A new PPP model for smallholder agriculture

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Published:May 26, 2016 4:22 am

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While a lot of media attention has focused on rural distress arising from back-to-back droughts, even linking these to policy distortions encouraging water-guzzling cropping practices, there hasn't been much reporting on certain basic changes in India's agricultural landscape over the past two decades. The most obvious reason being their gradual pace, unlike natural calamities like droughts and hailstorms that are sharp, pointed events with instant news value.

Of the most significant changes is the composition of farm produce. About two decades ago, some three-fourths of the value of India's agricultural GDP was constituted by staples like cereals, pulses and oilseeds. But today, that share has diminished to a fourth; the balance is largely accounted for by so-called high value agriculture (HVA) produce that include horticulture, livestock, fisheries and fibres.

Significantly, it is small holders who cultivate less than five acres — the average size of Indian farms is just over 2.8 acres — who have invested heavily in HVA. Their share in the supply of HVA produce has registered steady increase. It attests to their ability to adapt to demand and compensate for smaller size of holding through producing crops that generate more value per acre.

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Over a thousand farmer producer organisations (FPOs) have registered across the country in recent years, with their numbers growing every day. These new generation collectives are learning to overcome the constraints endured by the earlier wave of agricultural cooperatives, which clearly failed to deliver on the promise of empowering farmers. The fresh effort at aggregation through FPOs has been boosted by stronger legislation enshrined in the Companies Act — as opposed to the various state-level cooperative laws —which guards against the political and bureaucratic capture of these institutions.

Two examples are worth mentioning.

The first one is a small project started in the early 1990s by an NGO, PRADAN, in Kesla block of Madhya Pradesh's (MP) Hoshangabad district to aggregate tribal women poultry producers. It has blossomed into a commercial venture spanning MP, Jharkhand, West Bengal and Odisha, clocking revenues of Rs 286.92 crore last year. This unique cooperative enterprise has over 9,000 women shareholder-members, each provided assistance to set up a poultry unit of 400-1,000 birds. By locating 30-40 farms within a tight cluster, the enterprise is able to achieve production and cost efficiencies one might see in industrial-scale farms. Commercial viability has further been ensured through a vertically integrated supply chain: The cooperative owns a state-of-the-art hatchery producing 8 million chicks per year and a modern feed unit, apart from providing management, financial and veterinary support services to its members.

The integration of the production chain has helped de-risk the enterprise's women poultry rearer-members from marketing and financial volatility inherent to agricultural markets. The cooperative plans to expand by enrolling 20,000 women-farmers through its model that has proven to be viable, scalable and inclusive. Though the model's backbone has been the hardworking woman poultry producer, PRADAN's professional approach and committed cadre of workers are equally responsible.

A similar success story, with an even larger membership of one lakh-plus farmers, to be cited is that of the Madhya Bharat Consortium of Producer Companies (MBCPC). This is an apex-level producer company promoted by 49 FPOs in MP, with support from another committed NGO, the Bhopal-based Action for Social Advancement. In its first full year of operations ended March 2016, MBCPC recorded a turnover of Rs 69 crore and is targeting Rs 100 crore in the current fiscal.

MBCPC has, in the past few months, procured over one lakh tonnes of pulses through its FPOs for government agencies. Besides, it has entered into two unique MOUs. The first is with EM3, a private agri-services provider to establish machinery banks for high-end farm equipment that can be custom-hired by MBCPC's farmers as per need. The second MOU is with the Jawaharlal Nehru Agricultural University at Jabalpur to source breeder seeds of crops like cotton and soyabean for multiplication. The resultant certified seeds will be directly marketed to farmers by MBCPC at prices significantly lower than that of leading brands.

There are many such producer aggregation experiments happening in other states, too, enabled by NGOs and private sector firms. Government policy in agriculture is still largely focused on subsidies, whereas what the sector requires — especially with HVA today — is institutional innovation that gives producers access to capital, technology and markets. With an enabling environment, many of the tiny FPOs now coming up can grow to scale and offer a rural version of the Startup India story.