

Reimagining Producer Collectives

Strategic
Conversations for a
post-pandemic
future



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REIMAGINING PRODUCER COLLECTIVES: STRATEGIC CONVERSATIONS FOR A POST-PANDEMIC FUTURE

As business organisations member-owned collectives have received little attention from strategic management scholars. Successful cooperatives like Amul (the brand of the Gujarat Milk Marketing Cooperative Federation Limited) have been seen more as agribusinesses with impressive growth and marketing capabilities and much less for their business models that allow, to use the ex-Managing Director of GCMMF, Dr R S Sodhi, for providing ‘[value for many and value for money](#)’.¹ As member-owned, people-centred, and value-based enterprises, cooperatives are potentially better vehicles for promoting equality and inclusive economic development. Cooperatives have shown greater resilience during crises like the pandemic and have withstood shocks and carried on their businesses despite widespread disruption. However, despite leads from a few management scholars like Paul Adler (2016) urging the Academy of Management community to explore management paradigms beyond profit maximisation the responses from management schools have been weak. Business schools have been ‘followers rather than leaders’ and slow to change despite several experiments on business with purpose (Rocha et. al 2021).

The 24th Annual Convention of the Strategic Management Forum from 21-23 December 2022 at the Institute of Rural Management Anand (IRMA) on the theme “Re-building organizations: Strategic conversations for a post-pandemic world” provided a great opportunity to explore alternative economic systems beyond the investor-owned firm and take stock of the future of collective enterprises like, and beyond, Amul. Some of the questions that scholars were invited to explore included: How can inclusion and equity in governance be hardwired into the design of the enterprise? How do we rethink the rural, - as a market for goods and services, a temporary sink for recovery, a space for renewal, or an opportunity to transform relations and rebuild a better India and the world? How do we better manage our producer collectives (cooperatives and producer companies)?² The track on “reimagining producer collectives” (RPC) invited empirically grounded and theoretical submissions on the broad theme of governance and

¹ Expanding on this at the inaugural session of the Strategic Management Forum (SMF) Conference on December 21, 2022, Dr Sodhi remarked on the ageless strategy of Amul for 75 years, ‘giving stable and remunerative price to the millions of milk farmer producers day after day ... and giving the best product, using best technology and ingredients at a very affordable price’. <https://www.youtube.com/watch?v=-oCzAEhVD74>

² <https://irma.ac.in/conference/smf-2022/home>

management of producer organisations. The discussions also spanned policies and ecosystems that could support these organisations as autonomous business enterprises.

The track was building on IRMA's work on producer collectives over the years and the intensive efforts by the Living Farm Incomes team to actively engage the academia to work closely with practitioners promoting Farmer Producer Organisations (FPOs). The [Fields of Change](#) (Prasad and Dutta 2022) volume and a larger set of thirty-eight [blogs](#) in the last 2-3 years were in a sense exploration of these questions during the pandemic. Authors of the fifteen FPOs whose case studies are part of a forthcoming volume, [Farming Futures: Reimagining Producer Organisations in India](#) were encouraged to think beyond their particular cases exploring cross-cutting themes even as some of the leading academics who study FPOs such as Prof. Sukhpal Singh (Indian Institute of Management-Ahmedabad), Prof. Annapurna Neti (Azim Premji University) and development practitioners involved in the nitty gritty of execution who face the challenges of building alternate institutions were pro-actively encouraged to participate in the event.

The RPC track received many submissions and twenty-three of them were presented across four broad themes *viz.* assessing producer collectives (7 papers), building inclusive institutions (6 papers), new knowledge on producer collectives (5 papers), and rethinking FPO policy (5 papers). There were four papers from graduate students looking at different aspects of managing hybridity, applying stakeholder perspectives, understanding the confluence of gender and sustainable agriculture and collective action. Senior development practitioners explored many issues on policies and ecosystems and were willing to continue with their papers through blogs that explored the [legal dimensions of FPOs and the regulatory bondage](#), [promoting agencies support in a state with several FPOs like Uttar Pradesh](#), [the need for a different architecture in rainfed areas](#), [newer business models for FPOs](#) and [the need for larger Type 2 institutions](#) in the FPO ecosystem. The conversations among scholars led to further explorations like [understanding the governance of these member-based institutions through their AGM](#).

The conversations in the RPC theme and similar conversations between academia and practitioners, (industry more broadly defined) in other themes like “rethinking enterprises”, were important for four reasons. First, to create an incipient community of practice where ideas are exchanged beyond a conference. A WhatsApp group originally created for managing logistics continued beyond the conference with participants freely sharing their full papers and

presentations and other work for comments, suggestions and leading to further dialogues. Second, academic institutions need to pro-actively explore their role in facilitating innovative knowledge platforms that are non-hierarchical and inclusive with participation of academics with years of experience, graduate students and practitioners where ideas are shared and reflected upon. The typical form of academic publications in journals with limited access to a wider audience need not be the only contribution of the academia whose role in facilitating knowledge dialogues is underrated. Third, is the exploration of several cross-cutting themes such as gender issues in producer collectives and assessing performance of hybrid organisations. The conference has interesting papers on these themes including rich conversations and disagreements too. It was also heartening to see at least three papers that were both engaging with the design framework of cooperatives by Tushaar Shah in the 1990s (Shah 1996) even as they extended it to non-perennial agricultural commodities (beyond milk or dairy). Newer insights on the management and governance of these institutions emerged including the application of stakeholder theories and frameworks.

Finally, industry or practitioner forums tend to be celebratory and are uncritical of existing paradigms of management or government policies. A pro-active exploration of alternative economic systems with an Indian context is critical for the challenges that the world faces today. Leading theoretical contributions on cooperatives or producer organisations from developing countries often are quite divorced from the Indian context of small holder farmers and the increasing feminization of agriculture. Taking forward the discussions that emerged during the Convention, we hope that future SMF conferences would build on the exploration of ideas and strategic conversations that emerged at IRMA in December 2022. As articulated through the interviews with management thinkers business must serve the needs of humanity rather than the needs of business. Business schools have to move beyond narrow parameters of efficiency and focus on addressing more fundamental questions of the human condition (Rocha et. al, 2021).

Adler, P. S. (2016). Alternative economic futures: A research agenda for progressive management Scholarship. *Academy of Management Perspectives*, 30(2), 123–128.

Rocha, H., Pirson, M., & Suddaby, R. (2021). Business with Purpose and the Purpose of Business Schools: Re-Imagining Capitalism in a Post Pandemic World: A Conversation with Jay Coen Gilbert, Raymond Miles, Christian Felber, Raj Sisodia, Paul Adler, and Charles Wookey. *Journal of Management Inquiry*, 30(3), 354–367.

Call for papers for the track on Reimagining Producer Collectives

Progressive management scholarship has encouraged exploration of alternative economic systems beyond the investor-owned firm to collective enterprises, including cooperatives, as better suited to address global challenges like inequality, an ever widening environmental and climate crisis and the role of people and communities in rebuilding a better world (Adler 2014, 2016). The track of reimagining producer collectives encourages empirically grounded and theoretical submissions that could explore any of the following themes and ideas:

- Rethinking cooperatives in a post-pandemic world: Are cooperatives better linked to the social solidarity economy and how are they the meeting SDG goals? What are the opportunities for platform cooperatives and the gig economy? How can cooperatives be designed to embed autonomy and independence in their functioning? What are newer directions and research in cooperative theory and could newer strategic management perspectives and frames such as stakeholder theory, strategic embeddedness (Ghosh 2010) open possibilities for management research? Should cooperatives be seen as social enterprises or hybrid organizations?
- Governance and management of producer organizations: How are governance (and operating) systems in producer organizations different from investor-owned firms? What might be the newer design principles (Shah 1996) for producer organizations in a globalized post-pandemic world? How are federations of producer organizations governed differently?
- Are Farmer Producer Organizations (FPOs) the New Generation Cooperatives (NGCs): What are the implications of newer studies on incubation, growth, management, sustainability, and entrepreneurial ecosystem of FPOs saying on better FPO design? How have FPOs coped, navigated, and innovated in overcoming capital and capability constraints? What new insights do we have on FPO sustainability and FPOs as inclusive institutions of the future?
- Policies and ecosystems: What should be the role of the state, and the market, in enabling community enterprises? How can they be partners and catalysts in transforming systems? What kind of ecosystem issues and collaborations can push for greater voice of primary producers in policy design?

Papers Presentations

Theme 1: Assessing Producer Collectives

Tara Nair, Deepashree S. and Hareesh Belawadi. *Producer Collectives and the Social Market Economy: A Study in Coastal Karnataka.*

Abstract.

The paper would make an attempt to closely look at the experience of large scale promotion of producer companies in coastal Karnataka since the mid-2000s as compared to other forms of collective organisations promoted in earlier decades (like cooperatives) in sectors like agriculture, fisheries, and dairy. The central question of this paper– whether the explicit focus on organisation-level profits promotes distributional equity at the individual producer level – will be explored through extensive analysis of the micro environments in which producer organisations function. Following Page (2004) the study conceptualizes producer companies as



an agent-based system wherein diverse, spatialized, and interacting human agents aggregate in response to certain constraints or incentives. The outcomes of such aggregation depend on the local environment as also on how the individuals interact locally and through the networks. The characteristics that are critical to the understanding of such aggregation are learning/adaption, geography/network, externalities and diversity (ibid). A detailed examination of the micro environments, hence, becomes very essential to understand the outcomes of the aggregation of farmers in distinct sectors and regions.

The paper employs an inductive and exploratory research design as our intention is to map the contours of the locale (people, spaces, institutions) where the outcomes of producer collectivisation are likely to be situated. Following an interdisciplinary, comparative approach, the methodology adopted would combine methods of ethnography and political economy with the help of conceptual tools from social economics and anthropology. The social economics perspective would help us follow a heterodox framework to explore producer organisations in their broadest aspects, showing how individual members use their human and physical resources to achieve material gains. This perspective also would help us conceptualise individuals as ‘non-rational’ agents and consider solidarity, not calculated self-interest or competition, as the basic organizing principle of social behaviour. In other words, we do not intend to observe the structure and behaviour of the economic life of the organisations and participants as singularly influenced by the assumptions of individual rationality, the self-regulatory character of the system, and the preponderance of contractual negotiations. Instead, following Polanyi (Maucourant and Plociniczak, 2013) we consider that market is neither a natural nor a spontaneous phenomenon, but an institution shaped by the state apparatus and legislative processes. Though the production sector and collective organisations are situated within the realm of ‘human’ economies, the ‘demand-supply’ functions of the market cannot be alienated from the socio-politico and legal structures of society.

