

Understanding issues affecting Sustainability of Farmer Producer Organisations for development in rural India

- By Priyanka Jana
IIHMR University
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Faculty Mentor: **Dr. Ratna Verma**
Project Mentor: **Mr. Sanjay Sharma**

Introduction

- ▶ 60% of Indian population is dependent on agriculture.
- ▶ The growth rate of farmers' income after adjusting inflation is 3.8% per year (NITI Aayog annual report 2017-18).
- ▶ The Farmer Producers Organisations (FPOs) are organisations formed by a few farmers having similar socio-economic background for coming together to sell their products in bulk.
- ▶ National Bank for Agriculture and Rural Development (NABARD) has supported around 4000 FPOs across the country for the financial year 2018.
- ▶ 2000 are actively doing business.
- ▶ 507 FPOs are engaged in bulk input procurement and distribution while 223 FPOs are involved in aggregation and marketing of fruits and vegetables.
- ▶ The numbers are huge yet the number of successful FPOs is incomparable and lags by a significant margin.

Key Research Questions

- ▶ What are the challenges and barriers of FPOs to evolve from build up mode?
- ▶ What are the levels of preparedness and willingness to participate in value chain of primary production through FPOs?
- ▶ What are the issues of internal and external conflicts that affect an FPO?

Objectives of the study

- ▶ To study about the market challenges and preparedness of FPOs.
- ▶ To study about internal and external factors associated with sustainability of FPOs.

Limitations of the study

- ▶ Based on information of 2 FPOs of similar geographical regions.
- ▶ Unavailability of members at times due to harvesting season.
- ▶ FPO “Apni Saheli” is not functional since past six months.

Study Area

- ▶ The study covered 6 villages namely Vikrampur and Aari for the FPO “Katori” and Basai Nawab, Maloni Panwar, Jahangirpura and Nagla Harlal for the FPO “Apni Saheli” of Dholpur district selected on the basis of interventions’ sites of the agency having most and least success.

Research design

- ▶ Method of research includes descriptive and explorative study involving both primary and secondary data.

Time Period

- ▶ The information was collected from the field from 25th February 2019 to 3rd May 2019.

Sample size and design

- ▶ 60 respondents have been taken which includes farmers, local enterprises, CRPs and community leaders.

CASE - 1

Katori Fresh (Pvt) limited

- ▶ It is a brand under Saheli producer company.
- ▶ Katori came into inception on 1st October 2013 and has been working with 3000 women farmers of 60 villages.
- ▶ Katori promotes preservation of traditional and gourmet food.

Variety of gourmet ghee includes:

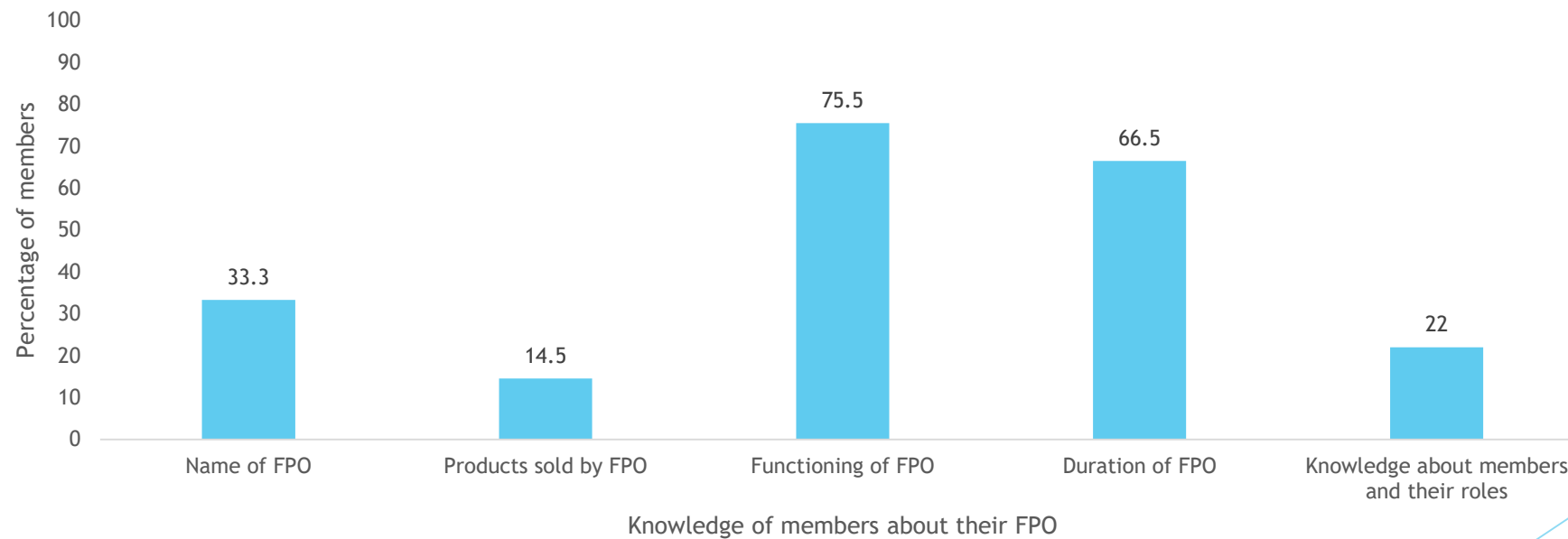
- ▶ Vedic Ghee (Cow Ghee)
- ▶ Probiotic Ghee (Goat Ghee)
- ▶ Flavoured herb ghee

