

Theory and Practice of Farmer Producer Organizations in Sub-National Government of Nepal: A Case of BelaUri Municipality

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Abstract

Depending on their aims, resources, vision and institutional environment, Farmer Producer Organizations (FPOs) have diversified Rural Advisory Service (RAS) roles. FPOs particularly as major actors of RAS, specific human and social capital, knowledge, attitudes, skills and behavior have a comparative advantage over other agriculture service providers. The facts and figures related to the agriculture sector of the emerging sub-national government of Nepal revealed that, there is a need for bringing sustainability in the promotion, institutionalization and capacity building of FPOs to promote economic prosperity. Against this backdrop, the paper is prepared with the support of sub-national government officials and agriculture academicians through the use of an exploratory case study method in BelaUri Municipality of Kanchanpur district of far-western Nepal. The paper summarizes the status of farmer group development in sub-national government especially in restructured Nepal and how the local government's current legal framework could be utilized to streamline these opportunities. The paper concludes that the sub-national government is expected to have a comprehensive strategic plan with a solution and policy backup that could contribute to the development of FPOs in the days to come.

Keywords: Farmer Producer Organization, LGOA (2017), Sub national government, Nepal

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Introduction

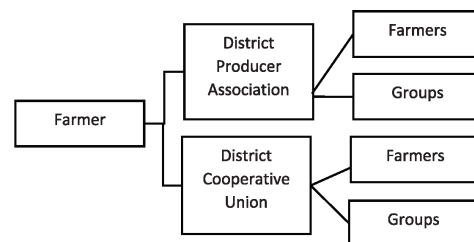
Worldwide around one billion people are members of 2.6 million cooperatives and producer organizations all of which engage in production, marketing and other cooperative activities forming the interface between farmers and their social, economic and institutional environment (COSA, 2019; Toillier et al. 2015). Bista (2018) defined FPOs are informal and formal entities and take many forms such as farmers' groups, water users' associations, women's microfinance groups, seed producers, poultry entrepreneurs, primary producers, milk producers, weavers, rural artisans and craftsmen. Many of them need financial and especially, technical support to remain viable and to provide their members with important technical and advisory services (Rondot and Collion, 2001; Bista, 2018).

Farmers are unable to realize good value for their produce as their way of functioning is unorganized. (NABARD, 2015). An FPO can be a producer company, a cooperative society or any other legal form which provides a share of profits/benefits to the members (Sadamate, 2018). In some forms like producer companies, institutions of primary producers can also become members of FPO (NABARD, 2015). Nepalese agriculture is predominantly characterized by a large number of dispersed and fragmented land holding. Around 90 per cent of the producers' land holdings are small, marginal and of subsistence level as a result of which the producers having this limitation could not afford and invest individually. The government of Nepal adopted a farmer group approach as the official agricultural extension approach for Nepal in 1990. Since then, this has been the major strategy of the Government for the provision of agricultural extension services. The literature has shown that organizing rural farmers into groups has provided an effective institutional mechanism for their empowerment (NABARD, 2015). However, limited research has been conducted in either Nepal or other developing countries to investigate farmer groups through the lens of possibilities and institutionalization in sub-national or local government level. There is a great opportunity to develop FPO in sub-national government, especially after the adaptation of three tiers of the government.

A farmer producer organization can be a formal or informal institution - one type of producer organization which is a generic name for an organization of producers of any product, farm or non-farm (Gjananda et al. 2017). FPO may be a producer company, a cooperative society or any other legal form which provides for sharing of profits or benefits among the members (Toillier et al. 2015). In some forms of producer companies, institutions of primary producers can also become members of PO. These are basically the hybrids of cooperatives and private companies. The participation, organization and membership patterns of these companies are more or less similar to the cooperatives. However, their day-to-day functioning and business models resemble those of the professionally-run private companies. FPO is one type of producer organization where the members of the organization are the farmers themselves. These are also known as Farmers' Producer Companies (FPC). Farmers' and producers' organizations are important institutions that deliver services to their members, facilitate their access to markets and empower small farmers to engage in policy dialogue. They have a key role to play in ensuring inclusive and sustainable rural transformation at local, national and international levels (NABARD, 2015).

