Email: rajanikanthreddym@gmail.com

¹ Mulukanoor is a Village which is in Bheemdevarapally Mandal of Karimnagar District.

² Stuart, Guy. **Embedded Cooperation: Women's Thrift Cooperatives in Andhra Pradesh**. Paper presented at the annual meeting of the American Sociological Association, Atlanta Hilton Hotel, Atlanta, GA, Aug 16, 2003.

³ As explained by Mr. Bhaskar Reddy, the General Manager, Mulukanoor Dairy.

⁴ Shortname for Mulukanoor Co-operative Rural bank and Marketing society.

⁵ Sahavikasa is an NGO known as Cooperative Development Foundation (CDF), in Andhra Pradesh, to promote the women entrepreneurs in income generative activities.

⁶ Mutually Aided Cooperative Societies Act, 1995.

Rs.2, 01,000 to Rs.22, 71,360 and savings have risen to Rs.1, 26, 70,093.25 in 2006-07 from Rs.11, 8,669 in 2003-02. (refer Table1)

The Cooperative dairy is unique in its kind as it is the first completely women driven, managed and governed entity based on community enterprise. Though Amul (Anand Milk-producers Cooperative Union Limited) consists of women only in primary societies, the union is not completely managed by women. The dairy operates in the villages that fall within the 25Km radius around Mulukanoor. Currently; the Union has a membership of 104 societies at the village level, with a membership of 17000 individuals. Every village primary society has a board of 10 members and elects a president. Every cluster of 7 primary co-operatives is represented by one board member in the Union. The Union President is elected by the presidents of the society from amongst themselves. Elections, using the secret ballot method, are held every 4 years, when the office of the president comes to an end.⁷

The union fulfills the following requirements as a registered Co-operative:

1. It ensures that the annual report of performance is shared with all the member societies and members as well.
2. It ensures that the annual report has the complete performance report of each society for the information of its members.

The Mulukanoor Co-operative society is also governed by an interesting set of by-laws:

1. Linking the capital structure to the benefaction of members: The members have to deposit 5% of their milk bill. The milk bill is realized every 15 days. This ensures that their deposits are significant and the investments belong to the members and their stakes in the performance of the co-operative increases.
2. The minimum standard of performance of members is that they should pour at least 180 liters of milk in a year and for 180 days a year. The standard for the primary co-operative members was set at a minimum of 20,000 kilos of milk per year. There are also different standards for the supply of cow milk, buffalo milk, fat content and solid levels in the milk. This is to ensure that only active members who are interested in the performance of the bank should become the members of the union.
3. A local conflict resolution system was set up with a 3-member senior-member committee who resolve all the disputes at the village level.
4. An internal audit system is also setup with at least two members from the management committee, who will audit the accounts periodically to maintain the transparency and accountability.
5. The distribution of the profits, which includes the amount of milk bill, interest received on share capital and developmental deposits and inputs received from cooperatives, is done on the total transactions at the village level primary societies. Whereas in other Unions (Dairies), the payment is done only on the basis of the size of the milk they provided to the society. The method followed by the Mulukanoor dairy is said to be more comprehensive.

SERVICES PROVIDED BY THE UNION

Beyond just the collection and management of milk from the members, the union also helps them in many ways.

1. In the premises of the dairy and around the dairy, the Union grows fodder on 8 acres of land and supplies it to the required members.
2. The fodder seeds are also available for purchase.
3. The union supplies cattle feed to the members through the primary co-operatives.
4. The Union provided milk testers to the primary cooperatives to test the milk and fat levels at the time of procurement itself, thereby reducing the time and improving the quality. The members are paid based on the fat and SNF content in the milk. The payment per liter of milk supplied can be anywhere between Rs.9 and Rs.28 depending on the fat and Solid not Fat (SNF) content.
5. The Dairy Union conducts training for the staff at the primary co-operatives in management, maintenance of accounts and records.
6. They also appoint a trained veterinary helper at each primary cooperative society.
7. The Union has a MOU with a breeding services organization called *India-Zen*, which provides Artificial insemination services to its members. In the year 2008, with the help of *India Zen*, artificial insemination was done for 7,427 cattle.

