Framing Futures: National conference on Farmer Producer Organizations

2nd and 3rd February, 2017 at IRMA, Anand, Gujarat

Facilitator
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Organized by
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FRAMING FUTURES

Despite India’s leading the world in terms of production of agricultural commodities such as milk and spices and is second in fruits and vegetables, wheat, rice etc. Farmers in India, paradoxically, have to confront agrarian distress due to falling incomes and increased vulnerability. While farm incomes have, by and large, increased for dairy farmers thanks to collective action and the cooperative movement’s becoming vibrant, most small and marginal farmers in India have been unable to cope with fast-changing market dynamics in recent times. Public policies, tending to focus on increasing production and food supply, pay insufficient attention to farm incomes and livelihoods. Farmers, especially those in rain-fed areas, have been unable to benefit significantly from public investments in subsidized irrigated water and public procurement schemes. They have had to cope with both production and marketing risks based largely on private investments.

How then does one frame futures for large numbers of farmers seeking to benefit from policy goals like doubling farm incomes by 2022? One of the more targeted interventions focusing on small and marginal farmers in recent times has been the movement of “Farmer Producer Organizations” or FPOs across different parts of the country. Partly due to governmental support regarding forming and providing credit to small farmers through organizations such as the Small Farmers Agribusiness Consortium (SFAC) and the National Bank or Agriculture and Rural Development (NABARD) along with initiatives to support rain-fed farming through civil society organisations in some of the poorest regions of the country more than 2000 FPOs have come up in the last five years. Many of these FPOs have been registered as Farmer Producer Companies or FPCs taking advantage of the changed legal environment that allows collective action for better business of its members through the amended Companies Act in 2004.

This report is an outcome of the deliberations of over 50 participants as part of the two-day conference on “Framing Futures: National Conference on Framer Producer Organizations” hosted by the Institute of Rural Management Anand (IRMA) Anand through its the Dr.Verghese Kurien Centre of Excellence (VKCOE), in collaboration with Samaj Pragati Sahayog (SPS) and Samuha, on February 2 and 3, 2017. The conference brought together over 60 participants comprising academicians, researchers and representatives from FPOs, promoting organizations and donors based on a joint concept note that had been circulated (Annexure 1). An attempt was made to enable participation from both the FPO and promoting organizations. Some prominent stakeholders included UP Bhumi Sudhar Nigam FPO (supported by BASIX), Ram Rahim Producer Company (promoted by SPS), Dharani Farmers Mutually Aided Coop (Timbaktu Collective), Netrang FPO (AKSRP), Gujarat Agribusiness Consortium, Krushidhan, and Hasnabad Farmer Producer Company (Access Livelihoods Consulting ALC). Action for Social

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1 The Dr Verghese Kurien Centre of Excellence (VKCOE) has been set up at IRMA with support from the Gujarat Cooperative Milk Marketing Federation (GCMMF). The Centre’s mandate is to work on emerging models of collectives and contemporary challenges of the dairy industry through research, consultancy, extension, outreach and policy analysis. The Centre seeks to fill the knowledge gap on managing collectives that has not accounted for changes and challenges the farming communities and the collectives that work with them has been facing in the twenty-first century. The Centre has supported ground-level assessment of some of the challenges of FPCs. For more details see https://www.irma.ac.in/article.php?menuid=485
Advancement, Watershed Support Services and Networking (WASSAN), SRIJAN, Samuha, NABARD, NDDB, BASIX, PRADAN, AKRSP were among the promoting organizations represented in the conference along with donor organizations such as FWWB, Rabobank, Vrutti, Avanti Finance, NABKISAN, Reliance Foundation, and Tata Trusts (See Annexure 3 for participants list).

The conference started with an introduction of the participants and a welcome address by Prof. R C Natarajan, Director of IRMA. This was followed by a session on the workshop’s objectives and agenda setting by the P S Vijayshankar (SPS) and Prof. C Shambu Prasad (IRMA).

The broad objectives of the conference were:

- Experience sharing, knowledge generation, and forging solidarity between partners working for farmer-producer welfare through their organizations. Focus to be on sharing not just successes but pain points in growth and managing FPOs.
- Embedding sustainability and climate smart and resilient production systems; focus to be on, hence, collectives already involved in the promotion of sustainable or pesticide-free agricultural practices etc.
- Exploring opportunities and challenges in the larger policy environment and working towards enabling policies and processes of state and other support required for such collectives to function effectively.

In order to fulfil these objectives the two days were divided into sessions covering presentations and panel discussions by the participants (see Annexure 2 for the conference schedule). On the first day presentations were made on “Contemporary Challenges of FPOs” and “Managing the FPO ecosystem”, which involved experience sharing of FPO representatives and promoting organizations. This was followed by a panel discussion on “Emerging issues in managing new generation collectives” and “Challenges and Opportunities in Managing Producer Collectives”.

On the second day, presentations were made on “Embedding Sustainability in Agriculture & FPOs” and “Operational Challenges of Agribusiness Collectives” followed by brief talks on “Financing FPOs” and an open discussion on the “Way Forward”. This report weaves together the proceedings (briefly) and major takeaways from each of these sessions, dealing with each session in a separate section. The final section of the report “Way Forward” is a grouping of the ideas and comments by participants on ideas and themes that the future FPO ecosystem needs to address.

### 1. Contemporary challenges of FPOs

The session on contemporary challenges of FPOs was moderated by Mr. Apoorva Oza from AKRSP. Representatives from PRADAN, UP Bhumi Sudhar Nigam, Ram Rahim Producer Company, Dharani Farmers Mutually Aided Coop, and Netrang shared the journey of the FPOs they are engaged with and challenges they have faced.

#### 1.2 PRADAN
PRADAN (Professional Assistance for Development Action) has been engaged in FPO promotion with 4 lakh families in 7 states with women, the majority of whom belong to Adivasi and Dalit communities. It has promoted 33 FPOs registered as cooperatives and producer companies for agriculture, sericulture, poultry, and Tasar and Siali leaf plate production.

The challenges faced by FPOs promoted by PRADAN are:

i. **Member loyalty** - Membership loyalty to different FPOs are dependent on the product and the nature of business cycle; they differ considerably for poultry, mulberry, and sericulture on the one hand and agriculture and Tasar on the other. This is also because farmers’ expectations from the FPO differ considerably from those of the supporting organization.

ii. **Finance** - Fund requirements and availability are inversely linked with the emerging capabilities of FPO/members. Credit flow being dependent on farmers their capabilities regarding credit management had to be strengthened. Lack of mainstream credit and appropriate insurance products magnified the challenge.

iii. **Overhead costs** - Proportions of overhead costs were quite high, especially for the initial year(s) when business was low. This affected early stabilization due to cost requirements. MACS rescinded in MP, one of the states, and avenues were limited. Further, legal compliances’ cost of companies was far more than for cooperatives.

iv. **Capabilities for governance** - This is affected by low literacy levels, limited relevant exposure, and time availability due to mobility issues.

v. **Policies** - The policies did not always support the FPOs that faced challenges due to disparities in PACS & FPO regarding credit availability, fertilizers at differential prices, and MSP availability parity. Further, FPOs have ground support for shorter periods and a complex insurance support. Taxation laws covering agri produce without being available for producers’ collectives affects plough back.

