

<i>People Power</i>

One Step Forward, Two Steps Backward!

One of the disquieting features of Indian politics and public policy is the colossal damage done to the rural and agricultural sector by successive governments, all in the name of the people. If the explicit objective is to undermine the rural agriculture-dependent population, our governments could not have done a more thorough and effective job!

For decades the babus and politicians did their best to undermine agriculture. In the late 50's and 60's, collective farming was the fashionable goal. Congress party even attempted to emulate the soviet model, and only timely intervention from sane voices saved the day. In an insane moment in the 1970's, even trading in food grains was sought to be nationalized, and orders have been issued! Mercifully, the scheme soon collapsed because of rampant corruption and incompetence of government.

Public policies have always tended to hurt farmers and producers. Compulsory procurement of food grains at below-market rates, phenomenal corruption and inefficiency, unfavourable terms of trade, restrictions on trading movement and storage of farm produce, all undermined agriculture. Rural credit institutions are extremely weak, and most farmers are forced to borrow from usurious money lenders. Fair markets in general do not exist, with the exception of the Mandis of Punjab and Haryana (thanks to the foresight of Choutu Ram), and marketing committees in most states are sources of political patronage and corruption. The scams in cotton procurement are a good illustration of government bungling.

The saddest part of the story is the unconstitutional, vice-like grip of politicians and bureaucrats over farmers' cooperatives. The story of the dairy cooperatives in Andhra Pradesh is a good illustration of corruption, incompetence, malice and gross perversion of the Constitution perpetuating rural poverty.

The Constitution clearly guarantees the fundamental right of citizens to form and run cooperatives [19(1)(c)] and to carry on any trade or business [19(1)(g)]. The state has ignored this constitutional liberty for decades, and controlled the cooperatives in a most brazen and arbitrary manner. In time, corruption and incompetence of government bureaucrats led to collapse of most cooperatives, forcing some rethinking. The Brahma Prakash Committee (1990), the model cooperative law (1991), the Vaidyanathan Committees (2005) and several other expert reports emphasized the need for autonomous, democratic and professional management of cooperatives free from government control. The UPA government's NCMP reiterates such commitment.

In 1995, AP was the first state to enact the Mutually Aided Cooperative Societies Act (MACS Act), recognizing the constitutional liberty of cooperatives in respect of societies which do not have government share capital and do not seek government assistance. Out of the eleven district cooperative milk unions, 8 district unions and about 5000 primary milk societies chose to be registered under MACS Act. The results over the past few years have been stunning.

The dairy cooperatives under MACS Act more than doubled their turnover in five years, and profits and net worth soared. The farmers get the highest price (Rs.195-225 per kg of fat), and profits are shared by members as price difference and bonus. The

cooperatives provide other free services – artificial insemination, feed, veterinary care, and medical facilities for the families. In contrast, the dairy cooperatives which remained under government control collapsed, losses mounted, and are under liquidation. Farmers are forced to sell milk to private companies which formed cartels and offered less price (Rs.175 per kg fat). The government-controlled dairy federation is a white elephant with large, over-paid, inefficient staff and endless corruption. The federation offers even less price than the private companies and both provide no other services to farmers.

Given this backdrop, the AP government took an extraordinary decision this month. By an ordinance, all the successful, well-functioning dairy cooperatives under MACS Act were brought under the repressive 1964 Act, all elected managements were dismissed in the dead of night, and bureaucrats took over all the 5000 cooperatives at primary and district levels. The reasons cited by the state are laughable if the consequences are not tragic! The government, under whose control and watch all district unions collapsed, claims that the law is to improve the financial performance of dairy cooperatives and serve farmers! With 'friends' such as these, farmers need no enemies! In the face of the Constitutional guarantees, proclaimed public policies, and compelling and incontrovertible evidence of financial collapse under government control, it is shocking that states still keep playing these political games for control and corruption in this day and age! Farmers end up losing heavily, and this loss often marks the difference between life and death in times of distress.

On issues like this, the hapless farmers will eventually win the legal battle, thanks to independent judiciary and a written Constitution. But even then, enormous struggle has to be waged not to improve farmers' conditions, but simply to stay where they were! This is a classic case of one step forward, two steps backward!

The states' actions in agriculture, cooperatives, education, healthcare and local governments are going to determine the economic future of rural India and urban poor. Governance in states, rural incomes, constitutional liberties, and citizen-centric administration are inextricably linked. And yet, even in states which are ruled by major parties with a powerful stake in the Union government, vindictiveness, unconstitutionalism, adhocism and an attitude of 'might is right' seem to prevail. The right hand does not know what the left hand does! Clearly our economic future increasingly depends on altering political incentives and reforming governance.

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