Study of Producer Organizations as Effective Tool for Agricultural and Rural Development in Tripura, India.

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ABSTRACT

The term “producer” rather than “farmer” because it covers all aspects of agricultural production, including livestock and fisheries, and the processing of agricultural products on-farm or in the rural areas (such as the women’s cottage industries). The producer organizations (POs) considered are formal rural organizations whose members organized themselves with the objective of improving farm income through improved production, marketing, and local processing activities. POs deal with; policies on issues such as pricing and export and import of agricultural products; improvement of agricultural production practices; access to inputs and services, including agricultural credit; marketing of agricultural production; and local processing of agricultural production and its marketing. Collectivization of producers, especially small and marginal farmers, into producer organizations has emerged as one of the most effective pathways to address the many challenges of agriculture but most importantly, improved access to investments, technology and inputs and markets. Department of Agriculture and Cooperation, Ministry of Agriculture, Govt. of India has identified farmer producer organization registered under the special provisions of the Companies Act, 1956 as the most appropriate institutional form around which to mobilize farmers and build their capacity to collectively leverage their production and marketing strength. It has been argued that rural producer organizations (RPOs) are an effective tool for solving problems in rural areas and promoting agricultural development. The empirical evidence of the effectiveness of POs on serving their members is scarce at best.

Introduction

Producer’s organizations (FOs) refer to independent, non-governmental, membership-based rural organizations of part or fulltime self-employed smallholders and family farmers, pastoralists, artisanal fishers, landless people, women, small entrepreneurs and indigenous peoples. They range from formal groups covered by national legislation, such as cooperatives and national farmers unions, to looser self-help groupings and associations (FAO, 2007). As per the concept, farmers, who are the producers of agricultural products, can form groups and register themselves under the Indian Companies Act. These can be created both at State, cluster, and village levels. It is aimed at engaging the farmer companies to procure agricultural products and sell them. Supply of inputs such as seed, fertilizer and machinery, market linkages, training & networking and financial and technical advice are also among the major activities of FPO. The Small Farmers’ Agribusiness Consortium (SFAC) has been nominated as a central procurement agency to undertake price support operations under Minimum Support Price (MSP) for pulses and oilseeds through the FPO’s.

Producer organizations (POs) are widely heralded as leading contributors to poverty reduction and achievement of food security (FAO, 2010). POs can successfully strengthen the economic position of their members by providing agricultural inputs, credit, processing and marketing services (Narayanan and Gulati, 2002), In India, the Central Government has identified farmer producer organization as the most appropriate institutional form around which to mobilize farmers and build their capacity to collectively leverage their production and marketing strength (GoI, 2013). While several POs are doing well, a large number of POs struggle to continue their activities after the first few years of its formation. Under this backdrop, the paper attempts to study of producer organizations as effective tool for agricultural and rural development in Tripura. More specially the objectives of the study were:

- To review the concept of Producer Organization.
- To explore the Role of Producer Organizations in Agril. & rural development
- To highlight the importance of Producer Organization special reference with Tripura.
- To understand the sources of Finance and support system for Producer Organizations.
- To review few case studies including success stories.

Methodology

The study is based on secondary data compiled from various published source. Data were collected from the Small Farmers’ Agribusiness Consortium (SFAC), NABARD, National Dairy Development Board (NDBD), FAO and other secondary sources. The study area selected was Tripura (23°9408' N latitude, 91°9882' E longitude), located in the...
North-Eastern Hill Regions of India. Empirical study is discussed with the different review and informative discussion.

**Result and Discussion**

**Producer organization:**

Producer Company form of cooperative entity has been introduced in the Indian economy by virtue of the Companies (Amendment) Act, 2002 which is effective from February 6, 2003. The roots of producer company form of an entity can be traced to the recommendations of an expert committee led by a reputed economist, Mr. Yoginder K. Alagh. The committee was asked to frame a legislation that would enable incorporation of cooperatives as companies and conversion of existing cooperatives into companies taking care to ensure that the proposed legislation accommodated the unique elements of cooperative business with a regulatory framework similar to that of companies. “Indian Organic Farmers Producer Company Limited” is the first Farmers’ Producer Company incorporated in the year 2004.

