

Cooperative - Cases and Success Stories

STUDY

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Editors

Dr. K.K. Tripathy and Dr. Sneha Kumari

Contributors

- Dr. K.K. Tripathy
- Dr. D.V. Deshpande
- Dr. Anil Karanjkar
- Dr. Manisha Paliwal
- Dr. R. Jayalakshmi
- Shri A.K. Tiwari
- Dr. Neeraj Kumar Dubey
- Dr. Sagar KisanWadkar
- Smt. Anshu Singh
- Dr. Sneha Kumari
- Sri T. Swapna Chander
- Smt. Saba Sayed



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Perseverance: Key for Managing Social Enterprise: A Case Study of Devnadi Valley Agricultural Producer Company Ltd.

Sagar Kisan Wadkar*

Abstract

Managing community based and members driven organizations is daunting task, particularly at a nascent stage. The member farmers' economic participation and pro-active role in the functioning and management of business affairs is crucial for the sustainable development of any social enterprise. The kind of approach used in promoting institutions in the promotion and formation of such social enterprises establish the foundation for development of a 'sense of belongingness and ownership' among the member farmers. The attempt is made to describe the journey of social enterprise known as "Devnadi Valley Agricultural Producer Company Ltd." (DVAPCL), a Farmer Producers Organization (FPO) registered under Indian Companies Act 1956 as amended in 2002 and 2013 in Lonarwadi village, Sinnar block of Nashik district, Maharashtra. The case analyses the approach used in promotion and formation of FPO, governance, management, business model, and challenges in growth and sustenance of the social enterprise. The company was established on 3rd February 2011 by 11 pro-active and progressive farmers with the support from a local NGO called Yuva Mitra. The 'participatory planning and action' approach of Yuva Mitra NGO in their development interventions since 1995 in the Nashik district set the context for the formation of DVAPCL. The member farmers' needs and aspirations to change their status-quo is the only motivation behind the journey of the DVAPCL. The Company has kept governance and management as a separate function and developed a team of passionate board of directors for taking strategic decisions and 10 staff members for managing day-to-day business affairs, which makes them unique. The company has been working on streamlining the backward and forward linkages of member farmers and established 'Devnadi Agri Mall', 'Information Centre' for

* Assistant Professor, Centre for Management Education, Vaikunth Mehta National Institute of Cooperative Management, Pune, Maharashtra

providing input services and 'Devnadi Vegetable Express' for direct marketing in the Nashik city and Mumbai market and thereby developed B2B and B2C network. The company has tested many innovative activities and undergone through many ups and down, however, the company didn't lose its interest and persistence in their endeavours. The key success factors behind the DVAPCL are proactive leadership, decision making in the interest of members, quality extension & advisory services, responsive to members' needs and aspirations, transparency in all business affairs. The company needs technical human resources and technological interventions in order to manage proposed agri-infrastructure & processing unit and to bring transparency in all business transactions respectively.

Keywords: Backward – Forward Linkages; Farmer Producers Organizations; Participatory Planning and Action; Producers Company; Social Enterprises; Supply Chain; Value Chain; Yuva Mitra NGO.

The member farmers' economic participation and pro-active role in the functioning and management of business affairs is crucial for the sustainable development of any social enterprise. A 'sense of belongingness and ownership' among the member farmers are key indicators, determines the sustainability of such social enterprises and its development in community based and members driven organizations is daunting task. Few pro-active member farmers made this possible and despite natural and socio-economic challenges, they are continually working for the larger cause of local farmers' development. The member farmers' needs and aspirations to change their status-quo is the only motivation behind the journey of the "Devnadi Valley Agricultural Producer Company Ltd." (DVAPCL), a Farmer Producers Organization (FPO) registered under Indian Companies 1956 as amended in 2002 and 2013 in Lonarwadi village, Sinnar block of Nashik district, Maharashtra. The company was established on 3rd February 2011 by 11 pro-active and progressive farmers with the support from a local NGO called Yuva Mitra.