Vinayak Nikam, Haripriya Veeram, Kiran Kumar TM and Prem Chand. *How are Farmer Producer Organisations doing in India? Evidence from a mixed method research synthesis.*

Abstract.



The government of India is giving the highest priority to the establishment of Farmer Producer Organisations (FPOs) in the country to enhance the income and livelihood of small and marginal farmers. Large and scattered studies are available in the country about the FPOs. An attempt is made to analyze these studies using mixed-method research synthesis, by combining quantitative and qualitative research. About 312 studies on FPOs in India from the year 2000 to May 2022 are analyzed. Studies have found a significant impact of the FPOs on members' crop and livestock yield, income per unit of crop and livestock and technical efficiency of the members. Similarly, the study throws light on various aspects of the financial performance of FPOs, determinants of joining FPOs, perception about FPOs and constraints related to FPOs. The study also suggests some policy implications emanating from the findings. Insights generated from the study would help policymakers, implementing agencies and other stakeholders to devise effective policies, plans and programs for the FPOs to exploit their potential and to support and guide the government policies for the formation of new FPOs in the country.

Pushkar Aditya. *Comparative study of impact of pandemic on FPCs in Bihar and Maharashtra.*

Abstract.

'Collectives' is over a century old idea in India and it has a strong footprint of cooperative and SHG movement. A new form of collective has emerged called 'Farmer producer companies' (FPCs) which is also called as improved version of cooperatives. This study aims to analyse challenges and opportunities of Indian agriculture in context of farmer producer companies. The findings of the study highlight the issues of production, logistical and marketing in times of pandemic. It also suggests strategies to make Indian agriculture more resilient.

Sushanta Sarma (IRMA). *Social Movement Perspective and Producer Collectives.*

Abstract.

There has been substantial policy emphasis on promotion of Farmer Producer Organizations in recent times. With the announcement of "10,000 Farmer Producer Organization", the national policy orientation of India clearly indicated towards promotion of new organizational form – the producer companies. The producer companies are aimed at improving the vertical coordination between farmers and buyers. The purpose of this organizational form is to introduce and establish basic business principle among the farming communities and to bring farmers closure to the



market. Farmer producer companies are a kind of hybrid aimed at blending the efficiency of a company with cooperation of a cooperative. FPOs are run and owned by farmers, promoted by government and corporations with support from facilitating agencies. The purpose of FPOs are to offer input and output services to farmer members and to act as aggregator. FPOs can negotiate with institutional buyers to leverage better price for its farmer members.

The notion of social change as enacted by the policy is sequential and often farmers/communities are visualized as mere instrument in the change process. The notion of FPOs as aggregator to leverage the power of scale is probably limiting to its success. For FPOs to be emerged as community-based enterprises, it is important that we understand FPOs as an entity embedded in the community. This paper aims to explore FPOs through the lens of social movement. Most of the successful collective enterprises like SEWA, AMUL, etc. in India irrespective of their organizational forms are result of social movement.

Amrita Dhiman, Rajeshwaran S, and Ashish Ranjan Sinha. *Centrality and Criticality of participation and popular education in the governance of the new generation collectives: FPC.*

Abstract.



The demand for capacity building and marketing linkage of the FPCs are also emerging as a huge opportunity area to work for all kinds of institutions, including academic institutions. But the fundamental question is, what is the principal origin for implementation of these FPCs? Why and how are these FPCs different from the other companies registered under the Companies Act? What is the criticality of the central element of differentiation among the other categories of companies with the FPCs. How are these FPCs being governed? What measure can be taken to strengthen the core composition of the FPCs for improved

governance? This paper attempts to analyse and understand the answers for the above questions regarding the new generation of collectives. It is based on the work done with the FPCs in the state of Bihar for capacity building and market linkage. The key indicators being looked at are member centrality and participation to understand the governance mechanism of the FPCs and how popular education is needed to improve the governance of these new-generation of collectives.



Abstract.



FPOs have twin objectives of being socially relevant - starting with initial mobilisation and continuously keeping members interested in the FPO, as well as being viable business entities – measured by their business performance required for the growth and financial viability of the FPO. While these objectives seem complementary, in reality, especially in initial stages, where the FPOs are struggling to establish themselves, it leads to difficult trade-offs between member engagement, Governance and business performance, often promoting organizations choosing one over the other. Primarily, the FPC is a people's institution with business goals in the interests of its

members, as well as its own sustainability. Considering this, for the detailed analysis of the FPOs, the paper uses Dr. Tushar Shah's Framework of people's institution. The paper looks at the strategic choices made by the two FPCs and their promoting organizations in this looking at areas where the FPOs are doing well, or lagging behind, and the implications it has, on the functioning of the FPO. Specifically, the paper would look at the sustainability of the FPO, beyond the project phase – in terms of finances, but also in terms of interest and ownership among stakeholders, in doing what it takes to ensure the FPO continues functioning, beyond projects and providing services to its members.

Theme 2: New Knowledge on Producer Collectives

Gopi Gopikuttan and Gopal Naik. *Managing hybridity for organizational sustainability of cooperatives: A conceptual framework.*

Abstract.

Organizational sustainability of cooperatives is a well-researched topic. The evolving theoretical conceptualization of cooperatives is that of complex and diverse business organizations with multiple and competing objectives – members’ welfare and enterprise growth. Yet, the role of hybridity in the organizational sustainability of cooperatives is relatively less discussed. We posit that managing hybridity is at the core of ensuring organizational sustainability of cooperatives. How do cooperatives manage hybridity for their sustainability? In this paper, we develop a conceptual framework to engage with this question. We build on the organizational design and centrality principles proposed by Shah (1995, 1996, 2016), by incorporating theories of hybridity in cooperatives. We unpack the elements of organizational design and draw out a feasible alignment among them for managing hybridity such that it leads to organizational sustainability of cooperatives.



Alexa Russo (Stanford University). *Imagining Agrarian Alternatives: Sustainable Agriculture, Gender, and the Farmer Producer Organization.*

Abstract.



In India, alternative forms of agriculture are at the center of calls for sustainability and to address a long-diagnosed agrarian crisis. These alternatives have figured small and marginal farmers, who make up more than 80% of India’s farmers, as key agents to bring about agrarian change. Through grassroots and policy-level work, two solutions have increasingly come to the fore for these farmers: 1) the creation of farmer producer organizations (FPOs) and a 2) a transition to environmentally sustainable agriculture. Furthermore, with the feminization of agriculture and the ubiquity of self-help groups (SHGs) across rural

India, women are providing significant labor and leadership in the making of these alternatives. However, these three movements – FPOs, sustainable agriculture, and SHG – are not always in explicit conversations. Across these movements, there are various visions of what the agrarian future should be like, with significant implications for implementation. In this context, the following paper analyzes the possibilities of the FPO as a sustainable and inclusive institution. It asks, how is an FPO envisioned and produced socially to combat the many facets of agrarian crisis and what are the on-the-ground social challenges of implementing specifically an all-women’s sustainable agriculture FPO? To address these questions, the paper examines both a specific case study – an all-women’s FPO in Madhya Pradesh – analyzing the various visions within these movements and what it might mean

and look like to bring the aforementioned movements together in practice, as well the complications, conflicts, and challenges.

Sukhpal Singh. *Organising and Promoting PCs for Small Farmer Market Interface in India: Some Lessons from Rajasthan.*

Abstract.

Primary Producers' organizations or collectivities are being argued to be the only institutions which can protect small farmers from globalization by helping them buy or sell better due to scale benefits, lower transaction cost, technical help in production, and creation of social capital. However, most of the co-operatives in developing countries like India have been more of failures than successes with the exception of a few sectors and regions. The paper uses comparative case study methodology and has empirical evidence from four PCs promoted by two different Resource Institutions (of SFAC)/Producer Organisation Promotion Institutions (of NABARD) in Rajasthan including survey of their member and non-member farmers to assesses the physical and financial performance of the PCs and impact of these PCs on member incomes and livelihoods besides assessing the member engagement in the PCs. The paper is unique as it examines both business performance and impact of the PCs on members and that too across two different promoters in the same setting. It is a part of the larger study across five states including 32 PCs dealing with different agro value chains and has insights from the larger study to inform the findings in this specific study context. It suggests some pointers towards exploration and adoption of more innovative promotion, governance, and management, especially market interface and orientation, of PCs for achieving viability and sustainability of such entities for contributing to better member livelihoods and even more inclusive and sustainable agricultural and rural development.



Richa Govil and Annapurna Neti. *Farmer Producer Companies: The Incubation Gap.*

Abstract.



About 16,000 producer companies (PCs) have been registered as of March 2021. Most of these PCs have failed to flourish and face many challenges related to funding, talent, market linkages, business strategy and operations, which affect their performance and viability. It has been observed that PCs which have been able to succeed are those which have received substantial mentoring, handholding, financial and operational support. In many ways, challenges of PCs are similar to the challenges faced by business startups. However, the ability

of promoting institutions to incubate PCs is hampered as most of them view PCs mostly through the lens of producer collectivisation and production, and do not have a good grasp

of PCs as business entities. Therefore it is not surprising that very few producer companies are able to start business operations and grow, as evidenced by many studies, including ours.

Our studies highlighted a dissonance among promoting institutions, government bodies and small producers in their normative imagination regarding the purpose of PCs, leading to differences in investments being made (financial and non-financial). The studies also pointed out compliance challenges and the vulnerability of marginalised shareholders to fraud, mismanagement and negligence. The PCs faced significant strategic and operational challenges with limited access to equity and debt, and lack of inadequate management expertise and business acumen. Despite these drawbacks, PCs continue to have the potential to generate significant social and economic benefits for small and marginal producers (as evidenced by a few exemplary PCs). Therefore, it is imperative to invest in improving the viability of PCs. In this paper, drawing from our previous studies, we make the case for creating a strong incubation support for PCs, identify possible approaches for developing incubators and highlight the nature of incubation support required for strengthening the viability of PCs.

Abhishek Saxena and Shambu Prasad Chebrolu. *What causes resilience in producer organisations? Some findings from a study of fifteen cases across India.*

Abstract.

