

DELIVERING VALUE FOR SMALL FARMERS: FARMER PRODUCER ORGANIZATIONS IN JEEVIKA

THE BIHAR RURAL LIVELIHOODS PROJECT

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Farmer Producer Organizations (FPOs) promoted by JEEViKA have emerged as promising economic platforms in tackling the challenges of small farmer agriculture. In the face of rising input costs and lowering margins, these FPOs are delivering value by leveraging economies of scale, improved inputs and technologies at lower costs and bringing the small farmer to larger markets hitherto out of their reach. Most importantly, the FPOs, by their ever-increasing scale, are changing the rules of engagement in agriculture markets through producer centric approaches and fair business practices.

Why FPOs

India's agriculture is a small farm driven activity. Nowhere is this truer than in Bihar where 91% of all landholdings are below 1 acre. The state's average operational holding size of 0.39 hectare (ha) is one of the lowest in the country. For economically disadvantaged groups like Scheduled Castes (SCs), the figure is even lower at 0.3 ha. Such low farm size limits the investment capacity of the farmer, restricting access to quality inputs, technology and credit needed to operate on a desired level of profitability. Most small farmers do not have access to the consumer market and are forced to sell their produce to local intermediaries reducing their margins even further. Resultantly, the farming business, especially for small and marginal landholders, is fast becoming unviable.

Travails of a Small Farmer

- Small plot size
- Lack of quality inputs
- No access to timely credit
- Low holding capacity
- Low bargaining power in the market
- Exploitative market practices



JEEViKA, a Government of Bihar's initiative for poverty alleviation was initiated in 2006 with support from the World Bank. The programme, aimed at diversifying and enhancing household level incomes in rural Bihar through promotion of women Self-help Groups and their federations was originally spread over six districts of Bihar. Over the last 10 years, the programme

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has expanded to the entire state, mobilizing more than 8.2 million rural women into community institutions. To tackle the challenges faced by small farmers, JEEViKA has adopted a twin-pronged strategy. Firstly, large scale capacity building of farmers around improved farming practices and productivity enhancement interventions is undertaken. This is driven primarily by a robust community led extension mechanism where more than 4,200 Village Resource Persons (VRPs) provide regular training support to farmers at the village level. Secondly, JEEViKA is promoting development of economic clusters around specific commodities/activities by way of mobilising farmers/producers into informal Producer Groups (PGs) at the village level. These PGs are then further federated into Farmer Producer Companies (FPCs) on a needful basis. The producer organizations allow more streamlined delivery of inputs and services to a set of farmers engaged in production and marketing of specific commodities.

In 2016, Women Producer Companies promoted under JEEViKA achieved combined turnover of INR 85.4 million (USD 1.3 million) while delivering 15–20% higher return for member farmers. The recently launched Bihar Transformative Development Project (BTDP) is supporting JEEViKA to mobilize nearly 500,000 farmers/producers into FPOs around specific agriculture commodities: dairy, poultry, goatery as well as arts and crafts.

The Institutional Model

The approach of collectivizing farmers into Producer Groups was first initiated as part of BRLP in 2014. The objective was to develop business centric institutions that will continue to have organic links with the community institution architecture of SHGs and federations but will focus more on creating value chains for small farmers and producers by enabling direct market linkage.

At the village level, Producer Groups are formed by mobilising anywhere between 20–100 small farmers depending upon the commodity in focus. These PGs serve as effective platforms for collective orientation and capacity building of producers while facilitating backward linkages through parent producer companies. The small farmers are oriented on benefits of aggregation and quality control. Production planning is undertaken at the start of every season to aggregate demand for inputs as well as to assess potential procurement volume. Village level PGs are equipped with requisite basic infrastructure and quality control tools to serve as primary aggregation hubs. VRPs serve as the interface between PGs and the FPCs and deliver services like training, weighing, quality assessment and daily price communication.

Farmer Producer Companies are larger, registered business entities comprised of shareholder members ranging from a few hundred to many thousands. These FPCs undertake the responsibility of large-scale aggregation under standard procurement procedures and fair business practices including fair weighing, quality based pricing and on-time cashless payments. With lesser intermediaries as opposed to traditional market systems, small farmers are able to command better prices for their produce. These FPCs also enable

JEEViKA Producer Groups—A Vast Network of Farmers/Producers

JEEViKA has so far mobilised more than 270,000 small farmers/producers into Producer Groups around Agriculture, Dairy, Poultry and Non-Farm activities. These PGs have emerged as the key platforms for collective training, aggregation and market linkage for a variety of products. Several leading industry players including ITC, Dabur, Samriddhi Agro and Big Bazaar have linked into this vast network of farmers/producers, and four large Farmer Producer Companies have emerged under the project.

