

**PROCEEDINGS OF
ROUNDTABLE CONFERENCE
ON
ISSUES AND CHALLENGES FACING
FARMER PRODUCERS' ORGANISATIONS (FPOs)**

BHOPAL, 3 APRIL 2012

OBJECTIVES

The objectives of the Round Table were:

- ✓ How to integrate the small farmer in the value chain on a sustainable and equitable basis through member driven organisations
- ✓ How to sustain an on-going dialogue and partnership between FPOs and other stakeholders at the State level through SFAC facilitation

PARTICIPANTS

As may be seen from the attached participants' list, the entire spectrum of stakeholders relevant to agriculture value chains participated in the Round Table. Functionaries from Farmers Producer Companies, promoter NGOs, input suppliers, agriculture produce procurement companies, Government officials from state departments of Agriculture, Horticulture, Mandi board, Agro-industries Corporation, Marketing Federation, etc., researchers and representatives from SFAC. The list of participants is available in Annexure - 1.

There were two panel discussions moderated by Mr Pravesh Sharma. In the first panel, the representatives of the Government and FPOs were requested to give their viewpoints. Among the key panelists were Mr. L.M Belwal, CEO, M.P Rajya Ajeevika Forum, Mr. AjatshatruSrivastava, MD, M.P Mandi Board, representatives from MARKFED, M.P State Beej Nigam, representatives from the farmer producer companies (Presidents and CEOs of the FPC).

The next panel was from the NGOs (mainly those who are promoting FPOs) and from the private sector involved in agribusiness. ASA and BASIX from NGOs and Jain Irrigation and MAHYCO from the private sectors expressed their viewpoints.

This document reflects the viewpoint of the participating stakeholders. No value judgement is being attached or the viewpoints authenticated. The document is intended as a medium of sharing the current issues, status and strengths of Farmers Producer Companies in Madhya Pradesh. It could be used as a basis of comparative study at a later point of time.

BACKGROUND

Alternative innovative institutions have to be supported to meet the challenges of enhancing income and reducing poverty especially amongst the large number of small farmers and to meet their aspirations for an enhanced livelihood. Initially cooperatives served the rural sector well but degraded deteriorated subsequently. The concept of Producer Companies was introduced in 2002 by incorporating a new Part IXA into the Companies Act, 1956.

Only certain categories of persons can participate in the ownership of such companies. The members have necessarily to be 'primary producers,' that is, persons engaged in an activity connected with, or related to, primary produce.

In terms of the Act primary produce refers to the produce of farmers arising from agriculture including animal husbandry, horticulture, floriculture, pisciculture, viticulture, forestry, forest products, re-vegetation, bee raising and farming plantation products: produce of persons engaged in handloom, handicraft and other cottage industries: by-products of such products; and products arising out of ancillary industries.

This was primarily done for retaining the desirable basic structure of cooperatives while at the same time enabling the primary producers to have the flexibility, freedom and efficiency of a private limited company. The elements of politicization, veto power of the

A producer company can carry on or relate to any of following activities classified broadly:-

(a) production, harvesting, processing, procurement, grading, pooling, handling, marketing, selling, export of primary produce of the members or import of goods or services for their benefit;

(b) rendering technical services, consultancy services, training, education, research and development;

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

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

establishment and large emphasis of cooperatives on welfare have been resolved in the Producer Companies. One vote irrespective of number of shares of a member, non-tradability of shares and sharing bonus in proportion to transactions are other redeeming features.

SMALL FARMERS AND PRODUCER COMPANIES

In a rapidly changing economic scenario the small farmer can hope to be part of the transformation if he/she can access the best agricultural practices, post harvest management, a modern infrastructure and timely information. However this is contingent on the small farmer operating on an aggregated paradigm.

Since 2005, DPIP, the District Poverty Initiative Project of the Government of Madhya Pradesh, started facilitating the formation and registration of Producer Companies with the technical support from ASA. Till 2008 there were 14 such companies were incorporated and their businesses were established. Currently there are 21 Farmers' Producer Organizations [FPO] and several other informal farmers' groups covering over 100,000 farmers with a significant business turnover of Rs 40-50 Cr annually, involved in a variety of agricultural produce, with a predominance of seed production and processing, input supply, aggregation of produce.