Promoting Institution: Yuva Mitra NGO

Yuva Mitra was founded by Late Shri. Sunil Pote, passionate and dedicated development professional from a village in the Sinnar block, Nashik. The journey of Yuva Mitra started in 2000. In its initial days, NGO team spent lot of time in understanding the challenges, opportunities in the locale and more particularly farmers and village dynamics. After this exercise they identified 3-4 broader areas of development. 'Irrigation Water – key input for farming' – development activity began with restoring water level by restoring a 140 years-old network of canals around the Devnadi river, built in the British era. In early decades up to 1980s there was no issue

of irrigation water in the locality. However, due to lack of maintenance and support the canal network became defunct by late 1990s. The Yuva Mitra team had requested the Maharashtra State government for its rejuvenation and subsequently movement of collective action began to address common issue of irrigation water in the Devnadi Valley. Despite initial resistance from gram panchayats and local politicians, in a span of 7-8 years, along with locale farmers and district government, Yuva Mitra could revive the defunct irrigation system and win the trust of farmers. This was a great beginning as they could successfully instill a sense of belongingness and ownership among the people (a key indicator for the sustainable development). People of the region realized the power of collectives and participatory planning and action.

For Yuva Mitra, the second most important development area was- '*Sustainable livelihood*' for increasing farmers' income. They identified two key challenges - '*availability of quality inputs at right time and location & context specific technology*' on one side and '*connecting farmers to domestic and export market*' on the other. As an empanelled NGO by NABARD, Yuva Mitra started to address these livelihoods issues through a new model called Farmer Producers Organization (FPO).

The actual FPO formation process didn't take much time to collectivize the farmers towards the common agenda, as the farmers already had witnessed the power of collective action. The NGO team got along with 12-15 pro-active farmers to mobilize action at village level. They held various meetings, group discussions, workshops and awareness rallies about the members' right at village level up to district level. They also networked with key representatives of NABARD for few events. The concept of FPOs, its governance, management, compliance related activities, and its effectiveness in solving the agriculture input as well as output problem, etc. were thoroughly discussed. In addition, the NGO also did a "*need analysis and aspirations mapping*" of the local farmers to understand their pain points. The journey which started from 5-6 villages has now spread across 17 villages such as *lonarwadi, vadgao, bhatwadi, sonambe, konambe, sonaru, dubere, aatakawade, sinnar, kundewadi, mangeao, musalgao, saradwadi, zapwadi, aashapur, shivde, harsule, andpandhurni* . Presently the combined area under the company is 4,245 acreage.

Going forward, exposure visits were undertaken to study and understand the importance of FPO formation for the potential farmers. The prospective members also received training at *Deolali* camp, Nasik to understand good agriculture practices, different

agri related business activities and how to reduce wastage and spoilage in all agricultural operations.

About Devnadi Valley Agricultural Producer company Ltd.

Governance and Management:

At present the Company has 9 board members and a chairman who was appointed on 3rd Feb. 2011. All board members are passionate and did significant work for the members of the Company and are currently serving their second tenure. The share capital mobilized by company at Rs. 10/- per share and raised paid-up capital of Rs. 1 Lakh at the time of registration. Presently the paid up share capital is Rs. 9.37 Lakhs from 950 shareholders against Rs. 15 Lakhs authorized capital. In addition the company has 10 staff members including Chief Executive Officer (CEO), account officer, 3 agronomist, lab assistant, 2 procurement assistant and 2 supporting staff.

As desired, Company maintains governance and management function separately where the 'Managing Director' manages the day-to-day activities with support from (full-time) CEO. A separate management committee has been formed to undertake and manage day-to-day business affairs like purchase and sale of agriculture commodities, daily counter purchase/sale, management of soil & water testing lab, etc. The management committee members are selected by MD and CEO through several rounds of interviews and the selected candidates can hold position for 3-4 years. The company's strategic decisions are taken in the board meetings by the chairman. The company also has empaneled honorary expert director on the board to mentor board members in all important matters. Every year company conducts the Annual General Meeting (AGM) with 50% of members' participation and quarterly board members meetings with 70% participation. CEO maintains the record of all the meetings and decision taken by directors' body with signature of all members and ensures timely implementation of decisions. To maintain professionalism and discipline amongst management committee and staff members, director imposes penalties, if they do not fulfill their roles and responsibilities.