Producers Organization viz, Producers Company( as defined under Sec 581 A in part IXA of Company’s Act 1956), Producers Cooperatives, registered Farmer Federations, MACS (Mutually aided cooperative society), industrial cooperative societies, other registered federations, PACS, etc. set up by producers. (NABARD). The year 2014 is being observed as the “Year of Farmer Producer Organizations (FPO)” by the Government of India. It (FPO) is one of the important initiatives taken by the Department of Agriculture and Cooperation of the Ministry of Agriculture to mainstream the idea of promoting and strengthening member based institutions of farmers.

As per the concept, farmers, who are the producers of agricultural products, can form groups and register themselves under the Indian Companies Act. These can be created both at State, cluster, and village levels. It is aimed at engaging the farmer companies to procure agricultural products sell of them. Supply of inputs such as seed, fertilizer and machinery, market linkages, training & networking and financial and technical advice are also among the major activities of FPO.

The Small Farmers’ Agribusiness Consortium (SFAC) has been nominated as a central procurement agency. Producer organizations active in India are The Grower Associations, The User Associations, The Farmer Cooperatives, The Farmer Interest Groups (FIGs), Commodity Interest Groups (CIGs), The Farmers Clubs etc.

**The Role and Importance of Producer Organizations**

It has been argued that producer organizations (POs) are an effective tool for solving problems in rural areas and promoting agricultural development. The empirical evidence of the effectiveness of RPOs on serving their members is scarce at best. Most studies on collective action and social capital are in the context of maintaining natural capital and common resources (Madrigal, Alpízar, and Schlüter 2011; Agarwal 2009, 2010; Meinzen-Dick et al. 2002; Meinzen-Dick, Knox, and Di Gregorio 2001; Pretty and Ward 2001; Krishna 2001). Fewer studies analyze collective action in agricultural production, processing and marketing, and rural livelihoods. Available studies consist mainly of case studies (Berdegué 2001; Jones 2004; Hellin, Lundy, and Meijer 2007), and a few analyze RPOs using quantitative methods (Karami and Rezaei-Moghaddam 2005; Bernard, Taffesse, and Gabre-Madhin 2008; Bernard et al. 2008; Barham and Chitemi 2009; Bernard, de Janvry, and Sadoulet 2009; Bernard and Spielman 2009). These studies find mixed results depending on the local context in which the RPOs operate. This reflects the complexity of RPOs and the importance of accounting for the diversity and uniqueness of the conditions in which they operate for understanding how they function and the factors affecting their performance. Also, there is limited knowledge of how RPOs can best be supported and sustained. Knowledge gaps exist in three key areas: (1) the type, nature, and form of organizations that are most effective for serving their members; (2) the type of support that is best placed to assist in the formation and sustainability of RPOs; and (3) the conditions necessary for ensuring their economic viability.

Most of farming in the country is done by smallholders or landless farmers in tenant relationships.

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**Table 1. Registered Farmer Producer Organizations (FPOs) in the State of Tripura.**