1.3 **U.P. Bhumi Sudhar Nigam**

U.P. Bhumi Sudhar Nigam is an FPO supported by BASIX under the World Bank funded “U.P. Sodic Lands Reclamation III Project”, which covers 29 districts and 101 FPCs and works towards improving farmers’ access to market and increasing the profitability of farm production. Given below is the list of challenges faced by them:

i. **Lack of awareness** about benefits of becoming shareholders of FPC.

ii. **Finance** - Cost of forming and managing a producer company is substantially high. Initial returns from business have not been encouraging. Further, there is a lack of low cost working capital.

iii. **Maintenance of Books/Returns/Audits** - Number and types of books to be maintained by FPCs for adhering compliances of different departments is too cumbersome for the latter. Farmers are not aware of many of these financial and legal procedures that need to be followed. They are not adequately equipped to handle them and hiring capable persons is unaffordable. Some of the issues are:
iv. **Business Planning** - Developing realistic business plan is difficult for farmers with little exposure and prior experience. Hiring professionals is costly.

v. **Licensing** - Obtaining basic licenses (Seed, Fertilizer and Pesticide), Mandi License

vi. **Lack of knowledge about government schemes** of line department and agencies (Agriculture, Horticulture, A.H., Dairy, Fisheries, Sericulture, Financial Institutions).

vii. **Relatively low recognition of FPCs** by development related departments or line agencies other than the promoting agencies.

viii. **No coordination between agencies** involved in promotion of FPCs in the state. After becoming a company too many inspectors of different departments keep a vigil on the FPC such as the Fertilizer Inspector, Seed Inspector, Plant protection Inspector, sales tax, income tax and RoC.

(Figure 1: Dr. Mukesh Gautam and Azhar Uloom from UP Bhumi Sudhar Nigam FPO)

### 1.3 Ram Rahim Producer Company

Ram Rahim is a producer company owned by 214 women SHG groups belonging to the Bagli, Punjapura, Kantaphod, and Udainagar SHG Federations in the state of Madhya Pradesh. The FPO operates in the *Ghat Neeche* area of the Narmada Valley where 90% of its farmers belong to the marginal category, dominantly constituted by members of the *Adivasi* community. The FPO is involved in Non Pesticidal Management (NPM) of crops such as Maize, Soya, Wheat, and Pulses.
The challenges faced by Ram Rahim are listed below:

i. Nature of agri-commodity markets:
   • High-volume-low-margin, requiring both high equity & leverage.
   • High price risk (volatility).
   • Reducing arbitrage with better infrastructure.

ii. Transaction costs in dealing with dispersed small and marginal farmers.

iii. Establishing processes.


v. Doing business ethically with wafer thin margins and lack of larger public policy support.
   • High cost of capital.

1.4 Dharani FaM Coop Ltd.

The Dharani FaMCoop is owned by 1669 farmers engaged in sustainable agriculture covering 8500 acres under organic cultivation of which 7000 acres is rain-fed. This FPO is focussed on the promotion of food crops like millets and pulses. It operates a processing plant for groundnuts, millets, and pulses at Chennekothapalli Village, Anantapur. It procures processes, adds value, and packs and sells its members’ produce under the brand name Timbaktu Organic.

Challenges faced by DHARANI are:

i. Finance
   • Having registered as MACS, it is nearly impossible to get a loan from any PSB.
   • Other NBFCs offer loans at exorbitant rates (Anywhere between 16-24%)
   • High dependence on social investors and friends.
   • Demonetization to a little extent.

ii. Governance
   • Although the BoD meets regularly and is involved actively in decision-making processes, it not very proactive.
   • Lack of financial knowledge on the part of BoD members prevents them from understanding the nuances of financial implications of the decisions taken. For instance: decrease in patronage or decrease in prices for commodities.
   • Directors still find it hard to bridge the gap between members and the coop.

iii. Active membership
   • Only 1/3rd of the members are able to sell to the coop, on an average.
   • Major reasons for the above are: heterogeneity of crops, lack of rains, internal arrangements, and debt cycles.
   • In case of a better deal monetarily speaking, the coop automatically becomes the second preference since there is no obligation on the farmers’ part to sell the produce to the coop.
• Since farmers have no major stakes except the share capital, the coop is looked at as any other trader.

iv. **Supply side constraints**
   • Erratic supply owing to several reasons affects market linkages.
   • A good chunk of 25-35% of order value is lost due to lack of stock.
   • Mono cropping patterns also add to supply side issues.

v. **Taxation and other legal issues**
   • Cooperatives are not exempted from taxes. There are legal and tax complications.
   • Norms introduced by the CTO to curb bulk procurers have become bane to the coop.

vi. **Attrition rate**
   • Attracting and retaining professionals is a problem.
   • Finding skilled labour is a problem.

(Figure 2: CAV Sathish Kumar from Dharani Farmers Mutually Aided Coop (Timbaktu Collective))

1.5 **Netrang Pulse Crop Producer company Limited**

Netrang Pulse Crop Producer Company Limited (NPCPCL) is an FPO that was established in 2013 at Netrang taluka, Bharuch. It has a membership of 1007 farmers covering 23 villages. It deals with input-supply, product aggregation and marketing produce of pulses (pigeon pea, gram, black gram, green gram).

The challenges faced by NPCPCL are:

i. **Business acumen**—Low-level capacity of farmer leaders in conceptualizing and leading the business transactions including procurement in volume, sorting-grading, consolidation, and handling finances.
ii. **Risk taking capacities** of the NPCPCL are very low, including holding capacity and processing.

iii. **Finances**: NPCPCL has a very low capital base.

iv. **Infrastructural constraints**: lack of appropriate warehousing capacity; post-harvest infrastructure is weak.

v. **Marketing challenges**: limited channels of marketing - Safe Harvest on marketing – MSP etc.

vi. **Human Resources’ challenge**: lack of adequate resources.

vii. Governance and ownership.

viii. **Legal environment**: Taxation/complex compliances.

1.6 Discussions

The moderator of the session, Apoorva Oza, requested the panellists to focus on three levels. The discussion points were:

**Capacities for governance**

- Governance capacity of an FPO’s being adversely affected by low literacy, limited exposure, and time availability due to mobility issues.
- Critical management issues like lack of coordination between agencies involved in promotion of FPCs in the state.
- Multiple inspectors for different departments keeping a watch over the FPC; for example fertilizer inspector, seed inspector, plant protection inspector etc.
- There is a challenge and need to reduce arbitrage with better infrastructure.
- Lack of proactive behaviour among

**Policies and documentation in the structure**

- There is an immediate need for effective policies in terms of market laws and free movements of produce.
- There are major challenges due to disparities in PACS and FPO for credit availability, fertilizers at differential prices, and MSP availability parity.
- Issues related to taxation laws, grounding support for shorter periods, and complex insurance support need to be resolved.
- Proper documentation by FPCs for adhering compliances of different departments is a major task.
- There is a strong need for organizing AGMs on the part of farmers and writing proceedings according to the companies act, preparing balance sheets and regular audits, timely filing of annual returns, compliances in the context of the new GST regime, and obtaining basic licenses.
- The FPCs need to stay updated about various government schemes.