As they work towards rebuilding what has been disrupted during the Covid19 pandemic, over the last few years, enterprises face newer challenges as well as many opportunities. Certain types of enterprises known as member owned firms have been postulated to show better resilience to disruptions than investor-owned firms. In our study, we argue that this phenomenon may be explained by a multi-stakeholder systemic view of producer organisations (POs). Further, drawing from the findings of 15 case studies of various POs across India, we try to provide

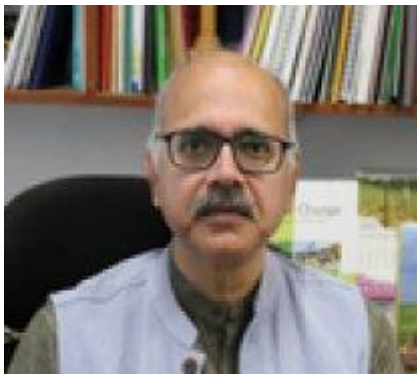


evidence that policy for promoting POs or member owned firms need to account for both firm level and ecosystem level challenges and allow for diversity and representation in structural as well as strategic aspects of these firms. POs need to be viable so that they can cause long term benefit to their members or shareholders. Any policy aimed at farmer welfare through value addition and agri produce marketing should accept this dual logic of people as well as profit. Only then can POs be the tools of resilient empowerment of rural communities.

Theme 3: Building Inclusive Institutions

Deborah Dutta and Shambu Prasad C. *Women's participation in producer organisations: Exploring opportunities and challenges.*

Abstract.



Farmer Producer Organisations (FPOs) have become the focus of rural and agricultural livelihood initiatives in the past decade. However, the emphasis on women's participation and leadership is yet to make its way into core policy and practice. This paper attempts to characterize some opportunities and barriers in running women-led FPOs through illustrative case studies of seven organisations across India. The analysis reveals the need for gender-sensitive capacity-building programmes, legal recognition of women as landholders and farmers, progressive socio-cultural norms, and inclusive markets as some of the factors contributing to a supporting ecosystem for women's participation.

Santosh Kadu. *Social Interfaces in Collective Action: Insights from A Farmers' Producer Company in Ahmednagar, Maharashtra.*

Abstract.

This paper examines the social interfaces in the collective action of a farmers' producer company in Ahmednagar, Maharashtra. This paper is a segment of ongoing doctoral research that studies the movement of FPCs in Maharashtra. Indian agriculture is predominantly constituted of small and marginal farmers. About 85 per cent of landholdings belong to them. The key assumption of this study is farmers from diverse backgrounds and intersectional features organized in the form of FPC. It both leads to positive initiatives and social discontinuities. The paper is qualitative in nature and employed a case study design. The study is conducted in the Ahmednagar district of Maharashtra. Ahmednagar has multidimensional agroecological conditions. Findings demonstrate a pre- and post-formation journey of the studied FPC. It is characterised by the interfaces in the collective action of farmers as well as with the external actors at different levels. It unravels vested interests, power asymmetries, conflicts, and factions in the formation and functioning of the FPC. The study is significant in two major dimensions. Firstly, to understand the conflicts in the collective action of FPC. Secondly, it illuminates the inclusion dimension of FPC.



Sudha Narayanan, Ritesh Pandey and Milee Parmar. *Jeevika Women Agri Producer Company Limited (JWAPCL): The timid rise of an all-women state-promoted FPC in an “aspirational” district of Bihar.*

Abstract.



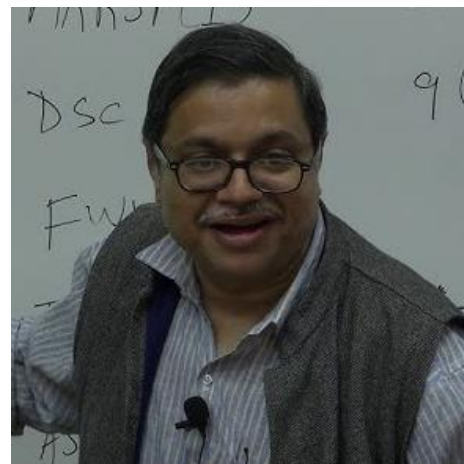
This paper tracks the story of Jeevika Women Agri Producer Company Limited (JWAPCL), a 1206 member women’s Farmer Producer Company (FPC) in Khagaria, Bihar. Promoted by the Bihar Rural Livelihoods Promotion Society (BRLPS) or JEEViKA, an autonomous institution designated by the Government of Bihar, the FPC is part of a larger strategy of the Government to nurture sustainable and profitable livelihoods for rural women. JWAPCL was founded in 2009 in one of the most backward districts in India, in a context where a large proportion of women are unlettered and has attracted most attention in public discussion for trading in maize on the futures platform

of the National Commodities and Derivatives Exchange (NCDEX). JWAPCL’s story is, however, more than just that. We present a case study of JWAPCL to answer the following questions: How has an FPC comprising largely of unlettered women in such a context managed to leverage the NCDEX to trade in futures? How does the legacy of the SHG system and having JEEViKA as promoter influence the functioning and performance of the FPC? To what degree has the management of these complex tasks, and of the FPC in general, devolved or not devolved on the JWAPCL? Has the introduction of a professional management team by JEEViKA and the significant presence of its technical assistance partners hindered or aided the active participation of FPC members?

Sachin Oza and Astad Pastakia. *Assessing Social Returns of Farmer Producer Organisations: Development and trial of a simple proxy tool.*

Abstract.

Social outcomes are very difficult to reflect on the balance sheet of an FPO. The company is not formed to generate dividends for its shareholders and farmers join the FPO with a different set of expectations. Primarily they would like the FPO to help them make farming more productive and sustainable. This means, addressing the following sub-goals – reducing costs of inputs, improving productivity while maintaining soil health, improving price realisation for primary produce, better price realisation through value-added products and risk reduction among others. If these objectives are met resulting in the economic viability of the farmer, he/she would continue to support it whether it makes profits or not. Hence FPO in the eyes of the members, is an institutional tool to meet their socio-economic development and profits are only a means to maintain the robustness of the institution. This paper focuses on the social returns of a ten-year-old FPO, Krushidhan FPC to demonstrate the methodology for assessing social returns and how this can be applied to study other FPOs to bring out the true value of such institutions.



HariPriya Veesam, Vinayak Nikam, and Ankit Mahapatra. *An Institutional Analysis of Performance of Farmer Producer Organizations in India.*

Abstract.



The formation of Farmer Producer Organizations (FPOs) is a successful strategy for addressing the numerous issues faced by small and marginal farmers. Empirical studies on the performance of existing FPOs can bring out crucial inputs for the government while establishing new FPOs in the country. Hence, a study was conducted on 20 FPOs, 200 farmers, and 20 FPO officials in Andhra Pradesh and Telangana; with the objective to analyse the relationship among institutional features, rationalities, performance, and overall impact using new institutional economics principles and management science. Partial least squares path modeling and ordered probit regression analysis were used to examine the data. Results revealed a strong linkage between performance and overall impact. The major factors responsible for the overall impact were scalability, technical rationality, economic benefits, and psychological benefits. Thus, focusing on improving the identified parameters of institutional features, rationalities, and performance can help to enhance the overall impact of FPOs on the farming community.

Theme 4: Rethinking FPO Policy

Parthasarathy Thiruvankadam, Suvrata Mudambi, Saikrishna Nanduri, Gt Veerabhadra Reddy and Jagdish Nayak. *Participatory approach to capacity Building of FPOs - Rationale and experiences.*

Abstract.

FPO is a business entity, and also a people's institution. Seen as institutions that address some of the drawbacks of the cooperative movement, they are usually promoted by non-profit organizations. The FPO functions in an ecosystem comprising Government agencies, Banks, Traders, companies, technology service providers and others. The paper discusses the role (existing and potential) of various stakeholders associated with the FPOs, based on interaction with several stakeholders across the country. The paper looks at one such framework of people's institutions, to understand the capacity building needs of the FPOs. The conventional approach to training is classroom lectures using PPTs and other material, which are not effective. This approach assumes that the participants are passive learners with no existing knowledge and is more suited for childhood education. The other aspect related to the capacity building of FPOs, is the availability of resources, which are minimal and not adequate for the steep challenge. Making effective Capacity building services accessible to FPOs, calls for dedicated and sensitive trainers, who are capable of diagnosing the needs of the FPO, and being able to apply available training tools in participatory workshops with FPO stakeholders. A learning platform for exchange of ideas and processes that work well with FPOs can help other FPOs to adapt these practices. The paper documents the experience of developing an open source manual, its publication and its use for developing trainers across the country. It also talks about the use of the tools (manuals) by trainers to address the needs of the FPOs, and some of the positive changes and challenges that were observed. It also highlights some of the learnings for other organizations working and comes up with some recommendations for future work on capacity building of FPOs.



Gouri Krishna and Rajnikant Prasad. *Supporting FPOs: Experiences from Uttar Pradesh.*

Abstract.



To understand the usefulness of the continued handholding support of the promoting agencies of the FPOs and the dimensions of such support that help in establishing sustainable business enterprises. The paper examines these aspects with reference to the state of Uttar Pradesh. Information gathered through preliminary interaction for with the FPO representatives and the field personnel who continue to support the FPOs for an extended period and perusal of relevant documents, records and registers and financial statements of FPOs. Does the role of promoting agency contribute significantly to the performance and effectiveness of the FPOs? Do promoting agencies

spend adequate time laying a strong foundation for the apex body, the FPO? What kind of handholding support is beneficial to the FPOs? This paper examines these questions with reference to the FPO promotion experience in the state of Uttar Pradesh. With nearly two lakh farmers as members of about 1400 FPOs, the state of Uttar Pradesh boasts to be one of the leading states in the country in FPO promotion. Apart from the ongoing county-wide program of promotion to 10,000 FPO, Uttar Pradesh had promoted FPOs under other schemes funded by donor agencies in the past and was already in the lead in this area of work. The first category is the FPOs with strong leadership and who built a good rapport with the field personnel of the promoting agency before their exit. The second category of FPOs is those where the elite captured the forte. Having understood that FPOs are means of leveraging government schemes and benefits thereof, a few enterprising members played a dominant role in running the organizations. The third category of FPOs survived after the exit of promoting agency without incurring losses but with minimal growth over years. Good governance practices and tangible and intangible benefits perceived by the members kept the organization afloat. With a vision to grow to the next level, the leadership volunteered to seek external support and inducted subject matter experts on the Board for guidance to explore new markets and achieve sustainable growth. While some FPOs have leveraged from the support and moved on to be independent, others preferred to continue the association for business growth and yet others have taken a path that benefited a few more than the community at large.

Shirish Joshi. *Reimagining rainfed FPOs.*

Abstract.