<table>
<thead>
<tr>
<th>Programme</th>
<th>Name of Resource Institution</th>
<th>FPO Name</th>
<th>Legal Form of FPO (Cooperative Society/Registered Company)</th>
<th>Registration No.</th>
<th>Date of Registration</th>
<th>FPO Address</th>
<th>Contact</th>
<th>Major Crops</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vegetable Initiative for Urban Cluster (VIC)</td>
<td>Indian Gramin Services (IGS)</td>
<td>Krih Uni Braves Vegetable Growers Cooperative Society Ltd</td>
<td>Cooperative Society</td>
<td>N-2177</td>
<td>16-Mar-13</td>
<td>Vill &amp; P.O. Betshapatri, P.S.-Talatu, Sub-Division Talatu Khowai, District, Tripura</td>
<td>Mr. Shahum Ropa Pal 974324515</td>
<td>Cabbage, Cauliflower, Cocon, Brinjal, Spinach/Kale, Pointed Gourd</td>
</tr>
<tr>
<td>Vegetable Initiative for Urban Cluster (VIC)</td>
<td>International Co-operative Centre for Organic Agriculture (ICCOA)</td>
<td>Krish O Krishna Producer Company Ltd</td>
<td>Producer Company</td>
<td>E011038T2010PEC013479</td>
<td>16-Mar-16</td>
<td>S2897, Con Fo Uppon Primary, Marketing Society Ltd, Chatbit Uppin, Radiakshibong, South Tripura, 791120, Tripura</td>
<td>Bowma 9824274184, <a href="mailto:bowma@gmail.com">bowma@gmail.com</a></td>
<td>Guinea Chick, Ganges, Black Gourd, Cabbage and cauliflower, Tomatoes, Brinjal, cow pea, Aam, Patahal, Potato, Egg plant, Tomato, red and green Ridge Gourd</td>
</tr>
</tbody>
</table>
As individual farmers they have little market power to influence either policies that affect them, or to benefit from economies of scale in their engagement with the marketplace, or to harness potential opportunities offered by globalization. However, when rural producers come together they can find their voice and take an active role is shaping their own pathways out of poverty. Organizations of farmers may take many different organizational structures and models, varying in size (of membership and operations) and the services they provide. The services provided to the members of Producer Organizations may include marketing assistance, technical services, saving and credit, representation and lobbying, local development, etc. Strengthening Producer Organizations can have a major spin-off in relation to sustainable rural development enhancing the performance of agricultural supply chains.

One area of attention is the role of Producer Organizations in facilitating market access. When farmers transact together with other parties in the supply chain the transaction costs and risks may be reduced. The success of Producer Organizations to reduce risks and raise the net returns of the producer members is generally related to the extent to which the organization manages to structure contractual arrangements with the buyers of their produce. This is largely influenced by three main areas:

- The institutional environment, including the organization and performance of the respective supply chain
- The internal organizational strength and capacities of the Producer Organization
- The process of establishment and development of the Producer Organization.

It is no coincidence that there is a saying that goes ‘Where the production sector is strong, the Association is strong’, a dictum that refers principally to the will to have a professional and efficient Association that responds to members needs, individually and collectively. In most developed countries, these demands increase every year due to the ever-changing requirements of commercial Farming. In many cases, an individual producer or entrepreneur does not know everything about the legislation in action or being considered, the policies being pursued, historical trends etc. and this is where the Associations / Organizations start to play an important role in sectoral planning and also offer opportunity to have dialogue / consultation with various partners in their production and marketing chain.

**Small Farmers Agri-Business Consortium Report**

- Registered Farmer Producer Organizations (FPOs) in the State of Tripura – 4 Nos.
- The process of registration FPOs promoted by SFAC (as on 31st January, 2017) – 2874 Nos.
- Legal form of PO – Cooperative society.
- Machinery and related infrastructure for renting – applied under RKVY mechanization scheme.
- Credit through bank.
- Major component – paddy, potato, cabbage, mustard, bottle gourd, cauliflower, pulses, orange, banana, chili, fish, milk, animal husbandry etc.

**Importance Producer Organizations of in Tripura:**

The economy of Tripura continues to be predominantly agrarian. Agriculture sector providing employment to more than 75 percent of the rural people. (Census, 2011). The net cultivated area of the State is 2, 79,050 hectare (2009-10). About 82.00 percent farmers of Tripura are belongs to category of small and marginal farmers (Source: Agril. Census-2013). Low adoption of technology is one of the several problems confronting the small and marginal farmers due to small land holding besides others. It is widely acclaimed that the technological knowledge generated by the agricultural research system failed to reach-out to the actual users. An effective rural institution has the potentiality to close the gaps in transferring knowledge by helping the public extension system. Multiple production risks (biological as well as socio economic), lack of market for farm produce, and fluctuating price coexist with the problems of delivery institutions. A grass root level farmers’ organization is necessary to drive the benefits of the schemes. In order to sensitize the farmers to raise their voice and improve the delivery mechanisms at the grass root level. When rural producers come together they can find their voice and take an active role is shaping their own pathways out of poverty.

