



ENHANCING ORGANIZATIONAL AND FUNCTIONAL CAPACITIES OF PRODUCER ORGANIZATIONS IN INDIA THROUGH STRATEGIC COLLABORATION

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In order to bring about sustainable transformation and business orientation into the Indian Agriculture sector, there have been schematic interventions to promote unique forms of social capital for farmers, called Farmer Producer organizations (FPOs). Many stakeholders, particularly NGOs, are involved in promoting and handholding these FPOs in a target-driven mode by promoting a large number of such institutions across the country. Although these institutions represent a strong form of social capital, their capacity as smallholder farmer members of FPOs is limited in terms of business acumen, access to credit, human resources, access to technology and markets, and consumer analysis. These institutions can realize their full potential in terms of agribusiness growth through collaboration, convergence and collective action. This calls for an integrated and innovative support system to developed the organizational as well as functional capacities by FPOs by enabling them to progress from the stage of promotion to that of business growth.

In this Good Practice note, Hema Yadav, Sagar Wadkar and Anshu Singh discuss the need for a special purpose vehicle to create a win-win proposition for farmers/FPOs, promoting institutions (NGOs), and private players, and thereby co-create a competitive and sustainable business model. The inherent collaboration and partnership can help by providing access to capital, apart from reaping many other benefits such as technology, human resources and access to markets and consumers.

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INTRODUCTION

Development, by itself, is a very complex and multifaceted phenomenon. A careful study of any powerful development intervention reveals that there is no one formula for attaining desirable goals. Most of the development-related issues such as poverty alleviation, rural development, agribusiness development, and livelihood augmentation often demand mobilization of rural communities into cohesive groups in order to leverage the benefits of social capital. However, these groups or social enterprises are largely based on welfare philosophy and not driven by a 'for profit' motive. At a later stage of their business, these enterprises face issues in terms of self-sustainability and scalability. The economic viability of these social enterprises is equally important, just as much as its community participation. Presently India is trying to address many such issues of the agribusiness sector by promoting a large number of farmer centric institutions, called Farmer Producer Organizations (FPOs).

An FPO is a hybrid form of an organization which is based on the principles of cooperation and is expected to function as a business entity as in the case of corporates. As part of the multi-pronged approach the Government of India has conceptually defined all forms of producers' collectives as FPOs, and created a renewed interest in the collectives' movement in order to overcome the structural issues in the cooperative

model. It is envisaged that the FPO route will also bring in the desired professionalism and business orientation into such enterprises, which could result from the collective action of farmer members. Presently, more than 10,000 FPOs have been registered under the various programmes of the Government of India under various legal frameworks. In this context, most of the promoting institutions have largely focused on creating social capital rather than making them competitive and self-sustainable. Efforts towards provision of necessary investments, infusion of capital, human resource development and strengthening of FPOs' capacities is still not at desirable levels. Therefore, these organizations are not able to capitalise on opportunities for agri-business and entrepreneurship.

In this Good Practice Note we present the process as well as lessons learnt from a strategic collaboration among three organizations, namely, The Promoting Institution, The FPO, and a Special Purpose Vehicle Private Entity. This strategic model has strengthened the organizational capacity of FPOs in terms of access to capital and human resources (which is very restricted for smallholders) and has made them more market oriented for better business growth.

APPROACH

The strategic collaboration in this case involved three organizations:

1. Yuva Mitra, a non-government organization (NGO), working in the northern part of Maharashtra State, which is involved in the promotion of FPOs (<http://yuvamitra.org/>);

2. The FPOs promoted and nurtured by Yuva Mitra NGO; and
3. Krushak Mitra Agro Services Private Limited (KMASPL), which is a private company set up with a collaborative framework of an NGO, FPOs promoted by the NGO, and professionals with vast experience from the corporate sector, as a socio-commercial model of agribusiness development (<https://www.krushakmitraagro.com/>).