⁷ Initially, 12 members were elected, and a lottery was drawn. Based on the lottery results, each year, 1/4th of the board of directors resigned and elections for those posts were conducted. And from 2006 each year, elections have been conducted for 1/4th of the seats in a periodic manner.

8. The Union also maintains a stock of medicines and vaccines that are supplied to the Unions.
9. Insurance is also provided to the members under “*Jana Shree Bheema*”. In the year 2006-07, Rs.2,25,000 was paid to the members who passed away.

The 5% compulsory deposit on the milk bills realized by the members increases their stake of patronage and also increases the payments received by them for the transactions made with the society. The deposits have gone up to 126.7 lakhs in 2007 against 11.89 Lakhs in 2002. This in turn ensures an internal drive for efficiency.

SOCIAL IMPLICATIONS

The societies have provided an alternative livelihood and supplementary income to a number of agricultural families that have been adversely affected by the drought. According to the general manager, Mr. Bhaskar Reddy, the co-operative was deliberately made an all-women organization as they believed that the women were thrifty and made productive use of the money they generated. The leaders who initiated the co-operative idea decided that it was the women who could transfer the positive outcome of the co-operative endeavor to fruitful usage and translate it into enhancement of the society. This has hence given the women in the Karimnagar district a freedom and entrepreneurial power that they had not known before. It has also been recognized that, in 80% of the cases, it was the women that took care of the milch cattle and handled the milk producing activities. Moreover, extension into animal husbandry and health care also requires a participation of women who are already engaged in such activities. By using the women who already handled the cattle, the society expected to avoid the loss of information that might happen during knowledge transfer.

In another way, the success of the initiative in coming up with a concept that had not been hitherto trialed in this district, was articulated by Mr. Praveen Reddy, the President of the Rural Co-operative Bank, who has also been a steadfast supporter and promoter of the dairy. In his words, “*The Telengana belt was rubber stamped for its poor quality of milk. Only Coastal Andhra was known to produce good milk. However, our efforts have proved that Telengana can produce good milk and in good quantities. It is only a matter of doing things with dedication and thought. If you provide the necessary infrastructure and facilities, the results come*”.

The facilities and systems that Mr. Reddy implied were the collection of milk twice a day, setting quality standards, quality testing and other facilities provided at the village level societies, the fodder and veterinary care provided. According to Mr. Reddy, the twice a day collection of milk has not only improved the quality of milk, but it has actually increased the production of milk in the district as the milking of the milch cattle was done more regularly. The 15 day bill payment cycle also has added to the incentive for the producers to produce continuously and avail the regular payments.

The union employs staff from within the villages where the milk is procured and trains them over a period of routes for collection/procurement of milk. The milk collection along these routes has increased from approximately 3500-5000 Liters Per day (LPD) to 25000 Liters per day in the past four years. The members in the societies bring their milk to the collection booths twice a day, at 6 in the morning and 6 in the evening. The milk is bought to the booths in stainless steel vessels⁸ and the milk bought by each member is tested for fat content at the moment of delivery. The accumulated milk is then taken by the collection van from each of the societies to the Union where it is taken in for processing immediately. Since the technology used is not very complicated and the union deals only with liquid milk, the number of professionals whose services are sought is also very limited. The total salary in the last financial year 2004-05 was approximately Rs.10lakhs, which works out to less than 0.15paise per liter sold. This only goes towards increasing the money that the producer receives. The system of the union’s operations has been so designed that the producer receives at least Rs.0.7 out of every rupee earned by the Union in the sales of milk. (The union is able to transfer Rs. 0.68 (Yr 2004-05) of every rupee generated through sales to its members)

The operations at the Union can be mainly classified in three parts: the collection/procurement of milk, the processing and storage of milk and milk products and the marketing of products. The administration and extra facilities provided by the Union- these activities are in addition to the processes involved in the actual operations.