Rainfed areas have distinct requirements due to extensive and multi cropping strategies. Rainfed areas also do not have yearlong agriculture output. The business models for rainfed FPO need to be different from business models of perennial single commodity FPOs like dairy cooperatives. The paper tries to lay down the reasons for a differentiated approach for designing rainfed FPOs. It lays down a two-stage model where a first stage FPO is a service provider engaged in yearlong activities and acts as livelihood support partner for member farmers. The second stage FPO/ entity could be larger, more formal, professional with a much larger scale.



Emmanuel Murray and Mohan Kadimpalli. *Creating a Policy and Regulatory environment conducive for the success of FPOs.*

Abstract.



Most academic literature on FPOs tends to miss out on many ground-level operational issues constraining FPOs, because of the scope of such studies or the engagement the researcher has with FPOs is limited. In order to bridge that gap, we bring to bear our expansive experience of incorporating more than 100 FPOs and training more than 400 FPO functionaries from across the states at various national level institutes and agencies.

Alongside mainstreaming of the programme, the reporting and regulatory regime of Ministry of Corporate Affairs (MCA) for companies has evolved over time, with compliance requirements having increased exponentially, and the cost of doing business going up manifold times. All these have implications for the success and sustainability of the FPO programme which few so far comprehend. Some of the ongoing regulatory roadblocks and operational challenges facing FPCs that require urgent attention include GST, VAT, Income Tax etc. The absence of a lighter regulatory regime for Community Collectives that are registered as companies, as compared to corporate businesses in general, and the need for a coordinated approach to resolve them in a time-bound manner is essential. FPCs are in a true sense Start-ups of farmer collectives and deserve the same kind of attention Start-ups are attracting, if not more.



Niraj Joshi, Vaibhav Bhamoriya and Astad Pastakia. *Duration, Pedagogy and Process of Incubating FPOs: an Empirical Study.*

Abstract.



The incubation process for Farmer Producer Organisations (FPOs) differs from that of innovative business entrepreneurs in many ways. Since FPOs are collective organisations situated in socio-economic ecosystems of less than professional organizations and institutions, much time and effort is needed to develop suitable governance mechanisms, create leadership (system) acceptable to the community, and develop a team of professional managers who can make mature decisions while dealing simultaneously with markets and members’ needs. A case-study method has been adopted

to capture the process. Cross-analysis of six cases provides a much-needed understanding of the duration, pedagogy and process under different conditions.

Five possible stages of engagement by the incubating agency with the FPO have been observed - a) Pre-incubation b) Incubation c) Disengagement and d) Post-disengagement and e) Re-engagement (optional) . The tentative findings show that even in conditions considered most favourable conventionally – irrigated farming, traditional farming community, male owners, existing market integration etc. the minimum incubation period is about six years. In women-owned, marginalized forest dwelling community, poor market integration, etc. the duration could extend for an entire decade or more. Often disengagement could result in re-engagement after some time, calling for an additional doze of incubation. In fact, if the enterprise moves from selling primary produce to value added products, the risks involved, technology and market linkages needed, may be of a different order all together and would call for continued engagement. These are findings that could have been expected, but largely ignored by policy makers who prescribe a standard duration and protocol for incubation, which falls way below the actual requirement. The study concludes with the need for re-examining the existing policy for incubating FPOs, in the light of the above findings.

Publications Post-Conference

The three Ss of Successful Cooperatives: What Indian cooperatives could learn from Germany

A nine member Indian delegation found that the secret of success of the German cooperative system is built on three simple cooperative values – Self-Help, Self-Responsibility and Self-Administration. As India deliberates its National Cooperation Policy, learning from Germany’s Sector Own Control (SOC) that has been continuously evolving over 175 years could help bring much needed vibrancy and business orientation in the cooperative sector.

As early as 1995, scholars like Tushaar Shah have pointed to the inability of the Indian State to trust cooperatives and their members, overriding their autonomy and resulting in ‘a vast and spineless cooperative movement’. The comprehensive task force report of the Vaidyanathan Committee for revival of cooperatives in the early part of the century pointed to irregular audits, poor governance, limited capacities and state interference that has continued to plague the cooperative sector. Despite cooperatives being an integral part of social and solidarity economy worldwide, a fact underscored by their resilience during the pandemic, Indian cooperatives have failed to attract much needed talent, ideas and interest.

The new National Ministry of Cooperation and the proposed National Cooperation Policy is a critical opportunity to reverse these trends and focus on Sector Own Control (SOC) towards greater autonomy and independence. Are there elements of governance and administration that India could learn from countries such as Germany with over 175 years of cooperative experience? This question was on our minds as part of a nine member Indian delegation of bankers, cooperators, Government officials and academicians to Germany for a week in late November 2022.



Indian delegation understanding the German banking supervision system at the Giessen Volksbank headquarters.

Pragmatically Idealistic: The Three Ss of Success

Indian exposure to the German cooperative system has been limited due to the imperial legacy whose strength was more on consumer cooperatives. While there are interesting parallels to the Spanish workers' Mondragon cooperative in the [Uralungal labour cooperative](#), we have not seen significant interface between Indian cooperative credit system and Germany. Credit cooperatives in Germany have maintained strong members' and customers' relationship and have successfully competed with commercial and nationalized banks especially in rural areas. The resilience and member-centrality of the cooperative banks was evident during the pandemic with the cooperatives lending €30 billion from March - December 2020 to their 30 million customers (18.2 million being members) while their commercial counterparts, despite their higher asset size could lend only €8 billion. The bankers pride themselves on being less bureaucratic and focused on members needs to promote local economy without compromising on the entrepreneurial nature of cooperatives.

The German cooperative system emphasises three core principles -- Self-Help, Self-Responsibility and Self-Administration and has introduced regular audit of cooperatives since 1889. The cooperatives are treated as enterprises with the state neither providing any preferential treatment nor interfering in the inner organisation of cooperatives. Among factors attributed to the success of cooperatives in Germany are the understanding that each cooperative needs to be economically strong on its market, to grow (at least operate profitably) or merge with another cooperative bank. Enabling factors towards this goal include professional management, high member awareness, a strong cooperative organization that is decentralized with a supportive system of Federations that provide audit, rating, institutional protection, consultancy, lobbying and training. Our visit to the Raiffeisenbank Lorup, a cooperative bank located in the village Lorup, provided insights on the embeddedness of the bank in the economy of the region. The bank has been in operation since 1900 and has 4,463 customers (with 1672 members) and has high acceptance in the region providing loans and credit to support agriculture and forestry in the area. Apart from this the bank has a renewable energy section and supports photovoltaic systems and wind energy establishments.



The cooperative wind farm supported by the Raiffeisen Lorup bank

Audit and Training Ecosystem

Each of the five cooperative unions have their own training academy that is a service provider for seminars, trainings, coaching and individual offers for all member cooperatives. An academy could provide up to 20,000 training days per year and also offers a degree in collaboration with a university. The cooperative federation includes legal audit that is compulsory for member cooperatives and statutory aspects that include counselling and education that is optional. Promoting and safeguarding the economic performance of member cooperatives is paramount in all trainings. As per the German Cooperative law, all cooperatives have to be members of their own regional federation / association and can avail a package of services (training, audit, institutional protection, advisory & lobbying) for a fee. These Cooperative Associations are members of the Cooperative Confederation (DGRV) that provides oversight and guidance.



The Indian delegation being debriefed on the auditing process followed in German coops by cooperative auditor Mr Winfried Hemken

Beyond Credit: Agricultural Markets and Dairy

The Raiffeisen cooperative structure has over 1729 agricultural cooperatives with over 1500 Raiffeisen markets that provides rural Germans inexpensive agricultural inputs, home gardening and other daily needs. The cooperative has a big warehouse to service its members and also operates 950 petrol stations in Germany. Apart from agricultural cooperatives there are also livestock and meat, dairy, horticultural, wine and commodity industry cooperatives. Together cooperatives have a commanding share ranging from 60% in milk processing and 50% of the grain trade to 33% in wine harvest. Even as number of farmers are decreasing and farm sizes expanding the cooperatives in Germany too have not fought shy of merging cooperatives to enable greater ease of doing business and remaining viable. Cooperatives are integral to German culture with 98% of farmers and even 65% of accountants being members of cooperatives!



The Raiffeisen farmers market and modern warehouse in Filsum and Wiefelstede

Lessons for Indian cooperatives

While economic conditions, farm sizes between Germany and India are not comparable there are some lessons for Indian cooperatives that could benefit from a greater exchange with the German Cooperative system. These include:

- A high focus on autonomy and member owned and driven collective business enterprises. This is a much-needed corrective in the Indian Cooperative system that is over dependent on and / or controlled by the State.
- An enabling ecosystem that allows for professional inputs to members and their institutions through effective training and support. The strong enabling policy and regulatory framework in Germany with delegated supervision is worthy of emulation by cooperative banks in India.
- High quality professional audit at lower costs, which is managed by their own association independent of the cooperative registrar / department, that is the backbone of effective functioning of cooperatives as business enterprises.
- The focus on the entrepreneurial nature of cooperatives and the need to not lose sight of the business aspect (profit optimisation). German cooperative banks profitability ratios are low by international standards and maximize welfare of shareholders / members rather than profits and can be seen as social enterprises.

Not all elements of the German cooperative system would be applicable in India but a greater exchange of audit systems, academics involved in cooperatives and training structures can help India chart an alternate path of cooperative development with less interference from the state. Cooperatives in India must be seen as unique member-owned business enterprises that must have their own systems of training, audit, rating, institutional protection systems ensuring legal and statutory compliances independent of the State. We need to remind ourselves that Gandhi's advice to Kamladevi Chattopadhyaya and LC Jain when they started the Indian Cooperative Union (ICU) in 1946-47 was to keep away from the state.

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<https://www.smallfarmincomes.in/post/the-three-ss-of-successful-cooperatives-what-indian-cooperatives-could-learn-from-germany>

Unshackling FPOs from Regulatory Bondage

The progressive intent underlying the company structure of doing business by farmer collectives has nevertheless thrown up regulatory and compliance challenges. The bottlenecks need to be recognised and addressed to foster healthy growth of these promising nascent institutions.



Despite the unprecedented growth in the number of FPOs (Farmer Producer Organisations) being formed across the country, no systematic study on their performance on regulatory and statutory compliances has been undertaken. What are the issues faced by the FPOs? Are these mere teething problems or do they need policy changes?