The journey of Yuva Mitra started from the state of Maharashtra in 1995. Farmers in the northern part of Maharashtra had been facing several challenges at that time. Mainly the challenges included lack of access to quality inputs, water, credit, advisory services, value addition opportunities and markets. Accordingly, Yuva Mitra initiated a long-term development process to address the key challenges of natural resource management and livelihoods in the region by promoting and strengthening grassroot level community-based-driven organizations called FPOs. The most important thrust was put on augmenting sustainable livelihood opportunities for the farming community in the region.

FPOs promoted and nurtured by Yuva Mitra were majorly involved in five different activities as per Supply Chain Operations Reference (SCOR) model, such as plan, procure/source, make (as of now, primary processing – sorting, grading, packaging, etc.), deliver and return. Over the past one decade, it has promoted twenty FPOs across the country. However, many FPOs are still at a nascent stage.



Capacity Building Session - Tribal farmers in Shahapur
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As these FPOs progressed from promotion to growth, there were several business issues to be addressed as the farmer members did not have the desired business orientation to run the operations of the FPO. There was a sense of incompleteness in terms of market orientation and consumers' behaviour analysis. The FPOs also needed technology services, skilled human resource services, and investment apart from a strong connect to markets.

As an NGO, Yuva Mitra was now finding it extremely challenging to scale up these FPOs and the nature of the task demanded a professional organization. Apart from fulfilment of social objectives, the goal of economic viability was also to be met. It was difficult for FPOs and community-driven organizations to streamline the forward and backward linkages in the rapidly changing macro-economic and regulatory environment. In any FPO, only practicing farmers can become members and subscribe to shares. Therefore, it became extremely difficult for the FPOs to raise huge funds and/or equity shares due to which they were

unable to undertake business expansion plans such as value addition of agricultural produce, processing, packaging and marketing.

The job could be better done by a professional organization that could mobilize financial resources and help farmers operate in a tough and competitive market. It was envisaged by Yuva Mitra that the entity so formed would be capable of working with multiple groups, such as FPOs, business and voluntary organizations, government agencies, and financial institutions.

Thus, Yuva Mitra realized that commercial and social causes did not have to be mutually exclusive and in fact, a 'for-profit' entity can serve the growing needs of Yuva Mitra as well as the promoted community driven organizations, that is, the FPOs. Therefore, a 'for-profit' private company – KMASPL – was established on 4 December 2015 with the belief that such a type of socio-commercial arrangement would lead to business expansion of FPOs within the region. The main function of KMASPL was to work with farmers and FPOs to improve the feasibility of agriculture activities by building competencies and linkages throughout the agri value chain through provision of financial, technical, marketing and human resource services to various stakeholders, particularly the smallholders in the region. While Yuva Mitra continued to provide farmer families with access to public resources and built their basic capacities, KMASPL worked on more complex issues such as technical, financial, skilled human resources, and marketing linkages.



Onion Capacity Building Session - Prof Desale © Authors

Over the past few years, KMASPL is trying to assist the FPOs to become financially viable and start some income-generating activities. During the initial years, KMASPL, along with Yuva Mitra, started working with eight FPOs. These FPOs sought technical and financial assistance from KMASPL. Eventually, they started substantial business activities where KMASPL played a pivotal role by preparing detailed project proposals for business expansion and paving the way for better credit linkages with financial institutions and other investors.

PROGRESS

KMASPL has developed a strong network with multiple stakeholders in the development arena. It is actively supported by several organizations – Startup India, Yuva Mitra, NABARD, ICRISAT, ICAR, Department for Promotion of Industry and Internal Trade, Department of Animal Husbandry and Dairying, National Research Centre on Pomegranate, Central Institute for Research on Goats (CIRG) – and many others. In the last over three years of operation, KMASPL has been able to work on proof of concepts of several scalable business models in spite of the ongoing pandemic, primarily in the fruits and vegetables segment.



