Case Study of a Farmer Producer Organization : Bhangar Vegetable Producer Company Limited

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Abstract

A Farmer Producer Organization enables the farming community, including the small and marginal farmers, in addressing their Production and Marketing issues. Many Producer Companies have come up in India as well as in West Bengal to address these concerns. In this context, one successful Farmer Producer Company (FPC) i.e. Bhangar Vegetable Producer Company was selected from West Bengal which produces diverse kinds of products and a comparative study has been made to document the factors responsible for success which can act as guiding factors for other FPCs. This Company has minimized the production risks and marketing risks. They have taken initiative in post-harvest processes which ultimately ensured higher income. The success of a Producer Company needs to be judged on the basis of benefits accruing to the farmers.

Keywords: Farmer Producer Organization, Small and Marginal Farmers, Production Risk, Marketing Risk.

Introduction

Since 1950, the share of agriculture in the country's Gross Domestic Product (GDP) declined, but there was only a borderline decline in the number of persons dependent on agriculture. The Agriculture sector presently contributes nearly 14 per cent of total GDP, while still accounting for about 55 per cent of the total employment (GoI, 2014). India had over 138 million operational holdings as per the Agricultural Census, 2011. Of this, about 92.8 million were marginal i.e. having an individual functional land holding

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of lower than 1 hectare while another about 24.8 million were small holdings with individual functional land holding size lower than 2 hectares. Thus, the marginal and small holdings together accounted for a whopping 85.0 per cent of the total holdings in India in 2010-11. The size of functional effects in India is continuously declining with every consecutive generation. The situation has raised a serious question on the survivability of these smallholders (Pandey et.al., 2010). On the other hand, the rapid increase in population coupled with a substantial increase in inflows and coping power has led to increased demand for quality food and agrarian products. According to the 12th plan Working Group, " The small and marginal growers are clearly going to stay for a long time in India - however, they're going to face a number of challenges". Thus, what happens to them has larger implications for the agricultural sector and livelihood of large section of rural population."

Being smallholders, these growers suffer from some problems such as the absence of scale, access to information and their incapability to participate in the price discovery. The participation of growers is observed to be confined by limitations like poor horizontal and vertical integration and limited access to market, training and finance (Fernandez Stark Karina, et al, 2012). Poor information inflow along the chain has also been identified as a vital constraint (Shearer,2011). The problem of access to the market is indeed more pronounced for small and marginal growers. The challenge now is to optimize benefits through effective and efficient means of aggregation models. The instrument of Farmer Producer Company (FPC), registered under the Companies Act, is arising as the most effective means of Farmer Producer Organization (FPO) to meet the requirements of growers at grass-root level. FPCs offer a wide range of benefits compared to other formats of aggregation of the growers. FPC members can work with actors in the financial and non-financial inputs and services and applicable technologies leading to a reduction in sale costs. Members can also tap high value markets and enter into tie-ups with private players on contract farming mode.

Rationale for Formation of FPOs/FPCs

There is a need for aggregation of growers in order to derive benefits from the sale of agricultural produce. Producers' associations help in reducing the sale costs and give a platform for members to share information, coordinate activities and make collective decisions (Singh, 2013). FPOs (cooperatives/SHGs/FIGs/Producer Companies) have the eventuality to bring about vertical integration in the traditional food chains with need-based long term business plans. Producers can participate in the entire value chain and reap the benefits of value added in successive chain operating in agriculture. Now the question arises as to how to develop an appropriate design for Producer associations, the success of which can sustain and succeed under different limitations.

The Government of India has issued guidelines to encourage formation of FPO as a regular activity under various schemes including RKVY during the XII Plan. These guidelines were meant to help the stakeholders follow a standard methodology for formation of FPO as well as to give reflective costs and a monitoring frame. States may directly engage promoters (similar as NGOs, private companies, exploration bodies, cooperatives, growers' groups) to aggregate the small growers. Alternately, the Small Farmers Agribusiness Consortium (SFAC) is listing suitable Resource Institutions (RIs) on their behalf. Another option for the States would be to award the work directly to SFAC, to shoulder formation of FPOs. The Govt. of India provides budget to SFAC from the RKVY head.