COLLECTION/PROCUREMENT

The co-operative has identified 7 routes to reach the villages. Each route is given a milk van which collects the milk

⁸So that milk can be hygienically transported from the villages to the dairy.

These routes were designed in such a manner so as to reduce the time and distance between the villages and Mulukanoor Dairy. (refer Table2)

By keeping procurement within a radius of 25kms from the dairy, the procurement costs have been kept as low as Rs.0.41 as against Rs.0.70 to Rs.1 of other private dairies. Some Dairies like the Karimnagar Co-operative Dairy procures milk from distances as far as 300kms and incur costs to the extent of Rs.3 to Rs.4. The other advantage of collecting milk from closer areas has been the quality of milk, which retains its freshness and taste when processed within a short period of production. The collection time has been stipulated as less than 2.5 hours before chilling and this ensures that the microbial quality of the milk does not deteriorate. The thoughtful process of procurement also ensures that the sourage of milk is less than 1% of total milk and this helps to reduce wastage. One can only wonder whether the existing procurement and processing systems can be enhanced.

PRODUCT PORTFOLIO

The co-operative only concentrates on Liquid Milk (sold in plastic sachets), cream and buttermilk (seasonal: in summer) and curd (a recent entrant) which is sold in small plastic tubs. They also ensure that collection of bills, from the agents, is made on a daily basis and money flows back quickly into the dairy. This working capital cycle of 15 days payables and daily collections can be compared to 2-3 months cycle of other businesses. At the moment, the milk procured to milk marketed ratio stands at 1:1.86 and hence, the market is primarily demand driven rather than supply driven.

The approximate sale of the branded milk “Swa.Kru.Shi” (Swakrushi) is about 45000 liters per day and the additional milk requirement in the dairy is made good by buying the milk from other societies. This milk is then pasteurized, homogenized, chilled and packed in machines in plastic sachets. The milk is sold in 200 ml, 500 ml and 1ltr packet. They also sell packaged curd in plastic tubs. The co-operative is planning a ghee making plant in their future expansion plans (based on consumers’ expressed need for good quality ghee)⁹.

MARKETING

The co-operative only concentrates on mid-sized cities and smaller municipalities in and around Mulukanoor- like Warangal, Siddipet, Karimnagar, Macherial and Godhavarikhani, which according to the Union, provides a strategic advantage. It has chosen to compete in the smaller markets instead of focusing on large markets like Hyderabad, where its volumes would not even be 2% of the market.

Just before the dairy was launched, 500 women from various villages went from house to house in Warangal city, explaining the launch and the efforts taken to set up the dairy. They asked the residents to try the milk for three days, free of cost and continue buying it only if they were satisfied. They managed to obtain 70% retention and this gave the dairy a tremendous boost. There have been several exchange programs since then that have contributed to higher visibility of the co-operative dairy.

The co-operative has a centralized marketing department at Warangal, with a marketing unit in each of the districts in which they sell. The marketing department is responsible for managing the agents or dealers who sell the products. According to the marketing manager, Mr. Krishna Prasad, the dairy follows the policy of providing dealerships only to exclusive agents. They have a network of almost 100 dealers of which 56 of them are in Warangal.

The brand Swakrushi has a market share of 60% in Warangal market alone. The brand is a market leader in the district with the brand Thirumala being the next competitor. According to one dealer in Vidyaranyaपुरi, Warangal, *“The Jersey brand of milk is a strong contender, but has two qualities of milk, of which it provides better quality in towns like Hyderabad and poorer quality in other districts”*.

The dealers are excited about the sales of the brand. According to one exclusive dealer, the brand has managed to become the largest selling brand within a short span of 2 - 3 years. In the two years since its entry, it has garnered a reputation for quality of its products as well as reliability. He adds that the advantage the brand has is the large demand for it. The supply is not able to keep pace with the increasing demand. The dealers are hardly left with any left over stocks as the indenting system is streamlined and they don’t receive any excess stocks. Their estimated stocks based on daily indenting¹⁰ ensures that the stocks move according to actual demand and hence, wastages are avoided.