**Business related challenges**
There are certain difficulties like distribution of profit between shareholders of companies and developing realistic business plans. The initial returns from business are not encouraging.

Nature of agri-commodity markets:
- High-volume-low-margin, requiring both high equity and leverage.
- High price risk (volatility).
- Doing business ethically with wafer thin margins and lack of larger public policy support.
- High cost of capital.

There is a question regarding creating a model like AMUL in agri-commodities.

There are some infrastructural constraints like lack of appropriate warehousing capacity, post-harvest infrastructure being weak, and so on. The marketing challenges include limited channels of marketing, safe harvest on marketing, MSP etc. Lack of adequate resources are one of the human resource challenges.

**Policy level changes**
- Need to develop state policy and Identification of a nodal agency (like an Agriculture Department) and the establishment of a monitoring committee under Chairmanship of the Agriculture Production Commissioner and Principal Secretaries and heads of departments of various Line Departments to be its members.
- Departments to issue relevant GOs:
  - Agriculture for basic licenses
  - Mandi for Mandi License
  - Cooperative for making FPC on par with PACS
  - FCI for procurement of food grains on MSP
  - NABARD for giving financial support on par with SHGs
- More active role of SFAC at grassroots level required
- Resource/training material developed by several promoting agencies need to be in one place for better and more effective use with reduced economic burden
- Need to develop a network of resource persons for FPCs
- Rapid exchange of information or sharing of experiences on operation of FPCs required

2. **Managing the FPO ecosystem**

Dr. N V Belavadi, ex-MDNDB, moderated the session on “Managing the FPO Ecosystem”. He spoke about the history of FPOs that had come into existence in 2003. A law of producer companies Act was passed in 2002. Asis Mondal (ASA) and Nageshwar Rao (NABARD) made presentations on the policies supportive of FPO’s.

2.1 **Policy issues in FPOs**

Ashish Mondal of ASA spoke briefly about the evolution of the policy that underwent several changes since 2012. It has now reached a stage of ‘templatization’ following several round table discussions and
deliberations. While there is disappointment at the level of support it is encouraging to see the support from the board rooms sometimes.

One of the issues that FPOs have to deal with is why the Credit Guarantee Scheme available to MSMEs (Micro Small and Medium Enterprises) is not currently available to FPOs and how one can move in that direction. Among the key things that need to be recognized are:

**Extension:** FPOs need to be involved in extension activities helping producers meet rapidly changing consumer demands. This requires investments that often only come through grants.

**Human resources:** A successful FPO needs good human resources that are quite different from what is currently available in many promoting organizations and this capacity needs to be developed quickly.

**State governments as fulcrum:** Rather than focussing heavily on policies at the Central level it would be better to do so at state levels. Governments of West Bengal, Jharkhand, Odisha, Chattisgarh, Madhya Pradesh, Andhra Pradesh and so on either already have a state policy in place or are in the process of having one.

Overall, we do need champions of FPOs at the national level like FICCI or Assocham and some of us have been working in this direction. It is expected that this will be in place in the next six months.

### 2.2 NABARD’s promotion of FPOs

NABARD has been promoting and nurturing FPOs since 2013 in order to build democratically managed, economically viable, and self-governing organizations. Its mandate is to provide financial assistance, technical knowledge, and infrastructural support to FPOs. It set up PODF with a corpus of Rs.50 crore during 2011-12 in order to finance POs and PACS. It has provided credit support, capacity building, and market linkages to meet end-to-end requirements. It has provided support to PACS as Multi Service Centre - custom hiring, collective purchases on inputs, processing units etc.

NABARD has taken initiatives relevant to credit facilitation through banks/ NBFCs; there is an MoU with SFAC, Tata Trust, and Rabobank for credit guarantee/ risk coverage, certificate course for CEO of FPOs, digitization for quality data base, and capacity building under PODF.

The NABARD experience shows that there are business opportunities for banks in the FPO sector. However, due to the nature of FPOs and the rapid growth in FPOs there is a need to re-orient funding of the eco-system based on life-cycles/ maturity stages.

Presently, the outreach of FPOs under PRODUCE Fund is 2172 FPOs with 1811 registered FPOs, 792 POPS, and 19 RSAs.
Under the Union budget 2017-18, the Government of India may consider setting up the Venture Capital Assistance Fund (VCAF) in NABARD with an initial corpus of Rs. 1000 crore to be utilized for assisting the existing as well as emerging FPOs enabling them to develop into viable agribusiness entities. Based on field-level interactions, the average financing needs of FPOs is about Rs. 40-50 lakhs, hence the estimated fund requirement for 2000 FPOs is Rs. 1000 crore.

The proposed objectives for setting up of the VCAF are:

- Revolving fund support for initial business activities
- Soft loan towards margin requirement & accessing appropriate technologies.
- Financial support for market development
- Cost of hiring professionals for managing FPO business activities during the initial period.
- Technical consultancy fee for developing innovative business models and DPR preparation
- MIS Development, Audit & Statutory compliances, etc.

Along with the VCAF, the Government of India may consider creating dedicated “Agri-Business Incubation Fund (ABIF)” within NABARD with an initial corpus of Rs. 500 crore for providing need-based support and establishing agri-business incubation centres to extend
necessary business incubation services to FPOs/ agri entrepreneurs for securing long-term commercial viability and sustainability.

(Figure 4: SLF operational model)

The proposed objectives for setting up the ABIF are:

- Support for agribusiness incubation; creating necessary infrastructure for incubating FPOs in innovative business models
- Imparting entrepreneurship/ skill development training to FPO members for commercial business ventures
- Provide mentoring, technical handholding, and delivering incubation services such as funding arrangement, modernizing supply chain, adoption of new technology, etc.
- Promotion of ICT-based business solutions and development of FPO portals for education/ information sharing
- Conducting seminars/ workshops/ Round Table discussions on policy matters and documenting success stories.
2.3 Designing FPOs: Experience of NDDB

In his presentation, “Designing FPOs-experience of milk producer companies being promoted by NDDB dairy services”, N V Belavadi shared some important design principles adopted by milk producing companies. These are:

i. Business only with members
ii. Active user membership and their participation in business and governance - No Free Riders
iii. Member equity in proportion to patronage – ‘building skin in the game’.
iv. Patronage based member classes and member class representation on the Board to ensure inclusiveness in governance
v. Appropriate mechanism for member communication and grievance redressal
vi. Professionally managed business operations and economy of a scale sufficient to ensure viability and self-sustenance at the earliest.
vii. Building an efficient value chain management for maximizing returns to members
viii. Leveraging technology for information and data management to ensure transparency and deliver need-based services.