Bhangar Vegetable Producer Company Limited

Genesis:

The Bhangar Vegetable Producer Company Ltd. (BVPCL) has been formed by farmers based in Bhangar Block II of the district of South 24 Parganas, West Bengal in the year 2012. The farmers were mobilized to form this Farmer Producer Organization (FPO) by the State Department of Horticulture and Food Processing in association with Access Development Services (ADS)

(Resource Institution). Located in the southern part of West Bengal, South 24 Parganas is close to Kolkata, which provides a huge, ready and lucrative market for vegetables. Bhangar Vegetable Producers' Company is the first company registered under the National Vegetable Initiative for Urban Clusters (NVIUC)and has a membership of 1750 marginal farmers. Each of these marginal farmers own less than one hectare of land on an average.

Objective of the BVPCL: The company was set up to build a producers' institution to address the emerging requirements of the producers. Immediate as well as long term issues to be addressed were:

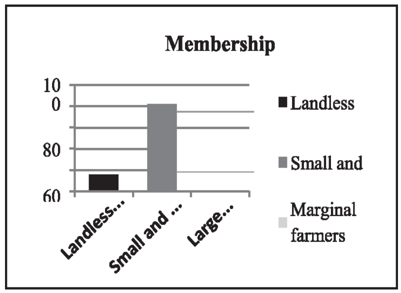
- To enhance productivity by crop intensification and diversification
- To make quality inputs available on time at reasonable prices
- To get remunerative price for the produce
- To ensure seed security by conservation of indigenous varieties
- Soil fertility improvement activities, which include various composting techniques as well as neem based solutions
- Crop protection techniques like the use of bio-pesticides.
- Agricultural Machinery Facilitation Centre (modernizing agricultural operations to make them more cost effective)
- Value addition activities for crop produce.
- Promoting home gardens of vegetables for landless women, for household consumption, improved nutrition and occasionally for supplementing income
- Promoting backyard poultry - for supplementary income as well as household consumption

- Helping farmers to benefit from various entitlements like Kisan Credit Card, Pradhan Mantri Krishi Sinchai Yojana, Pradhan Mantri Fasal Bima Yojana etc. and social security measures like various pension and insurance schemes

A farmer who could grow 7500 kg of the crop in the open in a season, is able to grow more than 9500 kg after the intervention. The size and quality of vegetables are also superior to what was earlier produced. Before the intervention, the income of the farmer was Rs 22000 in 140 days. Comparatively, the farmers now earn Rs 85000 in 120 days.

Membership

The membership of the company is diversified and inclusive. Out of all shareholders, 12 per cent of the members belong to landless families, who depend on agricultural and wage labour for their inflows or incomes, 81 per cent of the members are small and marginal farmers and the rest 7 per cent of the members are large farmers. The number of women members stands at 39 per cent. The majority of the members belong to Scheduled Caste (SC) and other backward classes (OBC).



Original Structure

The company has a three-tier structure with the growers (shareholders) as the members of the groups at village, panchayat and cluster level position. The base is the SHGs at the village level. Apart from the savings-credit transaction deals, different other requirements for their agricultural operations are met up by the Producer company - some need a harvesting machine or transplanting machine or cultivation techniques. Each SHG Secretary or President is responsible for communicating the group's requirements, problems, solutions, conditions with the panchayat level body, PADC (Panchayat Agriculture Development Committee, which is a confederation of SHGs at panchayat level) which is supported by a levy or volunteer called the VABDSP (Village Agri Business Development Service Provider). For any queries individual members can directly communicate to the VABDSP.

At the monthly/quarterly/yearly directors' meet, the requirements from different panchayats are discussed and appropriate measures are taken to address the requirements on a precedence or priority and feasibility basis. Once cleared, the purchase committee of the board is given the task of placing orders. Once delivery happens to the company, it is distributed to the different panchayats in agreement with their demands. The redundant stock is sold at the company's retail outlet open to the general public.

The VABDSPs are made responsible for delivery from the panchayat level to the group and member level. All the VABDSPs are well networked and are known within their panchayats. Most of the members come and directly buy their requirements from the VABDSP's premises, which functions as an informal store. First, the members are served and then the non-members.

Management of the BVPCL

For smooth functioning and sharing of responsibilities, there are six sub-committees to manage the whole gamut of business. The decision of the subcommittee is accepted by the board unless and otherwise it requires any further review.

