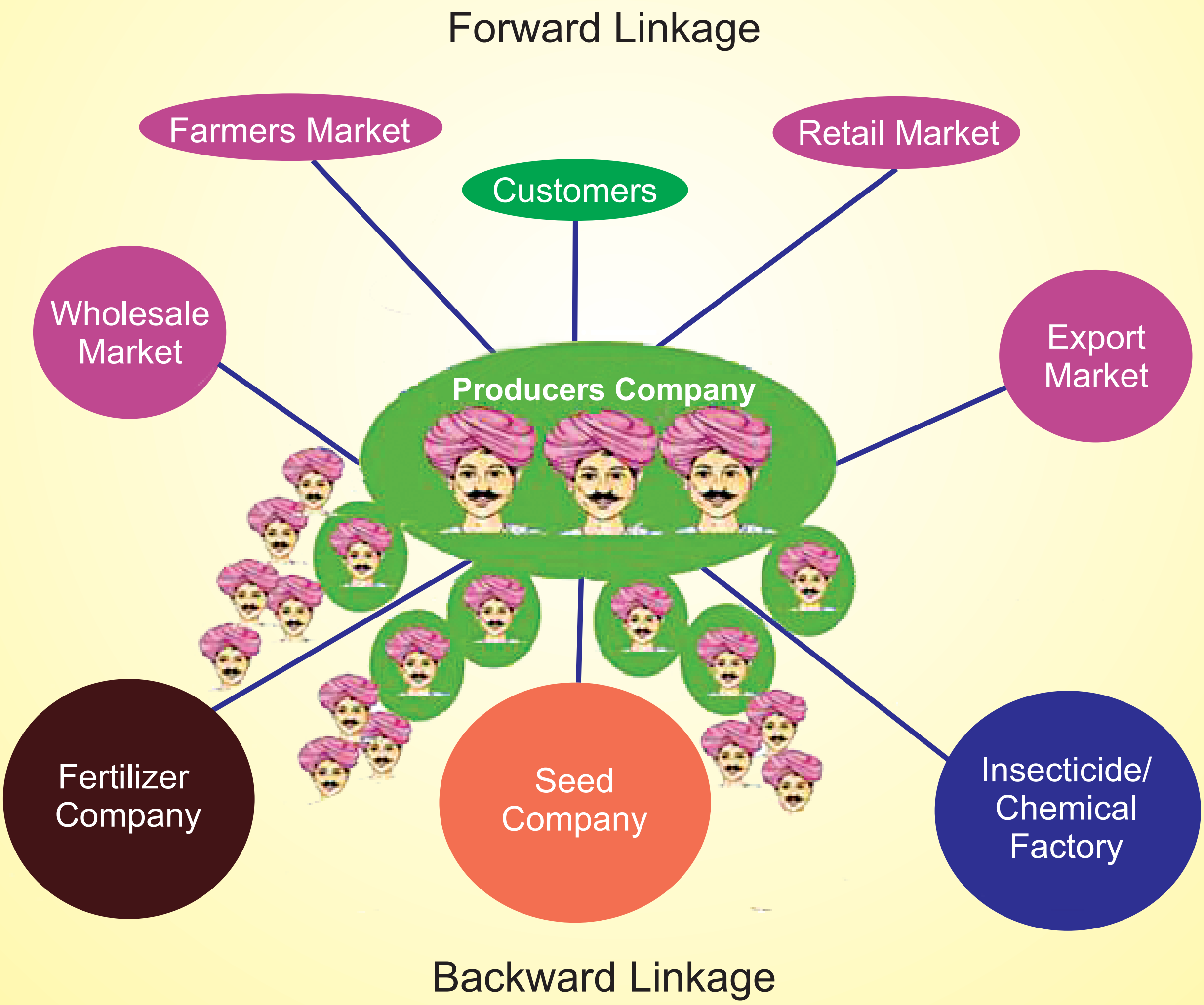
Extension Digest

Vol.1 No.3 June 2018

Farmer Producer Companies – Issues and Challenges



National Institute of Agricultural Extension Management (MANAGE)
(An Organisation of Ministry of Agriculture & Farmers Welfare, Govt. of India)
Rajendranagar, Hyderabad – 500 030, T.S, India
www.manage.gov.in

Farmer Producer Companies – Issues and Challenges

National Institute of Agricultural Extension Management
(An Organization of Ministry of Agriculture & Farmers Welfare, Government of India)
Rajendra Nagar, Hyderabad – 500 030, Telangana

Published by the National Institute of Agricultural Extension Management (MANAGE)
(An Organisation of the Ministry of Agriculture and Farmers Welfare, Govt. of India)
Rajendranagar, Hyderabad – 500030, Telangana State, India.

Authors:
Dr. B.K. Paty
Director (OSPM)
National Institute of Agricultural Extension Management (MANAGE)
Rajendranagar, Hyderabad – 500030, Telangana, India.
e-mail: bkpaty@manage.gov.in

Dr.K.C.Gummagolmath
Deputy Director (M&E)
National Institute of Agricultural Extension Management (MANAGE)
Rajendranagar, Hyderabad – 500030, Telangana, India.
e-mail: kcgum@manage.gov.in

About the Publication:
Extension Digest is a publication from the National Institute of Agricultural Extension Management (MANAGE). The purpose is to disseminate information on extension systems and practices, research on extension methods, efficient organisation of technology transfer and current concerns in the area of agriculture.

June 2018

Foreword

Various institutional interventions started by government, private and civil society organizations, have tried to link smallholders to the input and/or output markets. Several attempts have been made to aggregate the farmers into different forms of groups. However, the success achieved has been limited. These include agricultural cooperatives, self-help groups, commodity interest groups, farmer producer organizations, producer companies, etc. There is a need for aggregation of farmers in order to benefit from economies of scale. Group members are able to leverage collective strength and bargaining power to access inputs, services and appropriate technologies leading to reduction in transaction costs.

Recently, a new model of aggregation in the form of Farmer Producer Company (FPC) has evolved. The instrument of Farmer Producer Company (FPC), registered under Companies Act, 1956 is emerging as an effective Farmer Producer Organization (FPO) to cater to the aggregation needs of farmers at the grass root level. The main objective of mobilizing farmers into member-owned producer companies, or FPCs, is to enhance production, productivity and profitability of agriculturists, especially small farmers in the country. It takes care of the entire supply chain and hence is a distinguished model compared to other aggregation models. FPCs offer a wide range of benefits compared to other formats of aggregation of the farmers. Its main activities consist of production, harvesting, processing, procurement, grading, pooling, handling, marketing, selling, export of primary produce of the members or import of goods or services for their benefit. It provides for sharing of profits/benefits among the members.