**Financing and supporting Producer Organizations:**

NABARD has taken an initiative for supporting producer organizations, adopting a flexible approach to meet the needs of producers. In order to give a special focus, the “Producers Organization Development Fund” (PODF) has been set up w.e.f 01 April 2011, with an initial corpus of ₹50 crore . Any registered Producers Organization viz, Producers Company( as defined under Sec 581 A in part IXA of Company’s Act 1956), Producers Cooperatives, registered Farmer Federations, MACS (Mutually aided cooperative society), industrial cooperative societies, other registered federations, PACS, etc. set up by producers are eligible under the fund. Support under PODF is provided as under: Credit Support is provided for financial intervention. Support in the form of grant, loans, or a combination of these is also available for capacity building & market interventions. Since most of the Producers Organizations are having low capital base, scope for NABARD's intervention under PODF has been enhanced to support Producers Organizations for contribution to share capital.

Indian producers are unable to realize optimal value from their produce and progress further due to fragmentation of land holdings and lack of organization. India has over 12.5 crore farmer households of which over 85% are small and marginal farmers with land holdings of less than 2 hectares. The average size of land holding is 1.33 hectare/ farmer household. Due to this fragmentation and disorganization, it is not economically viable for the farmers not only to adopt latest technology but also to use high yielding varieties of inputs like seeds and fertilizers. They are also unable to realize good value from their marketable surplus by individually selling their produce.

On the other hand in case of non-farm sector activities, the handloom weavers & artisans are not able to compete with their products in the market due to poor quality & obsolete designs.

Through better organization, producers can utilize scale to procure inputs at a lower price, and gain more selling power for their produce/product. Forming a producer organization can also provide access to timely and adequate finance, build capacity and provide linkages to markets.

NABARD has, therefore, decided to set up a separate fund titled “Producers Organization Development Fund” (PODF) to tackle the issues of non availability of timely credit, capacity building of producers & strengthening of the Producers Organizations and market tie-ups.
The Fund has been created in NABARD with an initial corpus of ₹50 crores from out of its operating surplus for the year 2010-11.

Title and Commencement:
A separate Fund titled “Producers Organization Development Fund (PODF)” has been created with an initial corpus of ₹50 crore with a sanctioning limit of ₹100 crore out of NABARD’s profits as at the end of the financial year 2010-11 and it will be operational with effect from 1st April 2011.

Objectives of the Fund:
Producers Organization Development Fund (PODF) will be used to support Producers Organizations across three levers, viz. credit support, capacity building & market linkage. The objective of the fund is to meet end to end requirements of Producers Organization as well as to ensure their sustainability & economic viability.

Guiding Principle:
The guiding principles for the operation of PODF are broadly as indicated below:

- Producers Organization registered under any Statute of Law are eligible.
- The activities may fall within the domain of agriculture, allied sectors & Non Farm Sector only.
- Producers Organization should be formed by the primary producers of agriculture & NFS activities.
- The activities eligible to be funded should relate to production and/or other related activities like harvesting, storage, processing, packaging and/ or marketing of the produce/product or in combination of the above activities.
- The fund will be used for providing loan to carry out the economic activity and mix of grant and loan for capacity building market linkages.
- The Fund could also be used for developing producers organization through necessary capacity building
- The activity should result in product improvement and/ or increase in production.
- The proposals should lead to creation of sustainable employment opportunities (direct/ indirect). Policy goal is to improve rural livelihoods through community based and sustainable interventions
- The Producers Organization will act for the benefit of the producers.
- The shares of the producers cannot be sold to non producers at any time. If existing member desire to leave the organization, his shares can only be purchased either by existing producers or by enrolling a new primary producer.
- Pro-poor (improves employment, reduces poverty, improves access to credit, information, entitlements)
- Community participation (ownership/ management/empowerment)
- Integrated approach (need-based and flexible, convergence with other schemes /programmes)