Such questions prompted us to undertake a survey among FPOs to assess and quantify the issues rather than rely on anecdotal information. Towards this, we prepared a questionnaire and circulated among various FPO networks to elicit responses from promoting institutions and FPOs. In all, we received 129 responses, 101 of them being FPCs (Farmer Producer Companies). 75 of the 129, (50% of them registered in 2020 or thereafter) had done no business so far, while 17 had a turnover exceeding Rs 1 Crore. While responses were received from FPOs of 16 states, about half were from Andhra Pradesh due to the demand from members in the group. The emergent themes are discussed below:

Challenges with Goods and Service Tax (GST)

Section 22 of the CGST Act 2017, makes it mandatory for anyone with a turnover in a financial year exceeding Rs. 20 lakhs to have GST registration. While Section 23 exempts an agriculturist from GST registration even if turnover exceeds specified limits, Section 24 mandates compulsory registration for interstate supply of goods/service with a few exceptions.

However, promoting institutions often advice FPOs to register for GST even if these are not immediately required for their scale of business/for the specified supply of goods. Once

registered, invoices need to be GST compliant and returns need to be filed monthly/quarterly, even when there is no turnover, failing which penalties are levied.

While 111 of the 129 FPOs had GST registration, 63 had no turnover in the preceding Financial Year (FY22). The average annual cost of filing nil returns, even if on a quarterly basis is Rs. 24,000 a year if done through an accounting firm.



A workshop for FPOs and its members: First the participants did a group exercise to list their queries on charts and then these queries were addressed by the trainer.

Late filing of the GST returns attracts a penalty of Rs. 200 per day capped at Rs. 5,000 per month. In case GST dues are not paid within the stipulated time, interest of 18% per annum on the unpaid dues is charged. Amongst the 111 FPOs, 22 had paid GST penalty for non-compliance and the amount of penalty paid was nearly Rs one lakh in one case, and 12 FPOs with nil turnover paying penalty ranging from Rs. 1500 to 7500. 24 FPOs expressed difficulties in filing GST Returns.

A further complication is that Section 89 of GST Act imposes liability on the directors of the company in case of any dues/fines/penalties not being able to be recovered from the company. Such provisions could create hesitation in becoming a director when the post lacks incentives but is loaded with risk.

Income Tax woes

In February 2018, the then Finance Minister announced exemption from Income Tax to FPOs (specifically FPCs) having turnover of upto Rs. 100 crore for a period of five years from the financial year 2018-19. However, the Income Tax Act has another provision called Minimum Alternate Tax (MAT) applicable to companies. This has effectively nullified the tax benefit to FPOs. Currently MAT rate is 15% of the book profits plus surcharge and cess. This has resulted in FPCs suppressing profit to minimum, resulting in very little capital formation at the FPO level, stunting their growth and ability to leverage debt.

Turnover (Rs)	FPCs paying Income Tax
Less than 10lakhs	9
10lakhs-25lakhs	2
25lakhs-50lakhs	2
50lakhs-1crore	1
More than 1crore	11
Total	25

Challenges with Companies Act

The Companies Act was amended to facilitate registration of the FPCs under Part IXA of the Companies Act. Later, when Companies Act 2013 replaced the erstwhile act, Chapter XXIA was introduced and became effective from February 2021.

In the absence of any specific provision, the same law as applicable to the other corporates apply to FPCs. For instance, Director of an FPC is considered on par with any other company director and the compliances include having a Director Identification Number, annual KYC requirements, returns to be filed for appointment, resignation, or vacation of office. Moreover, on becoming director, they are being denied the facilities under Government programs such as PM Kisan, Rythu Bharosa, pension, even though the person is just a small farmer, and the position of Director of the FPC does not carry any remuneration.

Penalties for non-compliance are stringent, for example in the case of failure to file the financial statements before the stipulated time, a minimum penalty of Rs. 10,000 is levied with an additional Rs. 100 per day of continuing default subject to a maximum of Rs. 2 lacs levied on the Company and its directors.

DIN KYC introduced in 2018-19, as per which, individual who is allotted DIN as on 31st March of a financial year must submit his KYC on or before 30th September of the next financial year, failing which such DIN is 'Deactivated' until KYC is completed with a penalty of Rs.5000. Yearly DIN KYC verification is complicated, as FPC Directors do not access OTP from their personal mobile and emails.



A workshop hosted to develop business plans for FPOs

Active disincentives for farmers to remain FPC directors

Professional tax is levied by the state governments on any person engaged in a profession, trade, calling or employment. The Directors of FPCs are only paid honorarium and there is no employer-employee relationship, but are being asked to pay professional tax. Professional tax is collected for the establishment and for the directors at Rs. 2500 each per annum.

Together, these factors have contributed to a growing unwillingness among directors of FPCs to continue as directors, some of the major reasons being:

1. Losing government benefits like PM Kisan/ Rythu Bharosa's benefits.
2. FPC's loan reflecting in their Credit Bureau report causing problems for personal loans.
3. Cumbersome compliances/ penalty provisions on non-compliance.
4. Lack of remuneration or incentives given that FPO directorship requires significant time and resource commitment.

Roadmaps for building enabling ecosystems

Some actions that could immediately ease the regulatory and compliances burden on FPOs need to be implemented at national and state level. These include:

Central Government:

- Reduce MCA compliance on the lines of One Person Companies (OPC)/Limited Liability Partnerships (LLP) for FPCs.
- Exempt DIR 3 KYC for Directors of FPCs.
- Make it easy for the Directors of FPCs to be changed without DSC.
- Reduce the fees for the AOC4, MGT7 and other filings / exempt FPCs with upto Rs 50 lakh turnover.
- Exempt FPOs from MAT

State governments:

- Exempt FPOs and Directors of FPOs from levy of Professional Tax.
- Non-exclusion of Directors of FPOs from being eligible for getting benefits under government schemes.



An ongoing training on building a strong FPO

Regulatory compliances form an integral part of the conducive environment for FPOs to thrive. However, there is urgent need to rationalize and lessen the burden of compliances on FPOs and introduce a lighter regulatory regime. Failing to remedy these bottlenecks is hurting in achieving the intended objectives behind promoting FPOs. There is also a case for considering whether the company form is best suited in cases where the turnover is not large.

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Feeling the pulse of FPCs: How AGMs can indicate their financial and social health

The annual general body meetings (AGMs) are a place where many aspects of the governance and managerial health of an FPC can be seen. The AGM held by Ram Rahim Pragati Producer Company, commemorating 10 years of its existence, was a celebration for various reasons but also put forward some questions.

Ram Rahim Pragati Producer Company (Ram Rahim) is a result of Samaj Pragati Sahyog's (SPS) work with the tribal population in Bagli *tehsil* of Dewas district of Madhya Pradesh, specifically the women, focusing on [balancing mitti \(the soil\)](#), [members \(of the women SHGs\)](#) and [the \(agricultural\) markets](#). Ram Rahim is an enterprise doing more than Rs. 12 crores worth of business, connecting over 6000 tribal women to the market. They help source quality seeds, negotiate better prices for their farm produce and promote sustainable practices of crop cultivation focused on reducing the use of chemical fertilisers and pesticides. Beyond the members who get direct benefits, secondary positive effects include good soil quality and better farm resource management, improved practices at the farmers' markets and competitive prices offered by the farm gate traders because of Ram Rahim's presence.

Exemplifying transparent and democratic governance

The AGM was organised in Punjapura village (seat of one of the 5 SHG clusters that SPS has promoted). This was the first time in the last two years that a physical meeting of members and Board of Directors with several important guests was taking place in this region. Hundreds of women came from far and wide to attend this annual *mela* of sorts. It was *their* leaders who were to be on the stage, discussing the performance and experiences of *their own* enterprise, the

Particulars		Amount	Particulars		Amount
Opening Stock			Income		
Chana Dal	1453855.80	121884.46	Chana Dal	17149180.71	17149180.71
Wheat	236422.90	121884.46	Wheat	7274.66	7274.66
Mustard	7584.00	121884.46	Mustard	10000.00	10000.00
...
Total	3406162.19	1708774.60	Total	14734566.74	14734566.74
Less: Expenses			Net Profit		
...	Total	14734566.74	14734566.74

Ram Rahim. Several interesting things were on display, but the most interesting was a banner displaying the balance sheet and the profit and loss statement in the open, for everyone to look at, even before any formal revelations were made! The program was yet to begin and the SHG members as well as guests thronged the stalls put up by SPS extension teams exhibiting the various bioinputs as well as other farming and composting techniques that were promoted by SPS in the region. Another stall displayed the processed and packaged pulses, *dalia* and flour that Ram Rahim prepared for Safe Harvest. Women and their accompanying family members went around looking at these stalls, asking about bioinputs and seeds, even looking at Safe Harvest packets that contained *their* farm produce, in the form in which it makes its way to the consumers' food basket. Some of them also stood admiring the work done by *Kumbaya*, another women's producer company that worked in handicrafts and textiles sector.

As the Board members shared the dais with SPS founding members and other guests, the Board chairperson spoke or rather sang about her association with her SHG and the role of SPS, moving onto the formation of Ram Rahim and how the women and their households were benefitting due to these. We were astonished by the simplicity and the beauty with which indigenous communities describe their lives through songs. Some of the women spoke powerfully and passionately about the importance of linking SHGs with government schemes, the impact of Covid 19 on SHGs and Ram Rahim, the significance of crop diversity in farming and several other topics of relevance, facing hundreds of other women, SPS staff, media personnel and others.

The performance metrics were impressive. Who would have thought that a collective of women SHGs that faced resistance from the farm gate traders and APMC commission agents in 2012 would make a profit of more than Rs. 54 lakhs in 2022? But the icing on the cake were the dividends and bonuses, announced for the first time in ten years!

Being resilient in the face of the pandemic



However, unlike mainstream businesses, Ram Rahim as a farmers' organization, needs to go beyond profits and incentives. It is ultimately the governance and their strategic engagement with various stakeholders that assures long term viability. Even as SPS's role has gradually become more advisory in nature, cumulative experience has helped Ram Rahim develop some risk-taking abilities, as well respond to changing markets with agility. These skills helped with

tide the pandemic in a pro-active manner. Coming out with farmer centric solutions such as providing packaged household rations to SHG members as well as working on increasing the member base with the help of SPS, has helped Ram Rahim by testing potential markets, partners and businesses, while also attempting to solidify its image as an enterprise that has '*mitti*, members as well as markets' as its core strategy. Importantly, while doing all this, Ram Rahim has not compromised on building its reserves and surplus, a key resource, that may come in handy in tough times. A lot of this risk-taking and exploration can be attributed to the very proactive Board of Directors and the CEO, who has been an excellent steward of the Board and the women SHGs.