Revenue enhancement for brand “Katori” is as follows:

- ▶ Katori outlets are available at 25 new locations in NCR regions along with their paneer counters.
- ▶ 11 gourmet ghee parlours are available.
- ▶ 500kgs of paneer sale daily.
- ▶ Sale of 2500kgs ghee monthly.

Key findings:

Percentage distribution of members according to their knowledge about their FPO, where n=45



- ▶ 33.3% of members could tell the name of their FPO “Katori”. These were the active members and those taking higher positions in the organisation.
- ▶ 14.5% of members knew about the dairy products Katori is involved in selling.
- ▶ 75.5% of women knew about the process taking place at backward linkage level which included collection of milk, checking of fat content, providing digitally generated bills and procurement of milk from collection unit to the chiller plant.
- ▶ 66.5% of women could report about the duration of functioning of FPOs in their respective village.
- ▶ 22% of women knew about the position holders in the FPO and their own roles along with those of active members’.

Lack of knowledge is due to less interest of members as the later group of women stated their duty only being selling milk and changing their FPO name.

- ▶ **Socio-economic status of FPO members-** 28.8% of respondents reported having Kachha house and 71% of members are illiterate.
- ▶ **Economic Perspective-** All members have reported an increase in 15%-25% of their money received through selling milk to the FPO “Katori”.
- ▶ **Changes in capital due to FPOs-**

30% of members from Katori FPO have reported about purchasing new livestock with their money after joining FPO.

47% of members reported improved methods of taking care of livestock
- ▶ **Methods of trading-** 100% of members reported on receiving benefits from “Katori” through collective marketing, collective procurement and change in cost of business.

Organisational Support (Financial and skill development) / Trainings-93% of people reported about getting equipment for their FPO.

55% agreed on receiving regular trainings regarding livestock rearing and attending regular meetings.

No financial support

Motivation- 100% of respondents reported money being their first motivation to join FPO.

62% of members reported being influenced by active members.

► Factors resulting in success and failure of FPO

Success factors for Katori in Aari village (13 members)	Failure factors for Katori in Vikrampura village (32 members)
• Independent decision making of FPO members regarding whom to sell milk. • Taking collective actions against issues such as collection of money from shareholders which was 5% of the total money invested for initiating FPO. • Good leadership skills which has resulted in unity among 13 members. • Success indicator being consistency of members and total product sale to FPO rather than depending on economic benefit solely by 76.5% of members. • Involvement of members outside SHGs without taking monetary share from them which expands their reach. • All 13 members have their share of money invested with the FPO. Money plays a huge role as the shareholders feel involved due to their money involved in the business.	• Most members being economically weak require loans at various stages thus they keep all their options open out of which 62% of members reported taking loans from milkmen and selling them milk at lower prices which has resulted in less collection at village level and the unit stopped working there. • Active members have been found not being transparent about shareholding money with all the members thus 20% of members have reported their money being trapped as they were not completely informed on why the money was taken. • Poor leadership skills resulting in distrust among people. 21% of members feel that people stopped selling milk to collection unit to shut it down as they were envious. • Success indicator being financial benefit solely by 70% of members. • Absence of regular meetings and information sharing among members.