(Figure 5: N V Belawadi)

Sharing NDDB’s experience, he also spoke about the role of the promoting agency. Some of the pointers for promoting agencies are:

i. Assessing the potential for a viable and sustainable PC and preparing a draft business plan and design issues
ii. Identifying potential first subscribers and Board and orienting them on the benefits of setting up a PC
iii. Facilitating the process of drafting and finalizing AoA & MoA and incorporating PC
iv. Facilitating recruitment of key personnel and their training
v. Providing hand holding and technical support required in the initial stages
vi. Arranging forward linkage/s
vii. Designing, developing, and assisting the PC in village meetings and member enrolment process
viii. Developing appropriate systems and assisting SoPs for member transactions and payment systems
ix. Facilitating arrangements for financing/leasing arrangements and an appropriate accounting system
x. Facilitating training of Board and establishing appropriate procedures for meetings, compliance measures, and monitoring systems
xi. Facilitating a process of member communication and awareness programmes

Some important Design Principles being adopted

- Business only with members
- Active user membership and their participation in business and governance - No Free Riders
- Member equity in proportion to patronage – ‘building skin in the game’.
- Patronage based member classes and member class representation on the Board to ensure inclusiveness in governance

(Figure 6: Design principles in NDDB design)

2.4 Discussions

- Policy development takes a lot of time in a country like India. However, there are supportive factors like the facilities extended to the MSME sector
• FPO’s should be involved in agricultural extension activities. In order to compete in the market, we need to provide a good product which is the main strength. NPM certification is a challenge for FPO.
• Human resource availability is another challenge.
• State governments should take the initiative to bring policies supportive of FPO’s like the Government of West Bengal, Jharkhand, Chhattisgarh and Orissa.
• There should be a proper mandate for FPO’s like FICCI and NASSOCAM for good advocacy.
• Commitment is difficult in the area of farming which is dependent on weather. Therefore, farming may have different results from dairy cooperatives. Farmers are faced with financial limitations when it comes to practising more inputs. Creating a sustainable market for farmers is a challenge.

3. Emerging issues in managing new generation collectives

The panel discussion on “Emerging issues in managing new generation collectives” was moderated by Prof. Tushaar Shah. Pravesh Sharma could not make it and he sent a note that is appended in Annexure 4.

(Figure 7: Tushaar Shah and Rangu Rao)
The presentation on “Design of Solar Pump Irrigators’ Cooperative Enterprises: Farmers as Energy Sellers to the Nation” by Prof. Tushaar Shah opened with the following question: Is there potential to organize farmers so that we can reconfigure a sectoral economy?

His presentation showcased the work done under the IWMI-CCAFS Pilot Project “Solar Power as Remunerative Crop” whereby farmers in Dhundi formed a solar farmers’ cooperative and successfully marketed surplus energy produce to Madhya Gujarat Vij Company Limited (MGVCL). With support farmers in this village have been able to harness renewable energy to make profits bringing down CO2 emissions, pesticide use, and groundwater for irrigation.

Safe Harvest is actively engaged with 50,000 small and marginal farmers across India. It has been working with NGOs and Farmer Producer Organizations in 11 states to promote non-pesticide management of agriculture and marketing of pesticide free products. Their work involves training farmers in the use of bio-pesticides, land-use planning, maintaining farmers’ diaries, and rigorous documentation that helps in tracing back each product. The products are tested in FSSAI accredited labs and marketed. FPOs have a stake in the company; they facilitate credit linkages, seed procurement, and training. Some of the challenges they have been facing include lack of government support, non-recognition of pesticide free produce, difficulty in taking farmers out of pesticide intensive farming, non-availability of products throughout the year, quality and storage of procured product, and high cost of inventory hold up.

The emerging issues discussed and the suggestion given during the panel discussions were:

- Integrating FPOs with agri value chains, policy attention, and proper access to investment finance is a challenge.
- State-level producer companies have been formed in Madhya Pradesh, Maharashtra, Telengana, Gujarat, Rajasthan, and Uttar Pradesh. However, a national-level body still needs to be launched.

3.1 Discussion

- State bodies, civil society promoters, financial institutions, and private sector companies should be involved in forming a national-level body.
- A national-level body will help champion the cause with policy makers and private and civil society institutions. It will be able to take up responsibilities like other trade and industry bodies such as CII or FICCI.
- The national-level body would help to create a support structure for FPOs to identify pathway towards scale and sustainability. This could be in line with the role played by NDDB during Operation Flood in the context of supporting dairy cooperatives from the village to the apex level.
- A social brand can be built around the theme of direct contact between producers and consumers.
- The challenges faced by FPOs like gap in human and technical support, financing, restrictive marketing regulation and unfair competition should be kept in mind. Mobilizing across wider geographies and leveraging bargaining power through effective institutional arrangements is the key to facing many of these challenges.

4. Challenges and Opportunities in Managing Producer Collectives

The last session of the day was facilitated for an interaction between the current IRMA students and panellists from different FPOs and promoting organisations. The session was moderated by Prof. Sankar Datta and Prof. Shambu Prasad. Panellists included Pradeep (Samuha), Vijayashankar (SPS), Dharam Singh (Reliance Foundation), Pramel Gupta (Vrutti), Sarat Kumar (ALC) Debojyoti Chakroborty (RamRahim), Sathish Kumar (Dharani,) and Ishita Meshram (NABKISAN)

(Figure 8: Panellists interacting with students)

The panellists shared their experiences regarding the Challenges and Opportunities in Managing Producer Collectives. Some of the important suggestions they gave to the students of IRMA were:

- As professionals we need to always explore the possibilities and options that bring sustainability to the organization.
- As professionals we are the instruments for contributing to the communities of farmers and tribals.
✓ In terms of being more sustainable and successful professionals, we need to be more creative.

Discussion on the challenges included the following:

- Markets are big risks for farmers, especially women farmers who do not have the right to land. The chances of market failure increase in the case of tribal regions. Solutions for interlinking farmers with the market should be explored.
- There is a need to develop an organization that can link small farmers and women farmers from the unorganized to the organized sector.
- Professionalism is also a big challenge. The sector needs professionals like IRMAns. It is a challenge to attract big institutions, especially students from IRMA to join the development sector.
- The number of farmers is going down. Instead of only thinking about a value chain or increasing share capital, we should also think of the future we are trying to frame.
- There is a need to be more creative in our strategies in resource mobilization and finance management. There is a need to keep ourselves updated with government policies.

5. Embedding Sustainability in Agriculture and FPOs

The session on “Embedding Sustainability in Agriculture and FPOs” was moderated by Srinivasan Iyer (Ford Foundation). He spoke about the importance of organization design and policy interest. He pointed out that,

✓ There are various operations and, therefore, sustainability comes as a key area of concern.
✓ FPOs should focus on economically weaker segments and women of the community.
✓ The whole aspect of profit is critical and, therefore, factors like cropping patterns, agriculture practices, interest of the members, and commitment have to be kept in mind.

The session highlighted the importance of rooting or embedding sustainability issues in the FPO movement. There were presentations from Sahaja Aharam (Bhabani Das, Centre for Sustainable Agriculture), Samaj Pragati Sahyog (Vijayshankar), Reliance Foundation (Sudarshan Suchi and Dharam Pal Singh), WASSAN (A Ravindra on community managed seed systems), VSK (Muneeshwar), and SRIJAN (Bharat Bangari & Laxman Jethani).
Some of the salient points that emerged are summarized below.