(a) Finance Management Committee

- Discusses details about the financial need and the expenses
- Verifies the detailed accounts records of the company
- Coordinates with banks and NBFCs for availing finance
- Responsible for loan repayment by the members to the company and from the company to the lenders
- Checks the credit repayment schedule.
- Shares the financial status of the company during the board meeting.
- Audits the income and sales statement.
- Prepares Annual Report.

(b) Technical Advisory Committee

- Mobilizes technical guidance in the aspects of the banking sector, legal matters, as well as new technologies in agriculture and agriculture machinery
- Arranges training on the above aspects

(c) Marketing Committee

- Makes market assessment on output (produce)
- Based on the assessment advice the members to grow a particular variety/commodity
- Fixes the selling price based on market price and quality
- Sells the produce procured from members
- Updates the overall stock left after selling and buying at every month-end

(d) Procurement Committee

- Makes a demand assessment to decide which input and provisions are in demand

- Procures the products from the company members
- Formulates a procurement standard for each and every product
- Fixes the procurement price based on the quality
- Undertakes field inspection to ascertain the quality of the product
- Maintains the storage godown
- Distributes cheques to the members for procurement made

(e) Monitoring Committee

- Monitors the activities of the VABDSP's, BoD's, CEO and Staff
- Keep a track of the activities of various committees
- Monitors the periodical functions like AGM and BoD's meeting, etc
- Provides reports to the concerned committee if there is any problem

(f) General Administration Committee

- Extends support to village level SHG and sustainable agriculture groups in undertaking their business
- Collects shares and subscription charges
- Gives awareness training regarding procurement and market price to the group members.
- Inspects the organic farming fields
- Organizes and conducts Annual General Body meeting.

Major services delivered by the Company

Supply of quality seeds:

Getting good quality seeds in time and at a reasonable price is most critical for the farmers. With the commercialization of seed (especially genetically modified or hybrid seeds) and marketing, farmers have been marginalized over a period of time.

Given the elevation of rice crop in South India, the Centre for Indian Knowledge Systems (CIKS) has been working for over 20 years focusing on the conservation and revival of indigenous rice kinds. With support from CIKS, the company caters to:

a. Furnishing training and support for the production of certified seeds by the growers. The company procures these seeds from the growers and sells the seeds both to members and non-members.

b. Organizing the supply system to meet different seed requirements of the members. For this purpose seeds are carried both from the member growers who are producing certified seeds as well as other sources.

Besides, the company has put in place a quality assurance system to ensure that only quality seeds are bought for its members. By reviving and promoting some of the indigenous kinds of paddy, it has generated further interest amongst the growers.

Vegetable Production:

Popular vegetables grown in the region are ladies finger, brinjal, chilli, tomato, broccoli, capsicum, french bean, cow pea, coriander, cabbage, cauliflower, bottle gourd, ridge gourd, bitter gourd, potato, pumpkin, onion, garlic, turmeric, elephant foot yam and leafy vegetables etc. The FPO aims to set up a collection center and directly supply the collected vegetables to local Bazars and markets rather than linking with a commission trader. The FPO's focus is constantly on quality enhancement of the produce and consults scientists on various issues that arise. The FPO conducts multiple training programs on various crops and also experiments with new seed varieties procured from various regions in demo plots. It also distributed seeds with the best results to growers in the adjacent surrounding areas.

Organic Inputs:

One of the challenges is that the inputs for the enrichment of soil fertility are not readily available in good quality and in sufficient amounts. Hence, one of the efforts taken up at the field level is setting up two kinds of units - neem based and vermicompost. Neem products like Neem seed powder, leaf extract and Neem seed cake are used for pest control, seed storehouse and as manure. Organic manure units are managed by an SHG and a number of demo plots on Azolla Farming units have been developed by the FPC in different SHG groups. It's a nitrification inhibitor and it prolongs the availability of nitrogen to both short duration and long duration crops. Composting and vermicomposting are carried out by the company, both by members and non-member growers. Some women SHGs are developing entrepreneurship in vermicomposting.