Achieving the holy grail of producer-owned collectives

Ram Rahim awarded 'FPO of the year' in 2021 by Livelihoods India for its decade long focus on sustainable means of production and value-addition based business model through tie-ups with similar-minded stakeholders. Being able to do profitably for the past six years is no mean feat. Additionally, they have been able to get fresh capital infused through loans from Bank of India and Nabkisan and have secured their own space for Safe Harvest's operations instead of relying on the earlier rented premises at Avantee Mega Food Park, Dewas. In a way, Ram

Rahim has been successful in achieving the rather elusive goal of benefitting the people, planet and profit. Sustaining it, on the other hand, is always an ongoing challenge.



Beyond here and now: Some reflections

As Ram Rahim aims for better profits, more bonuses and digital integration with the promise of smart phones in the hands of thousands of women, are there more intangible issues to consider?



With member incentives expected to become a regular feature in the coming years, it is expected and even encouraged that many more SHGs would sell their farm produce to Ram Rahim. This might be the right nudge for Ram Rahim to look at other markets and partners beyond Safe Harvest. Targeting SHGs and household grocery market is necessary step but not a sufficient one. Expanding business also calls for more storage and processing capacity. The enterprise may now have to decide whether it just wants to earn better profits and share with members who are patrons or to strive towards better inclusivity and cater to the members' needs and aspirations.

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Towards newer FPO Designs for Rainfed Areas - I

The Amul model of collective enterprises is an important pilgrim's spot for seekers of successful collective enterprises. However, its application for seasonal commodities, especially in rainfed areas requires not replication but a reinvention of alternate business models. The first in a series of policy ideas for differentiated, and robust, FPO.

Many recent landscape reports on the state of FPOs in the country have highlighted that, barring a few exceptions, many FPOs are stillborn with little scope of growth after the project period. These exceptions, and celebrated successes, often belong to irrigated areas or have had the significant support of agencies like the National Dairy Development Board for milk producer companies and more recently the state livelihood missions. Differentiated data on FPOs based on perennial products like milk, meat, fish etc. in comparison to FPOs based on seasonal products like grains, fruits and Non-Timber Forest Produce (NTFP) is currently unavailable. Even as there are calls to replicate the Amul model in pulses and other crops, it is important to recognise, and plan for, the complex challenges that FPOs face in rainfed areas in non-perennial commodities.

Why rainfed FPOs need alternate business models?

FPOs in the rainfed regions cannot easily overcome the Complex, Diverse, Risk (CDR) prone nature of rainfed farming. This has bearings on its business models too for the following reasons.



The first deals with seasonality and volatility of produce. Seasonal products like grains are harvested in a few months and lead to the accumulation of relatively large quantities as compared to perennial products like milk. Farmers are generally desperate to sell these quantities at one go to release cash and pay off their debts for seeds and other agriculture inputs. If the

farmers / FPOs want to sell it in tranches, they need both larger storage and working capital. These products are inherently volatile. Typically, if a crop say like soybean or onion attracts a good price in a year more farmers shift to that crop in the next season. Shifting costs, to use a business lingo, is negligible in comparison to horticulture or even cattle rearing. Oversupply and crashing of prices can lead to farmers shifting away from the crops in the third year with another cycle of scarcity and prices going up.

In addition to inter-year volatility, there is also with-in year or seasonal volatility. For most perennial products like milk, meat, and vegetables there have been successful technological interventions to manage volatility. For example, milk production increases in winter and reduces in summer. Technological interventions like converting milk into milk powder can help in managing the milk supply in winter and increasing it in summer through significant capital investments. These kinds of technologies are not prevalent in non-perennial products.



In rainfed areas, the possibilities of crop failure due to erratic rain are higher. Crop diversification is thus a desirable strategy in rainfed areas. However, the consequence of crop diversity is relatively lower quantity available for sale per crop. This makes the trading/processing operations more diverse and complex.

Managing expectations and negotiating markets

Small and marginal farmers need institutions that provide voice and are governed in such a manner that they feel less alienated. They should be able to influence the functioning of FPOs, especially relating to the diversification of crop-mix. Promoting institutions often overburden these nascent FPOs with expectations. These include demands for social inclusion and farmer empowerment to ensuring commercial profitability, demonstrating entrepreneurial zeal and maximising the value to the farmer by directly reaching to the final consumer etc. This hybridity makes the management of FPOs extremely complex and the financial and human resource support to manage this transformation is often limited. The salary structure does not allow the recruitment of well-educated professionals and FPOs have to deal with these complex challenges with under-resourced support in a very limited period.

One of the allures of the Amul model is the vertical integration and end-to-end ownership of the value chain. This was however built over decades and was not an option for FPOs since late 1990s. There have been fundamental changes in the strategic orientations of business organisations since then with business organisations aiming to minimise complexity through a few core competencies or capabilities to remain competitive in the market. An FPO embracing the entire value chain from procuring seeds to selling value-added products directly to end consumers is inherently ill-suited for Indian markets today. While there are demands to replicate the celebrated Amul model for FPOs, the modes of aggregation through farmer-owned institutions are unclear and significantly under-invested. With neither the capital nor the capability FPOs are expected to find significant value by taking on all operations or realise better prices for their producer by linking with corporates in an unequal market space.

Search for alternative models beyond Amul



It is necessary to design at least two different types of FPOs with different mandates, business models and organisation designs. The institutional structure and evaluation parameters for these two types of FPOs will also need to be different. Type 1 FPOs could consist of 300 to 1000 members (in tribal areas the Gram Sabha could double up as type 1 FPO). These FPOs will deal with the production or wholesale procurement of seeds

and other inputs, providing agri equipment on rent, extension activities for various agriculture operations for relevant crops, and promotion of individual or group enterprises for activities like bioresource input production. They will also undertake aggregation of output, quality checking, and primary processing like grading, cleaning, packing and selling to large buyers or Type 2 organisations. These Type 2 organisations will buy from type 1 FPOs, store, process, export, brand and sell in B-to-C format or in B-to-B format depending upon the commodities. Potentially these Type 2 organisations could be larger FPOs or Federations but also social enterprises like [Safe Harvest](#), [Earthy N Green](#), [Manyam grains](#) etc.

For a country as diverse and complex as India, we need many pilgrim spots even as some, like Amul, will maintain its primacy and pride of place. In future blogs, we shall delineate the salient design features of *Amul se Aage* collective enterprises for the large rainfed regions of India.

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Steadying a rocky boat: Towards newer Business Models for FPOs

FPOs need to develop robust business models, to become 'atmanirbhar' and survive post-project or promotion activities. An earlier [blog](#) argued the case for an alternate design for rainfed FPOs. This article elaborates the possible business model and its limitations for Type 1 FPOs (that are standalone and not federated).

The primary value proposition of Type 1 FPOs typically consists of equipping farmers to become informed players in the market and act as a platform of aggregation. FPOs try to ensure that farmers do not get exploited because of structural constraints of the prevalent value chain. However, a more compelling reason an FPO can offer any farmer to join the organisation is that of acting as a year-round partner for enhancing livelihoods. In Tushaar Shah's terms, stable FPOs need strong motivators or [unique member allegiance propositions \(UMAP\)](#) to ensure sustained and loyal farmer membership.

Low-risk low-reward business activities

For smooth operations, standalone FPOs need to establish a collection centre owned or rented with basic facilities like weighing machines, moisture meters, packing facilities including gunny bags and primary processing facilities for cleaning, grading, destoning, storing. These activities add small, but significant value by making the produce market ready and are best done at the village level. Many FPOs purchase the output from farmers and then sell it at different price leading to profit or loss depending on their access to working capital. Can they instead just connect farmers to large buyers and take a commission for services rendered to farmers for aggregation, quality check, weighing, packing etc.? For instance, [Taptapani](#), an FPO in Odisha is involved in many different businesses including public procurement for the Odisha Millet Mission.



A Kiosk set-up by Taptapani FPCL

Similarly, on the input side, can the FPOs solicit advance demand from farmers and then work with wholesale markets instead of buying inputs in anticipation of farmer demand and then sell them to make profit? Can FPOs operate on near zero owned inventory of outputs or inputs? A [BAIF](#) promoted FPO in Pratapgarh, Uttar Pradesh practised an activity called common procurement and distribution unit along the same lines. We suggest that Type 1 FPOs are better suited to get into just the first mile connectivity to the output market and a Business-to-Business

(B-to-B) model might work better. For example, the BAIF promoted FPO in Sirsi connected with a large arecanut cooperative to sell vermicompost prepared by its members. They also engaged with [SAFAL](#) to sell their sapotas (*chikus*). These FPOs try to establish long-term regular contracts or repetitive business models like farmer markets. In other words, they follow a low-risk low-reward business strategies rather than high-risk high reward strategy.

The government can help Type 1 FPOs minimise their risk by procuring a part of its PDS requirements from them ([NAFED](#) has done this for buying pulses and Odisha government has done this for procuring *ragi*). In Odisha Millets Mission, FPOs acting as procurement agency have leveraged these capabilities for connecting with large private buyers. Whenever MSPs are not available or are very low, the farmers can still use Type 1 FPOs' services to access larger markets and negotiate a better price.



Ragi Threshing Machine

Yearlong activities to improve member centrality

Thus, the Type 1 FPOs can aggregate farmer needs not only for supplying to the market but also do business with the government. These services will keep the Type 1 FPOs connected to the lives of the farmers and keep the FPO staff meaningfully engaged throughout the year. The sustained engagement also helps in achieving financial **viability**.

In addition to agriculture inputs and outputs, Type 1 FPOs may also engage with aggregation of animal husbandry inputs like vaccinations, insurance. FPOs in Tamil Nadu promoted by [Vrutti](#) have successfully incorporated these activities as part of their portfolio. Such FPOs may also engage in other products like Non-Timber Forest Produce (NTFPs) and act as service providers.

Type 1 FPOs could also help in aggregation of consumables like tarpaulin sheets, solar bulbs, and drudgery reducing equipments, which are not easily accessible to individual households. For instance, Ram Rahim, an FPO supported by [Samaj Pragati Sahayog](#) (SPS), supplies items of household consumption to its members. Additionally, they can help farmers efficiently access government schemes and benefits for a nominal service charge. For example, most farmers work as labourers under NREGA in many rainfed areas and Type 1 FPOs can provide services to access benefits of NREGA.