This issue of the Extension Digest focuses on the rationale for Farmer Producer Organization/Companies; concept and genesis of FPOs/FPCs; policy issues for promotion of FPOs/FPCs and presents some Success stories of these Organizations.

Smt. V. Usha Rani, IAS
Director General, MANAGE

Farmer Producer Companies – Issues and Challenges

Since 1950, the share of agriculture in the country's Gross Domestic Product (GDP) declined substantially but there was only marginal decline in the number of persons dependent on agriculture. The Agriculture sector currently contributes nearly 14 per cent of total GDP, while still accounts for about 55 per cent of total employment (GoI, 2014). India had over 138 million farm holdings as per the Agricultural Census, 2011. Of this, about 92.8 million were marginal farm holdings i.e. having individual operational land holding of less than 1 hectare while another about 24.8 million were small farm holdings with individual operational land holding size less than 2 hectares. Therefore, the marginal and small farm holdings together accounted for a whopping 85.0 percent of the total farm holdings in India in 2010-11.

The size of operational holdings in India is continuously declining with every successive generation. The situation has raised serious question on the survivability of these small holders (Pandey, et. al., 2010). On the other hand, the rapid increase in population coupled with substantive increase in incomes and purchasing power has led to increased demand for quality food and agricultural products. According to the XII plan Working Group, "The small and marginal farmers are certainly going to stay for a long time in India — though they are going to face a number of challenges". Therefore, what happens to them has larger implication for the agrarian sector in particular and the entire economy in general which, has an implication on people's livelihood."

Being smallholders, these farmers suffer from some inherent problems such as absence of economies of scale, access to information and their inability to participate in the price discovery mechanism. The participation of farmers is observed to be restricted by limitations like poor vertical and horizontal linkages and limited access to market, training and to finance (Fernandez Stark Karina, et al, 2012). Poor information flow along the chain, has also been identified as a vital constraint (Shearer, 2011).The problem of access to market is even more pronounced for small and marginal farmers.

The challenge now is to optimize benefits through effective and efficient means of aggregation models. An ideal model of aggregation assumes significance mainly due to transformation of Indian agriculture towards high-value commodities which is a result of agri-food market caused by liberalization, globalization, improved purchasing power, demand for safe and quality food, expansion for niche market, etc. It has become even more pertinent due to land fragmentation. The size of operational holdings in India is continuously declining further with every successive generation. The big challenge under these conditions would be to integrate these small holders with the agricultural markets so that benefits from transforming agriculture, trade environment and growing economy may be optimized and help in realizing higher income of small and marginal farmers and lead to more inclusive growth.

The concern now is how to aggregate these smallholders and bring in economies of scale. It is equally important to link these increasing smallholders to the markets (input and output). Various institutional interventions, formal or informal, have tried to link smallholders to the input and/or output markets. These interventions were started either by government, or by private corporate and civil society organizations. These include agricultural cooperatives, self-help groups, commodity interest groups, contract farming, direct marketing, farmer producer organizations, producer companies, etc.

The instrument of Farmer Producer Company (FPC), registered under Companies Act, is emerging as the most effective means of Farmer Producer Organization (FPO) to cater to the needs of farmers at the grass root level. FPCs offer a wide range of benefits compared to other formats of aggregation of the farmers. FPC members are able to leverage collective strength and bargaining power to access financial and non-financial inputs and services and appropriate technologies leading to reduction in transaction costs. Members can also collectively tap high value markets and enter into partnerships with private entities on equitable terms.

A producer company is basically a corporate body registered as a Producer Company under Companies Act, 1956 (As amended in 2002). The same provisions have been retained for FPC after the amendment of Companies Act in 2013. Its main activities consist of production, harvesting, processing, procurement, grading, pooling, handling, marketing, selling, export of primary produce of the members or import of goods or services for their benefit. It provides for sharing of profits/benefits among the members.

The Department of Agriculture and Cooperation, Ministry of Agriculture and Farmer Welfare, Govt. of India has identified farmer producer organization registered under the special provisions of the Companies Act, 1956 (As amended in 2002), now Companies Act, 2013, as the most appropriate institutional form of aggregation of farmers. The main objective of mobilizing farmers into member-owned producer organizations, or

FPCs, is to enhance production, productivity and profitability of agriculturists, especially small farmers in the country.

This issue of the Extension Digest focuses on the following aspects:

1. Rationale for Farmer Producer Organizations/Companies
2. Concept and Genesis of FPOs/FPCs
3. Capacity Building of Members of FPOs/FPCs
4. Policy Issues for promotion of FPOs/FPCs and for Sources Raising Funds?
5. Success stories of Farmer Producer Organizations

1. Rationale for Formation of FPOs/FPCs

There is a need for aggregation of farmers in order to benefit from economies of scale. Producers' organizations help in reducing the transaction costs and provide a forum for members to share information, coordinate activities and make collective decisions (Singh, 2013). FPOs (cooperatives/SHGs/FIGs/Producer Companies), no doubt, have the potential to bring about vertical integration in the traditional fragmented supply chains with need-based long term business plans. But they also create opportunities for producers to get involved in value all supply chain activities such as input supply, credit, processing, marketing and distribution. Now the question arises as to how to develop an appropriate design for formation of producer organization, the success of which can sustain and succeed under different limitations.

Several attempts have been made in the past to aggregate the farmers. One such pioneering attempt was promotion of cooperatives performing various activities in agriculture including input supply. By and large, the experiences of performance of cooperatives has been poor with an exception of co-operative sugar factories and dairy cooperatives in Maharashtra and Gujarat. Apart from these cooperatives, Amalsad cooperative Society for sapota and farming co-operative (Gambhira) in Gujarat, MAHAGRAPES in Maharashtra, HOPCOMS and CAMPCO in Karnataka, Mulkanoor women cooperative groups in combined Andhra Pradesh etc., have performed well. There are also a few successful women's farming groups in Andhra Pradesh. These successful models could not be emulated in other regions of the country

Government of India has issued guidelines to encourage states to directly support FPO promotion as a regular activity under various Schemes including RKVY during the XII Plan. These guidelines are meant to help the states follow a standard methodology for FPO promotion, as well as to provide indicative costs and a monitoring framework. States may directly engage promoters (such as NGOs, private companies, research bodies, cooperatives, farmers' groups) to mobilize the small farmers. Alternatively, SFAC is empanelling suitable Resource Institutions (RIs) on their behalf. Another option for the States would be to award the work directly to SFAC, to undertake FPO promotion by providing the necessary budget to SFAC from the RKVY head.