Meeting - Red Paprika Contract Farming © Authors

TABLE 1 | Performance of KMASPL since inception

Initiatives	Work in Progress
Built supply chain for horticulture produce	Established linkages to more than 45 institutions comprising of leading modern trade and e-commerce players, such as Reliance, Future Retail, Big Basket, Ninja Cart, Amazon, Grofers, SuprDaily; and specialized processors such as Vista Foods (McDonald), resulting in about 5% more value realization to the farmers and improving topline of the Farmer Producer Companies.
Building up of the capability for providing value added services	Built full stack of procuring multiple Stock Keeping Units (SKUs) directly from farmers, sorting, grading, variety packaging, labeling and delivery to city warehouses as per desired standards.
Digital platform which can be configured both for B2B and B2C trade	During COVID-19 period, it developed its own platform for supply of multiple SKUs in a variety of packaging to affluent customers of more than 50 housing societies in Mumbai (including last mile logistics), and more importantly supported the farmers in the region to sell more than 500 tons of vegetables worth Rs 5 million plus, during this period.
Contract farming	Did two seasons of a pilot for a reputed nutraceutical company along with the necessary agronomy to support 50+ farmers.
Inclusive approach with the FPC	Supported one of the women centric Farmer Producer Companies (8000+ women engaged in goat rearing) in building up capability for setting up of Goat Milk Project and marketing of the produce.
Capacity building of farmers	Tied up with various resource institutions under ICAR, KVKS for capacity building of farmers.
Input aggregation	Commenced aggregating inputs for the farmers, such as seeds, fertilizers, drip system, etc.
Innovative tools	GIS mapping of the block to understand cropping patterns, geotagging of farmland for traceability goals, commenced research for converting waste onion into sulphur-rich compost, value maximization from agro waste through digital platform, etc.

Note: B2B: Business to Business; B2C: Business to Customers, ICAR: Indian Council of Agricultural Research; KVKS: Krishi Vigyan Kendras (Farm Science Centre).

In its first two years of the full operation cycle, KMASPL helped eight FPCs in generating a top-line (turnover) of more than Rs 35 million with an equity contribution of only Rs 3 lakh without any costs and risks to their balance sheets. In addition, it has also provided them a share of revenue as commission.

The company is now expanding its activities with more than 40 FPOs spread across 14 blocks of Nashik and Ahmednagar districts of Maharashtra. This cumulatively amounts to a collective membership of more than 20,000 farmers.

Some of the other value-added services provided by KMASPL include procurement of agro-produce, creation of common agri-infrastructure at the farm-gate level, and extending forward market linkages. Thus, Yuva Mitra has developed a mechanism through which no party (neither the management nor the community) can change the basic structure, policies and core values of the organization, without taking the other into consideration.

Rewards and Recognitions

- a) The company was amongst the 150 start-ups invited to have a dialogue with Hon'ble Prime Minister of India Shri. Narendra Modi on January 15, 2022.
- b) Maharashtra State Innovation Society, in the recently held Maharashtra Start-up Week 2021, has declared KMASPL as one of the top 24 Start-ups in the state.
- c) Government of India has recently awarded KMASPL as one of the top five institutions in the field of farmer engagement under the

Start-up India Challenge in the agriculture sector in the National Start-up Challenge 2021, and was also a finalist in the National Start-up Challenge 2022.

- d) It is the National Winner of 'Introduction to value added products using innovative techniques' under the Start-up Grand Challenge organized by the Ministry of Animal Husbandry, Government of India.



Farm Sourcing of Onion © Authors

CHALLENGES

As FPOs expand their business operations, there could also be concerns on revenue sharing, governance and conflict of interest. Yuva Mitra's primary goal was to help people find dignified livelihoods and pull themselves out of poverty through various ways and means. It identified the root cause, empowered local people and mobilised people under an FPO which could work on the lines of social enterprises with a profit orientation. These kinds of social enterprises demand zeal and passion, integrity, efficiency and professionalism if the journey is to move ahead.