FPOs are autonomous membership-based professional organizations, structured on a commodity. For example, Coffee Producers Association, Banana Producers Association, Fish Producers Association, Nepal Society of Poultry

farmers, Poultry Entrepreneurs Forum, Chitwan Banana Producers Association are examples of national, provincial and local level organizations. The concept behind FPOs is that farmers, who are the producers of agricultural products, can form groups and register themselves under the Companies Act. The primary producers have skill and expertise in the act of specific commodity production. However, FPOs generally need



support for branding, advertising, transporting and marketing of what they produce (Adhikari, 2020). The FPOs will basically bridge this gap. The FPOs will take over the responsibility of any one or more activities in the value chain of the produce, right from the procurement of raw materials to the delivery of the final product at the ultimate consumers' doorstep. The FPOs could undertake the procurement of inputs, dissemination of market information, dissemination of innovations, facilitation of finance for inputs, aggregation and storage, primary processing, branding, packaging, labeling and standardization, quality control, marketing to institutional buyers, participation in commodity exchanges and also in the export of produce (Adhikari, 2020). Community Based Seed Production (CBSP) is typical of these kinds of FPOs in Nepal very successfully achieving its objectives (Adhikari, 2020).

Methodology

This paper is based on the review of primary and secondary information related to advisory services, local government and the FPOs. Primary information was obtained by meeting attendants and the stakeholders including the farmer and producer at the study site. Secondary documents include the academic, review and synthesis papers. Stake (1995) stated that a case study gives researchers a holistic view of the dynamics within a sector. There are three types of case study approach: Illustrative, Cumulative and Exploratory. An exploratory case study collects information that will answer a question (Zainal, 2007). It can help researchers better understand social, economic, political or any other social phenomena (Yin 1994). For study of practice of FPO in sub national government, Belauri Municipality of Kanchanpur, one of the far-western districts of Nepal is purposively selected.

Discussion

Farmer Group Approach: Agriculture extension strategy of Nepal

Participatory, demand-led market-oriented rural advisory service is now

the common agenda of reform extension system (Blum et al., 2020). Farmer producer organizations are a part of this system to articulate demand, experiment the innovation, reflect the experiences, learn and communicate the knowledge and information (Sulaiman and Blum, 2020). The farmer group approach is the major strategy for service delivery in both agriculture and livestock services (Sharma & Khanal, 2009). An official report revealed that a total of 55,591 (37,732 farmer groups under the DOA and 17,859 under the DOLS) farmer groups existed under the public agricultural extension system at the end of 2014/15 and comprised about 1,008,488 farmers as members (DAE, 2016). Out of 55,591 farmer groups, 61.7 per cent were mixed in terms of gender, whereas 26.3 per cent and 12.0 per cent were women and men respectively (DAE, 2016). Of the total farmers organized in the groups, 52.8 per cent were women while 47.2 per cent were men (DAE, 2016). Farmers are probably the main source of informal agriculture advice where most of the subsistence farmers have not much contact with formal RAS and thus rely on fellow farmers and input dealers (GFRAS, 2011)

State of farmer group in the local government: A case of Belauri municipality

The declaration of Belauri Municipality was done by the Government of Nepal in 2014 by merging former Sreepur, Rampur, Vilasipur and Laxmipur VDCs. It soon became a model, clean and prosperous municipality. The city is situated at an altitude of 160 meters from sea level in the south to 1528 meters in the north. The east-west average length of the district is 44 km and the north-south average width is 34 Km. There are ten lowest administrative structures called ward committees in the municipality. The total area of the municipality is 123.4 sq km and the total population is 53,544. Being one of the terai based most fertile area, close to the Indian border there is a great opportunity to develop the municipality economically through the agriculture sector. In some cases, farmer to farmer extension is linked with membership in the farmers' organization. In Nepal such evidences are not prominent in general, however, commodity-based

extension is found sporadically in coffee, honey, organic products, floriculture, seed, poultry and feed sector. This special case could be possible if the municipality could focus on a specific product or service

Two types of FPOs exist in the agriculture dominated country: Community based resource-oriented and community-based market oriented as reported by Chamala, 1995. However, there are many forms; formal, informal categorized into three types by World Bank (2008): commodity-specific, broad interest advocacy groups and diverse economic and social service providers. There are altogether 300 community-based resource oriented FPOs in Belauri municipality (Table 1). This type could be a village-level cooperative or association dealing with inputs needed by the members, the resource owners, to enhance the productivity of their businesses based on land, water or animals. These organizations are generally small, have well-defined geographical areas and are predominantly concerned about inputs. However, the client group is highly diversified in terms of crops and commodities as their association, federation and apex body are yet to be formed. One of the interesting findings of this study is that 80 per cent of the members of the producers group are women (Table 1). From the view point of women's contribution to agriculture in rural terai Nepal, around 80 per cent of women involvement in the farmers group is justified. Small Farmer Consortium (SFC) types of mechanisms are providing the support for the promotion of FPOs in India (Gajananda, 2017), but do not exist even today in Nepal. This is the major reason why such kinds of FPOs are not operating in Nepal.