⁹ Though the production of ghee was started, but its market was not created yet. They want to increase the sales in near future.

¹⁰ The marketing department calls up every agent and records their indent, which is then sent to the dairy. The morning delivery van takes the indent for the evening supply of milk which is sent to the marketing department for records.

On the production side, the dairy has to buy up to 25000 LPD to manage daily demand since the dairy is unable to procure as much milk as it requires from its own societies. The quantity supplied by their member societies is inadequate for the amount of demand that the dairy has generated using a two pronged strategy of the best quality for the least price. While Swakrushi sells for Rs. 18 per litre, Thirumala and Jersey sell for Rs. 19 and 20 respectively. In the Warangal area alone, Swakrushi sells around 25000 LPD of which 5000 LPD is the share of institutional sales. The Co-operative earmarks about 2-3% of their turnover for advertising and marketing, but they use only half the amount in the actual promotion of the brand. As the demand is still in excess of the supply, the brand is sold even with very little promotions. Except for the large scale personal promotion made in the beginning of the marketing efforts, very little active promotion is undertaken. According to the marketing managers¹¹, this is mainly due to the quality of the products.

The marketing department keeps in touch with the market on a daily basis. They collect the indent from the dealers twice a day and forward a copy to the Dairy, which supplies directly to the dealers through their delivery vans. The marketing department hence, is in continuous contact with the agents/dealers and at the same time, they collect data on competitors' activities also. The marketing manager reports that the other dealers also approach them for agency, but they do not oblige them as they follow the policy of exclusive dealerships.

While Swakrushi gives only 25 paise per packet of 200 ml milk and 62paise for 500 ml milk packets as a margin to agents, its competitors pay almost Rs.1.50 per litre. This, according to the managers, provides proof of the strength of the brand which dealers want to sell despite lower margins. According to the Marketing managers, the Brand is being recommended by doctors since its nutritional content is excellent. This adds credibility to the claims made by the Dairy about the quality of Swakrushi Brand Milk.

The Mulukanoor Union is also facing some problems which are common to the other cooperative societies. The members and the employees at the primary society level are not quite supportive to the Union¹². Improper recording of milk amount, fat and SNF contents of the milk, non recording, and improper maintenance of accounts were identified during the auditing. The Union has now started taking actions against those members and employees so as to avoid the future problems. The services provided by the Union are not properly utilized by the members, especially the fodder and medicines supplied by the Union. It was also identified that the milk procured in some primary societies is not up to the mark in Quality.

The main complaints from agents and consumers are regarding the leakage of packets and curdling of milk, which in their opinion, occurs occasionally. When encountered with such problems, the marketing department is unable to replace the packets of milk as the co-operative does not have the policy of replacement. At the Dairy end, they are unable to provide the facility of replacement as the supply is always less than the demand. However, the marketing department allows the dealer's one liter of milk for every 100LPD sold. The dealers also complain that the complaint handling at the dairy is a very long and complicated process.

When these problems were put forward in front of the President Mrs. V.Vijaya, she responded positively. *"The success of any cooperative lies in its members. The ethics, the values, the culture they maintained are not built in one day. I hope we also create that environment in our Union in the next few years, thereby, reducing corruption in future. The training will be given to the employees to maintain the quality"*.

ACHIEVEMENTS

- The Union achieved ISO 9001:2000 certification for its quality and maintenance.
- The dairy was awarded with Best Small Scale Industry in the District by Small Scale Industries Board.
- The dairy has reached number one position sales wise and profit wise in Warangal and Karimnagar markets.
- The union has almost doubled its capacity from 25000 TDPL to 50000 TDPL in 5 years.
- It has grabbed International attention in the last three years and large number of visitors came here from different parts of India and Africa.
- The Mulukanoor Cooperative Dairy has become a role model for the rural women in the Telengana area, and already another Women Cooperative Dairy¹³ has started in the Warangal District which follows the same principles and procedures.

¹¹ Mr. Krishna Kumar and Mr. Bhaskar.