Business Operating Systems

During the formation stage only, company prepared business plan and decided to start agri-input shops to address key problems of farmers of the locality. Within five to six months of their incorporation, the company started an "Agri-Mall - Devnadi Agricultural Mall", essentially an input shop for making agricultural

inputs available to farmers in the area at the right time, at fair prices, and of good quality. The 'quality of agricultural input' has remained a critical issue for agriculture and allied sector. The DVAPCL initiative to start input shop was well acknowledged by local farmers and even line department officials. The mall was inaugurated on 1st Sept 2011 by Nashik district collector. On the same day, 59 new farmer members came forward to be the member of the company. Subsequently many farmers became members of the company over the period of time. At present, around 1200 farmer member and non-members from 18-20 villages of the Devnadi valley avail input facilities being offered by Agri-Mall.

A model of "*Earning Rs. 1000 Daily*" was also commissioned as a business activity which was an outcome of market and consumer demand. It was challenging and difficult to change cropping pattern of member farmers from '*traditional- production-led agriculture*' to '*market-led agriculture*'. Yuva Mitra team developed a half acre model of growing short-duration - exotic and conventional vegetables and its bulk marketing in local and Mumbai market. This initiative became successful and many member farmers are being benefitted from this innovative model. The agronomist appointed for the purpose provides right and quality information to member farmers and ensures adoption of good agricultural practices on the member farmers' farms. To ensure quality procurement and transparency in business operations, company has developed a standard operating procedure to be followed by all member farmers and makes advance estimates of demand & supply of selected commodities. CEO ensures entry of all business transactions and payment of farmers within 48 hrs. However, the Company is facing problems in economizing scale of production and managing losses & wastage in handling and marketing, so couldn't scale up to desired levels, despite huge demand in the market.

Backward Linkages of the Company

Input Services: The company has tied up with input dealers and manufacturing firms for bulk purchase of seeds, (bio) fertilizers, (bio) insecticides, pesticides, agricultural tools and equipment's, etc. and selling it to members and non-members. As a result, it saves around 30-40% of input costs on an average. The Company is trying to get dealer and distributorship, but it requires huge investment and a higher annual turnover.

Extension and Advisory Services: The Company has developed a strong system of information and technology transfer and other extension services for its members. Firstly, with the help of the

promoting institute it has undertaken frequent training and capacity building efforts to demonstrate good agricultural practices including vegetable cultivation, dairy, vermin-composting, etc. Secondly, it has also facilitated to take crop and animal insurance to mitigate risks. Third, it has established 'soil and water testing lab' with support from 'Mahindra Smruddhi' and ensures adoption of recommendation to maintain soil and water quality. Last but not least, it runs 'information centers to create awareness about State and Central governments schemes & programmes, weather & market prices, and has facilitated rights and entitlements from social welfare department to the eligible member farmers.

Forward Linkages of the Company

Devnadi Vegetable Express: As per the model developed, the company started bulk purchase of vegetables from members and engaged in selling into the local markets, Nashik city and Mumbai markets. It gave positive results and started a continuous flow of income, but at the same time because of losses and wastage of vegetables in handling and lack of storage facility, couldn't achieve the expected results. The major source of revenue comes from input shop so the company is now planning to open its own 'retail outlet' for marketing. It is interesting to note that the younger generation of that area started looking at agriculture as a business profession, which is not the case in many parts of the country.

Mr Anil Shinde, Chairman of the Company since inception and evolved from 'helper working in a glass factory of Larsen & Toubro Ltd' -to- a torchbearer for the Company. Along with Yuva Mitra team he is a key stakeholder in establishing and sustaining the Company's business activities. Along with his brother, on 2 ha land he is earning 6-7 lakhs of rupees annually through vegetable cultivation. For initial 2 years he was working voluntarily, but all members and board members acknowledged his efforts, passion, business aptitude and more importantly his transparent behaviour, the company has decided to pay him a monthly honorarium as token of appreciation.