Credit Services:

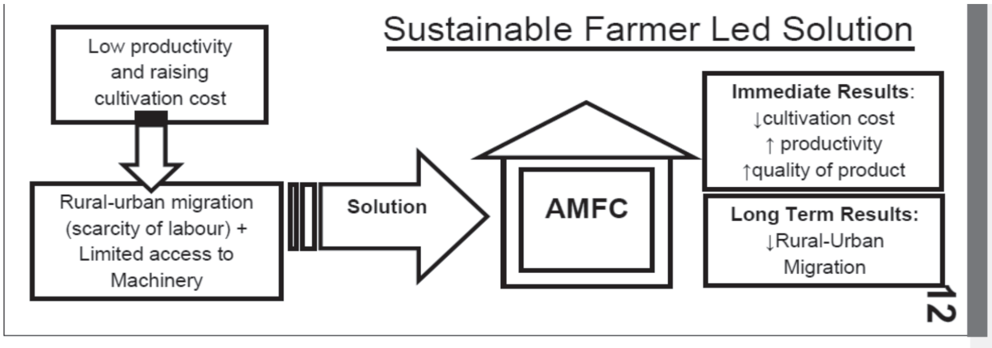
The FPC provides specific loans like cattle loan for dairy to eligible members by taking loans from private fiscal enterprises. The members or women SHGs are turn linked with NABARD Financial Services for credit. The company facilitates individual members to get their Kisan Credit Cards from banks in lieu of a service charge.

Provision Store:

The grocery items are bought in bulk from wholesalers and are sold in retail to members keeping a marginal profit so that they get at a lower price and fairly better quality than that from the open market. About 70 members take this benefit.

Agricultural Machinery and Implements:

To address the ever increasing cost of agriculture by small and marginal growers, the company has been renting machinery and tools to members at an affordable cost much below the cost charged by private sector through Agriculture Machinery Facilitation Centres (AMFC). In fact, farm mechanization helps in adding productivity by about 30 per cent besides enabling the growers to take an alternate crop or multi-crops.



Poly House:

In case of selected vegetable crops under polyhouse cover, viz. capsicum and tomato, it has been observed that net returns in case of tomato are marginally lower than in capsicum cultivation. Cultivation of vegetables under polyhouse cover in organic cultivation technique comes out to be a remunerative proposition for the resource poor farmers also. As such, steps to promote off-season vegetable cultivation under polyhouse cover have been taken up so that the redundant labour force can be optimally utilized in agriculture at large. In this context, they have already developed 4 large scale Polyhouse structures and a number of small scale polyhouse units where all types of vegetables were cultivated seasonally and also in off season.

Output Market Linkage:

Ensuring better market linkage and better price for the sale proceeds of members will lead to increase in the income of the farmers. In this direction, the company is making all out efforts for creation of storage facilities, branding, organic certification and distribution. All these activities require capital and hence, the company is making all efforts to mobilize requisite capital also.

Women Focused Activities:

a. Kitchen garden: Vegetable purchase reduced-37%, nutritive status bettered-25%, expenditure on health reduced-23% and additional income from the trade of vegetables was 15%.

Backyard poultry: Improvement in nutrition of family- 37%, reduced expenditure on health - 12%, reduction in meat expenses for the family - 20% and additional income from the sale of meat and eggs- 39%.

Besides, 10 women SHGS are producing vermi-compost, biopesticides, mushroom, value-added products from indigenous vegetable and fruit varieties and ready to eat food mixes in an entrepreneurship mode. A plan is on the anvil to integrate bio-gas with vermi-compost to encash its double benefits.

Other Services: Besides, a number of services are provided to the members. Services like capacity building of farmers on scientific crop planning, identifying good quality seeds, their treatment, improved and low cost methods on seedling development, transplantation, weeding, moisture management, plant protection, harvesting etc. are also provided.