The farmer can improve price realization and be linked to the global markets if he/she is part of modern and well-coordinated value chains. The fragmented traditional value chains permit the operation of middlemen who appropriate a large part of the profits. The Producer Company has been conceived as an organizational entity that would be run by the producers and for the producers.

According to the organization, Action for Social Advancement – ASA, that hosted this Round Table, the emerging market realities are –

- supply chain getting organised upto the producers' level, at least for 20 commodities globally. In Madhya Pradesh soya bean and cotton are two important crops where supply chain coordination is getting better day by day and there is increasingly better access of producers in the supply chain.
- sustainable sourcing is a key word now within the industries. The climate change debate is in a way forcing the market/industries to take a stance on the sustainable sourcing of raw materials procured from farm sector.
- growing Indian middle class is spending about 40% on food (quality and processed food on high demand) – trend is going to continue
- Commodity price is increasing

This indicates that there is a big opportunity for Indian farmers to realise better income.

The positive environment that enabled this healthy growth was contributed by:

- a pro-active and facilitating bureaucracy
- a number, even if a small number, of good, experienced NGOs willing to innovate, analyze, modify and replicate and acting as catalysts

Challenges faced by Farmers Producer Organization [FPOs]

LACK OF AWARENESS

On an average not more than 30-40% of the share holders are the active members of the company, largely due to the fact that the FPC could not reach out to them with services due to lack of resources. On the other hand there is lack of awareness among the general members about FPOs, their objectives and their functioning. Education and awareness regarding FPOs has to be raised amongst the general body members of the FPOs. Members of the Governing Body of the Companies are given training but it does not percolate to the ordinary members. Hence, adequate investment is required for the capacity building of not only the Governing body members but also the general members to improve their stake in the FPO.

Local disruptive and divisive politics also stands in the way of formation of FPOs which revolves around and relies on cooperative action.

At another level, the institutions that the Producer Companies deal with, the corporate sector, the input suppliers, the commercial banks, even the district level officials and agriculture department officials lack awareness about Producer Organizations.

TRAINING AND CAPACITY BUILDING

The concept of farmers as producers and business people is a new one. The interactions and contacts with the corporate and business world, the business processes and procedures that need to be followed, can only be done by trained staff, working on behalf of the farmer-members. Training the farmers to effectively fulfill the role of governing body members, training staff to run the business, raising awareness amongst all the stakeholders ranging from government functionaries to input suppliers, banks, corporate purchasing the produce and the farmer members themselves.

This can only be undertaken by the government, using the media of different agencies.

NEED FOR EXTERNAL CATALYSTS

Farmers Producer Company formation requires an external agent to mobilize the farmers first in a common interest group and then federate a number of such groups on to a Company. Continuous hand-holding is required to build capacities. The sustainability of the organization will be at stake without this investment of time and resources. The process of formation and registration is too complex for farmers to handle by themselves. The external catalyst will have to organize access to input suppliers and facilitate aggregated marketing. However, it must be noted that there is human resource and overhead costs incurred by the promoting NGOs and that needs to be supported.

The promoter NGO plays a vital role in hand-holding the young FPO. However, there is a thin line between hand-holding promotion and control and the NGO needs to be vigilantly guard against it. Gradually, the staff working for the promoter NGO should be taken over by the FPO.

LACK OF ACCESS TO EXTENSION SERVICES

The farmers are at subsistence level of production in fragmented holdings. There is need to raise productivities and generate marketable surplus. Currently there is no coordination between the NGOs promoting Farmers Producer Companies and the extension agencies of the government. Effective and timely technical input is required.

LACK OF WORKING CAPITAL

This problem was mentioned across the board by all the participating Producer Companies. Financial literacy of the functionaries is poor. For a single crop about Rs. 2 Cr. is required to cater to the input requirements of about 1200-1500 farmers as experienced by many producer companies participated in the meeting. Commercial banks require collateral of goods and farmers often have to resort to local money lenders paying inflated rates of interest.

The registration costs are high, at Rs. 40,000. Mandis require security deposits of Rs 2 to 10 lakhs. Licensing by the Mandis has to be made FPC-friendly. Thus the costs add up compounding the lack of working capital.