Producer companies have been organized in MP under the District Poverty Initiative Project (DPIP) in sectors of seed, grain, rice, tomato, chilli, poultry, potato, coriander, turmeric, ginger, milk, and bio-fertilizer production. There are more than 400 such producer companies in India now (SFAC).

Box-1: Farmer Producer Organizations – a base line study in India

There are many Farmer Producer Organizations with a large member base. Masuta Producer Company has over 1.46 lakh members as its producers spread across four states. Vasundhara Agri-Horti Producer Co. Ltd (VAPCOL) has more than 50,000 members spread over six states. Under World Bank assisted project Madhya Pradesh State (DPIP) promoted Producer Companies have membership in the range of 3000-4000 in a district. The dairy cooperatives usually have a large member base. AMUL has as many as 3.18 million producers as its members from the entire state of Gujarat, Karnataka Milk Federation (Nandini) has a membership base of 2.22 million members. Mulkanoor, on the other hand, there are smaller sized producer companies. Devnadi Valley Producer Company has only 856 members. The Natural Resource Management Groups (NaRMGs) promoted by North Eastern Region Community Resource Management Project (NERCORMP) has a smaller size. The size of these groups is very small, often around 100. Amalsad cooperative has a membership base of 7934 but is within compact area of 17 villages. Nava Jyoti Producer Company, Odisha is designed on optimal size. Currently Nava Jyoti has 650 members and is designed to limit itself to about 1000 members. The geographic spread of the member base is limited to two Gram Panchayats, a cluster with a radius of 15 KM.

Source: *All India Baseline Study on Producer Companies & Natural Farming Practices: Part 1 "Producer Companies in India" Dr. Amar KJR Nayak Professor of Strategy & NABARD Chair Professor, XIMB. Study supported by DEAR, NABARD, Mumbai, 2009-11*

Successful examples of producer companies are:

1. Jagannath Crop Producers Company Ltd., Odisha, Chetna Organic Agriculture Produce Company (COAPCL), and Chetna Organic Farmers Association (COFA), Telangana,
2. Pashusamvardhan Producers Company Ltd., Maharashtra,
3. Dhari Krushak Vikash Producer Company Limited, Gujarat,
4. Rangsutra in Kerala,
5. Vegetable Growers Association (VGAI), Narayangaon Pune
6. Sahyadri Farmer Producer Company, Nasik
7. PAAYAS Milk Producer Company, Jaipur
8. Savithribai Phule Goat Farming Producer Company
9. Maahi Milk Producer Company, Gujarat
10. Nachalur Farmer Producer Company, Tamil Nadu

These companies are doing good business in farm and non-farm sectors. A large number of producer companies have been registered across 24 states on the initiative of Small Farmers Agri-Business Consortium (SFAC). NABARD and National Horticultural Board (NHB) are also promoting incorporation of producer companies.

2. Concept of Producer Companies

2.1 What is Farmer Producer Company?

An expert committee led by noted economist, Y. K. Alagh recommended, setting up of producer companies in 2002 by incorporating a new Part IXA into the Companies Act of 1956. The objective of the committee was to frame a legislation that would enable incorporation of cooperatives in agriculture as producer companies and conversion of existing cooperatives into producer companies. The committee recommendation took care of ensuring the unique elements of cooperative business with a regulatory framework similar to that of companies.

A producer company is basically a corporate body registered as a Producer Company under Companies Act, 1956 (As amended in 2002). Its main activities consists of production, harvesting, processing, procurement, grading, pooling, handling, marketing, selling, export of primary produce of the members or import of goods or services for their benefit. It also includes, promoting mutual assistance, welfare measures, financial services, insurance of producers or their primary produce. Proviso to Section 465(1) of Companies Act, 2013 states that provisions of Part IX A of the Companies Act, 1956 shall be applicable mutatis mutandis to a Producer Company in a manner as if the Companies Act, 1956 has not been repealed until a special Act is enacted for Producer Companies. Accordingly Part IX of companies Act, 1956 would continue for producer companies.

2.2 Objectives of FPCs

The objectives of producer companies shall include one or more of the eleven items specified in the Act, the more important of these being:

(i) Production, harvesting, procurement, grading, pooling, handling, marketing, selling, export of primary produce of members or import of goods or services for their benefit;

(ii) Processing including preserving, drying, distilling, brewing, venting, canning and packaging of produce of its members;

(iii Rendering technical services, consultancy services, training, education, research and development and all other activities for the promotion of the interests of its Members

(iv) generation, transmission and distribution of power, revitalization of land and water resources, their use, conservation and communications relatable to primary produce;

(v) Manufacture, sale or supply of machinery, equipment or consumables mainly to its members.

(vi) promoting mutual assistance, welfare measures, financial services, insurance of producers or their primary produce;

2.3 Legal Provisions of Farmer Producer Companies

It is noticed that various government and non-government agencies have issued guidelines for formation of FPCs. However, there is no harmony across these guidelines. Probably there is an attempt to customize the provisos of FPCs in the Companies Act as per their need or as per the objectives of the schemes/programs. Hence, an attempt has been made in the following sections to enlighten all the agencies about Legal Provisions of FPCs under the Companies Act.

a) "**Primary produce**" means –

i. Produce of farmers, arising from agriculture (including animal husbandry, horticulture, floriculture, pisciculture, viticulture, forestry, forest products, re-vegetation, bee raising and farming plantation products), or from any other primary activity or service which promotes the interest of the farmers or consumers ; or

ii. Produce of persons engaged in handloom, handicraft and other cottage industries; Any product resulting from any of the above activities, including by-products of such products;

iii. Any product resulting from an ancillary activity that would assist or promote any of the aforesaid activities or anything ancillary thereto;

iv. Any activity which is intended to increase the production of anything referred to in sub-clauses (i) to (iv) or improve the quality thereof;

b) **"producer"** means any person engaged in any activity connected with or relatable to any primary produce ;

c) (I) "Producer Company" means a body corporate having objects or activities specified in section 581B and registered as Producer Company under this Act

d) "Producer institution" means a Producer Company or any other institution having only producer or producers or Producer Company or Producer Companies as its member, whether incorporated or not having any of the objects referred to in section581B and which agrees to make use of the services of the Producer Company or Producer Companies as provided in its articles.