5.1 Challenges for sustainability:
The challenges include the economic crisis - Increased costs of cultivation and decreased returns, reduced public support, lack of access to credit by small farmers, higher interest rates, monoculture of crops and varieties, and capital depletion. Farmers and FPOs also have to deal with lack of infrastructure including lack of organic storage facilities and lack of exclusive processing units to maintain identity preservation. Besides, there exists the socio-political crisis of increasing tenancy, land use shift, and significant migration. The vagaries of climate crisis include increased frequency of droughts, floods and cyclones, and extreme temperatures.
Some of the other points that emerged were:

- Change in the objectives of the organization causes challenges.
- Operational cost minimization and risk management are also two challenges.
- The main challenges are future direction, partnership and member selection for expansion, community mobilization, capacity assessment, and sharing platforms.
- There is a gap regarding promoting organizational capability and similar expectations from the community and aligned community delivery.
- Identifying an ideal CEO for the institution.
- Bringing in profit centric businesses compared to volume centric businesses.
- Fostering lateral partnership to gain market share and strengthen the profitability.
- Encouraging innovation on the produce to add value to scale.
- Installing quality professionals due to lack of identifying a good business models in FPOs.
- Pace mismatches between the farmers and the FPO as an institution and market etc.

5.2 Lessons learnt:
The agro ecological approaches used to cope with the above crises are:

- Water harvesting, cropping system, non-pesticide
- Scaling up, farmer field schools, farmers share in consumer prices
- Strategic innovations
- Integrated and incremental approach to production
- Knowledge based extension
- Federations of organized communities
- Getting into direct retail connecting farmers and consumers
- Consumer cooperatives to mobilize resources and people
- Broad basing product range
- Food processing and value addition
- Policy Research and Advocacy

There is a strong need for re-framing the objectives, design and institutional architecture, unlearning the inappropriate GR institutional systems, decentralizing and building, and facilitating and strengthening state-FPO partnerships. The presentation on community managed seed systems indicated how better design could move public investments towards greater control by the communities and how much of these could be mobilized through existing investments and reorientation. Muneeswarji spoke about the effect of their FPO in Palamau on the local ecosystem. The Mahajans are now increasing the rates, he said, and that weighing is conducted in a more proper way, among other things. Sudarshan from Reliance Foundation spoke about the attempt to recreate an ideal cooperative law by the latter’s being reborn in the producer company and the need to bring equity into the system. He emphasized the importance of the pre-formative phase of FPOs.
6. Operational Challenges of Agribusinesses Collectives

The second session on 3rd February was on “Operational challenges of agri-businesses collectives”. The session was moderated by Ajit Kanitkar and included presentations on the Hasbanad Producer Company in Telengana (G C Sarat Kumar and Krushidhan FPO in Gujarat by Sachin Oza). These were followed by reflections and insights by Profs Sukhpal Singh and SR Asokan on ‘competing in the market place’.

Hasnabad Farmers Services Producer Company Limited (HFSPCL) is a four-year-old Women Farmer Producer Company with 840 members and nine elected governing body members. It is functional in 10 villages of Kodangal Mandal of Mahabubnagar district. Its mission is promoting sustainable agri-business models resulting in enhanced income and employment in the
communities. To fulfil this mandate it has created producer enterprise and it works towards skill development of its members, fund and market linkages, and setting up of infrastructure for pre and post harvest processes.

6.1 Experience and Learning

Business Design
- Membership enrolment, instead of starting with share capital mobilization, was a wrong approach
- Internal Capital Accumulation was not initiated at the start itself
- Business pulls members and, therefore, starting business in the first year itself
- Keeping the promoting team strength low since inception and investing in building the local resources intensively
- Investing in building leadership beyond the Board and building 25-30 leaders in each PC
- Multi-commodity and portfolio of services not initiated
- Managing internal environment: Connect with the farmers on a regular basis and managing expectations through periodic information by the core group of leaders

Finance
- Timely availability of capital was a challenge
- Capital available as support is inadequate for pushing a scale and value addition, this leads to the lower scale, lower margins
- Trading
  - First Experience: Selling 1400 Quintals for 85 lakhs to a processor. Money got stuck for more than six months.
  - Second Year: Sold 17 tonnes to SHPL. But quality was not maintained in the second lot and stock had to be taken back and there is a story of a trap of speculative business that led to a huge loss.
  - Had tried tying up with people like Vasmo, ITC where the challenge is reliability and cutting wafer thin margins.

MSP Procurement
- Delay in commencement of the centres by 20 days
- Logistics’ management a challenge
- Storing in government warehouses a challenge due to rent-seeking behaviour of the staff of warehouses
- Delay in receiving payments
- The board and staff have now got exposed and understand operations on a large scale.

Krushidhan Producer Company Limited, an FPO promoted by the Development Support Center (DSC) works with 15,000 farmers in 160 villages of 5 districts of Ahmedabad, Mehsana, Sabarkantha, Aravali, and Amreli. It promotes sustainable and participatory NRM under DSC’s
Livelihood Enhancement through the Participatory NRM project. The Figure below depicts the strategy for promoting sustainable livelihood adopted by DSC.

(Figure 11: LEPNRM Theory of Change)

(Image 12: Strategy for promoting sustainable livelihood)

Experience and Learning
Stable Production
• Recurrence of droughts and water scarcity
• Depleting ground water sources and deteriorating water quality
• Reducing area under food crops due to poor economic returns
• Increasing instances of weather fluctuation and unseasonal rainfall
• Wild animal menace
• Lack of storage infrastructure
• Farming is becoming least preferred occupation of young generation
• Rapid urbanization and selling of agricultural land for non-agricultural purposes particularly nearby towns

Enterprise Development
• Changing perception and capacities of a farmer from a producer / consumer to an entrepreneur.
• Credit availability for scaling up operations as Krushidhan does not have fixed assets. Besides, the interest rates are also high and therefore not viable for sustaining the business.
• In spite of the Producer Company Act’s being prevalent for many years, it has still not percolated to the banks and block-level government functionaries. As a result, the transaction cost of such engagement with them becomes quite high.
• No incentive for a collective enterprise to scale up. As a result, turnover above Rs 10 lakhs attracts tax rate of 30%.
• Competitive retail market and high risk in long value chain makes it difficult for an ethical and collective enterprise to scale up.
• Financial and human resources as currently supported by external agency. Attracting and retaining competent professionals by the company becomes difficult.
• As per recent quality control norms, all FPOs dealing with inputs require qualified agriculture expert who are difficult to retain.