Table 1: Distribution and Composition of Farmer Producer Group in Belauri Municipality

Ward	No. of FGs	Member of Group by gender			Total Saving
		Women	Men	Total	
1	21	460	36	496	1,446,896
2	23	441	76	517	6,673,816
3	26	517	136	653	2,932,129
4	26	538	54	592	2,329,220
5	42	775	282	1057	2,589,969
6	30	567	163	730	5,761,412
7	23	456	112	568	2,668,115
8	46	834	239	1073	4,725,076
9	18	206	214	420	3,068,920
10	41	844	174	1018	4,524,234
Total	296	5,638	1486	7,124	3,67,19,787

Commodity-Based, Market-Orientated Farmer Organizations specialize in a single commodity and opt for value-added products which have expanded markets. They are designated as output-dominated organizations. These FPOs are generally not small and have to operate in a competitive environment. Research, input supply, extension, credit, collection of produce, processing and marketing, are all integrated to maximize the returns on the investment of the members who invested in the collective enterprise. These kinds of FPOs are either very limited or non-existent and started to have backstopping support for the formation of producer groups that are in an state of emergence. Capacity building, empowering and other kinds of backstopping support programs are done in the study area. Local government is yet to be formulated. Commodity based market-oriented farmers organizations are yet to emerge in the case of Belauri Municipality.

Opportunities of Subnational Government: Functions, Roles and Responsibilities

Future extension strategies must focus on organizing producer aggregates at various levels (Sadamate, 2018). This would provide strong backward and forward linkage including market-led extension strategies and also provide adequate pressure on research-education-extension agencies making extension operation demand driven. Since 2015, the Government of Nepal has devolved the functions, authority for decision-making, finance and management to quasi-autonomous units of the local government (LG). Devolution usually transfers responsibilities for services to municipalities that elect their mayors and councils, raise their revenues and have independent authority to make decisions on investment, planning, roles and responsibilities (Table 1). In a devolved system, LGs have clear and legally recognized geographical boundaries over which they exercise authority and within which they perform public functions. Annex 8 of Nepal constitution provides the legal framework for the function, duties, roles, responsibilities of local government. Among those duties, more than ten are directly or indirectly related with economic promotion, agriculture development, natural resources utilization and market development. To operate these functions in the local government, producer & farmers organizations serve as the entry point of interventions for activities.

FPOs can serve to both bond and bridge with social, human and financial capital (Putnam and Richardson 2000). These interventions could be implemented by any kind of producer group, cooperative, national producer, self-help group, farmer producer organization, autonomous cooperatives, producer company, civil societies or the public trust. FPOs are based on the principle of non-discrimination, provide a range of services for their members including market opportunities and empowerment of all of their members, men, women, youth (Blum et al. 2020). Worldwide evidence shows that FPOs could facilitate the changes at four levels: farm, producer organization, regional and national, however much evidence shows the FPOs could contribute to professionalizing and empowering

the farmer through the service they provide. At the organizational level, the provision of RAS contributes to improving the know-how, skills and strategies of FPO leaders and managers (Toillier, 2015).

Table 2. Roles Responsibilities and Functions of Local Government in LGOA Act 2017

Section	Clause	Description
(3) Duties and responsibility of local government	11(Kha)	Cooperative development
	11 (Na)	Local service provisions
	11 (Cha)	Local project and program
	11 (Yna)	Local market development
	11 (Ta)	Local road construction and irrigation management
	11 (Ana)	Agriculture, livestock, agri product management and cooperative
	11 (Da)	Agriculture extension management, operation and control
	11 (Pa)	Watershed management, wild life conservation
	12.1(ka) 12.1 (Ga)	Ward level duties and responsibilities Planning, basic service
(6) Planning process	24 (1)	Periodic, annual, sectoral and strategic plan
	25 (1, 2)	Cooperation with other community, social, cooperative, UGs
	26 (ka, Kha)	Collaboration & partnership with donors & private company