NEED FOR VIGOROUS BACKWARD LINKAGES

There is high demand for inputs such as fertilizers and seeds, besides pesticides, credit and extension. The problem arises from demand outstripping supply.

In the case of fertilizers, MARKFED, for example, which has a 50 to 75% market share gives first priority to PACS [Primary Agricultural Cooperative Societies]. 80% of the supply from MARKFED is absorbed by the PACS. IFFCO is unable to meet the demand from its own dealers.

In the case of seeds, the Beej Nigam for example would be willing to supply to the Farmers Producer Companies if the demand parameters are known in time. The unwillingness of farmers to provide the margin money to place the order for the seeds needs to be addressed.

NEED FOR FORWARD LINKAGES

Aggregated marketing is not being undertaken. The promoting NGOs should facilitate developing market linkages more aggressively.

The holding capacity of small farmers has to improve. There is need to sharply enhance godown capacities. Cold storage is not even mentioned since the more basic godown capacity is in such shortage. FPO /FPC owned, common infrastructure to increase the holding capacity of the farmers needs to be created to enable him/her to capitalize on the lean-period price premium.

There is urgent need to undertake aggregated marketing. The BeejNigam buys seeds and provides assistance for sowing seeds for sale. Similarly, within the public sector there are agencies like National Seed Corporation, State Seed corporation, Department of Agriculture, etc. who provide assistance for seed production and buy back guarantee. Those schemes are to be made broad based to accommodate the smallholders and their organizations. MAHYCO, a private seed and inputs company has 10,000 ac under seed production of castor, wheat, cotton and vegetable crops. The company also provides technical training support free of cost to its growers. It is willing to provide this assistance to the FPOs. They are also willing to sell cotton and other seeds through the channel of FPOs.

Companies deploy organizers to contact and deal with individual farmers. Dealing with FPOs will reduce the transaction costs.

Production of vegetable / horticultural seeds can generate much better returns than other produce. However, branding and marketing can be challenging. Linking with the government may be an easier option. Madhya Pradesh Government purchases Rs 800 cr worth of seeds every year as told in the meeting. FPOs can become suppliers -if 50% of an FPO's activities is accounted for by seed production, it can become viable in 3 to 4 years.

VIABILITY OF THE FPOs

In the experience of the promoter NGOs working in Madhya Pradesh, it takes 5 to 7 years to make a FPO viable.

- (i) The FPOs should prepare their Business Plans rigorously, with the assistance of experts.
- (ii) The participants suggested that FPO coverage could be in a radius of 25 km consisting of 75% small farmers and 25% medium or resourceful farmers.
- (iii) The debate on whether to focus on commodity-based groups or farmer based groups, at the first and second tier of the pyramidal structure was in-conclusive. This could be examined further in a more rigorous manner.
- (iv) Given that FPOs/FPCs are a nascent stage and a number of issues need to be addressed, there should be district, State and national level support organizations to provide back-stopping support.
- (v) The State Government of Madhya Pradesh gives a grant of Rs 25 lakhs to the FPOs formed under DPIP. Should this be a fixed amount or should it be related to the share capital raised by the member –farmers? Should this grant be a one-time grant or should it be given in phases? If the latter what should be the qualifying milestones? It was strongly felt that NGO promoted FPOs should not be discriminated against as at present; they too should be given the grant. This grant can mitigate some of the credit crunch faced by the FPOs and could be an incentive for participation.

RESOURCE CENTRE

All the participants supported the setting up of a Resource Centre that would be set up for information dissemination and to undertake other functions to strengthen the institution of FPOs. One of its first tasks will be to prepare a comprehensive data base of FPOs. A data-base of technical persons will also be created and will be accessible by the FPOs.

STATE-LEVEL FORUM

The participants felt that there was a felt need for a State-level Forum that would deal with policy matters and matters affecting all the FPOs in the State. There was unanimous agreement that it would be housed in ASA, in Bhopal. The Forum would consist of the four pillars – (i) FPOs, (ii) NGOs, (iii) input suppliers-private sector marketing agencies and (iv) the government.