Designing for Viability instead of Profitability

Given multiple compliance related issues with FPCs, as indicated in an earlier [blog](#), not all FPOs need to register as Producer Companies, especially if their turnovers are low. The Self-reliant cooperatives in eight Indian states are potentially a better option for these primary FPOs and in other states, the nodal agency, NCDC can be more active in enabling ease of registration.

Type 1 FPOs that are good at maintaining viability while providing useful services to their target communities are generally incubated by NGOs/ development organisations that have contextual experience of working with the local communities at the ground level.

Observations indicate that women led FPOs, especially those having women in leadership roles tend to opt for business models that prioritise stability. Women are less likely to take high-risk approaches (like shifting the entire land to a particular cash crop) and are often natural leaders in these FPOs. Thus, a pro-active focus on supporting such FPOs can also help engender agriculture in empowering ways.

Running a lean and effective organisation

Type 1 FPOs should be financially viable and work with minimal fixed costs such as a two-member team of CEO and accountant with basic office infrastructure. Given the wide spectrum of work involved, it is better to opt for employees with diverse albeit shallow skills rather than hiring specialised workers. While promoting FPOs, Cluster Based Business Organisations (CBBOs) should ensure that activities like production and sale of bio inputs, renting out agriculture equipment are operated by SHGs, Water User Associations, Kisan clubs etc to reduce the overhead costs of the FPO. In activities needing seasonal support, FPO could hire services of local people or its members on daily wages to keep its expenses variable and direct. FPO needs to ensure that most of the activities create a small surplus, which can contribute to covering the running costs. The pricing of the various services should also cover creation of reserves to replace the assets over a period.

Promoting Agencies and CBBOs need to create simple but robust IT and accounting systems for Type 1 FPOs to aid in efficient management. Examples include Enterprise Resource Planning (ERP) systems developed by the Centre for Sustainable Agriculture that helped FPOs become both smart and sustainable. Unhealthy expectations of high profits can hamper their longer-term growth and ability to build a collaborative ecosystem even as they keep their focus on being member central. They can leverage their links to Type 2 market facing organisations and provide more value to their members in ways that are financially and ecologically sustainable. In events marked by increasingly precarious markets and climate, the value of steady and secure livelihoods is bound to increase. Type 1 FPOs can potentially meet this challenge and thrive in it too.

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<https://www.smallfarmincomes.in/post/steadying-a-rocky-boat-towards-newer-business-models-for-fpos>

The need for viable intermediaries: Designing large, specialised FPOs

Every FPO should not be expected to be able to carry out end-to-end operations and realise full value in the value chain. Instead, depending on the capacity and market arrangements, FPOs should find the scale of operations suited to them. Having delineated the features of Type 1 FPOs, especially in rainfed areas, this article dwells on the need and design of a market facing Type 2 FPOs.

Not all ‘A’s for Amul: The need for Type 2 FPOs

Ground experiences indicate that not all FPOs can emulate the market linkages of an Amul or District Milk Producer Companies promoted by NDDB in 70s or a Sahyadri FPO of the last decade. While Type 1 FPOs work well from seed to primary processing making farmer produce ‘market ready’, there is a need for a Type 2 FPO that can procure from smaller FPOs and move up the value chain.

If multiple private sector players can come in, competition between private players can lead to better price realisation for farmers in type 1 FPOs. Only a few FPOs like [Krushidhan](#) are able to build on clusters and SHGs to establish stable market that works across multiple districts since the process takes several years. Similarly, FPOs like [Ram Rahim](#) have linked to a social enterprise, [Safe Harvest](#), and able to generate produce that is market ready. These large (Type 1) FPOs may graduate to some of the Type 2 FPO activities but require sustained efforts and investments from promoting organisations that is clearly lacking in the ecosystem today.

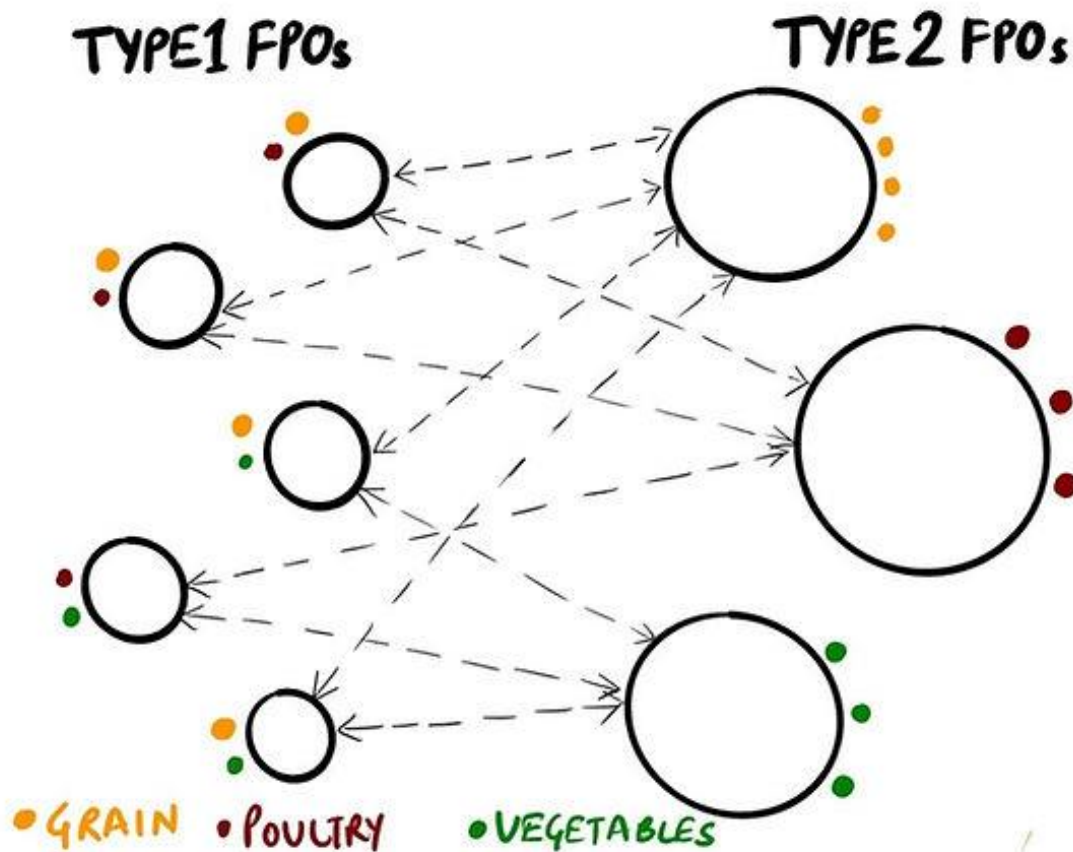


There is thus a need for creating type 2 FPOs to support Type 1 FPOs. Typically, farmers in Type 1 FPO may have a mix of agriculture and allied livelihoods of cultivation of agricultural crops like grains, fruits and vegetables, Non Timber Forest Produce (NTFP), backyard poultry/ goat keeping/ dairy and non-food crops like cotton. Certain commodities e.g., Mahua flowers that are sold and consumed in nearby regions may not need large scale aggregation or processing. However there is a potential for moving up the value chain for other products that

would require operating at scale, taking higher risk, undertaking further processing, reaching to distant urban markets and exports etc.

Understanding the multi-sided relationship of Type 1 and Type 2 FPOs

The Amul model is predicated on the critical linkage between the village dairy cooperative societies to the District Milk union and the apex marketing federation of these milk unions under [GCMMF](#). This hierarchical, many to one relationship, does not work easily for non-perennial product FPOs. The competencies and capabilities needed for grains based Type 2 organisation like say Safe harvest are quite different from running a Type 2 organisation for dealing in fruits and vegetables like for example SAFAL. Thus, a Type 1 organisation may have to deal with many Type 2 FPOs. On the other hand, an organisation like Safe harvest may need to buy from many different types of Type 1 organisations to ensure that it has adequately diverse portfolio of staples. Thus, the relationship between Type 1 and Type 2 FPOs will be many to many.



An illustration of possible relationships between Type 1 and 2 FPOs

This fundamental difference vis-à-vis the Amul model necessitates promotion of an ecosystem where both Type 1 and Type 2 have to be independently viable. The output per product per farmer in rainfed areas is expected to be low, as technically, farmers are expected to practise product diversification. This strategy can work if the number of Type 1 FPOs corresponding to one Type 2 FPO are large enough for Type 2 FPOs to achieve scale. As a thumb rule, possibly 3 to 4 Type 2 FPOs can correspond to 400 to 500 type 1 FPOs. The calculation will obviously depend on the specific product group, its business model etc.

Some risks that Type 2 FPOs could avoid

It is necessary to identify viable business models for Type 2 FPOs. Not all large FMCG giants like P&G, HUL, ITC open exclusive outlets. Amul and Patanjali haven't fared well as single brand stores either. Generally, consumers prefer different products from different brands so Type 2 FPOs should be wary of opening single brand standalone shops.

Similarly, Type 2 FPOs need to avoid their own distribution till they have both quantity and variety. Value chain players bring in not just scale but also variety and capabilities. It is necessary to define the business model based on comparative advantage and manageable complexity.

One well-known NGO was very successful in promoting a dairy in a Tier 2 city few decades back where the concept of packaged milk was new to the consumers. A similar effort, however, to promote a dairy near a big metro a few years back led to a financial disaster. One of the key reasons was that this city has more than 40 milk brands and the NGO did not have the staying power to sustain losses. We tend to forget that Amul was promoted in an 'underdeveloped', pre-liberalised market where it did not face competition from multiple national and international private players. FPO promoters need to temper the "dream" of becoming branded B2C distant market players that is not necessarily viable.

Promoting viable models based on contextual capacities



There is a need for a closer examination of the business models to appreciate the comparative advantage built over years to see if they are truly replicable. Sahyadri (processing, contract manufacturing and exporting of high value fruits and vegetables) has mastered the art of exporting as per stringent western standards. They have utilised the facilities created for grapes storage and processing for yearlong processing of other fruits and exotic vegetables. FPO federations, on the contrary, have done well to act as procuring agency on behalf of the government for various price support schemes of the government. Based on these experiences they could be encouraged to take up buy, store, process, and supply operations for PDS and other schemes of the government. These entities can graduate to acting as aggregators for

selling to large private sector players. Newer brands that are FPO friendly, like Safe Harvest, ABY Farmers could also play such a role.