Eligible Activities:
The following interventions will be undertaken out of the fund:

Financial:
Producers Organization would be eligible for the following types of loans:

a. Direct lending to Producers Organization for term loans or
b. Composite loans comprising of both working capital and term loan requirements, or

c. Working Capital as composite loan

Capacity Building:
- Subordinated Debt as tier II capital based on the requirements of the PO and provided the Memorandum and Articles of Association/byelaws permit them to accept such a debt.
- Capacity building should broadly cover any activity relating to functioning of a producer organization. Broadly the various types of capacity building initiatives which can be supported under the fund are as follows:
  A. Skill development in order to enable the members produce goods both in farm and non-farm sector,
  B. Business planning
  C. Technological extension through classroom training,
  D. Exposure visits, agricultural university tie ups, expert meetings, etc.
  E. Any other capacity building initiative which directly benefits the P.O.

Support for capacity building could be in the form of grant, loans, or a combination of the two based on the need of the situation. Capacity building support will not be given in isolation in general. It would essentially be a part of the overall project having loan component.

Market Linkages:
A. Credit and/or grant support for setting up of marketing infrastructure facilities for sale of produce.
B. Support could even be in the lines of rural haat and rural mart if the situation so desires or it could be structured differently based on the need.
C. NABARD will explore tie ups with buyers for Producers Organization’s produce.
D. NABARD shall help form partnerships between Producers Organizations and local and large companies.
E. Through existing schemes of MoRD and NHM, NABARD will promote creation of infrastructure wherever possible.

Other Areas:
From the other three broad categories stated above, support would be available for
1. Support for preparation of DPR up to 0.5% of the project cost or ₹1 lakh whichever is lower. This support will be given subject to the fact that the project is sanctioned by NABARD. The grant amount would be within the overall cap of 20% stated above.
2. Exclusive grant support for taking forward SHGs/farmers’ clubs/producer groups to the stage of having a Producers Organization. Separate scheme would be formulated for this purpose when need arises for such a support.
3. Any other support felt necessary for enabling a Producers Organization function in a better and profitable manner subject to the recommendation of ED Committee and with the approval of Chairman/MD.

The Gomati Cooperative Milk Producers' Union Ltd.
Gomati Cooperative Milk Producers’ Union Ltd. had registered under the Societies Act on 2nd March, 1982 and started the milk procurement activities on end of 1982. With the growth in human population and increased demand of the processed milk, modern dairy was set up at Indranagar by the active initiation of the then Hon’ble Chief Minister, Shri Nripen Chakraborty. Impressed upon the activities of National Dairy Development Board (NDB), Hon’ble Chief Minister, Shri Nripen Chakraborty, decided to implement the Operation Flood-II programme in the State of Tripura for Dairy Development.
And thus Gomati Cooperative Milk Producers' Union Ltd. is established in the year of 1982 and registered under Tripura Cooperative Societies Act. 1974 Tripura Cooperative Milk Producers' Union Limited came into existence in the year 1982 by its registration No.1274, dated 02/03/1982.

In the year September 1983 the Agartala Dairy was handed over to Gomati Cooperative Milk Producers’ Union Ltd. on management basis. During handing over of the Agartala Dairy, there were 79 number of Government officers and staffs who were placed under deputation to this Milk Union who were reverted back to the then Animal Husbandry Department, in phases.

During the period from 1982 to 1993 the Milk Union was under the Government nominated Board. During that tenure, Milk Union used to receive financial assistance from the Animal Resources Development Department on different segment.

First elected Board of Gomati Cooperative Milk Producers’ Union Ltd. had taken over the charge of Milk Union in the year 1994. After taking over the responsibility by the elected Board, emphasis was given on profitable operation and professional management. The organization started earning profit and all its cumulative losses has been liquidated.

