

Institutional & Organizational Asymmetries: Small Producers and Sustainability of Rural Agricultural Communities

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Abstract:

This paper discusses the context of the small farmers/producers, historical analysis of institutional and organizational arrangement of the governments, theoretical limitations in institutional and organizational studies in the above context and based on an action research, the paper suggests a possible window for retrospection, policy formulation and replication.

First, the paper delves on the context of the small farmers/producers, in terms of their asymmetric disadvantages in resource base, capability base and traditional institution base in relation to those in the current market economic system. Second, it analyses the deficiencies in the institutional and organizational arrangements of the governments that could make small farmers/producers and their communities sustainable. Third, it highlights the conceptual gaps and theoretical challenges in guiding state policy on appropriate institutional arrangements and in explaining appropriate design of community organizations/enterprises. Fourth, based on the empirical observations and experiences of an action research on the subject, the paper proposes a single development prism including the organizational design and institutional arrangement for sustainability of the small farmers/producers and the rural agricultural communities.

Key Phrases

Small producers, contextual disadvantages, institutional asymmetries, organizational asymmetries, organizational design, rural agricultural communities, transition strategies

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1. A small producer or a smallholder farmer in a rural agricultural context could be characterized as some one who holds or owns very little private property in terms of resources/asset/land, one who engages in larger number of production activities with lower product specialization, has lesser amount of capital to engage with, is lesser educated, has lesser access to information, knowledge and technology, one whose overall volume of production is very low, one who adopts rudimentary methods and techniques in his/her work. The individual family health as well as the community health is also poor. The primary education available for the children in the community, that could promise a better future, is also weak in such context. An old, half baked mud pot with a number of holes in it could closely characterize the situation of a small producer/farmer in the Indian rural agricultural settings.

While the internal conditions of the small farmer or landless small producer, who form over 80% of the total producers, is rather weak and vulnerable, the external conditions are highly unfavorable for their existence. The agricultural input market is better organized and the prices of inputs have been rising. The players in the product market are better endowed with information, resources, capital and are better organized to bargain to their own advantage with the small producers. The village *sahukars* and the local traders have indeed been on an advantageous position to exploit the small producers. It is indicative of the fact that while the prices of agricultural products have multiplied several times in the recent years, the farm gate prices that the farmer gets have hardly increased over the years. In the light of the modern market economic system, the small farmer and the landless small producer is indeed in a highly asymmetric disadvantageous position.

In addition, the uncertainty in the weather and climate, especially the rainfall leading to incorrect assessment on the timing of sowing by the small farmers makes the situation challenging and highly risky. Further, poor health, lack of primary education in the rural areas and reducing incomes from the agricultural activities has lead to the out-migration of people from the rural agricultural communities. Not only has the overall climate of liberalization, privatization, and globalization exposed the small agricultural producers to the global commodity markets and industrial economic system, the culture of agriculture has been adversely affected.

2. During the last six years, the central government and the state governments have experimented and tried with various institutional and organizational arrangements to improve the situation of the small farmers and producers as well as the rural agricultural communities. As against the Tata-Birla Plan of industrialization, 1944, that had only 10% provision for the agricultural sector, the Government of India since 1947 have been allocating significant budgets towards agriculture and rural development. The central government and the state government have created constitutional provisions in terms of institutional arrangement and organizational arrangements to resolves the various asymmetries of the farmers in general and small farmers in particular. The formal cooperative activities began with the enactment of Cooperative Credit Societies Act, 1904, later it was revised in 1912. Primary Agricultural Cooperative Societies were formed from around this period. The Agricultural Produce Marketing Committee Act 1956 and the formation of organization like National Agricultural Cooperative Agricultural Marketing Federation in 1958, etc were some of the earliest initiatives. Similarly, the state governments have also formed state level departments, independent organizations and institutions to guide these organizations.

Subsequently, the government has initiated several provisions and creation through the Integrated Rural Development Programme (1978), NABARD (1982), PRI through 73rd Amendment of the Indian Constitution, Swarnajayanti Gram Swarojgar Yojana (1999), Mahatma Gandhi National Rural Employment Gaurantee Act (2005), Right to Information Act (2005), and National Rural Livelihood Mission (2010). Specifically in the area of marketing, Agricultural Produce Marketing Committee was formed in 1956. Accordingly, the state governments created several provisions like formation of State Agricultural Marketing Boards, Regulated Market Committees, Check Gates, etc. In addition several institutions like the Farmers' Commission, expert committees on rural credit, cooperatives, etc have been formed to assess and improve the well being of the small producers in the rural agricultural communities in India.