Key factors beyond the business model

Market facing, Type 2 FPOs or FPO-like institutions, are critical for doubling farm incomes. Mere aggregation and sale to corporates may not help FPOs or the farmers and these Type 2 institutions can bring in greater market democracy. State support can be varied and could be in the form of processing plants like rice mills or pulp making or food processing etc. It may also be useful to explore the active promotion of joint ventures . These manufacturing units can produce for Type 2 FPOs as well as for private players in the market. If Type 2 FPOs outsource their manufacturing / processing operations, they are likely to remain more agile and competitive. Unfortunately, the current 10000 FPO scheme does not envisage a Type 2 institution and thus has no support for state FPO federations too. There is a need to go beyond a naïve expectation that all FPOs promoted would be market savvy to grow like a [Sahyadri](#) or even a [Ram Rahim](#). The next blog will delve into policy recommendations for reimagining the FPO scheme for more effective delivery and outcomes.

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"Vital but scarce": Promoting Agencies Support to FPOs in Uttar Pradesh

The role of promoting agencies is crucial in establishing, strengthening and ensuring the sustainability of FPOs. A qualitative survey of FPOs in Uttar Pradesh revealed that while they acknowledge the support received from the promoting agencies during the incubation period, the need for handholding beyond project-based timelines is often not being fulfilled.

Uttar Pradesh, otherwise a laggard in the cooperative movement is the second largest state in the country in the promotion of FPO with over 4000 Farmer Producer Companies registered to date. Several promoting agencies (PAs) with funding from diverse funders such as SFAC, NABARD, NCDC etc have promoted FPOs. In an earlier [blog](#) the travails and innumerable challenges of promoting FPOs highlighted included time and resource limitations, frequent changes of deliverables, payment delays, a greater focus on quantity vs quality, and policy inadequacies.

We dive deeper into some of the implementation challenges through a survey that was conducted in the state to assess the role played by promoting agencies (PAs) from the perspective of the FPOs. The survey sought to get the response of FPO practitioners on five parameters. In what ways do promoting agency contribute significantly to the performance and effectiveness of the FPOs? Do promoting agencies spend adequate time laying a strong foundation for the FPO? How did FPOs cope after the exit of the promoting agency? What are the challenges faced in providing such support to the FPO? What kind of handholding support is beneficial to the FPOs?



FPO survey Swami Ram Krishna Producer Company Limited

The FPOs studied were funded by [NABARD](#), [SFAC](#), [NCDC](#), [UPBSN](#), [NAFED](#), [UPDASP](#) and [UP Bio Energy Board](#) who engaged the services of promoting agencies (PAs) for implementation. The field survey was conducted with 20 FPOs in Uttar Pradesh. 10 districts falling under the nine climatic zones in the state were selected and two FPOs from each district

were chosen. Four of the 20 FPOs were self-promoted by farmers themselves without the involvement of any promoting agency. The age of the FPOs ranged from 2-4 years. The duration of the support given by the PAs ranged between 3-5 years. The 20 respondents for the survey included CEOs/Managing Directors and board members from each FPO. A structured questionnaire was designed for the survey which was administered by the surveyors in person by visiting the FPOs.

The themes of analysis and findings are discussed below:

Contributions of the Promoting Agency

The survey data on the role of PAs assessed on six parameters indicated a significant role in institutional linkages for inputs and access to Government grants than financial and marketing and value-addition activities. Financial linkage was limited to facilitating the release of equity grants and project-related community investment funds :

- **Institutional Linkage:** 85% of the FPOs surveyed said that they benefitted from the linkages established by the PA. These included input distributorship for fertilizer supply, capacity building of BoDs and members and agricultural extension. An FPO director remarked, “Today 80% of our business turnover is contributed from input sales to members. It’s our PA who encouraged us to take the license and helped with procedural formalities.”
- **Financial Linkage:** 60% of the FPOs surveyed attribute that the support of PAs helped in receiving equity matching grants and community investment funds. However, most of the FPOs could not establish bank linkage even after the exit of PA.
- **Market Linkage:** 55% of the FPOs indicated that they sell the produce in mandis and the PAs supported in getting the required licences for this. Some of the self-promoted FPOs established tie-ups with institutions for the sale of produce.
- **Access to Govt grants:** 75% of the FPOs availed the farm machinery bank scheme and 25% FPOs availed the seed processing unit grant with the active support of PAs. The CEO of a self-promoted FPO remarked -- “We lost out on availing Government schemes like farm machinery bank and seed processing unit grants for FPOs which the PA-promoted FPOs were able to benefit from it.”
- **Value addition:** Almost all the FPOs adapted sorting, grading and cleaning of produce at the instance of PA. The self-promoted FPOs were engaged in a small way in value-added activities such as flour making, neem powder, oil extraction etc.

Elusive Ease of Doing Business for PAs

All the respondents of the FPOs expressed that the time duration over which PAs provided support was inadequate. In response, it seems that while the PAs were aware of these issues, they were constrained by available funds, and expected mandate. A representative from a PA commented, “It was a race against time. A three-year period to establish a well-knit community-based organization that can conduct business operations, enhance the incomes of farmer members, comply with statutory obligations and many other expectations was highly

insufficient. We tried to address the input supply aspect and facilitated 100 FPOs in UP to become authorised centres of IFFCO-IFFDC for agri products.”

Another field staff explained the challenges of, “A [sudden deluge of demands](#) from the projects derails the entire plan of nurturing FPOs. I recall the order from the project leader to enhance membership in all the FPOs by two-fold to meet project targets, conduct training programs and increase business turnover in FPO to a mind-boggling number, all in a short span. It was quantity vs quality sometimes.”



Cleaning and grading of produce by women members of FPO

Post-project survival of FPOs

Following the completion of project cycle and exit of the PA, 70% FPOs were still facing challenges in establishing market linkages. While there was an increase in the turnover of the FPOs over the years, the major contribution was from input supply to members. For 75% of FPOs access to capital is still elusive. 30% of FPOs surveyed expressed that PAs support helped in convergence with government schemes which did not happen subsequently. 25% of the FPOs expressed the need for technical and technological linkages in operations and an extension activity. 45% of the FPOs surveyed were currently being supported by other organizations after the exit of PAs under different programs. FPOs reckon such support has added value especially, in building knowledge and awareness of various business operations of the FPO.

What support do FPOs need?

90% of the FPOs expressed the need for extended support beyond the incubation timeline to help them learn business tactics and become sustainable enterprises. The areas in which FPOs sought support include access to working capital, knowledge of emerging markets, and training on statutory compliance. The self-promoted FPOs expressed that they stand at a disadvantage in accessing government schemes. 10% of the FPOs surveyed pointed out that if an appropriate policy to direct banks to finance FPOs and trained manpower are in place, PAs support is not required.



FPO Survey: Bahraich Farmer Agro Producer Company Limited

Laying a strong foundation is an important guiding principle for any community-based organization. A farmer's collective, to develop and establish itself as a business enterprise needs not only a member-centric institution but adequate knowledge and wherewithal to operate in a competitive business environment. The complexity of markets, financial management, legal compliances and the knowledge of these aspects are not readily available and accessible to the farmers who are the owners of the FPOs and on whom the responsibility lies. PAs on the other hand are spread too thin in terms of time, human resources and budget constraints to provide much-needed support beyond the initial phase. Policies thus need to plan for providing PAs with longer timelines and reasonable targets. Given the right ecosystem, PAs can meet the expectations of the FPOs. As evident in the responses, the FPOs see the value of such support as it facilitates achieving the objective for which they are formed.

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<https://www.smallfarmincomes.in/post/vital-but-scarce-promoting-agencies-support-to-fpos-in-uttar-pradesh>

How to make FPOs successful: Leveraging social movement for collective action will help



Active participation of members is a key factor for the success of an FPO | Photo Credit: MANJUNATH HS

Farmer producer organisations (FPOs) are collectives of farmers formed to leverage the benefit of economies of scale and a better connect to market. The purpose of FPOs is to offer input and output services to members and to act as aggregator. FPOs can negotiate with institutional buyers to leverage better prices for its farmer members. With the government's thrust on promoting 10,000 FPOs, many corporates have invested their resources through CSR to promote FPOs.

However, the performance of FPOs has been mixed. There is evidence showing FPOs benefiting their members like in the case of the Agriculture Production Cluster (APC) project of the Odisha Government. While there are examples of successful FPOs, there are plenty of failures as well.

Empirical evidence suggests that the success of FPOs depends on multiple factors — one being the active participation of members. While market linkages, value addition, access to finances, etc., are vital for any FPO to succeed, it is ultimately a member-based organisation, and its success is to be defined by the benefits derived by its members. The social and economic goods derived from FPOs are the outcome of collective actions.

For any collective action to sustain, there is a need for a social movement. This is more so if there is urgency for a change in the way things operate. Social movement is an organised effort by a large number of people to change some aspects of market or society. Market failures are the primary sources of social movement.

Amul shows the way

One of the incredible examples of social movement reinforcing collective action is that of Amul in Gujarat. Today, Amul's ₹72,000 crore turnover is an outcome of collective action from the past. Self Employed Women's Association (SEWA), Ahmedabad, is another such example.

FPOs can leverage social movement in three ways. First, it can help FPOs engage in conflictual collective action. This implies oppositional relationships between actors who are seeking control over the same stake. For example, FPOs can mobilise their members against uncertain and exploitative agricultural value chain nurtured by middlemen. Member participation could get momentum if the agenda is framed as protecting the access over the value chain as against surrendering before the mediating agencies.

Second, social movement survives on dense informal network among actors. FPOs promoted by social movements can leverage these informal networks among actors to spot and leverage unprecedented opportunities. Coalition with various interest groups including political parties are key to success of FPOs.

Such coalitions need not be based on a common shared goal rather can be purely instrumental in nature to ensure exchange of resources. Many agriculture start-ups are finding partnering opportunities to collaborate with FPOs.

The third benefit that social movement can offer is that of collective identity. It brings a sense of common purpose and shared commitment to cause which enables members to connect to FPOs not merely through an economic transaction but beyond a business goal. Many of the FPOs struggle to retain their membership in 2nd and 3rd year of operation. This is mostly because they fail to offer any meaningful benefit to members.

Collective identity enables members to view themselves as a part of larger societal change beyond individual benefits. Members viewing themselves as an instrument to influence the food value chain would find it more meaningful to cooperate with the FPOs than those looking at FPOs as merely another buyer.

The sense of collective identity can also help FPOs in different locations to collaborate with each other even when they are probably not dealing with the same product or market.

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<https://www.thehindubusinessline.com/opinion/how-to-make-fpos-successful/article66774888.ece>

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