¹² As explained by the Employees and the Management.

¹³ Vardhannapet Women's Cooperative Dairy in Vardhannapet Mandal of Warangal, which is also an experiment of CDF.

CONCLUSION

According to an analysis report provided by the dairy, “the last five years have been a testimony that rural women, if given opportunity and enough support, can handle large community enterprises like this one”. The report analyses the factors that have enabled the growth of this co-operative and it adds that, to be able to replicate the successful growth of the bank, it is necessary to understand how the growth has been made possible. The growth of the Dairy Union has been helped by the strong foundation of co-operative societies in the region. The active support and recognition from the Cooperative Development Foundation (Sahavikasa), the Rural Bank and the influence of Shri. Vishwanath Reddy¹⁴ has enabled the Dairy to emerge in the true spirit of the idea.

The Co-operative does not aim to increase its scope geographically. According to the President Mrs. Vijaya, the administration and competitive advantages would erode if they expanded geographically. However, they aim to both increase the members in the existing villages and increase contribution of each member in the villages. They intend to support and arrange for loans for its members if they want to buy more milch cattle. Hence, they want to keep their model intact but benefit the members and existing villages more than they are doing now.

At present, one more dairy has been established in Telengana region, which is managed by women (more than 80%) and in future, there may be many Dairies and other cooperatives that may emerge in this area to show the power of women. In the words of Amrutha, a member in the Union, “We have become strong economically and at the same time, socially and politically. Now sky is our limit”. This shows the confidence that’s built by the Union in women.

APPENDIX

Table 1

S.No.	Particulars	Before	2002-03	2003-04	2004-05	2005-06	2006-07
1	No. of Primary Co-operatives	72	67	79	93	103	104
2	Membership	3600	8426	10,000	14,000	16,000	17,033
3	Share Capital	-	2,01,000	2,40,000	2,76,000	22,71,437	32,17,661
4	Vikasa Podupulu (thrift deposits)	-	11,88,669	39,97,498	80,72,659	1,26,70,093	1,68,20,155
5	Milk procurement (ltrs)	-	24,24,905	47,06,652	65,15,093	62,50,282	59,51,326
6	Milk (LPD)	6000	10,682	12,682	17,630	17,238	16,533
7	Milk Sale (ltrs)	-	9,30,845	46,83,183	70,79,185	1,02,45,915	1,47,47,825
8	Milk Sales (LPD)	6000	4330	13,000	19,665	28,071	40,405
9	Avg. Fat and SNF	5.8 & 8.5	7 & 9	7 & 8.7	6.8 & 8.7		
10	Gross Profit	-	23,43,844	66,61,409	89,67,570		
11	Net Profit	-	17,383	4,27,700	19,19,299	6,52,473	

Table 2 : Structure of Mulukanoor Dairy

Level	Key Functions	Size	Structure
Level 1: Village Level Primary Dairy Co-operatives	Collection of milk twice in a day from the producers. Provision of all support services – fodder, cattle feed, veterinary health care, cattle insurance and member education services. Payment of milk bills.	1034 primary co-operatives with over 17000 members testing and weighing equipments.	Active members must provide 180 liters of milk in 180 days in a year. They constitute the general body of the society and elect a 10 member board with 5 year term period. A woman paid secretary is paid to maintain accounts and a male veterinary assistant is employed for health care services.
Level 2: Sub-district Level Dairy Union	<ul style="list-style-type: none"> Collection of milk twice a day from the societies. Organizing all the support services: fodder, cattle feed, veterinary health care, cattle insurance, and member education services. Payment of milk bill to village level societies. Processing of milk into packaged milk and milk products. Marketing of milk and milk products. 	50 TDLP processing plant,	Presidents of all active milk societies, that supply at least 20,000 Kgs milk in a year, constitute a general body of the union and elect a 12 member board from 12 constituencies, demarcated for 4 years. The union employees approximately 50 staff members including some professionals.

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¹⁴ Vishwanath Reddy was the Founder and the President of Mulukanoor Cooperative Rural bank