Recommendations of the Round Table

Main recommendations of the workshop are as under:

- a) The size of an FPO should not be more than 1500 members to have a cohesive organization. It should be also developed as federation of primary groups (FIGs).
- b) Support for handholding, business plan development, capacity building and development of system and procedures is essential for all FPOs apart from the financial and infrastructure development support. Such handholding support should be provided through expert agencies for a minimum of five years.
- c) FPO Resource Centers should be established at the State level
- d) Market linkages/ transportation of agri-produce facilities (available under various schemes) should be extended to the FPCs/FPOs who are working in remote areas.
- e) Considering the scope and current business operation of FPOs, district level Mandi licenses should be provided to the FPOs.
- f) Simplification of State APMC Act. and Rules is required for making it more farmer-friendly. Special provisions or relaxation is required for the FPOs mainly on the fees and fixed deposit rules
- g) Profile of FPCs should be available in the public domain through uploading in any public website. DPIIP may facilitate it for M.P and SFAC at the national level
- h) FPOs can involve themselves in facilitating farmers to access Kisan Credit Card.
- i) Group certification for seed production should be allowed
- j) Single window license system is required for providing all agribusiness licenses to the FPCs.
- k) There is a strong need for capacity building of the promoting NGOs and operating managers of FPOs on the value chains concepts and identifying and developing backward and forward linkages. The state level support cell can facilitate this.

- l) Awareness building, sensitization meeting or business meet need to be conducted periodically for all related department so that they can support FPC with right sprit.
- m) Development of state level common brand is required for easy marketing of FPOs produces and services
- n) Agriculture innovation / research/extension fund of the Mandi board can be utilized for the FPO support.

Way forward:

At State level, there should be some agency/committee or group of people who should take the lead in organizing and coordinating such meetings regularly. ASA has agreed to take on this role in Madhya Pradesh and would do so jointly with MPDPIP, SFAC and other organizations like the Agriculture Department of the Government of Madhya Pradesh.

There is a need to initiate the establishment of formal forums at the State level which can help FPOs exclusively and effectively for key aspects like capacity building and providing various linkages like market and credit, etc. SFAC would consider supporting such an initiative.

LIST of Participants at SFAC RT Conference
Bhopal 3 APRIL 2012

Sr. No	Participants	Organisation	Contact	E-mail Address
	NGO			
1	Mr. GauravTiwari	Access Development Services H-4, Nishat Colony 74 Bungalows Bhopal-462 003	M: 7869613281, Ph: 0755- 2577106/05, 2570471	niraj@accessdev.org
2	Mr. ChintanMaheshwari	Access Livelihoods Consulting India Plot No.-4, Matrunitayam, Telephone Office Lane, Sainagar Colony, Picket, Secunderabad – 500 009. A.P.INDIA	040 - 40177321, Mobile:9440901793	Email: info@alcindia.org, www.alcindia.org
3	Mr. Vivek Sharma, Director & Ms. Purwa Dixit	CARD	9425013029	card_vivek@yahoo.com
4	Dr. Meeta Punjabi Mehta	Creative Agri Solutions Pvt. Ltd.	011-25192749 M:097111 10111	mwwta@creativeagrisolution s.com
5	Mr. Rajendra Singh Gautam Mr. Saurav Sharma Ms. VandanaKumari	Indian Grameen Services CE 103, 1st Floor Sector 1, Salt Lake City, Kolkatta- 700064, West Bengal	9406661012 Ph No. 033- 40055844	rajendra@thelivelihoodschoo l.org
6	Mr. K. Swaminathan Mr. Rishi Mishra	International Traceability Systems Ltd. C- 130, Lajpat Nagar- 1, New Delhi- 110024, India	M: 9425012981, Ph No. 011- 43210100/ 102 Fax: 011- 41349693	krishnamurthy_swaminathan @yahoo.com
7	Mr. Ajay Kumar Ms. Upmadiwa Mr. Manish Jha	Consultant	Mobile 9926808850	ajaykumaragri@gmail.com ajayagrmail@gmail.com www.farmerswelfare.org www.eajaykumar.com/ccv.ht m
8	Mr. B.B. Pathak	MahilaChetnaManch M.P. Kalyani Working Women's Hostel Premises, Shivaji Nagar, Bhopal- 462 016	Ph.no-0755- 2572218,2554544 Fax.no.-0755- 2558398	Email: singh.raghuraj@gmail.com mcmngo@yahoo.com,www. mcmngo.org
9	Mr. Sangram Singh Tomar	NarmadapuramSevaSangh, Ho shangabad		sangram_tomar@hotmail.co m
10	Mr. VimalDubey, State Coordinator	NIWCYD	9826641775	niwcydjabalpur@gmail.com
11	Mr. J.S. Rawat, State Coordinator	PRADAN	9755004475	bhopal@pradan.net
12	Mr. RamdhanJat, Representative	Srijan		ramdhanjat@srijanindia.org