7. Financing FPOs
The session was a panel discussion with Manish Thakkar from Avanti Finance as moderator. Vijayalakshmi Das, Rishabh Sood, Hari Rajagopal, Ashok Methil, and AR Khan were members of the panel. Nabkisan, FWWP, Rabobank, and NABARD shared their experiences regarding financial challenges.
Way forward

- Identifying and associating with partners/promoting institutes of good repute who have promoted good number of FPOs
- Explore partnership for Business Facilitator Model
- Associating with state governments’ programmes
- Exploring partnerships with Corporates, NABARD, FIs, etc., for creation of risk fund
- Explore geographical expansion
- Designing new products in emerging sectors
- Bringing out a web portal dedicated for FPOs and a rating tool for FPOs
- Exploring tie ups with corporates for backward and forward linkages
- Sharing resources on developmental activities of the sector

(Image 13: Suggestions by NABARD for way forward)

Recommendations:

- Capacity building of FPOs is very important. There is a need to be innovative.
- Bank professionals should be involved in such conferences.
- Grant funding still plays an important role in sustaining FPOs; therefore, the role of grant fund has to be acknowledged.
- Different criteria for membership, active members, and rating mechanism should be developed.
- Design principles should be created to build equity.
- There should be assurance of credit and finance linkages.
- There is a clear need of demarcation between returnable funds and non-returnable funds.
- FPOs should be engaged with two to three FIs.
- Fear of banks should be removed from farmers’ minds.
- The structure of agriculture requires clarity regarding whether it is a sector or peoples’ collective.
- Orientation mindset, relationship, and trust required in current scenario.
8. Way forward

The last session was facilitated by Shambu Prasad and Vijayshankar as an open house discussion regarding the future plans of various stakeholders in the FPO sector. To enable greater participation participants were requested to note key areas and professionals that needed to be included in future conferences. They were then grouped under various headings as below:

8.1 Finance

- Concerns regarding eligibility for credit.
- There is a need to maintain finances including grant sponsored costs.
- Missing stakeholder banks and communities need to be addressed.
- Necessary steps should be taken for low cost farming loan and infrastructural development with FPOs.
- The option of allowing CSR money in FPOs should be explored.
- The option for crowd funding also needs to be explored. There is a need to understand the difficulties with crowd funding.
- More discussions should occur with bankers on financing experiences.
- Getting more bankers and market people in is important.
- The issue of short fall in finances should be taken care of.
- Credit ratings to include social and economic parameters. Like MCril’s credit ratings agency with specialized focus on FPOs.

8.2 Organizing FPOs

- IRMA needs to explore to a greater extent pre FPO or promotion phase. The students of IRMA should be heard.
- There is a need to hear the farmers.
- There is a need to address hurdles in agriculture and not just the market.
- FPOs need to be more member intensive.
- The key objectives related to the purpose, design, performance of FPOs need to be evaluated.
- Leadership in FPOs: Inspiration such as Tribhuvandas Patel’s contribution to Amul to be emulated.

8.3 Networks and building alliances

- Working collaboratively to,
  - Share success stories
  - Develop effective capacity building opportunities for FPO governance.
  - Establish a self-regulating body for FPO rating, improved information flow on names of registered FPOs, number of members; commodities and so on should be available in the centralized space.
- Periodic consultation of FPO supporters on new ways of addressing problems.
• IRMA as a facilitator at frequent intervals.
• Platform for FPO promoters and quarterly sharing of learning.
• Complementary relationships among FPOs may lead to further growth.
• To create knowledge amongst donors on collectives.
• Bringing in higher numbers of FPOs to share their experiences.
• Critical issues need to be only addressed and they should be taken up at a higher level and discussed regularly.
• More showcasing of partner experiences from neglected geographies.
• Building cooperation between the FPOs and networks to build economies of scale.

(Figure 14: way forward session)

8.4 Training and capacity building

• Creation of national-level forum for FPOs.
• Creation of FPO incubation service production.
• Design considers programming FPCs only.
• Member education for six months is essential.
• Capacity building of CEOs and BODs is a must (BIRD is promoted by NABARD)
• To explore building FPO-based local economy.
• To enhance women’s participation as equal stakeholders in FPOs.
• To make available funding sources for capacity building of FPOs’ shareholders to BODs.
• To tackle the HR challenge in FPOs. Training and creating development professionals for the FPO sector.
• To strengthen the HR capacity at FPO level.
8.5 Business Process
- Viability of FPO: Institutional, financial, and time frame required for the same.
- Viability of FPOs in the present market condition of shrinking margins in all agricultural products.
- Pooling in data points to make competitive sense.
- Rules for business plan of FPOs.
- Greater transparency in FPO data on business.
- Forging market linkages by introducing backward and forward marketing experts such as NCDEX to share their values.
- Production support service system is a must in FPO function.
- Scaling of the business of the FPO.
- Sustaining the FPO business model.

8.6 Policy
- Taxation/exemptions to FPOs should be strongly advocated.
- Government’s role and participation in such workshops.
- Pushing SFAC to smoothen the process of credit guarantee scheme.
- Recognition of FPOs as important participants in policy making.
- Set up SROs.
- Identifying ‘listeners’ and ‘implementers’ in policy like Pravesh Sharma from SFAC and RBI.
- Documentation of best practices of FPOs based on the richest framework.
- Policy group at state level.
- Interactions at the policy level for making FPOs viable.
- Institutionalization of knowledge and information sharing between FPOs. Principle no 6 of loops cooperation among cooperators.
- Critical analysis of MSP switches on/off policies on FPO business, consumer prices, government as a policy makers.
- Detailed analysis/documentation of financing of FPOs e.g warehouse receipt experiences, working capital/long term capital, membership deposits/equity.
- Concrete measures and policy initiatives to be suggested to the government and other agencies for bringing amendments in present policy framework.
- Set up a core group for policy interventions.
- A conference of policy makers to organize and develop a policy for FPOs having dimensions of easy financing and tax holidays like facilities available to the industry coming under Start up India.

8.7 Governance
- Convergence policy- how AGM and all departments should support initial establishment years of FPLs.
- Develop possible best practices’ compendium.
- Create a dynamic (digital?) platform for experience sharing.
- Scope for increasing investment in R&D of FPO’s in general and small marginal farmers in particular.
- Cover FPOs in other verticals like KUMBAYA.
- The real purpose behind supporting the ‘gender agenda’ in FPOs.
- FPO as a service provider that strives to meet all needs of the members.
- Lobby for a self-regulatory organization for policy and practices for FPOs.
- Evolve a rating mechanism
- Legal changes needed in Companies Act for further strengthening of FPOs.
- Sectoral differences to be kept in mind for formation of FPOs.
- Role of government.
- To build a perspective and analyze in the vertical frame.
- Discussion on cases of successes/on the path of success in crop sectors.
- We could have some perspectives from board members/leaders about governance in terms of individual contribution, their vision, and challenges they face at personal or collective levels.
- Issues that could have been covered: greater inputs on various legal perspectives, government programmes etc.
- Cooperatives and their learning should be taken seriously and PLs are no different.
- Integration of last mile farmer in the FPO and how to create ownership of last mile farmer to sustain the FPO.
- Accountability of BOD and CEO for FPO development.
- The politician can be replaced by producer’s leader to provide farmers with 100% finance for problems.
- Issues are not taken in detail. Legislative, stationery and other legal aspect related with FPOs.

8.8 Marketing and Produce Development

- Try bringing the buyers into the forum.
- Next time, invite large agricultural buyers, ADM, BUNGE, CARGILL etc. to understand what the market wants through them.
- Influencing markets and consumer behaviour- branding quality parameters.
- Invest in a few large market brands: one in each commodity group that FPOs are interested in.
- Consider issues on market linkages and how to address them.

