

Concept Note

For Round Table Discussion on optimal FPO Design

Background:

Producer organizations in the form of producer cooperatives exist for over a hundred years in India. The Primary Agricultural Cooperative Society (PACS) is one of the oldest forms of producer organizations in India. In addition to the cooperatives, there have been many other forms of producer organizations catering to specific or multiple function(s) such as self help groups (SHGs), Federation of SHGs, Common Interest Groups (CIGs), Joint Liability Groups (JLGs), Farmers Club, Producer Organizations, and Producer Companies. The Government of India, the National Bank for Agriculture and Rural Development (NABARD), Ministry of Rural Development, Ministry of Agriculture, SFAC, and state governments have been investing largely on these organizations in the recent decades. A Producer Organization is a generic name that represents different forms of community organizations such as large cooperatives, PACS, SHG, Federation of SHGs, CIG, Farmers Club, Producer Company, etc. However, a Producer Company is a special case of producer organization that is registered under Section IXA of the Companies Act, 1956.

In the recent years, the international development agencies such as IFAD, FAO, World Bank, UNDP, Rabo Bank, ProCIF, Technoserve, ICCO, etc have been gradually investing in farmer producer organizations especially in the producer companies. Some of the Indian Banks such as Yes Bank and HDFC have given special focus to support FPOs. Many of the Non-Government Organizations (NGOs) in the country had been facilitating formation of producer organizations and in the recent years and some of them have graduated to facilitate formation of producer companies on behalf of the state governments and development funding agencies.

NABARD with a nation-wide district level reach through its state level regional offices across the country has once again been given the mandate by the government to establish producer companies in the country. Through a special fund viz., PRODUCE Fund and its own development fund, it has been systematically working to establish producer companies in the country on a mission mode. Additionally, it has created separate independent units viz., NABKISAN and NABFINS for providing credit support to FPOs.

DEAR-NABARD supported an action research project during 2009-11 on building a community based, community paced, community owned and community managed enterprise system. The focus of which was to find the optimal design positions of key variables; viz., size, scope, technology, management and ownership for a producer organization to be sustainable. Subsequently, it supported an all India study on the status and performance of producer companies. There have been many rounds of discussions by NABARD, SFAC, FAO, and NRLM at different levels to diagnose the issues and resolve them corrective policy measures to make producer organizations viable in the short term and sustainable in the long term.

While several larger dimensions of FPOs have become clearer over the years through soiling of hands by experts, donors, banks, and development agencies, there are few macro level dimensions and many more micro level issues of implementation that needs to be clearly understood. Most importantly, a clarity on the interconnected relationship among these dimensions are crucial to realize better outcomes from the efforts and investment being made in this critical domain for sustainability of farmers, producers, poor, agriculture and rural communities.

Focus of the Discussion

With the above backdrop, a round table discussion is proposed to discuss the following issues:

1. Optimal Organizational Design of an FPO in terms of *size of membership, scope of activities, management and market landscape for maximum net incomes to members.*
2. Institutional Architecture of FPOs in a district for stabilizing local relationships & establishing balanced connect with commodity markets.
3. Convergence Strategy for better signaling and coordination for collective action by small farmers and producers.

Invited Delegates:

The delegates/participants shall include a few scholars/researchers working on this subject, practitioners with deep passion on the subject, FPO policy formulators, donors/funding institutions that have heavily invested in this sector. The maximum number of participants to be invited for the round table discussion is estimated to be twenty (20).

Proposed Venue & Date:

Xavier Institute of Management, Bhubaneswar, 18th January, 2016

Expected Outputs of Deliberations:

The discussions and deliberations are expected to provide conceptual clarity on the following for better policy formulation and effective implementation on FPOs.

- Optimal FPO Design.
- Optimal Institutional Architecture at District level.
- Convergence Strategy for making collective action by resource poor possible.
- A Plan for a national/state level Seminar/Conference/Workshop on FPOs in middle of 2016.

Coordination:

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