Not only has the government tried to create institutional arrangement and organizations, it has also been pumping a lot of resources through its institutions and organizations for improving the situation of the small farmers/producers and the rural agricultural communities. One may look at the number of schemes that are directed at a Gram Panchayat. The annual budgetary provision of only the Ministry of Rural Development is over INR 100,000 crores. The proposed provision per family as per NRLM guidelines is INR 100,000. Provision for various types of support viz., credit support, marketing support, livelihood support, natural resource management, watershed development, rural infrastructure, primary health, primary educations, basic infrastructure, etc have been created. However, the existing institutions and organizations have not fared well in terms of delivery of these provisions to the resource poor and smallholder farmers. Further, the

capacity to absorb, internalize and create long term value by the people and the community at the grass root, community level from these public investments have been far from expectation. Indeed, there seem to be a weak link between the public investment and long term impact on the well being of the people and the community.

To improvise its delivery capacity, the governments have also increasing used the services of the Non Government Organizations (NGOs) and CSOs. Thousands of NGOs and CSOs have mushroomed in this process. The social impact of the public investment still remained below par. Additionally, the organizational arrangement with NGOs often lead to capacity building of the NGOs more than the capacity building of the community. Once the NGOs stops getting funds from a project, the initiatives undertaken in a community also ceases and all the investment made in the NGOs also moves away from the community. A new organizational form viz., social enterprises have entered the fray in a big way. Large venture capitalists or large corporations have been seeking support from the governments to undertake grass root level community development as part of their corporate social entrepreneurship.

In the recent years, the governments have been collaborating with industrial organizations especially the large private corporations for improving its delivery efficiency with much enthusiasm and hope. Individual farmers and small producer groups like SHG, CIG, FPO, small producer cooperatives, etc are being linked to large private corporations in the hope to improving the well being of the small farmers/producers. The institutional arrangement seems to be gradually moving from a welfare state mechanism to market mechanism under the broader framework of inclusive capitalism. Contract Farming, Public Private Partnerships, Crop Insurance, Producer Company, Agri-business model as per the traditional industrial organizational design, etc are some examples of the orientation and attempts made by the both the central and state governments.

The government and the policy advisers little realize the basic grain of a traditional industrial organizational design is totally different from the community organizations at the grass root level that are expected develop partnership with the large corporations. The position of design variables and the purposes of the two organizational types are so far apart that in the long run, the community organizations will have to loose to make the large industrial enterprises gain in a competitive market economic system. For details on design variables, please see Nayak (2010) on *Optimizing Asymmetries for Sustainability*.

The bright ray of hope to improve the well being of the small producers including the psychological-social-economically weak of the communities appears to be the provision of National Rural Livelihood Mission, 2010 of the Government of India. The emphasis on creating the local institutional platform of the poor and converging all the resources to build and strengthen this local institution is indeed a wise and sustainable way forward for

the well being of the poor communities. There are however several questions that need to be answered for the new mission to make a sustainable impact.

How will the various local institutions interact with each other? Will there be duplication of resources & efforts because of multiple institutions? What will be the cost of operating each of these institutions? Who on behalf of the poor will interact in the market system? What are the challenges for a community to interact in the market system? What will be the role of PRI members? Where do we start from? What will be our steps & sequences? Who will implement the plan? How long will it take to implement? What is the overall strategy? What will be the total cost of implementation at the GP level? How to converge other needs of Community Health, Education, NRM, etc?