8.9 Discussion among the participants

- The conference was able to reflect the diversity in FPOs.
- Agricultural FPOs must be thought of differently from milk cooperatives.
• Try and understand the kind of collectives that are formed, openness about FPOs, people share their failures.
• FPO ecosystem is continuously emerging.
• Kind of metrics are multi-dimensional. E.g. Soil health.
• These discussions should take place in Delhi where the policy makers reside and in Mumbai which is the financial capital.
• Convergence- need for exchange of ideas regarding FPOs
• Large agri-business companies should be part of discussion.
• Margins in this business coming undone, the question remains as to how one can make the FPOs sustainable.
• Financial inclusion that combines grant, subsidy, and commercial capital.
• Influencing the market and consumer behaviour.
• Suggestions regarding institutionalizing of knowledge sharing between FPOs.
• Farmers are sceptical about joining cooperatives. Farmers have high risk in agriculture with high expenditure and they face lack of mechanization. They require support on production side and good market price. Government support is required.
• Any promoting agency cannot just promote an FPO without exploring the value chains of the product under consideration. Proper study of area, community, and produce are needed.
• If finance is streamlined the governance and operational workings become smooth.
• It is important to remember who we are working with since prolonged historical reason of inequality will take some time to balance out.
• Banking system should support the FPOs.
• Farmer depends on land and water and financing. Natural resource management and enterprise should go hand in hand.
• Complex management issues with faculty members and management graduates.
• In Iran, cooperatives have become resource devouring organizations that are doing more harm than good.
• Need for a theoretical framework. More research and publications by institutes like IRMA.
• Women should be involved in FPOs. They are important stakeholders. Women are entitled to hold land.
• Need for market development.
• At the end of the day the farmer wants a fair price.
• Operations have to be on a viable scale.

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ANNEXURE 1: CONCEPT NOTE
FRAMING FUTURES: NATIONAL CONFERENCE ON FARMER PRODUCER ORGANISATIONS

Over 85 per cent of farmers in India are small and marginal (landholding size =<2ha) cultivating about 44% of the net sown area (National Sample Survey Office, 2014). It is clear that the future of Indian farming is closely related to the fate of these smallholder farmers. While there is ample evidence regarding the efficiency and productivity of smallholder farming (Chand, Prasanna, & Aruna, 2011; De Janvry, 2010), there are several problems faced by these farmers. The biophysical environment in which smallholder farmers operate has undergone steady degradation (Planning Commission, Government of India, 2013). Market imperfections and failures in underdeveloped countries are caused by lack of competitive conditions, asymmetric information and high transaction costs (Akerlof, 1970). Smallholder farmers have only limited marketable surplus with low staying power. Hence, much of their produce is often sold immediately after harvest in local markets at low prices (“distress sale”). These commodity markets are highly exploitative, being dominated by the trader-moneylenders who control and operate through informal credit markets (National Sample Survey Office, 2014). It is evident that in order to survive, the smallholder farmers need to come together and form their own collectives to change the unfavourable terms of trade that they normally face in these markets. Appropriate changes in government policies are also needed to facilitate the market linkage of smallholder farmers.

India has been experimenting with several models of producer collectives that provide comprehensive and integrated solutions for smallholder farming. Following the new legal environment created after 2002 many Farmer Producer Companies (FPCs) have emerged as another credible institutional platform in which smallholder farmers come together. The 21st century has also seen newer agricultural cooperatives focused on small farmers. Together, these cooperatives and companies of farmers or FPOs are part of the new thinking on producer collectives in many parts of India.

In this context, Samaj Pragati Sahayog (SPS) in collaboration with the Institute of Rural Management Anand (IRMA) and Samuha, is planning to hold a National Conference on producer collectives. The proposed conference tries to understand these new forms of producer collectives by learning from the experience of several Civil Society Organizations (CSOs) and development agents that have promoted FPOs across the country. The two-day Conference was held on February 2 and 3, 2017 at the Institute of Rural Management, Anand (IRMA). SPS supported the travel expenses of all participating FPOs and resource persons.
Objectives:

- Experience sharing, knowledge generation and building of solidarity between partners working for farmer-producer welfare through their organizations. Focus to be on sharing not just successes but pain points in growth and managing FPOs.
- Embedding sustainability and climate smart and resilient production systems (focus to be, hence, on collectives already involved in promotion of sustainable or pesticide-free agricultural practices etc.
- Exploring opportunities and challenges in the larger policy environment and working towards enabling policies and processes of state and other support required for such collectives to function effectively.

Partners:

The twoday event seeks to draw upon existing FPOs like the Ram Rahim Pragati Producer Company (promoted by SPS), Netrang Pulse Crop Producer Company (AKRSP (I)), Krishidhan Producer Company (Development Support Centre), PRADAN, Samuha, Safe Harvest Private Limited (SHPL), SRIJAN, Dharani Farming and Marketing Mutually Aided Co-operative Society (Timbaktu Collective) and FPOs promoted by Vikas Sahyog Kendra, Palamau, Watershed Support Services and Networking (WASSAN), Hyderabad, ASA (Action for Social Advancement) etc.

Some other enablers of the FPO ecosystem – NABARD, NDDB, GCMMF and a few foundations and donors (Reliance, Axis, APPI, Ford etc.) are also expected to join. IRMA hopes to build on the producer collectives’ May 2015 workshop, engage in research with many FPOs, and involve other institutions like the Indian Institute of Management (Ahmedabad) and Shiv Nadar University (SNU). IRMA will be the local hosts via the Dr. Verghese Kurien Centre of Excellence (VKCOE).

ANNEXURE 2: PROGRAMME SCHEDULE

Day 1, February 2

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<thead>
<tr>
<th>Time</th>
<th>Title of presentation</th>
<th>Resource person</th>
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<tbody>
<tr>
<td>9.30 – 10.00 am</td>
<td>Registration</td>
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<td>Lecture Hall</td>
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Inaugural

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<tr>
<th>Time</th>
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<tbody>
<tr>
<td>10.00 – 10.50 am</td>
<td>Participant introductions and welcome address by Director</td>
<td>Prof R C Natarajan, Director IRMA</td>
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<td></td>
<td>Workshop objectives and Agenda setting on FPO issues</td>
<td>Vijayshankar (SPS) and C Shambu Prasad (IRMA)</td>
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<th>Time</th>
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<tr>
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Contemporary challenges of FPOs.

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<tbody>
<tr>
<td>11:10 – 1:00 pm</td>
<td>FPO presentation (13 mins presentations each max)</td>
<td>Pravesh Sharma, Sabziwala ex MD SFAC</td>
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<td>PRADAN and FPOs</td>
<td>Rabindranath</td>
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<td></td>
<td>UP Bhumi Sudhar Nigam FPO (supported by Basix)</td>
<td>Dr. Mukesh Gautam and Azhar Uloom</td>
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<td></td>
<td>Ram Rahim Producer Company (SPS)</td>
<td>Debojyoti Chakraborty</td>
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<td>Dharani Farmers Mutually Aided Coop (Timbaktu Collective)</td>
<td>CAV Sathish Kumar</td>
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<td>Netrang FPO (AKSRP)</td>
<td>Kuldeep Solanki</td>
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<td>Open Discussions</td>
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<tr>
<td>1.00 - 2:00 pm</td>
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Managing the FPO ecosystem