Sr. No	Participants	Organisation	Contact	E-mail Address
	GOVERNMENT			
13	Mr. S.K. Upadhyaya	Dy. Agriculture Programme Commissioner GoMP, VallbhBhawan, Bhopal		
14	Reprentative of Director Agriculture M.P.	Farmer welfare and Agriculture Development DFW & AD, 2nd floor, VindhychalBhawan, Bhopal (M.P.).	Phone: 0755-2551336 , Fax: 0755- 2572468	E Mail – diragri@mp.gov.in
15	Mr. M.L. Belwal, Chief Executive Officer	Madhya Pradesh Rajya Ajeevika Forum (MPRAF) 1st Floor, ParyavaranParisar, EPCO, E-5, Arera Colony, Bhopal – 462016	M: 9406808777	pc@mprlp.in
16	Mr. Ajatshatru, Managing Director Additional Director, MPSAMB	Madhya Pradesh State Agricultural Marketing Board,26, KisanBhawan, Arera Hills, Jail Road, Bhopal (M.P.) -11	Ph: (0755) 2553429, 2553429, 4270498, 2762203, 2762205, 2762094, 2762097, 4082100	mdmandiboard@gmail.com, jdmpsamb@gmail.com, programmer.mpmmandiboard@gmail.com
17	Dr. D.K. Solanki, Manager-Agri	Indian Farmers Fertilizer Cooperative Ltd. (IFFCO)Paryawas, Block 2,3rd Floor, Arera hills, Bhopal	Phone-0755-2555883,2555854, 2764932 Fax-0755-2553093	zmbhp@iffco.nic.in, smm_bhopal@iffco.in
18	Mr. A.S. Patil, GM	M.P. Beejevam Farm Vikas Nigam M.P. BeejEvam Farm Vikas Nigam BeejBhavan, Mother Teresa Marg, Arera Hills, Bhopal	Phone : 0755-2775041, 2775048	mpseeds@bom6.vsnl.net.in
19	Mr. Rajesh Tripathi, Coordinator (Agriculture) AshaUpadhyaya	Madhya Pradesh District Poverty Initiatives Project (MP-DPIP) M.P.State Cooperative Agriculture & Rural Development Bank Campus, 8, AreraHills,Old Jail Road, Bhopal - 462016, M.P.	0755 – 2460242, 2460244, 2420093, 2426251 Fax : +91 - 755 - 2426252	rajesh@mpdpip.org
20	Mr. Puranik	Madhya Pradesh State Agro Industries Development Corporation Ltd., Panchanan, 3rd Floor, Malviya Nagar, Bhopal-3	M: 9302371459, Ph: 2556857, 2551807, 22551652, Fax: 0755-2557305	E: mpagro_bpl@airtelmail.in, pa2md@yahoo.co.in
21	Shri. Ajay Tirkey, IAS, Managing Director Plus one	Madhya Pradesh State Cooperative Marketing Federation Limited (MARKFED)Jahangirabad, Bhopal - 462008	Fax : 0755-2678495, 2678449, 2678482, 2678441	secretary@mpmarkfed.net
22	Mr. Pravesh Sharma	Small Farmers Agribusiness Consortium (SFAC)	011-26862365, 26966017,	pravesh_sharma@rediffmail.com