No matter however good the intensions of the government may be and however good the policy may be, the government needs to transform itself on some fundamental issues for it to be able to make the social impact that it has been putting forth as its mandate since India became independent. The dimensions of transformation are (a) orientation, (b) governance principle, (c) management methods, (d) research/innovation methods, (e) indicator/measurement units. Orientation has to transform from a top down approach to bottom up approach. Governance principle has to transform from centralization to decentralization. Capacity building has to transform from building capacity of the government, its institutions, departments and organizations to building capacity of the community organization and the people in the community. Research/Innovation methods should transform from being reductionist, generalization, high degree specialization, scaling up to being integrated-holistic, specific to community needs, appropriate level of specialization to fit community needs, and replication. Indicators/measurement units such as food security at global level, GDP, scale and commoditization of agricultural produce, NPK in soil, and income of farmers must change to food and nutritional security at the community level, well being of people, scope & diversity of production, soil health in terms of carbon content and life in soil, and net income of farmers respectively.

3. Despite the great contribution of scholarship in the agriculture and rural development, especially in institutional studies and organizational studies; there is much more to explore to be able to guide policy. Sometimes, the policy makers are not able to put in practice the valuable recommendations of the scholars and researchers. For example, at least 3 of the 25 committees on cooperatives during the last about 100 years of cooperative movement in India, have recommended for keeping the cooperatives small issue of size. Similarly, the National Commission on Agriculture (1976) and National Commission on Farmers (2004) have recommended smaller clusters for regulated market facilities for small farmers under the PACS. However, there has been little attention to implement these recommendations.

To me the notions of perfect market competition and perfect community cooperation are actually the two sides of the same coin. However, both of these are ideal conditions and neither is achievable under normal human conditions, search for an optimal conditions seems an alternative. In reality, the different types of organizational designs whether it is a large private industrial organization in a monopolistic market or a fairly competitive market or smaller organizations with relatively greater cooperative environment; all are part of the continuum of perfect competition to perfect cooperation. All of these firms or organizations are social enterprises with different design variables positions.

However, there some deeper theoretical issues that have not yet been explored. The unexplored issues that I have encountered are related to (a) transition strategy in terms of organizational design and institutional arrangement towards sustainability of small farmer/producer in the light of the growing influence of the market economic system, (b) the confusion on the design variables' positions (*size, scope, technology, ownership and management*) of organizations are mixed up to seek objectives contrary to the purpose, the very organization design will seek, (c) a conceptual clarity on the notions of efficiency, effectiveness and sustainability, (d) the realization that the purpose, approach, tools & techniques, vocabulary, principles and value base in the process of competition and the process of cooperation are totally different from each other, and (e) the inability of practitioners to recognize the need for simultaneous optimization of all variables is critical for effective optimization. Please see Nayak (2009, 2010, 2011, & 2012) on optimization asymmetries for sustainability and Nayak (2011) on efficiency, effectiveness and sustainability.

4. Keeping the above context, institutional and organizational arrangements, and existing theoretical blind spots, we at XIMB have been involved in an action research to understand the design for optimizing asymmetries for sustainability among rural agricultural communities. In terms of the organizational design, we find that size of the community organization could be a cluster of about 1000 small farmers/producer families in natural base of about 4000 hectares to 2000 hectares, depending on the topography and micro-climatic conditions. The boundary of its market for direct marketing could be within 350 kilometers. Given the resource base, need base, and capability base, leverage scope and maintaining production diversity is the best fit for the small farmer/producer. Integrated low cost agriculture and simpler and decentralizable technologies are effective and gives better control for the small producers/farmers. The community of small farmers needs to internalize and take up the ownership of the community organization. Further, the management of the community organization also needs to be with the stakeholders/rural youth from within the community. The basic unit of performance analysis in this approach

is the well being of each member that is the small producer/farmer family in the cluster or the community.

The functions of executives in the community organizations would include all activities along the value chain of activities of a farmers and the cluster of farmers like simultaneously closing the holes in a leaking pot with several holes in order to spot the water loss from the pot. The activities of the management therefore shall include community mobilization for building trust and cooperation among the producer members and the community, improvement in agricultural production and productivity through integrated low cost agriculture, improve the post harvest management and value addition of the agricultural produce, integrate agricultural activities with other economic activities to enhance the value of labour across 365 days, facilitate community banking and retailing, facilitate marketing and stabilize their marketing network, facilitate community health care and improvise the primary education for the children in the community. For details on actual implementation procedure, please refer to Nayak (2010) on the case of Nava Jyoti Community Enterprise system and www.navajyoti.org. You may also refer to the manual on implementing community enterprise system for sustainability of agricultural communities, Nayak (2012).

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