Commodity/Activity	Producer Groups	Total Membership
Farm/agriculture	1,178	70,650
Dairy	291	27,200
Poultry	588	1,78,000
Non-farm (agarbatti, bee-keeping, arts and crafts)	363	16,766

crucial backward linkages by aggregating input demand and doing bulk purchases to deliver quality inputs at competitive prices to members. Many of these FPCs are undertaking short-term storage of produce in accredited warehouses to gain lean season price advantage and are using technological solutions including trading on online commodity platforms like National Commodity Exchange (NCDEX) to reach out to multiple markets simultaneously.

JEEViKA Farmer Producer Companies—Leading the Way

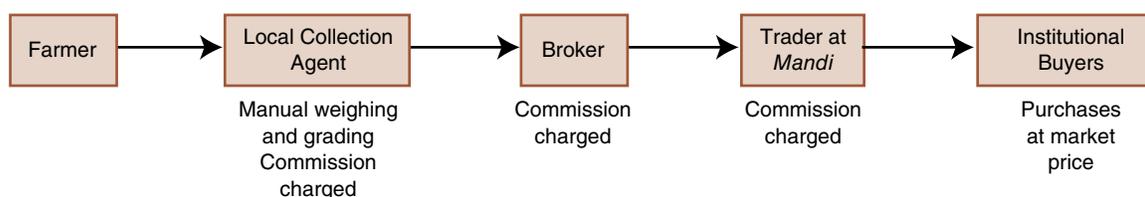
Four FPCs have been promoted under JEEViKA so far. All of them have been successful to varying degrees in achieving higher price realization for their member farmers. Depending upon the commodity, these FPCs have adopted slightly different business models. However, a number of common elements have emerged as

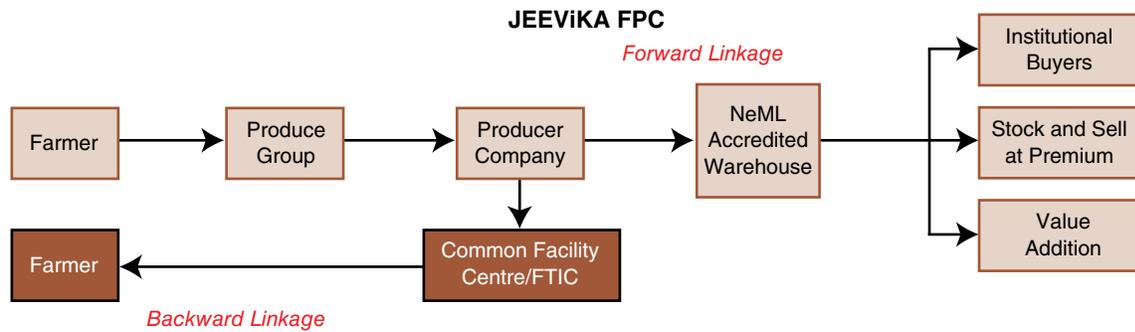
guiding principles for all these companies, viz., collective aggregation and marketing of produce, strong focus on quality control and emphasis on reaching multiple markets to diversify and minimize risk. Each of the FPCs have important lessons for promoting profitable value chains for small farmers.

1. *Aranyak Agri Producer Company Ltd., (AAPCL), Purnea*

AAPCL, Purnea has been a major success story highlighting the inherent potential of FPCs in delivering value for smallholder farmers. Operating in Purnea and Katihar districts, a region known for winter season maize in India, the company has established a farmer centric maize aggregation and marketing model delivering constantly higher price realization for member farmers while turning in higher profits with every passing year.

TRADITIONAL PROCESS





Under the prevailing market systems, small farmers lost out owing to unfair procurement practices by the local collection agent. Apart from manual weighing practices where substantial amounts of produce (5–10 ≈kg/quintal) was siphoned off, multiple layers of intermediaries kept the village level prices much lower than those at the bigger markets.

AAPCL disrupted the traditional system of maize marketing with village level PGs acting as aggregation and quality control hubs for harvested maize.