2.3.1 Formation of Producer Company and its Registration

Section 581C of the Act provides that, any ten or more individuals, each of them being a producer or two or more producer institutions or a combination of ten or more individuals and producer institutions, desirous of forming a producer company may form an incorporated company. The objectives of such producer company may be framed as specified in Section 581B as Producer Company under this Act after complying with the requirements and the provisions of the Act in respect of registration.

The Registrar on being satisfied that all requirements relating to registration and incidental matters have been complied with shall register the memorandum, articles and other documents and issue a certificate of incorporation within 30 days of the receipt of the documents for registration.

On registration, the Producer Company shall be deemed to be a private company limited by shares without any limit on the number of members.

2.3.2 Incorporation of Companies - Procedural Aspects

❖ **Basic requirements for Incorporation**

➢ For incorporating a Producer Company, minimum 5 Directors and 10 members are required.

➢ The minimum paid up capital of the company should be 10,000 rupees.

➢ The registered office address has to be situated in India.

❖ **Documents required for incorporation**

➢ Copy of PAN card of all the members and Directors – attested by a gazette officer.

➢ Identity Proof of all the members and Directors - attested by a gazette officer.

➢ Resident proof of all the members and Directors: - attested by a gazette officer.

➢ Four Photographs of each member and Director.

➢ Proof of address of registered office

❖ **Incorporation Fee**

➢ The Producer Company may reimburse to its promoters all other direct costs associated with the promotion and registration of the company including registration, legal fees, printing of a memorandum and articles and the payment thereof shall be subject to the approval at its first general meeting of the Members.

➢ The Producer Company shall not, under any circumstance, whatsoever become or be deemed to become a public limited company under this Act.

❖ **Memorandum of Association (MOA)**

MOA helps to understand the nature of company and its relationship with external environment

MOA consists of the following information.

– Name Clause – Should end with “Producer Company Limited”

– Situation Clause

– Object Clause

– Liability Clause

– Capital Clause

– Subscriber Clause

– Subscriber who shall act as Directors

– Territories the objects extend.

❖ **Membership and Voting Rights**

- There shall be only a single vote for every Member irrespective of his shareholding. If the member is an institution, then the voting will be based on their participation in the business.
- Any Producer Company may, if so authorized by its articles, restrict the voting rights to active Members, in any special or general meeting.

❖ **Patronage bonus**

- Every member can receive in the form of cash or shares from the company for the products they provide to the company.
- The company can Issue patronage bonus to the members who have participated actively in the company other than normal dividends usually paid.
- Patronage bonus can be either in way to cash or Shares.

❖ **Option to Inter-State Co-Operative Societies to become Producer Companies**

- Any inter-State co-operative society with objects not confined to one State may make an application to the Registrar for registration as Producer Company.
- On conversion, the society name will be removed from the books of society registrar and will be registered as a producer company under the Companies Act.
- All the rights, benefits, receivables, liabilities, legal proceedings, grants, concessions, licenses etc will deem to be the rights, benefits, receivables, liabilities, legal proceedings, grants, concessions, licenses etc of the producer company.
- All the employees remain same including the benefits.

❖ **Investment in other companies**

- A producer company can invest in any other company after the members approve such investment through a special resolution.
- However when a producer company invest in a non-producer company, it can only invest up to 30% of its paid-up and free reserves, further investment in such non-producer companies will require central government approval.

❖ **Annual Compliance**

Every year the company has to file,

- Annual accounts – With the ROC within 30 days from the conclusion of the AGM
- Annual Return – With the ROC within 60 days form the conclusion of the AGM
- Event Based filing with ROC.
- The company is also required to maintain all records including its statutory register and Minutes book up to date to avoid penalty.

❖ **Dispute Settlement**

As per section 581ZO of the Companies Act, any dispute between the Directors or members or a combination of Both or another stakeholder of the company with such producer company shall be resolved only through conciliation or by arbitration as provided under the Arbitration and Conciliation Act, 1996 (26 of 1996)

❖ **Management**

Number of Directors

- Min – 5 and Max – 15
- Exception – Inter state co-op can have more than 15 directors for period of 1 year from incorporation.

Appointment

- First Directors – members signing the MoA and AoA
- Election – within 90 days of registration and within 365 days in case of Interstate co-operatives
- Period 1- 5 years
- Appointed by members in General Meeting– except first directors

❖ **Powers & functions of Board**

1. Include new members into the company
2. Formulating objectives and strategies
3. Appointment / superintendence / control of Chief Executive Officer(CEO)& other officers
4. Make sure the books of accounts are maintained properly; Prepare annual accounts (present in AGM with Auditor’s report & reply to qualifications)
5. Buy and sell properties in the ordinary course of business
6. Investment of funds in the ordinary course of business
7. Sanction loans to members not being the directors or his relatives.
8. Other such acts – in discharge of its functions / exercise its powers

❖ **Powers of Board - exclusive scope of AGM**

➢ Approval of budget and adoption of annual accounts

➢ Approval of patronage bonus

➢ Issue of bonus shares

➢ Declaration of limited return & distribution of patronage

➢ Conditions and limits of loans to Directors

➢ Matters specified by AoA

❖ **Committee of Directors**

➢ Purpose – to assist the Board

➢ No delegation of Board's powers or assign CEO's powers

➢ Member can be included with permission of Board

➢ Period under control of Board for period determined by the Board

➢ Fee / allowance – determined by the Board

➢ Minutes placed to be before the Board

❖ **Meetings of Board**

Frequency

Once in every three months and at least four meetings should be conducted every year Illustration:

Date of Meetings

Jan-Mar	:	27thMarch
Apr-June	:	08thApril
July-Sept	:	02nd September
Oct-Dec	:	04th October

- Notice in writing – given by CEO – 7 days in advance – to Directors in India at address in India
- Quorum – 1/3 of total strength – minimum of 3
- Fees / allowance for attending meeting – decided by Members in GM

❖ **CEO – Section 581W**

- Appointment is mandatory and on full time basis
- Other than Members
- Ex officio Director and not retire by rotation

- Qualification / experience / terms & conditions of appointment – determined by Board
- Entrusted with substantial powers of management
- Will function under general superintendence, direction and control of Board
- Accountable for performance of the PC

❖ **Powers of CEO**

- Manage affairs of PC
- Operate / authorize to operate bank account
- Safe custody of cash / assets
- Sign documents as authorized by the Board
- Maintain books of accounts, prepare annual accounts, present audited accounts to Board & Members in AGM
- Inform Members about operations & functioning of PC
- Make appointments subject to delegated powers
- Assist Board in formulation of policies / objectives / strategies
- Advise Board on legal & regulatory matters
- Exercise powers required in ordinary course of business
- Any other functions / powers as delegated by the Board