Business-to-Consumer (B2C) - Packing © Authors

In this case there were three legal entities collaborating to achieve a common goal. Yuva Mitra feared the possibility of a 'mission drift', where purely profits would become the driver of future actions. So, it adopted a professional approach to preserve the social fabric of Yuva Mitra and all their promoted organizations. For instance, KMASPL has set up an active and professional board on the principles of sound corporate governance. This was extremely crucial to ensure adherence to law as well as the core principles laid down in the articles of association. It was also expected to strike the right balance between the interests of both the members and the markets. Collective leadership, active participation, and participatory decision making have been the strong drivers of KMASPL's performance.

LESSONS

Partnerships for Innovation

Multi-institution collaboration is widely recognized as a key element to overcome the constraints of the agri supply and value chains, in conjunction with fostering the responsibility of each participant to guarantee the achievement of social, economic, and environmental objectives. These good practices have been facilitated by a group of heterogeneous actors sharing values, principles, culture and infrastructure that has the potential to co-operate with each other for sustainable outcomes. Furthermore, it presents a unique model of a 'win-win' situation for all the stakeholders, whether they are in the category of 'for profit', 'non-profit' or in between, such as the 'social enterprises/FPOs'. The

synergistic relationship between these various actors can evolve into hybrid innovative models of development where all these stakeholders can co-exist and collaborate. All these stakeholders benefitted in terms of resources, risks and rewards sharing and prioritizing collaboration against competitive advantage of any single stakeholder. Transparency and trust are not merely prerequisites but a permanent condition for the long term success of any such collaboration.

Enhancing Organizational and Functional Capacities of FPOs

Capital and Capability are both essential for doing any business. In this case, the special purpose vehicle enabled infusion of capital, hiring of skilled human resources, establishing knowledge networks with key institutions, technology usage, and market connect, and in building infrastructure, etc., in order to streamline the up and down streams of value chains. Customised training and capacity building efforts were undertaken to develop and enrich knowledge and skill sets of farmers for

adopting good agricultural practices, and its relevance for the domestic and international market. Further, the FPOs were also trained on the use of new edge technology for ensuring traceability and export marketing. A number of field visits were also undertaken to showcase the best practices adopted elsewhere thus ensuring its adoption at the farmers' level.

END NOTE

Producers Organizations having commercial orientation together with a social conscience, require strong leadership with passion and commitment to farmers' development blended with right and like-minded professionals in order to craft a growth strategy and build integrity. The long term sustainability of such a collaboration depends upon several success factors, such as maintaining collective leadership, participatory decision making, equal participation, roles allocation and rotation, business processes enhancement, mutual trust and transparency.



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Visit by FPC Directors to KMAS Packhouse © Authors

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The Asia-Pacific Islands and Rural Advisory Services Network (APIRAS), the Asia-Pacific Association of Agricultural Research Institutions (APAARI), in close collaboration with the Research and Extension Unit of the Food and Agriculture Organization (FAO) of the United Nations are committed to strengthen agriculture innovation systems in Asia-Pacific for transforming agri-food systems.

In 2020, APIRAS and APAARI carried out a Joint Rapid Appraisal (JRA) to scope the innovation environment to identify and document initiatives aimed at strengthening Agricultural Innovation Systems (AIS), in a context of the TAP-AIS project.

The [JRA study](#) revealed three main barriers that constrain development of an effective AIS in the Asia-Pacific. These include: a) lack of sufficient partnerships among actors in the AIS, b) inadequate investments and lack of policies that could steer the research and extension agencies to engage with other AIS actors, and c) lack of sufficient capacity development initiatives aimed at enhancing functional capacities of AIS actors. Publication of this series of Good Practice Notes is an attempt by APIRAS and APAARI to document cases that have tried to address development of an effective AIS through addressing the above constraints.

The TAP-AIS project

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For more information see:

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