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<tr>
<td>2:00 - 3:20 pm</td>
<td>Why FPOs need enabling policies - ASA’s experience</td>
<td>Asis Mondal, ASA</td>
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<td>NABARD's experiences supporting FPOs</td>
<td>MV Ashok</td>
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<td>Designing FPOs: Learning from the dairy sector</td>
<td>N V Belavadi</td>
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<td>3:20 - 3:40</td>
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Emerging issues in managing new generation collectives (Panel discussion)
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<th>3:40 - 5:00 pm</th>
<th>Chair: Prof. Tushaar Shah, IWMI- Anand</th>
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<tbody>
<tr>
<td>&quot;Marketing Sustainably&quot; Safe Harvest</td>
<td>Rangu Rao, CEO Safe Harvest</td>
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<td>What is needed for the FPO movement today</td>
<td>Pravesh Sharma</td>
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<td>Catalyzing cooperation: Is designing for self-governing organisations possible in today’s context</td>
<td>Tushaar Shah</td>
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<tr>
<td>Open Discussions</td>
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| Challenges and Opportunities in Managing Producer Collectives |
|----------------|--------------------------------------------------------------------------------|
| 600 - 720 pm Auditorium | Panellists: Dharam Singh (Reliance Foundation), Pradeep (Samuha), Vijayashankar (SPS), Pramel Gupta (Vrutti), Sarat Kumar (ALC) Debojyot iChakroborty (Ram Rahim), Sathish Kumar (Dharani) Ishita Meshram (NABFINS) | Moderated by Prof Sankar Datta & C Shambu Prasad |
### Day 2, February 3

#### Embedding Sustainability in Agriculture & FPOs

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<td>Embedding Sustainability in Agriculture &amp; FPOs</td>
<td>Srinivasan Iyer, Ford Foundation</td>
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<td>The NPM movement &amp; Sahaja Aharam</td>
<td>Bhabani Das (CSA)</td>
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<td></td>
<td>Sustainability challenges and FPOs</td>
<td>Vijayshankar</td>
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<td>&quot;Paradigm shifts in Public Systems: Opportunities for FPOs&quot; - experiences of Community Managed</td>
<td>A Ravindra and K Lakshman (WASSAN)</td>
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<td>Seed Systems (CMSS) in AP</td>
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<td></td>
<td>Experiences of VSK</td>
<td>Muneeshwar</td>
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<td>Sustainability and Reliability Foundation's experiences</td>
<td>Sudarshan Suchi and Dharam Pal Singh</td>
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<td></td>
<td>Srijan and FPOs</td>
<td>Bharat Bangari &amp; Laxman Jethani</td>
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#### Operational Challenges of Agribusiness Collectives

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<td>Ajit Kanitkar</td>
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<td>ALC and the Hasnabad challenge</td>
<td>G V Sarat Kumar and Waseem</td>
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<td>DSC and Krishidhan</td>
<td>Sachin Oza and Astad Pastakia</td>
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<td>Competing in the Marketplace: Reflections and insights</td>
<td>Profs Sukhpal Singh and SR Asokan</td>
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#### Way forward

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<tr>
<td>3:20 - 4:45</td>
<td>Facilitated Open House discussions on Future plans</td>
<td>Vijay Shankar, Shambhu Prasad and Rangu Rao</td>
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<td>4:45 – 5:00</td>
<td>Vote of Thanks</td>
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#### ANNEXURE 3: PARTICIPANTS LIST
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<tr>
<td>2</td>
<td>Nageshwar Rao</td>
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<td>14</td>
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ANNEXURE 4: Pathways to Consolidation: Note by Pravesh Sharma

Pathway to consolidation of Farmer Producer Organisations- challenges and options

Despite the impressive growth in the number of FPOs across the country, mainstreaming of these institutions in several agri value chains, policy attention, and improved access to investment finance, a breakthrough moment has eluded us so far. At last count, over 1000 FPOs have been registered and perhaps double this number is under various stages of mobilization. While hardly anyone questions the rationale of aggregating farmers into member-owned organizations, practitioners are divided on the pathways regarding achieving scale and sustainability. Farmers who enthusiastically supported FPOs in the initial wave of mobilization rightly wonder if this institutional arrangement, too, was a passing fad of civil society activists and a few well-meaning government officials on the lines of cooperatives and self-help groups in the past.

While a long list of outstanding challenges limiting the growth and viability of FPOs can be listed, I will only focus here on the core issue of institutional consolidation which, in my view, lies at the heart of the problem and by addressing which I believe significant momentum can be gained by these bodies.

When we launched the initial phase of FPO mobilization in 2011, it was clear that while grassroots’ mobilization was essential, it was not sufficient to enable the primary bodies for achieving scale and viability. There was a felt need for leveraging the aggregation of farmers into FPOs through higher representative bodies, such as federations and associations, which could be backed by numbers between 50,000-100,000. To this end, we enabled individual FPOs in 8 states to promote an apex producer company at the State level.

Towards the end of 2014 it was clear to me that at some point the state-level producer companies should create a national-level body, whether as another producer company or a federation of producer companies, to sufficiently leverage bargaining power with policy makers, market players, financial institutions etc. However, though state-level producer companies could be set up in Madhya Pradesh, Maharashtra, Telangana, Gujarat, Rajasthan, and Uttar Pradesh a national level body still waits to be born.

This is one unfinished task which needs to be addressed on priority. With the experience of the excellent work undertaken by state-level producer companies in Madhya Pradesh, Maharashtra, and Gujarat before us I would argue that the national-level body should emerge through the joint efforts of existing state bodies, civil society promoters, financial institutions and even private sector players. What would this entity do?

Such a body would first and foremost help strengthen the profiles of FPOs at the national level. There is still an amazing lack of appreciation at senior policy level of the need to support

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2 The writer is former Managing Director, Small Farmers’ Agribusiness Consortium (SFAC)
aggregation of producers across the agriculture sector. Lack of knowledge and understanding is even more widespread in the private sector, financial institutions, donors, the media and academia. The national-level FPO support institution would help to showcase their achievements and potential, enlist partners across the spectrum of public, private and civil society institutions, lobby for policy action and confidently undertake all the necessary tasks which any trade and industry body (such as CII or FICCI) does.

Most importantly, the national-level body would help create a support structure for FPOs to identify a pathway towards scale and sustainability. A detailed mandate and working agenda for this body can emerge through consultation and feedback. But broadly, this aspect of its work would be modelled on the role played by NDDB during Operation Flood in supporting dairy cooperatives from the village to apex level. Consolidation of business operations for FPOs is a tremendous opportunity waiting to be tapped. Everything from provisioning of inputs and finance, primary, secondary and even tertiary processing, branding, marketing and exports are some of the areas that may be explored.

In the medium term, consumer preference is increasingly going to be influenced by social concerns, like food and environmental safety, equity, and social impact. Given the highly equitable nature of the majority of FPOs, a social brand can be built and leveraged around the theme of a direct connect between producers and consumers. These are pathways successfully explored by producers in Europe and Africa. While there are major differences between those societies and ours, the fact remains that it is better organizational and institutional support which has enabled these models to succeed.

This is not to ignore or reduce the importance of a host of other challenges faced by FPOs, including gaps in human and technical support, financing, restrictive marketing regulations and unfair competition. However, mobilizing across wider geographies and leveraging bargaining power through effective institutional arrangements is key to facing many of these challenges successfully.
Photograph of Workshop Participants