❖ **General Meetings**

- Mandatory every year – gap of not more than 15 months between two AGMs extension can be given by Registrar of Companies (ROC) (except for 1st AGM) – not more than 3 months
- First AGM – within 90 days from incorporation
- Resolution – Ordinary and Special

  Ordinary – simple majority

  Special – 3 /4thof the Members present and voting

Notice for AGM

- Not less than 14 days prior notice
- During business hours on a day other than public holiday – at registered office or any place in city / town / village where registered office id situated
- Contents of notice – date , time and place
- Addressed to – every member & audit

- ❖ **Issue of Certificate of Incorporation by Registrar**

Section 7(2) states that the Registrar on the basis of documents and information filed under sub-section (1) of section 7, shall register all the documents and information referred to in that sub- section in the register and issue a certificate of incorporation in the prescribed form to the effect that the proposed company is incorporated under this Act.

From the date of incorporation mentioned in the certificate of incorporation, the entity is formed as a body corporate by the name provided in the MoA, subscribers to the memorandum and all other persons, as may, from time to time, become members of the company, it is capable of exercising all the functions of an incorporated company under Companies Act, 2013 and having perpetual succession and a common seal (if the company has adopted or adopts the same), it has the power to acquire, hold and dispose of property, both movable and immovable, tangible and intangible, to contract and to sue and be sued, by the said name.

3. Capacity Building of Members of FPOs/FPCs

Capacity Building of any form of farmer organization assumes greater importance to enhance the efficiency and bring peer group pressure among members of the group for effective functioning. The role of promoters is crucial in orienting and capacity building of these organizations. Capacity building for promotion of leadership and motivation among the elected Board of Directors is crucial. The members of the Executive Committee should be given training in Leadership, federation concept, federation

Management, financial Management, linkages, input and output management etc. It is also equally important to build the capacity of grass root functionaries i.e. members of FPCs/FPOs.

Capacity building of members on issues such as attendance of at least 80-85% members, transparency in accounts, accountable behavior, regular internal auditing, quality management, development of business plan including access to local and international market, etc. The idea of capacity building is to encourage rural communities to understand their personal and group styles of managing themselves and to improve their planning, implementation, and monitoring skills. Capacity Building is also given in (a) understanding the PC rules and regulations, (b) statutory requirements to the RoC, (c) business plan of the PC, (d) Government schemes, (e) leadership, (f) basic accounting and record keeping and several such aspects as the need is felt.

3.1 Policy Support for Capacity Building (Excerpts from SFAC website)

SFAC is supporting these FPOs through empanelled Resource Institutions (RIs), which provide various inputs of training and capacity-building, and linking these bodies to input suppliers, technology providers and market players. The investment in the capacity of FPOs will be spread over years. SFAC is also monitoring the project on behalf of DAC&FW and the states and reporting on its progress.

Credit Support by NABARD is also available for capacity building and market interventions. Capacity building should broadly cover any activity relating to functioning of a producer organization. The various types of capacity building initiatives which can be supported under the fund are as follows:

i. Skill development in order to enable the members produce goods both in farm and non-farm sector,

ii. Business planning

iii. Technological extension through classroom training,

iv. Exposure visits, agricultural university tie ups, expert meetings, etc.

v. Any other capacity building initiative which directly benefits the P.O.

Support for capacity building could be in the form of grant, loans, or a combination of the two based on the need of the situation. Capacity building support by NABARD will not be given in isolation in general but would be a part of the overall project having loan component.

4. Success Stories

In view of recent trends in the global agri-food systems and the strong power concentrations in buyer organizations, farmers' organizations in India, need to adapt sustainable organizational structures. This includes strategies to develop structures as regular commercial companies. The FPOs/FPCs should develop themselves into a new generation of organizations on the lines of cooperatives operating in USA and Canada (Singh, 2008). They should develop as a prominent form of farmer organizations, by developing their skills in leadership and member commitment. These farmer organizations should develop greater global market orientation.

An attempt has been made to give a brief account on some of the success stories of Farmer Producer Companies (FPCs). These are an example of changes towards more business-oriented forms of organization arising among farming communities.

4.1 A Case Study of Bhangar Vegetable Producers' Company

The Bhangar Vegetable Producers' Company Ltd has been formed by farmers based in Bhangar Block II of the district of South 24 Parganas, West Bengal. The farmers were mobilized to form this Farmer Producer Organization (FPO) by the State Department of Horticulture and Food Processing in association with Access Development Services (ADS) (Resource Institution). Located in the southern part of West Bengal, South 24 Parganas is close to Kolkata, which provides a huge, ready and lucrative market for vegetables.

Bhangar Vegetable Producers' Company is the first company registered under the NVIUC (National Vegetable Initiative for Urban Clusters) and has a membership of 1750 marginal farmers. Each of these marginal farmers own less than 1 hectare of land on an average.

Impact: A farmer who could grow 7500 kg of crop in the open in a season, is able to grow more than 9500 kg after the intervention. The size and quality of vegetables is also superior to what was earlier produced. Before the intervention, income of the farmer was Rs 22000 in 140 days. Comparatively, the farmers now earn Rs 85000 in 120 days.

Market Linkages and Sale

The FPC has done commendable work in linking the producers with the market. Not only has the company ensured direct access to services, but has also established a marketing channel that secures the long-term independent sustainability of the initiative. Given the niche target consumer, the marketing channel ensures high speed delivery. Therefore, the marketing model initiated a process wherein fresh produce from the farmers could reach Kolkata within 45 minutes, thereby retaining both the nutritional and the market value of the vegetables. The supply chain is consumer sensitive and supplies only those vegetables that are in demand during a particular season. The producer company monitors and supervises the entire chain very closely and efficiently. It can estimate the daily demand of a particular vegetable and can increase/decrease its supply within 2 to 3 days. This makes the entire process very dynamic and responsive to the needs of the end- consumers.