Financial turnover of Katori Fresh Pvt Ltd

Financial Year	Turnover
FY 2015-16	45,26,368
FY 2016-17	47,37,609
FY 2017-18	96,38,626
FY 2018-19(Provisional)	1,75,38,965

Conclusions

- ▶ Katori has been steadily moving forward since 5 years,
- ▶ Money plays a huge role for smooth functioning of FPO.
- ▶ Lack of trust can hamper unity of the members seen in Vikrampura village. Sincerity leads to sustainability as we can see in the case of village Aari.
- ▶ Regular trainings related to business development and information sharing is seen missing.
- ▶ Financial contribution by members is important.
- ▶ External factors such as marketing commission, consumer demand, financing organisations have affected functioning of Katori.
- ▶ Internal factors such as leadership skills, unity and sincerity of members, decision making capacity and professional management have helped Katori.

Suggestions

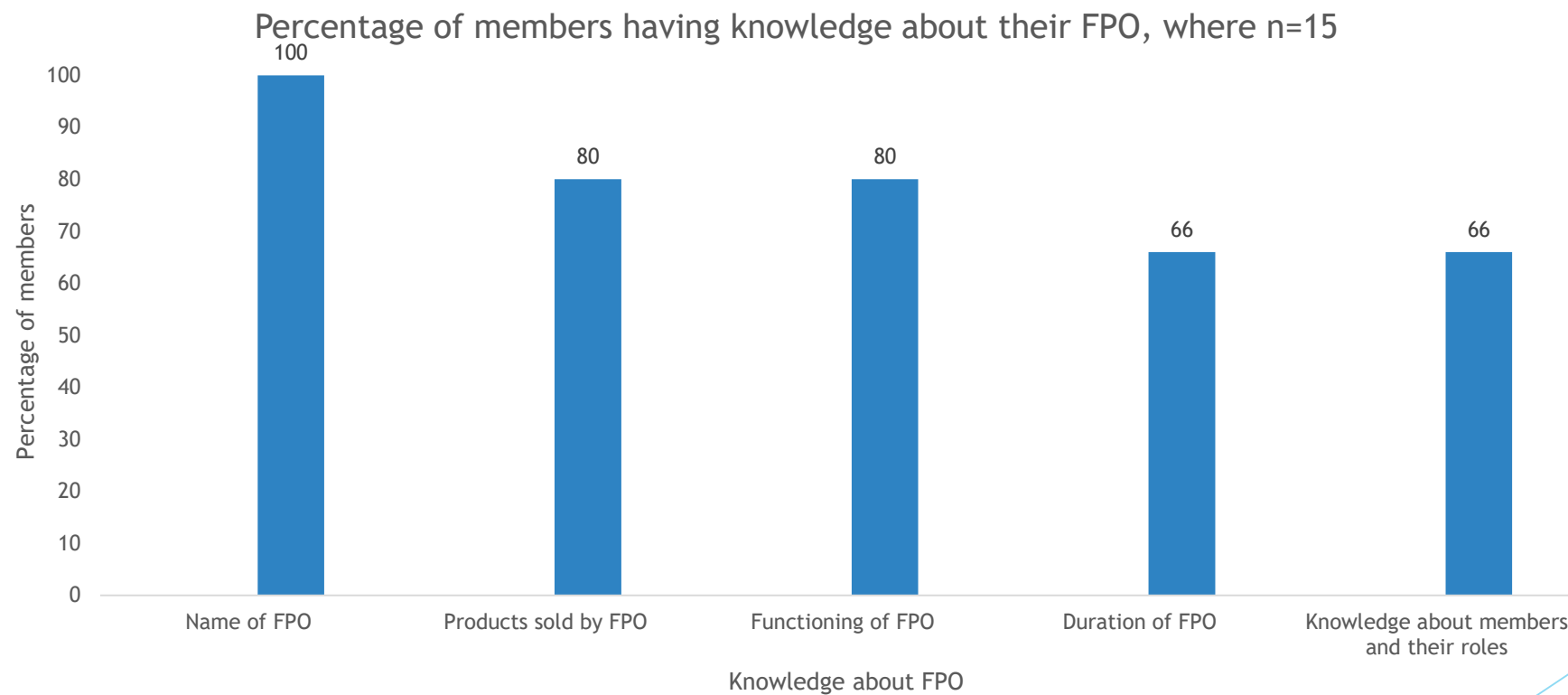
- ▶ Capacity building on investment and loan can be done as major factor of failure has been due to villagers keeping options open for loans. Partnerships with organisation for financial support can also be helpful.
- ▶ Since much of trust issues are due to money and unavailability of loans, a capacity building session is much needed to manage money among themselves.
- ▶ Adult literacy classes
- ▶ Awareness generation
- ▶ Regular meetings with members to increase their involvement with the FPO.

