

trialogue 2047

Local Community Institutions driving Natural Resource and Livelihood Security in Agriculture

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Development Alternatives Head Quarters

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About *trialogue 2047*

trialogue 2047 is a series of discussions organised by Development Alternatives, to explore how India can achieve its vision of becoming a green, inclusive and resilient nation by 2047, i.e. after 100 years as an independent nation. *trialogue 2047* brings together distinguished speakers to address issues like poverty alleviation, participatory policymaking, resource efficiency etc. The discussion held on 30 November 2016 addressed the theme of “Local community institutions driving natural resource and livelihood security in Agriculture.

Speakers at *trialogue 2047* on “Local community institutions driving natural resource and livelihood security in Agriculture”

- Mr. MV Ashok, Department of Research & Analysis, NABARD
- Ms. Aruna Pohl, Executive Director, India Foundation for Humanistic Development
- Mr. Sandeep Das, Assistant Editor, Financial Express

Agriculture is that dynamic sector of our nation that employs around 55% of the labour force but accounts only for 14% of the GDP. India's population is projected to reach 1.6 billion by 2050, thus requiring India to produce more food. It is of highest priority for India to ensure secure access to food by every one of its citizens, now and for the future. Climate change, resource constraints, distribution and storage are some concerns that threaten India's food security. With increasing population and socio-economic developmental needs, access and availability of resources for food production shall be constrained. A common understanding is evolving that challenges in the agriculture sector cannot be entirely addressed at the farm level. As observed, natural resources are used and managed at a landscape level. The status of a natural resource will therefore depend on how a community chooses to use and manage its resource. The case is quite evident in case of water as a resource where the ground water, is a private property of the farmers who own a well but exploitation of water by few can lead to adverse water tables of the entire region. This understanding roots the need of resource and use planning at the community level. Similarly, limited quantity of produce constrains the optimum price choice as well as increases the costs of marketing at an individual farm level.

Through this *trialogue 2047*, we focused on the community models in agriculture for enabling environment sustainability, farmers' livelihood security and food security. This *trialogue 2047* focused on exploring the nature of farmer collectives and sustainability and scalability of such initiatives. Three eminent speakers from government, financial institution and media joined as speakers for the *trialogue 2047*.

Mr. M.V Ashok, works at Department of Research & Analysis for NABARD. Mr Ashok is a Post-Graduate in Agriculture from Indian Agriculture Research Institute. He is also a graduate in Financing Micro-enterprise from Redding University, UK and also has done Financing of Agri-Business Management from Cornell, USA. He has been associated with development banking for 34 years.

Ms. Aruna Rangachar Pohl is Executive Director at Indi Foundation for Humanistic Development (IFHD). Ms. Aruna is an alumni of Indian Institute of Management (Ahmedabad), and has 25 years of varied entrepreneurial and senior management experience primarily in the food, agriculture and retail sector. She has set up factories for processing spice oils and oleoresins, a food

laboratory and import businesses for food products, as well as marketing and distribution channels for organic foods. In her current role as Executive Director, she is tasked with building up the organisational capabilities of IFHD to design and implement core programmes in greening economies.

Mr. Sandeep Das has been working as media journalist in Financial Express since 2008. He has been associated with mainstream media organisations like Press Trust of India, Business standard, Down to Earth. He has received UNDP fellowship on decentralised planning for 2015. In 2014, he also received South Asia Climate Change Media Fellowship Award for writing features on impact of agriculture due to climatic changes. Currently, he is involved as the research consultant in Varghese Kurien Sector for Institute of Rural management that focuses on dairy cooperatives.

Exploring the sustainability of Farmer Producer Organisations

trialogue 2047 deliberated on whether farmer producer organisations, as a concept is scalable, relevant and viable in the context of small farmers in our country. The discussions focused on design and framework of such institutions.

Ms Aruna started by quoting Mahatma Gandhi who said planet has enough for man's need but not for one's greed. She argued that the world needs a reset button. She talked about her vision which is 'rejuvenate productive landscapes equitably and sustainably. She elaborated on the major works done by her organization in building of capacities of farmers' producer organisations. She said that FPOs need to be designed with special focus on for small and marginal farmers and explore different kinds sustainable agriculture practices. There are 52 FPOs in place where farmer is an entrepreneur and a farm is looked as an enterprise that IFHD is associated with.

According to Ms. Aruna, farmer collectives have the potential to fulfill aspiration of community members. For transformation, scale is not the only thing. Small, sustainable, horizontal scalability of such institutions customised to the needs of the communities is the key for way forward. FPOs also act as a rearrangement of power equations at the village community level. Ms. Aruna highlighted that FPOs should be designed such that it really benefit the farmers is a long-term question. Equity and sustainability are two principles on building the base of FPOs.

Ms. Aruna explained her point using a metaphor. She said that any large firm has 2 hats i.e. social good and economic viability. The current market systems focusses on economic viability. Until the three main components that of access to market, access to capital and access to business processes, it would be difficult to make the FPO model sustainable.