Characteristics of the Company

State	**West Bengal**
Name of the Producer Company Company Limited	Bhangar Vegetable Producer
Products vegetables etc.	Vegetables: ladies finger, brinjal, chilli, tomato, broccoli, capsicum, french bean, cow pea, coriander, cabbage, cauliflower, bottle gourd, ridge gourd, bitter gourd, potato, pumpkin, onion, garlic, turmeric, elephant foot yam and leafy

Year of Establishment	2012
Paid up Capital	73,00,000
Number of Members	1750
Promoter	Department of Horticulture & Food Processing, Access Development Services (ADS)
Turnover	Income of the farmer was Rs 22000 in 140 days before the intervention. Comparatively, the farmers now earn Rs 85000 in 120 days
Inputs	Provided
Loan provider	Banks
Farmers Category	Mixed
Collective Action	Common Interest Groups
Value Addition	Processing, Grading and Packing
Demand for the Product	Good
Diversification	Multi Cropping and inter cropping
Associations	Dept. of FPI& Horticulture, Govt. of W.B., Indian Farmers Fertilizer Cooperative limited for subsidy on fertilizers and pesticides, Krishi Vignan Kendra for Soil testing, technical support for various types of crop cultivation in a modern and scientific manner.
Marketing Linkages	Mother Dairy, Metro Cash & Carry Outlets, Hotels and other Retail Shops

SWOT Analysis

Strengths

- Large number of women shareholders and women Directors indicating women empowerment.
- Guidance from an agency like CIKS.
- Technological support from Krishi Vigyan Kendra.
- Social mobilization and institutional structure.
- Progressive operation and governance system in place.
- Good infrastructure - its own land for erecting storehouse, Neem grounded product unit, small carrier van (TATA Ace), harvester, electronic balance, currency counting device.
- Transparent payment system-digital/ cheque payment above INR 2000.
- Farm mechanization through AMFC.
- Promoting sustainable husbandry practices similar to organic farming.

Weaknesses

- Financial - the paid up capital and credit available is still low in comparison to the demand. Delay in the recovery of sale proceeds.
- Inadequate experience in some business activities- trade relating to coconuts, chillies and paddy .
- The assets base isn't sufficient as the demand is increasing.
- The incentive/incitement structure isn't encouraging, their activities

are occasionally not satisfactory

- Subsidy or Subvention driven measures increase the anticipation and expectation position of growers which frequently inhibit them to work with a business mind set.

Opportunities

- Fiscal - credibility with Banks enhanced and they are now coming forward to give credit, so also with other NBFCs
- To work on financial services like crop insurance
- Links with traders and various other Producer Associations at district and state position can further strengthen the company.
- Creating a brand value for FPO on services or produce (especially organic) or both.
- In terms of activities - establishment of a fodder unit, production and preservation of indigenous seed varieties, production of ready to eat traditional foods in the packaged form are .prospective areas where the business can grow.
- Market/ demand study on certain produce and helping growers to produce and ensuring early entry to the market.
- Promoting protective agriculture and high value crops.
- Having a demonstration farm for hands-on training to growers.

Threats

- Private input suppliers and traders often spread disinformation amongst the member farmers. Any failure by the company becomes the game point for them.

- Natural disasters and climate change
- Price fluctuation of the produce
- Differences of opinions and conflicts when not contained at the right time

Conclusion

Farmers' groups have their own limitations and haven't succeeded to the extent it was anticipated in West Bengal as well as in India. Therefore, adequate provisions were made in the Companies Act so that growers' groups work as true business realities complying with all the statutory requirements. It may be mentioned that all other companies initiated in India are more or less by educated people or families having a traditional business for a long time. Therefore, the challenges remain when a group of growers (who do not have education, specialized knowledge, scientific aptitude) form a company to overcome the problems faced by them as well as do business. They need support like a common platform where they can manage their affairs. What support and how long and by whom is a subject that has not yet progressed or formalized in our country yet. It is still in an evolving stage. As a matter of fact, most of the non-government organizations (innately working as not-for-profit entities) have promoted patron companies either on entitlement or soft loan fiscal support. Huge investment goes into the social mobilization part. Still, NGOs have done a very good job in whatever little that has been achieved in this area.

Bhangar Vegetable Producer Company limited is a reliable organization engaged in wide range of activities. The team with expertise also maintains a vigil on the quality of the products. Every single work is ensured with proper quality assurance. Since their inception on 28/09/2012, they are continually improving the quality to serve their clients better. The use of modern technology, industry standards, timely and quality deliveries, experienced workforce is their USP. It is a matter of fact that the design of Producers Company has generated enthusiasm amongst directors, be they growers, fisherfolk, or crafters. Nonetheless, a number of Directors companies haven't been suitable to establish themselves as business establishments in the real sense. There are a number of challenges faced by the company which needs attention of the policy makers.

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