The company has now tied-up with many agencies like Tata Trends, local hospitals, local educational institutes, canteens and 25 other such organizations, where bulk amount of fruits, vegetables and milk is being distributed. The company has also partnered with retail agencies for bulk and direct marketing such as Jain irrigation, Indian Potash Ltd., EPC Mahindra, Gharda Chemicals, Vanita Agro, PI Industries, Agri Search India Pvt. Ltd., Adama India, Godraj

Agro Vet., Excel Crop Science, SV Agro Solutions, etc.

As informed by Chairman, it is interesting to note that since inception “The Company has been able to increase member farmers’ income by 50% and has brought about 40-45% reduction in cost of cultivation”. However, in the last three years from 2016 to 2018, the company could not earn a profit due to drought conditions in 2016-17 and 2017-18 which was followed by flood in most of the part in 2018-19, (refer Table 1).

Recently, the company received funding of Rs. 29.30 lakh from NABARD and World Bank for enhancing and expanding forward linkages by technology adoption which includes, transportation facilities, weighing balance, and grading, standardizing, distributing and packaging unit. In the near future the company is planning to establish its own cold storage and processing center.

Table 1: Performance of DVAPCL

Sl. No.	Year	Profit (Rs.)	Turnover (in Lakhs)
1	2014-15	41,937	112.38
2	2015-16	45,831	375.23
3	2016-17	5,539	246.52
4	2017-18	(22,43,764)	120.01
5	2018-19	(6,50,963)	71.97
6	2019-20	79,715	321.72

Source: Data provided by the Company and as reported in the audited balance sheet

Challenges

- **Starting and Managing Agri-input Shop:** Lack of finance, high interest rate, credit guarantee fund, documentation problem, lack of technical & skilled person, lack of management, lack of professionalism, lack of agri-science and/or technical knowledge.
- **Soil & Water Testing Lab:** lack of skilled human resources, retention of human resources and labour, lack of availability of technical person to perform specific task, lack of awareness and importance about soil and water testing among member farmers.
- **Marketing:** lack of infrastructure, lack of assets, losses & wastage of agro-produce during transportation, handling, loading and unloading, etc.

Conclusion

The Devnadi Valley Agricultural Producer Company Ltd. is reaping the benefits of healthy agro-climatic conditions of the region backed by dedicated and committed members by undertaking innovative agricultural production practices and developing a new value-chain. While doing so, they realized that agriculture sector can be remunerative and attractive, if we look at it from a business perspective and carry out professional management of its activities. The most important aspect is developing own management system to address the operational challenges like timely availability of quality inputs, water availability, use of modern technology, context and location specific extension & advisory services, transportation and marketing, etc. The focus of the company is on continuous training for building relevant skillsets among staff members and even board of directors. This will enable them to understand the management related as well as governance issues of the company. DVAPCL is now a well stabilized company, keeping governance and management of the organization separate, which is not the case of many FPOs across the country. However, attracting and retaining skilled human resources to streamline forward linkages is a concern. This includes management of warehouse, cold storage, undertaking value addition & processing activities which is quite critical for its growth and scalability in future. Most of the FPOs are not able to resolve these issues and are stuck in the formation stage itself. This needs to be addressed at the policy level by designing suitable structures for capacity development. It is recommended that in order to develop a cadre of trained personnel as well as directors, a recognized course or diploma programme should be instituted to enable them to pursue their career in the development sector in general and FPOs in particular.

The case study demonstrates 'the power of farmer collectives' - i.e. "high bargaining power in the input and output market". The Key Success Factors behind Devnadi Valley Agricultural Producer Company -

1. Proactive Leadership by Chairman
2. Keeping governance and management function separate
3. Decision making in the interest of members
4. Quality extension & Advisory services
5. Responsive to members' needs and aspirations
6. Transparency in all business affairs

References

Annual Reports of the Devnadi Valley Agricultural Producer Company Ltd. from 2014-15 to 2019-20.

Note: The data has been collected through primary and secondary sources. The face-to-face discussions with the Chairman, CEO, and staff members of the DVAPCL were made during December 2019 followed by telephonic conversations with some of the members during May – June 2020. The secondary data was collected through the sources like company annual reports, audited balance sheets, profit & loss statements, news coverage, etc.

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