Capacity of Agartala Dairy (installed in 1980-81) was expanded from 10,000 litres per day to 15,000 litres per day in the year 1997-98 under IDDP-I and work of further expansion to 19,000 litres per day is completed in the year 2010 under IDDP-III. Expansion in the capacity of dairy plant has become essential to meet up the increasing demand of processed milk.

**Village Dairy Cooperatives**

The Gomati Cooperative Milk Producers’ Union Ltd. started its village level dairy cooperative extension work in the year 1982 in the operational areas of West Tripura District and a portion of South Tripura District. The Gomati Cooperative Milk Producers’ Union Ltd. found a distress sale of milk in the villages and predominance of Gowalas. Milk producers were compelled to sell their produced milk in throughway price to the Gowalas. The Tripura Cooperative Milk Producers’ Union Ltd. took a vision to organize the milk producers in cooperative societies for pouring their produced milk for its remunerative price. The Milk Union started its extension and village level organization work with 12 village dairy cooperatives within the West Tripura District in the year 1982. The number of organized VDC was keeping up and went up to 103 numbers. Out of which 70 societies were functioning during the year 86-87.

But since 1987-88 the declining phase started in both number of societies functional and quantity of milk procurement. The extension activity in villages was reinforced and number of societies revitalized in the year 1993-94. But for last few years, the Milk Union is facing a tremendous hardless in term of milk procurement. The Gomati Cooperative Milk Producers’ Union Ltd. is now continuously providing the following services to the societies.

- Veterinary medicines, first aid etc.
- Technical inputs and extension services.
- Fodder seeds, fertilizer etc.
- Conduct various training programme for the farmers, society secretaries, executive committee members of the society.
- Revolving fund to societies to meet up the immediate expenditure on milk business.
- Management grant to societies to protect the interest of the producers.
- Management of Dharmanagar Dairy under Integrated Dairy Development Programme-II

**Floriculture grower’s co operatives**

A poverty-stricken Tripura village has blossomed into an exporter of flowers after the villagers adopted floriculture with the assistance from Horticulture Department and Technology Mission. Three years ago, Laxmibil village, in west Tripura district was like any other, wallowing in poverty and absence of gainful work till the Horticulture Department and Technology Mission stepped in and motivated people to start floriculture. As it stands, the village now not only supplies flowers to the home market, but also exports them abroad. The story began when an unemployed youth Swapan Paul cultivated flower plants in his field on the suggestion of the Horticulture Department officials. Soon other unemployed youth were inspired by Paul and took up floriculture as a profession. Now their ranks have swelled to more than 250. Now they form several number of flowers growers’ cooperative.

The registrations processes of those cooperatives are going on. The favorable agro-climatic condition of the village has also helped script the success story. Villagers are now cultivating different kinds of flowers and also experimenting with exotic varieties like Anthodium and orchids to earn good money. In the beginning various government organizations came forward with technical assistance. Now the villagers are doing it with their own efforts. They took part in the international floral exhibition in Delhi and Gangtok in 2007 and 2008 respectively.

**Conclusion**

Experience shows that POs represent the interest of their members and have the potential to articulate their need for agricultural services. Partnering with POs would improve knowledge promotion, adaptation and its eventual use. It also helps extension to assess better the priorities of farmers. Many POs need support to develop their capacities to serve farmers better especially in promoting adoption of new technologies, stimulate learning and develop entrepreneurial skills. Producer organizations are today in a building or rebuilding phase. They legitimately claim stakeholder status but usually do not have the means fully to play the role they claim. They do not match the projections the development agencies make of them, and they do not find the support they are entitled to expect from these agencies. The building of balanced technical, economic, and political partnerships is therefore a central challenge at the present time, and this building is a “process” that cannot be reduced simply to setting up “standardized procedures.” It involves a learning curve on sides (inevitably with some stumbling along the way) and continuing adjustment of the power relationships between the participants, with their limited human, material, and financial resources. There must be clear recognition of POs as stakeholders, and the inclusion of support is essential.
Reference