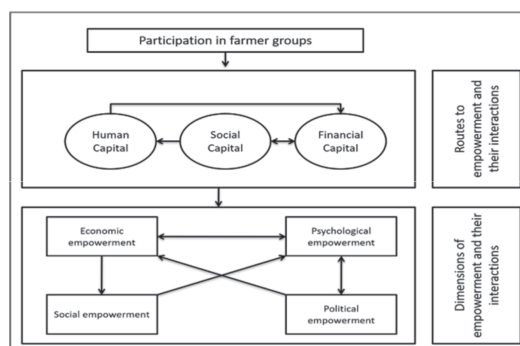
Theory and philosophy of producer group and their empowerment

FPOs are grounded on the principles of collective action among the potential beneficiaries (Blum et al. 2020). Sadamate (2018) suggested that farmers could be empowered by organizing into SHGs, FPOs, FPCs, cooperatives etc. Collective action occurs when individuals voluntarily cooperate as a

group and coordinate their behaviour in solving a common behaviour. Mobilization of FPOs and other forms of network, affects all or the majority of the people in the society. According to the MCKee (1992), the social mobilization process brings together all feasible and practical inter-sectoral social allies (social, financial and human capital) to raise people's awareness, help themselves and demand for a particular development program to assist in the delivery of resources and services and also to strengthen community participation for sustainability and self-reliant society. Empowerment is more than providing the resources for one to help themselves out of poverty; it is the act of providing necessary tools to shape the individual and promote a critical way of thinking and consciousness (Ledwith, 2005). Philosophically, FPO empowerment is based on the three vital parameters of power namely farmer capital, their own knowledge of production, and the organization are the conceptual package of mobilization (Jaishi and Paudel 2020). Capital in the form of saving is a sign of self-reliance, knowledge as power as skills and culture, and the organization as the power of participation.



COSA (2018) stated that empowerment can be attained through working together and forming a collective state of consciousness that promotes and encourages change. The study of Bista (2018) in the Terai region of Nepal revealed that farmer group membership allowed farmers to accumulate human, social and financial capital which fostered economic, psychological, social and political empowerment of group members. The results from this study provide a comprehensive model of the relationship



between farmer groups, the three different forms of capital accumulation and the four dimensions of empowerment: economic, political, psychological and social.

The main philosophy of the group approach is to help people help themselves (CATC, 2002). The group approach recognizes a farmer as an active partner in technology development and dissemination instead of a passive recipient (Hoffmann, 2007). This approach emphasizes building and strengthening farmer groups at the local level and using this as a vehicle for development (Anandajayasekeram, et al. 2008). A farmer group is a group of farmers united for mutual interest and common goals related to their farming. The members of the groups are expected to have similar interests and occupations (DAE, 2009).

Suggestions and way forward

In order to be fully productive, small farmers, user groups, livestock keepers and forest users in the sub-national government of Nepal in the form of well-functioning FPOs are yet to be developed and need services that are often lacking in rural areas. Various forms of cooperatives and producer organizations provide an array of services ranging from enhancing access to and management of natural resources; accessing input and output markets; improving access to information and knowledge; facilitating small producers' participation in policy-making processes and are still in the process of streamlining through local government as per the functions and responsibilities of subnational government. These functions are yet to be channelized.

The existing poor and limited extension services to the farmers are the major bottleneck in hindering the commercialization of the agricultural sector. The previous structure of agriculture extension via the district level agency and service center concept has been dissolved from 2017 and devolved to local government via policy framework provided in the Local Government Operation Act (2017). In this scenario, there is a need for a new structure to

provide extension services to the majority of farmers. FPO and other kinds of associations could be one of the avenues to promote and enhance agriculture service delivery at the community level. The ADS (2015-2035) has visioned the establishment of the Community Agriculture Extension Service Center (CAESC) at all municipality levels. This local governed structure has to take care of FPOs, or other forms of associations and federations registered in the local government. The subnational government has to plan and implement the following four-fold activities to support farmer producer organization and association.

1. Support the establishment of an enabling environment, which includes assisting member governments to develop appropriate regulatory and legal frameworks, a conducive investment climate and consultation frameworks for policy-related dialogues which actively involve cooperatives and producer organizations;
2. Enhance their effective participation in policy dialogue processes to advocate for their producer members' needs, making their voice heard at the sub-national level;
3. Facilitate the development of producers' capacities, including their technical, managerial, organizational and marketing skills, as well as their ability to integrate into value chains and networks and to influence policy and decision-making processes; and
4. Share the knowledge in the form of publications, consultation workshops, discussions, focused group discussion, group and association formation guidelines, producer group formation modules, briefing notes and good practices.

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