CASE-2

Apni Saheli Producer Company

- ▶ Location- Basai Nawab (Dholpur – Rajasthan)
- ▶ Members – 48 (4 members from 12 villages)
- ▶ Products- red chilly, turmeric, garam masala
- ▶ Own Processing and packaging unit.
- ▶ Employed 10 workers for processing and packaging.
- ▶ The FPO has worked for the tenure (2017-2018).
- ▶ Currently the FPO is non-functional due to conflicts from last six months (November 2018 – April 2019).

Key Findings



- ▶ 100% of members could tell the name of their FPO “Apni Saheli”.
- ▶ 80% of members knew about the spices products Apni Saheli is involved in selling. This is because of the fact that they were directly involved in selling the spices in their respective villages.
- ▶ 80% of women knew about the process taking place which included collection of raw spices, cleaning, pounding, packaging, building strategies and selling.
- ▶ 66% of women could report about the duration of functioning of FPOs in their respective village.
- ▶ 66% of women knew about the position holders in the FPO and their own roles along with those of active members’.

The members of “Apni Saheli” are well informed about their FPO because of their high involvement in regular meetings.

- ▶ **Economic Perspective-** 80% of members have reported the FPO being an extra and steady source of income.
- ▶ **Changes in capital due to FPOs-** No significant changes in capital is observed due to less time of FPO.
- ▶ **Methods of trading-**
 1. Collective Marketing
 2. USP- hand pounded spices
- ▶ **Organisational Support (Financial and skill development) / Trainings**

Loan of Rs.2,00,000 to federation by Rajeevika

85% members reported attending regular trainings held by facilitating organisation
“Manjari Foundation”

- ▶ **Motivation-** 100% of respondents reported money being their first motivation to join FPO. 66% of members reported being influenced by active members and CRP as their second motivation.
- ▶ Success indicator – sales and profit generation
- ▶ Decision Making –
 1. Internal conflicts and decisions (members of FPO)
 2. External factors like employment of workers at processing unit, wage fixing the decision lies with organisation providing external support.

Conclusions

- ▶ Less market capturing .
- ▶ Dissatisfaction of wage workers in which 3 workers feel the wage is low.
- ▶ Lack of authority over FPO in which 45% members feel organisation providing financial help has authority over FPO and can make decisions related to FPO
- ▶ Unavailability of male employees. 80% of members feel it is important to recruit male members due to their ease of availability, freedom of movement and ability to do manual work.

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- ▶ “Apni Saheli” is still in build-up mode and has been existing for a very small period i.e., 1.5years of time.
 - ▶ Factors like Human Resources, financial management, personal and professional objectives are not stable yet.
 - ▶ No shareholding money invested by members which results in flight mode of members.
 - ▶ Absence of Professional manager having experience in handling operations of business development

Suggestions

- ▶ Tax exemption for FPO products so that they can compete with other brands of market.
- ▶ Partnerships with organisation for technical assistance, marketing consultancy and trainings can be provided.
- ▶ External support from funding organisations and facilitators is helpful for sustainability due to constant support at levels of financial, human resource, planning, implementation and marketing.
- ▶ Women should be made aware of their rights and schemes for taking best advantage possible.
- ▶ Providing a bigger platform for selling products to expand their reach.
- ▶ Trainings on business development with the members can be helpful to developing ideas and having a broader perspective of the market.

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