4.2 A Case study of VAPCOL (Vasundara Agricultural Horticultural Producer Company Ltd.

VAPCOL began with its operations in 2008 and is operating in five states viz., Gujarat, Karnataka, Madhya Pradesh, Maharashtra and Rajasthan, with its headquarters in Pune, Maharashtra. It is a two tier organization, where there are cooperatives at the local level and a federation of these cooperatives is registered as a Farmer Producer Company (FPC) at the apex level. It is supported by BAIF, which helps the producer company in all its activities like production, processing and marketing of their products. Currently, its products include mangoes, cashew nuts, aonla and their by-products. VAPCOL has one single unit for processing of mango and four units for cashew nuts processing. These products are graded and packed under their own brand name 'Vrindavan'. VAPCOL has about 41,000 members, drawn from 55 cooperatives. To be a member of a producer company, a person must be a primary producer or a producer institute. VAPCOL has registered 13,848 members in Maharashtra alone.

VAPCOL has achieved remarkable turnover of Rs.34 million? in the first year itself. Since they have their own brand name, they are selling processed products directly into the consumer market and are able to generate profit. The enterprise has helped not just the farmers, but the entire village community as well. In its area of operation, migration rate has comedown (Mittra, 2008). Women members are also in large numbers and are mainly organized in the form of self-help groups.

***Source**: Indranil Banerjee, Varun Prakash Dhanda and Ram Narayan Ghatak, Access Livelihoods Consulting*

4.3 Smallholder Cooperative Model for Poultry:

PRADAN's intervention to enhance income from backyard poultry in Kesla block of Madhya Pradesh has successfully enhanced income of the small holder tribal household by linking and upgrading to poultry value chain. Efforts initiated in 1992 have led to the establishment of a model for small holder broiler farming, which is being replicated in other states such as Jharkhand, Chhattisgarh and Orissa. Professional Assistance for Development Action (PRADAN) has been working with more than 5,306 women broiler-farmers, organized into 15 cooperatives, and one producers' company, with a collective turnover of about Rs 400 million. This is the largest conglomeration of small- holder poultry farmers in India.

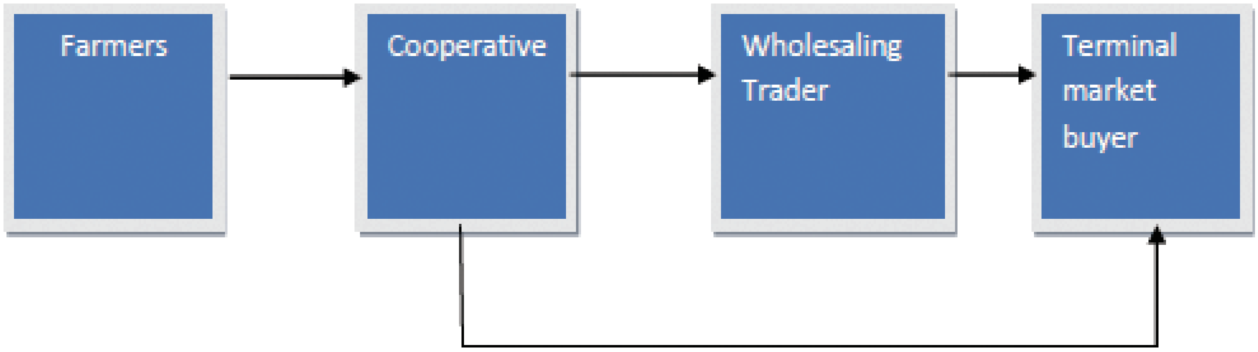
Beneficiaries

The beneficiaries of the Kesla intervention were predominantly poor smallholder tribal households. Traditional backyard poultry was chosen as the area of intervention because of its livelihood and social importance as described below

1. The activity provides Rs 1,200–1,800 of income in a good year, mainly meeting requirements for emergency cash
2. The activity has social significance as the country fowl were mainly reared for festive occasions, ceremonial purposes and celebration.

---

[1]Case Studies of Successful Pro-poor models in India, Page 14 Abhinav Kumar Gupta, The World Bank, September 2015, Page 13-15



Efficiencies at farmer level	Efficiencies at cooperative	Efficiencies at wholesaling trader	Efficiencies at terminal market buyer
Breed improved	No commission charged	Volume made it viable to trade with smallholder cooperatives	Volume made it viable to trade with smallholder cooperatives
Economies of scale exploited by linkages to cooperatives	Delinked the market risks by offering fixed price to smallholders		
Poultry infrastructure improved to house 300- 400 hens	Veterinary service provided		
Specialised feed prepared at the cooperative level			

Figure-1: Smallholder co-operative Poultry value chain

Before the intervention, the tribal households were involved in the traditional backyard poultry value chain which is characterized by low productivity. In this, the birds attain the weight of 800-900 gm in six to seven months and lay 30 to 50 eggs a year.

A distinctive feature of the traditional backyard value chain is scarcity of supply in a small, niche market. Therefore, the return per bird to the farmer is high, and the farmer's share in the value chain is highest at 63%. However, the annual return for a family maintaining only 10–15 birds is Rs 1,200–1,800, representing only about 10-12% of the annual income. The cascade chart illustrates the margins/ bird earned by various stakeholders in the value chain

4.4 Developing Climate Resilience in Karnataka

Krishikabandhu Farmers Producer Company Limited is a Private Company incorporated on 03 January 2014. It is classified as Indian Non-Government Company and is registered at Registrar of Companies, Bangalore. Its authorized share capital is Rs. 500,000 and its paid up capital is Rs. 124,500. It is involved in Agricultural and animal husbandry service activities.

The Company has 5 Directors and falls under the jurisdiction of Registrar of Company-Bangalore

Incorporation Date	03/01/2014	Registration Number 072865
Company	Type Private	Listing Type Unlisted
Industry Category	Agriculture and Allied Activities	Company Nature Company limited by shares
Company Sub Category	Indian Non-Government Company	Registering Authority Registrar of Company-Bangalore
CAPITAL DETAILS		
Authorized Capital Rs. 5,00,000	Paid-up Capital Rs. 5,00,000	

Nursery Raising

The Gulbarga district in northern Karnataka has the unique distinction of being known as the ‘tur bowl’ of the state. However, even though 330,000 hectares of land is put under tur or red gram cultivation and production every year, the yield from this crop is abysmally low. A primary reason for this is the traditional method in which it is cultivated, which exposes the crop to drought, erratic rainfall and pest attacks. Due to this reason the tur farmers don’t get returns that are commensurate with their investments in the crop. The traditional method of growing red gram involves a process called “dibbling”, in which the seeds are sown in a straight line while ploughing the land. Unfortunately, not much attention is given to the spacing between the seeds sown, and fertilizers are also indiscriminately applied. Pesticides are also sprayed indiscriminately. Due to these reasons, any delay in rains directly affects the yield of the crop, while simultaneously increasing the risk of a pest attack. Taking cognizance of these problems, a new technology was developed with the aim to significantly improve the yield of the crop. Under this new method, farmers first set up a separate nursery and grow red gram saplings, which are then transferred onto the field — in a scientifically measured fashion. For instance, while planting the saplings the farmers would need to ensure a 5 feet distance between each row of the saplings, and a minimum of 2 feet distance between the saplings themselves. This spacing allows them to sow an intercrop of maize or marigold.