Sr. No	Participants	Organisation	Contact	E-mail Address
		NCUI Auditorium Building, 5th Floor, 3 Siri Institutional Area, August KrantiMarg, HauzKhas, New Delhi – 110016	26966037 Fax: 011-26862367	
23	Ms. Jaya Chatterji	SFAC-N.Delhi		jaya.chatterji@gmail.com
24	Mr. AnuragShrivastava	State Horticulture Mission, Government of Madhya Pradesh PanchananBhavan, Bhopal – 1	Tel : (0755) 2578491, 2414641Fax : 2570112, 2768159	Email : dirhort@mp.nic.in
	FPC			
25	Mr. Pratap Singh Solanki, Sanjay Pandya, CEO	Nimard Farmer Producers Company C/o AmritlalJaiswal, Yeshwantpura, Nagalwadi Road Ojhar, Tehsil RajpurDistBarwani	Ph: 07869954368,	sanjaypandya@asabhopal.org
26	Mr. Praveen Tiwari, CEO	Dada Darbar Producers Co.Ltd. J-128, MaaBanjariDham, Kochar Colony, Gadarwara	M: 7869959201	tiwaripraveen86@yahoo.in
27	Mr. Gopesh Jain, Acctt Officer Mr. HemantLudha, BOD	Neshkala Crop Producer C. Pvt. Ltd. DPSU, Indira Gandhi GaribiHataoYojna(DPIP), C-34 Sisodiya Colony Guna (MP)	Ph 07542-259017 M: 9993040010	gopeshjain@yahoo.co.in
28	Mr. Amit Mani Tripathi, CEO	FPC Khargone Action for Social Advancement, Above Bank of India, Indore- Khargone Road, Vill.-Balsamud, Tehsil- Kasrawad, District- Khargone, M. P. 451229	M: 07869957601,	amitmani@asabhopal.org
29	Mr. AmiteshEkka Mr. Ganpat Ms. DevkiTekram Ms. Roopmati	Mandla Tribal Farmers Producer Company Limited B.K.Sadan Sanjay Nagar BinjhiyaMandla -481661	M: 7869957628	12hatna@asabhopal.org
30	Mr. Jay Gupta	FPC Rajgarh	9406904573	kapcal2206@gmail.com
31	Mr. Surendra Singh, Chairman Mr. Raghvendra Singh, CEO	Rewa Crop Producer Company Limited, Opposite to New Bus Stand, Nehru Nagar, Allahabad Road, Rewa, M.P 486001	Ph: 9009533716, 9229467525	rcpclrewa@gmail.com
32	Mr. Ram Singh Thakur	SamathKissan Producer Company Pvt Limited 72 Vivekanad Colony, Agar Malwa, District Shajapur	9826372427	shajapur@mpdpip.org samarthkpcpcl@gmail.com
	PRIVATE SECTOR			

Sr. No	Participants	Organisation	Contact	E-mail Address
33	Mr. S.C. Modi, Regional Manager	Jain Irrigation 202/2 Lasudia Mori, Dewas Naka, Opposite Panchvali Colony, A.B. Road, Indore- 452010 (M.P.)	0731 – 426 5112, 426 5112 to 24, 645 6832 4066011, M: 94068 02831	modi.subhash@jains.com
34	Mr. PankajBhatnagar, Regional Business Manager, Dr. M.S. Chauhan Mr. U.S. Bharambi	MAHYCO 308, 3rd Floor, City Centre, 570 Mahatma Gandhi Road, Indore-452001	Tel.: (0731) 2432623 (0731) 2432623, 2532014.	13hatna.bhatnagar@mahyco.com
35	Mr. Ganjendra Singh Rana Mr. Shareef Shah			
ASA-FPC Support Cell				
36	Mr. AshisMondal	Director	9425010783	ashis@asabhopal.org
37	Mr. Y.K. Dwivedi	Theme Manger- Agriculture & Agri Business Promotion	7869957626	yogesh@asabhopal.org
38	Mr. H.B. Dwivedi	Theme Manger- Land & Water Resource Development	7869954355	hbdwivedi@asabhopal.org
39	Mr. Sanjay Khirwadker	Manager-Financial Inclusion	7869957600	sanjay@asabhopal.org
40	Mr. Sunil Jain	Project Executive- Agriculture	7869954357	sunil@asabhopal.org
41	Mr. NeerajMansharamani	Assistant Accounts Officer	7869954354	neeraj@asabhopal.org