Mr. Sandeep pointed out that there was a 200% increase in the area of cultivation for horticulture crops in India. The reason that Mr. Sandeep shared was the obvious return that was obtained by cultivating horticulture crops and it is also suitable for small farmers as it requires less water and less land. Various farmer collectives are built or taking benefits of such opportunity. Collectives have been in place since the past 2 decades and FPOs entered the scene just a few years back. These FPOs play a very vital role in the times when there are many intermediaries in the agriculture value chain. Mr Sandeep shared his personal experience of potato price rise from INR 7 to INR 20 while he was travelling from Nasik to Delhi.

Mr Ashok mentioned some of the key challenges faced by small farmers and farmer collectives/Farmers producer organisation. Production risks are first set of challenges. In production, state needs to take care of supply of seeds, fertilizers and machinery. Government is supposed to provide the extension services. Over time, the machinery has faced regular updation of knowledge. This has become an opportunity for start-ups. Various start-ups have taken this role and helped farmers through mobile apps and other such technology in weather and market information, required by farmers. He gave an example of Karnataka, who share agriculture machinery just like an UBER service.

Processing and selling are the other two challenges mentioned by Mr Ashok. He highlighted that the post-production harvesting technology is really lagging in our nation. Farmers lose around 30-40% of our production of the horticulture that we produce because of this lag. FPOs have undertaken preliminary processing activities. But neither the FPOs nor the NGOs can handle large activities because they are not trained to handle business propositions. He pressed on the issue that promoting organisations are not geared up professionally. Proper capacity building and how to do a business is very important for NGOs to know because until they don't it can't be transferred to the FPOs.

He also highlighted about the process of incubation playing a key role in development of any enterprise. He compared the incubation process in agriculture and industrial sector and he figured out that in the latter system the process is very well laid-out. IIT-Chennai and Bombay have 3-4 incubation centres but they aren't enough. They need money for their research but there is nobody to provide that money to them. This issue needs to be focused on by the government so that the agriculture sector can develop.

Enabling policy for building sustainable Farmers Producer Organisations

trialogue 2047 explored enabling agriculture policies that play a role in driving FPOs to promote sustainable agriculture and farmer livelihood security. It also reflected on the potential role of NABARD in building sustainable Farmers Producer Organisations.

In 1995, women collectives were formed under "Farmers Collectives Program". NABARD formed small clubs of progressive farmers who further helped the smaller farmers in that village. NGOs, banks and NABARD worked together in a lot of villages to get these farmers together. NGOs have been successful but on the other hand, banks failed to evolve them into FPOs.

Mr. M V Ashok talked about various challenges but mainly diving them into 3 phases. In 2010, when FPOs were formed, they didn't have any money from Government of India. NABARD had to raise money from the market which was around INR 50 Cr. He also mentioned the clear dichotomy present where the State won't interfere if a collective is supported by NABARD. There are various collectives on the field and there is a need of uniformity measures.

Ms Aruna, highlighted that every FPO is unique and faces different challenges. She questions the one-size fits approach. She gave examples of successful sustainable collectives. One of them is Aadi Malai Farmers Producer Company at Niligiris. They have built their brand of honey and are marketing it at better prices while managing sustainable production with adoption of fair trade.

Ms. Aruna highlighted how policies play an important role in the functioning of the collectives. Incubation post-re-germination and hard-core business skills are the most important. In Bangalore, infrastructure subsidy of INR 1 Cr was provided to every FPO. Then working capital of INR 25 lakhs were also given to them. A tool-kit for the FPOs were handed over to the FPOs as then they didn't have to go looking for licenses. Ms Aruna concluded by stating that smoothening of process takes place once get the right ear of the right person within the system, getting the right systems in place is a start.

Dimensions of institutional building: From capacity building to financial assistance

Discussions on sustainability of FPOs, on its business, performance and agriculture production systems. Capacity building, credit systems and various other hand-holding support required by FPOs was also a part of this session.

Mr Sandeep stressed on the point that government has to play a key role in providing land. According to him, "Only those players who see FPOs as long-run investment should be a part of this change." He gave an example of the cooperative Amul. Amul gets packaged from outskirts districts like Banasgatta and employs around 5 lakh dairy farmers.

Mr. Ashok talked about the advantages of having FPOs. NABARD in association with PRADAN, started 'Small Holding Poultry' comprising of just women who were sitting idle at home. NABARD empowered them by creating a business that gave them money too. Each woman was given 300 mayo eggs which they were supposed to nurture. In 2001, there were 300-400 corporative societies in 11 districts of Jharkhand, who then formed a federation for the State. Collectively they have done well but if this task would have left to them individually, then this wouldn't be as successful as it is now, he explained. He stressed on the fact that capacity building is important and in this case PRADAN helped the women to get trained under their professionals. Marketing was also taken care of by the corporative society by contracting individual traders across the state. In conclusion, he said that we need dynamic leadership in place.

Ms. Aruna concluded that the essence of any collectivisation model deals with scale and better bargaining power. There is a need to build professionalism and business understanding in the functioning of FPOs. Tying production end agriculture initiatives to processing and marketing ensure a comprehensive and systemic strategy towards building FPOs that not only showcase business sustainability but also translate benefits of FPO directly to the farmers.