Vrutti Livelihood Resource Centre — with support from the Krishi Vigyan Kendra (KVK) and the Agricultural Department, Karnataka and financial backing from the Small Farmers Agri-Business Consortium (SFAC) — demonstrated this new red gram transplanting method to the farmers of Gulbarga. This new technology has immensely benefited the farmers, and its introduction has helped reduce input cost, increase crop yield and mitigate the potential risk of crop loss due to late rainfalls.

A case in point is that of Shri. Malikarjun Patil — a progressive farmer from Gulbarga — who is a beneficiary of this new technology. The farmer from Kinnisultan village, Aland taluk, was approached by the Vrutti field staff, who introduced him to the sapling method. Initially, he tried this technique of red gram cultivation on 1 of the 10 acres of land that he owns. Commenting on the return-on investment factor of this experiment, Patil says, "in the traditional method, I would spend Rs. 10,420 per acre on the inputs in one season, on which I would get a yield of 4 quintals. After selling this at Rs. 4,000 per quintal, I would earn a total of Rs. 16,000 from the product. In addition, I also grew green gram as (an) intercrop and this earned me Rs. 3,000 more. My net profit from 1 acre of land was, thus, Rs. 8,760". Though there is an additional cost of setting up of the nurseries (to grow the saplings) in the new method that is entirely offset by the increase in yield, and lowered costs of seeds and chemical sprays used.

The viability of this new method is reflected in the success stories of Shri Mallikarjun and many other farmers — members of Farmers Interest Groups and Farmer Producer Organization — who have adopted these practices. They say that even with little rainfall during the early stages of the growth of the crop, the plants are able to withstand dry conditions because they begin sprouting in the nurturing environment of nurseries. Due to this, farmers can now wait out the rain-less months without any fear of loss. Moreover, they are also able to get more branches and flowers compared to the traditional method.

Such is the impact of this new technology that they are planning to double the area of production by next year. This initiative is also replicable in other red gram-growing areas, which are vulnerable to drought and erratic rainfall. A scale-up of this initiative in the Gulbarga district has been facilitated by demonstrating the systematic training of the farmers in this process, and the results.

Source: *SFAC website*

4.5 A Producer Company Owned By Rural Women in Uttarakhand

DEV BHUMI NATURAL Products Producers Co. Ltd (DNPPCL) is a community-owned company with a vision to create conservation through enterprise. It works towards this goal by actively promoting its core activities — such as sericulture, organic honey, organic spices and eco-tourism — in some of the remote villages of Uttarakhand. DNPPCL works closely with 4,500 primary producers, including 3,500 shareholders who are also involved in the commercial cultivation of some of these products. These activities are spread out over 450-odd remote villages in the five districts of Rudraprayag, Chamoli, Tehri, Uttarkashi and Pauri Garhwal in Uttarakhand.

DNPPCL's pioneering efforts to develop infrastructure in all these areas have enabled the primary producers to actively move up the value chain, and also enabled the company to post a turnover of Rs.

1.7 million in 2011-12. Due to this initiative, 4,500 primary producers —mostly women — now get better prices for their produce, aided by innovative steps like the setting up of primary processing facilities for organic spices, organic honey production and in sericulture. These processes have improved the capacity of primary producers, and helped in value addition, improved processing, sorting and grading, hygienic storage and transportation. The company has created a strong marketing network across the country and is continually working towards establishing a national and global presence for its certified organic produce from the Himalayan region. This has brought rural produce from the remote hill regions to the mainstream market. Once the producers start cultivating commercial crops, such as honey, spices and other items, they become the DNPPCL shareholders; and the company then helps the primary producers across various stages of value chain so that they don't just limit themselves to the supply aspect of it. This movement across the growth of value chain has ensured economic returns of Rs. 2,000-5,000 per month.

The producer company provides doorstep support in collection, storage, transportation as well as primary processing of the produce, and offers the required infrastructure for effectively undertaking these value chain-based activities. Thanks to the firm's pioneering work in marketing their products, the DevBhumi brand name is well-recognized and readily available in the market — especially certified organic honey. In addition, the company's sericulture wing (which involves rearing and processing cocoons into yarn) weaves a unique blend of "oak tussar" — used to make a variety of designer shawls, stoles and scarves — which is widely popular. Highly priced organic spices and rajma (kidney beans) — Indigenous to the Himalayan regions — are also grown, processed and marketed by the company. Its eco-tourism section allows the visitors to experience the lifestyle, culture and natural wealth of rural Uttarakhand without compromising on comfort or luxury, along with minimal damage to the delicate ecological balance of this region. Thus, DNPPCL has put in place a viable model of agribusiness for market-oriented growth of small farmers. This is both relevant and suitable due to its focus on sustainable market development for marginalized farmers.

Agriculture in remote regions creates challenges that prevent farmers from entering into mainstream markets. By creating a strong supply chain —along with operational and managerial support — several small Farmer Producer Organizations (FPOs) now have the ability to create a strong presence in a highly competitive market and be at par with the best. The model has also been able to leverage the financial resources needed for working capital so as to assist primary producers from the National Bank for Agriculture and Rural Development (NABARD) and Friends of Women's World Banking (FWWB). **Awards/Honors** DNPPCL has bagged the "Best Rural Enterprise Award" by Citibank Foundation in January 2013, which included a cash prize of Rs8.5 lakh and continued capacity-building support.