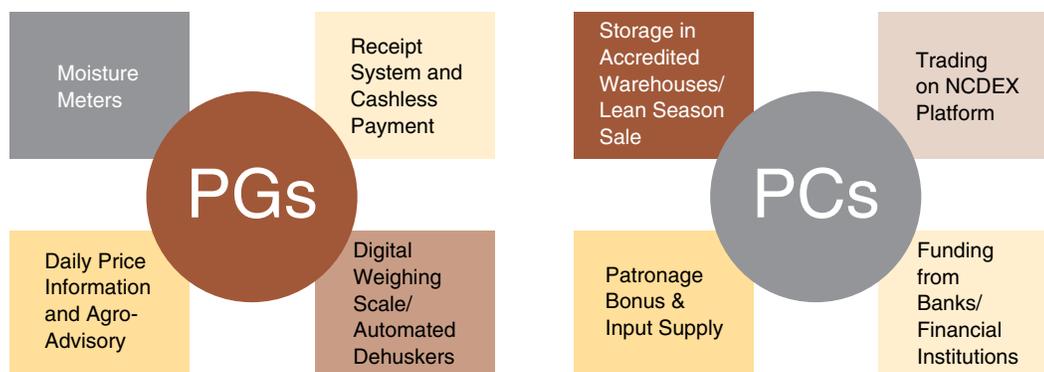
The PC, owned and managed by SHG members has linked with online commodity trading platforms like NCDEX for spot and future trading and has also established linkages with accredited warehouses for storage. The SHG members have benefited through higher price realization owing to direct marketing by PC, on time electronic payments, fair weighing practices and off-season sale at higher prices. Apart from providing 15–20% higher prices to farmers, the PC has made profits to the tune of INR 6.3 million in its first 2 years of active operation. From the pilot procurement of 1,014 MT in 2015, the PC ramped up its operations and has reached more than 10,000 MTs during the procurement season of May 2017, benefiting nearly 6,000 farmers. The intervention clearly indicates that provided the right technical assistance and handholding support, rural communities, especially small farmer's organizations, can emerge as credible market players for specific commodities and value chains.

WFPC	Turnover (in USD)		
	2014–15	2015–16	2016–17
Aranyak Agri Producer Company Ltd.	203,125	729,687	2,109,375*

*Estimated

AAPCL has been able to achieve a series of firsts in agriculture marketing in the state. Apart from being the first woman farmer producer company to register under the NCDEX and the NeML platform, the company was the first to introduce moisture meters at the Producer Groups (PGs) to ensure high quality in procurement. The company has distributed patronage bonuses to the extent of 70% of the profits from year-1 and introduced a host of innovative solutions including mobile-based agro-advisory and price information and warehouse receipts for loans against produce. The company is also licensed to market fertilizers and has facilitated supply of 155 MT of fertilizers to more than 200 members.

The company has leveraged institutional credit to the tune of USD 780,000 from formal financial institutions like State Bank of India and Friends of Women's World Banking (FWWB).



2. **JEEViKA Women Agri Producers Company Ltd. (JWAPCL), Khagaria**

Working on the lines of AAPCL, the producer company in Khagaria initiated aggregation and marketing of maize in 2016. In the first year of operation, the company undertook procurement of more than 1,000 MT of maize, generating revenues to the tune of USD 220,300. During its formative years, the company was engaged in production of certified seeds for paddy and wheat. In 2017, the company plans to ramp up procurement to 3,000 MT.

The producer company is the first in the state of Bihar to register under the fresh platform of NeML (NCDEX E Markets Ltd.) for the fruits segment. The company markets fresh fruits and vegetables around the year to institutional buyers.

The company is in a unique position to leverage on popularity of *Shahi Litchi* of Bihar and is gearing up for marketing of 100 MT of fresh litchi fruit in the upcoming harvest of May 2017. The model was first piloted in FY 2015–16 where the company marketed 6 MT of litchi, primarily through the NeML platform and could supply fresh fruit to institutional buyers across India.

WFPC	Turnover (in USD)	
	2015–16	2016–17
JEEViKA Women Agri Producer Company Ltd.	220,312	625,000*

*Estimated

The company enters pre-harvest contracts with women farmers engaged in litchi production and undertakes packaging and transportation of the litchi fruits via air cargo, supplying to buyers all around the country. However, as opposed to traditional market systems where producers used to lose out due to fixed contract pricing, the women FPC is sharing additional profits with farmers in instances of production going above the projected estimates. This is leading to a more equitable risk-shared reward system between litchi farmers and the FPC. Many of the company members express pride of being business owners as opposed to contract farmers under the traditional market systems.

3. **Samarpan JEEViKA Mahila Kisan Producer Company Ltd., Muzaffarpur**

Samarpan is a multi-commodity producer company engaged in aggregation and marketing of a wide variety of commodities including wheat, vegetables and litchi.



WFPC	Turnover (in USD)	
	2015–16	2016–17
Samarpan JEEViKA Mahila Agri Kisan Producer Company Ltd.	320,300	703,130*

*Estimated

4. *Sahyog Women JEEViKA Agri Producer Company Ltd., Nalanda.*

Sahyog is a multi-commodity based producer company primarily engaged in aggregation and marketing of vegetables, largely potato. Post the initial pilot in 2015 where the company procured 413 MT of potatoes from nearly 250 members, the company has ramped up operations procuring 1,230 MT of potato in 2016. The company has tied up with local cold storage points for short-term storage of potatoes. The company is also engaged in

promotion of kitchen gardening among member farmers and has an ongoing enterprise around packaged seed kits for distribution amongst SHG members.

