

## **Producer Company (PC)/Institutional PC of, for and by the Farmers**

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### **1. The Sector: Farming Systems (Agriculture, Horticulture & Animal Husbandry)**

Farming is the mother of all activities and the *progenitor* of human civilization. Farming includes all agricultural systems that promote the production of nutritious, healthy and safe food and fiber that are environmentally sound, socially just and economically viable. These systems depend on the fertility of local soil and agro climatic conditions, as a key to successful and sustainable production. The local area farming systems, in general should address food security, rural development and nature conservation with the sustainable use of biodiversity and locally adapted races/species and varieties.

### **2. Status of the Sector**

Farming in India/Karnataka as in several countries, is at cross roads due to

- (a) high cost of production
- (b) young members of farming families quitting farming in favour of petty jobs in cities
- (c) agro-chemicals and GM seeds, reaching the aquifer and threatening the basic survival
- (d) high level of pesticide residues in food and water threatening human health
- (e) stagnation in agricultural productivity due to:
  - i) soil erosion
  - ii) loss of soil fertility
  - iii) salinization of soils
  - iv) genetic erosion of species and
- (f) high risk of food security, nutrition, quality and safety of food
- g) rapidly decreasing availability of water.

### **3. Key constraints**

- i) The conventional agriculture has no commitment for the production of inputs on farm, improving soil fertility and to reduce soil erosion and degradation or desertification.
- ii) Capital & resource intensive farming practices than knowledge intensive
- iii) Little or no emphasis on production of inputs on farm
- iv) Lack of on farm grading, packing, value addition & market infrastructure.

- v) Reduced socio-economic values – joint problem solving and farmer to farmer exchange is limited.
- vi) The co-operatives and Societies as they exist today have been taken over by vested interests

#### **4. Suggestion/solution & Innovativeness**

Like most countries, India also has a legislated “**Company Act 1956**”. In December 2002, amendment IX A of the “**Indian Company’s Act**” put in place the “**producer company (PC)**” permitting existing societies, co-operatives, NGOs, Trusts, Private Limited Companies, etc to convert to Producer Companies or set up Greenfield PCs. The PC emphasized here is the PC of the farmers, by the farmers and for the farmers, facilitated financially by the Government, but managed by professionals. The concept visualizes to leave farmers to their expertise – farming and on farm activities, whilst the management of the “cash to cash cycle” of the company will be taken over by the professionals, staffing the PC.

The PC is not a co-operative or a Society. The PC is some thing between Co-operative, Society and a Private Limited Company, minus external vested interests due to transparency, public audit and accountability, enabling the Government, Banks and Financial Institutions like NABARD to use the PC intervention for delivery of programmes, funds, etc, meant for their member farmers. Some banks are using NGOs in rural areas as service providers to deliver credit as they are unable afford the high cost of delivery through their own branches.

The innovativeness in this concept is that in today’s competitive world, a farmer has to fend for everything right from finance, procuring inputs, farming for production and marketing for converting his produce into cash. Each of these activities is an expert area and one cannot expect a farmer to have resources, exposures, market linkages etc to be competitive. In this direction, the PC is proposed to take over all responsibilities from the farmer groups, leave them to farming and on farm activities, making them sustainable, where the members are stake holders to the end.

#### **5. How to implement the suggestion:**

All families in a village (or cluster of several villages) will be informed/educated on the PC concept and only interested farmers will be made its members. Each member/farmer will have one vote in the company, irrespective of their share. Government (or its nominated bodies) will fund, facilitate and guide its formation, a professional HRD organization will be involved in selecting professionals who will staff and manage the ‘cash to cash cycle of the company. Infrastructure needed by the PC for storing, logistics, training, administration and adding value to the farm produce to be funded and assisted by the government.

Alternatively, a PC is given need based seed capital for margin money to enable it to borrow the required capital and working capital from financial institutions and banks

respectively, for the implementation of the project proposal appraised and accepted as being viable.

## **6. Implementation Process**

PC professionals would guide its members (employees of the PC could also be shareholders along with farmers and thus stakeholders to the end). Plans and budgets, macro for 3 years and micro, carved out of the macro, for one year, detailing the crops to be grown by the different members and on how much area and the price they will be paid on harvest. This will be determined by factors such as (a) survey on needs of local community in the village, (b) contracts obtained (preferably in advance) from market (c) contracts from government programs such as 'mid-day meals', armed forces, etc, in India. Each farmer will be paid price of his/her produce that was determined at the time of sowing. PC professionals will be accountable to the farmer shareholders through an annual business plan and budget, as done by a corporate company indicating production strategy, market strategy and the projected positive cash flow.

## **7. Investment required [in case of India, 1US\$ = approximately Indian Rupees 40].**

Investment will vary from case to case and the potential of the local area. Funding may be made available from Government, indicating guidelines covering various Government programmes & schemes.

In addition to channeling all the existing programmes through PCs, it is also proposed to provide Rs.2.5 – 5.00 lakhs seed capital from Nabard for set up of a PC, as is being done by SIDBI for small and medium industries. The Agriculture & Horticultural Departments of the State Govts, Universities & Colleges of Agriculture to spare required land for housing PCs in their farms.

## **8. From where this investment can be mobilized**

The seed capital investment can be provided for in the XI plan document for Agriculture, State Government and the , making a provision for developmental funding.

## **9. Role of local people/organizations, government departments, private agencies, non-governmental organizations**

All are involved to fund, assist and facilitate in the formation & successful functioning of PCs.

## **10. What are the likely impacts/outcomes**

It will do every thing to ensure that the risks of their member farmers and all responsibilities are taken over by the professionals, leaving members to farm and on farm activities. Some such outcomes are indicated below:

- Training members on good agricultural practices (GAP) based farming system approach and low-cost and environmental friendly inputs.
- Finance, capital and working capital
- Advising crops to be grown.
- Preparing and providing inputs at low-cost
- Procuring produce at a price committed at the time of sowing/planning.
- Providing items of daily needs (only those produced by the members) to the whole village and not only to its members. Thus obviating the need of 'Public Distribution System (PDS), in the agri – rural areas, thus nearly doubling their purchasing power, in countries like India.
- Procuring firm orders from market and government programs.
- Adding value to the farm produce locally and thus add to profitability of the company. The PC thus generate employment for rural people right in their own vicinity and links well to the employment guarantee programs of countries like India.
- Market value-added products at maximum profits and thus generate funds for salaries of its employees, reserves and profits for the company.

**This concept will reduce farmers' debt and avoid suicide**

## **11 How and to what extent this would change the scenario of this sector and the development in Karnataka, India**

- i) It can help in improving the export potential of agricultural produce as the member farmer is expected to follow Good Agricultural Practices.
- ii) Help in implementing the mandate of the Government to provide food, health and nutrition security to its people, particularly in rural areas.
- iii) Help in providing all items to all its members at farm gate prices and thus substantially enhance their purchase power.
- iv) Effective delivery of benefits of the Government committed under various schemes