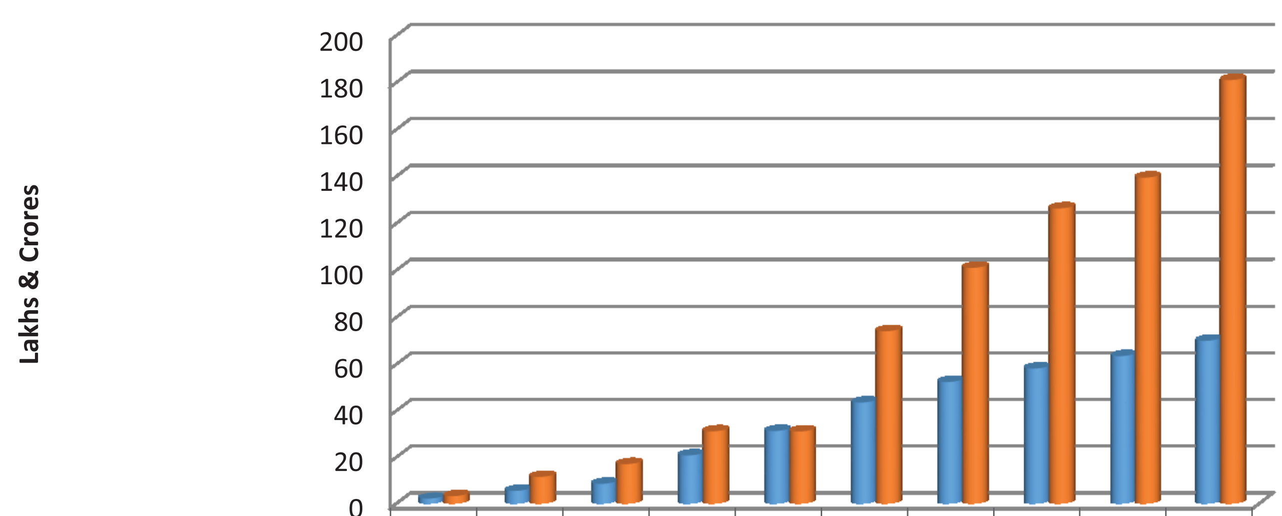
Location/Address of FPO: Dev Bhumi Natural Products Producers Co. Ltd, Old SBI Lane, Plot -15, Mohabelawala Industrial Area, Dehradun-248002, Uttarakhand. Phone: 0135-2641504, 2643980, *Email: sales@devbhumi.com Website: www.devbhumi.com*

4.6 The Junnar Taluka Farmer Producer Organization and Producer Company- Case Study

Narayangaon, a small village in Junnar Taluk of Pune district in Maharashtra where this successful FPC is located and w is an important case of farmer aggregation and empowerment. In the past in this village, the farmers hardly make a profit despite all the hard work and efforts put into growing agricultural crops. Distress sale to village vendors and exploitative tactics of middlemen led to lower proportion of farmers in consumer's price. As the nature of their produce was perishable, they had no option but to sell it off at whatever price was offered. The middlemen, who would transport their produce to the local markets, would give them wrong information on the market price of products, delay their payments and even take money for accidental losses that would occur during transportation. To put an end to this exploitation, Mr.Shriram Gadhve, the leader of the Farmer Producer Organization (FPO) movement in Narayangaon, took up the onus on himself to save his fellow men from this crisis. Shri Gadhve spread word about the FPO movement, initiated by the Vegetable Growers Association of India (VGAI) and the Small Farmers Agribusiness Consortium (SFAC) and convinced all the tomato growers in Narayangaon to join the movement.

The company has made turnover of more than Rs.5 crore in the last year (2017-18). The FPO and PC with the help of research institutions, gained more knowledge about crop loans, financing solutions, new technologies, value additions in agricultural produce and new ways of creating market linkages for their produce. Joining hands had given the farmers of Narayangaon a renewed sense of self belief and strength.

Today, Narayangaon is the largest open tomato auction market in the country. This market attracts traders from all over the country who carry back the produce to different parts of the country such as Ahmedabad, Surat, Baroda, Kota, Indore, Jabalpur, Jhansi, Lucknow, Agra, Delhi, Bangalore, Hyderabad, Chennai, Pune and Mumbai and so on.



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Crates (in Lakhs no.)	2.13	5.46	8.48	20.72	31.21	43.47	52.31	58.1	63.45	70
Turn Over (in Crores Rs.)	3.2	11.48	16.97	31.08	31.02	74.08	101.05	126.35	139.45	181

Figure-2: Turnover of Tomato Market over the years

Apart from providing the power of bargaining to farmers, the market of Narayangaon has brought about all round prosperity for them. The area under cultivation of tomato has expanded from 500 acres in 50 villages to 2200 acres in 150 villages. In addition, the creation of a market has helped these farmers receive their returns almost instantly. All merchants come directly to the market and pay in cash for the produce on the spot. If the produce is graded, the remuneration is higher. Riding on the success of the Narayangaon wholesale market, the farmers of the FPO have decided to take a step forward. They are planning to launch a portal that will allow them to auction their produce over the internet.

Thus as may be seen from the above cases, Farmer Producer Companies have definitely made an impact on farmers by way of increase in incomes, more profit, better quality of produce, an increase in bargaining power and better access to markets. Though, the success achieved is limited at national level, these producer companies are able to put in place some best practices. This is a good beginning and we can hope to achieve more success in coming years.

Abbreviations

ADS - Access Development Services

AGM – Annual General Meeting

AoA – Article of Association

CAMPCO - The Central Arecanut and Cocoa Marketing and Processing Co Operative Ltd.

CEO – Chief Executive Officer

COAPCL - Chetna Organic Agriculture Produce Company COFA - Chetna Organic Farmers Association

DAC&FW - Department of Agriculture Cooperation & Farmers Welfare

DNPPCL - Dev Bhumi Natural Products Producers Co. Ltd DPIP - District Poverty Initiative Project

FIGs – Farmer Interest Groups

FPC - Farmer Producer Company FPO - Farmer Producer Organization

FWWB - Friends of Women's World Banking

GDP - Gross Domestic Product

HOPCOMS - Horticultural Producers' Co-operative Marketing and Processing Society Ltd.

JTFPCL - Junnar Taluka Farmers Producer Company Limited KVK - Krishi Vigyan Kendra

MOA - Memorandum of Association

NABARD – National Bank for Agriculture and Rural Development

NaRMGs - Natural Resource Management Groups

NERCORMP- North Eastern Region Community Resource Management Project NHB - National Horticultural Board

NVIUC - National Vegetable Initiative for Urban Clusters PRADAN - Professional Assistance for Development Action RIs - Resource Institutions

RKVY – Rashtriya Krishi Vikas Yojana

ROC - Registrar of Companies

SFAC – Small Farmers Agribusiness Consortium

SHGs – Self Help Groups

VANILCO – Vanilla India Producer Company Limited

VAPCOL- Vasundhara Agri-Horti Producer Co. Ltd

VGAI - Vegetable Growers Association

National Institute of Agricultural Extension Management (MANAGE)
(An Organisation of Ministry of Agriculture & Farmers Welfare, Govt. of India)
Rajendranagar, Hyderabad – 500 030, T.S, India
www.manage.gov.in