In the coming year, the company plans to undertake large-scale potato seed production to enable availability of quality inputs to its member farmers who are otherwise dependent on seeds procured from other parts of the country. This is expected to not only reduce input costs but also prevent critical delays in sowing.

WFPC	Turnover (in USD)	
	2016–17	2017–18
Sahyog Women JEEViKA Agro Producer Company Ltd.	70,300	171,900*

*Estimated

Advantage JEEViKA

JEEViKA enjoys a distinct set of advantages in promotion of viable FPOs across Bihar.

- **Massive Outreach:** The project's massive outreach of 8.2 million rural households places it in a unique position to work with small farmers across varied regions within Bihar. In most cases, Producer Group members are also members of SHGs promoted by JEEViKA in their village.
- **Easy Access to Credit and Training:** These SHGs and their federations allow members to access easy credit for a variety of livelihoods. This results in a unique plug and play model where farmers are accessing training, technology and market linkage support from their PGs while utilizing credit support from the SHGs.
- **Community-Based Extension System:** JEEViKA has developed a massive community-based extension system where nearly 4,200 trained workers are functioning as Village Resource Persons (VRPs) providing regular training and capacity building support to SHG and PG members in lieu of nominal service charges. These VRPs utilize latest tools like video-based trainings and demonstrations and monitor post-training adoption of best practices.

- **Technical Partners:** JEEViKA is working in collaboration with renowned technical partners like TechnoServe and Access Development Services in development of FPOs. These technical partners bring global expertise and best practices to the FPO promotion process.

Going Ahead—JEEViKA's Vision for Value Chain Clusters

Bihar Transformative Development Project (BTDP) is a World Bank supported project of the Government of Bihar to be implemented as part of the JEEViKA programme. The project, with an outlay of USD 420 million, has a specific component on developing farm-based value chains around specific commodities, viz., maize, vegetables, etc. At least 15 Producer Companies (PCs) focusing on providing end-to-end services in the value chain will be developed. In addition to agriculture, the project will also make significant investment in developing producer centric value chains in dairy, poultry and goaterly, covering an estimated 500,000 farmers/producers.

Based on production analysis, JEEViKA's intensive presence and overall potential for value creation, 8 zones consisting of 16 districts have been identified for promoting Farmer Producer Organizations around specific commodities. While large-scale FPOs are to be formed in these zones, the operational area for these FPOs is expected to cover the entire state of Bihar.

It is estimated that the overall potential for revenue generation in these eight zones is close to USD\$1.7 billion.

Proposed Eight Zones for FPO Promotion under JEEViKA and Overall Potential for Value Creation

Clustering of Districts into FPC Zones

Key 8 Zones with Target Produces (the basis of geographical proximity of districts and revenue in priority crops)

	Eight Proposed Zones	Revenue (crs)	Key Crops
1	Vaishali + Saran	1,649	Potato
2	Nalanda* + Patna	1,607	Potato & Lentil
3	Darbhangha + Samastipur	1,580	Mango
4	Sitamarhi + Muzaffarpur*	1,530	Mango, Litchi & Veg
5	E. Champaran + W. Champaran	1,445	Potato
6	Purnea* + Katihar	1,140	Maize
7	Khagaria* + Bhagalpur	1,119	Maize
8	Madhepura + Saharsa	997	Maize

Note: Existing FPC's (*) will grow to span 2 districts. New FPC's will span 1–2 districts with 2 assumed for now. Impact for each zone calculated for all 6 priority crops.

Lessons Learnt and Issues for Wider Replicability

The JEEViKA experience of promoting FPOs as enabling institutions toward creating pro-poor value chains holds valuable lessons for decision makers and practitioners looking to replicate the model. Firstly, initial handholding support in form of high-quality technical assistance and on-ground extension is critical for developing successful FPOs. It is important to recognize the fact that in initial years, such institutions are not only trying to settle into a business environment but are also competing with prevailing market forces. This requires substantial handholding which was available to these FPOs in the form of project functionaries and technical partners. Secondly, pre-existing social capital strengthens the overall ecosystem for FPOs. In the case of JEEViKA, the presence of SHGs and higher

federations ensured that there was already a cohesive social base available. Also, the community members were adept at handling regular financial transactions due to similar exposure as part of their SHGs. Thirdly, it is crucial to develop a business case that inspires confidence from the formal financial sector. JEEViKA FPCs were able to leverage substantial resources from the formal financial sector as early as the second year of their operations. This was possible due to professional accounting systems and a strong orientation toward achieving sustainability from the start. Lastly, it is important to use simple and innovative technological solutions to tackle issues of traditional market systems. Solutions like daily pricing information to members via mobile phones and utilisation of online trading platforms to reach out to new markets proved to be significant in achieving the desired results.