

POLICY ROUNDTABLE ON SUSTAINABILITY OF FARMER PRODUCER ORGANIZATIONS



PROCEEDINGS DOCUMENT

28th November 2017
Hotel Tashi Delek, Gangtok, Sikkim



Context to the Policy Round table

A policy roundtable on “Sustainability of Farmer producer organizations” was held at Tashi Delek, Gangtok, Sikkim on 28th November 2017, in partnership with Integrated Mountain Initiative and Green Economy Coalition. The initiative was supported by Heinrich Boll Foundation and European Union. The purpose of the policy round table was threefold:

1. Share the research findings from the study conducted by Development Alternatives on Farmer Producers Organisation
2. Experience sharing by stakeholders working with FPOs in Sikkim and outside for strengthening FPO as an institution, business sustainability of the FPO.
3. Policy imperatives for Government of Sikkim to invest in sustainability of FPOs

Indian Agriculture system bears the responsibility of food and nutrition security of over billion populations and provides livelihood to over 58% of the population. However, agriculture is an unsustainable livelihood option for 85% of the small holder farmers who depend directly on agriculture for their livelihood. Increasing pressure on our natural resources such as water, soil and land; and adversaries of climate change are increasing the risks in agriculture. Fluctuating market prices further adds to the unviability of agriculture as a business in the current scenario.

Sikkim being the first Organic state in India with 74, 190 hectares of land under organic farming during the first phase of Organic mission thus setting an example for doing agriculture in an environmentally sustainable way. Sikkim is declared as the first organic state in the country, therefore moving towards sustainable agriculture. Government of Sikkim has recently launched Sikkim Organic Mission 2.0. As a part of this phase, Sikkim aims to enable better market access, pricing for organic produce to farmers in Sikkim.

In this context, this consultation gathered challenges that small farmers in Sikkim faces and the opportunity in farmer producer organizations to enable better livelihood security and environment sustainability of agriculture.

The consultation witnessed participation from Department of Agriculture, NABARD, various service providers and farmer producer members from Sikkim. There were key experts and practitioners from other parts of India who also joined to share their experiences with Sikkim stakeholders.

Key note Address by Honorable Member of Parliament Shri PD Rai



Honorable Minister of Parliament, Mr PD Rai addressed the policy round table participants to give insight on vision and aspirations of the Government of Sikkim in agriculture. In his key note address, Mr Rai highlighted the context of the Himalayan states as critical in determining any design of FPOs for Sikkim. The challenges of FPOs, especially of small farmers who are spatially scattered and find difficulties in reaching to markets have to be kept in mind while devising solutions for Himalayan FPOs.

Capacity building of farmers in Sikkim, especially on marketing and financing the FPO are critical and need a high degree of emphasis, added Mr Rai. This can bridge the scenario of artificial marketing that State Government currently provides to the small farmers and prevent them from being solely dependent on State Government.

Mr Rai, highlighted major initiatives of Sikkim in this front. Government of Sikkim is leader in taking forth initiatives for achieving Sustainable Development Goals in the country, with the upcoming Sikkim Well-being of Generations Bill, 2007. Food and agriculture systems will play an instrumental role in its success. The Government of Sikkim has taken various initiatives to support small holder farmers and FPOs in Sikkim.

Key Concerns/Challenges Identified

The next session at the round table split the participants in three different groups. Each group was tasked with one of the three tasks:

TASK 1: Identify the Vision of India and Sikkim with agriculture systems, with especial focus to small holder farmers and FPOs. Also identify the gaps in the Vision.

TASK 2: Identify the current strategies and actions taken up by Government of India and Sikkim to support small holder farmers and promote sustainable agriculture. Identify the gaps in the same respect.

TASK 3: Identify the current challenges and concerns of small holder farmers in Sikkim and in India, especially with respect to the ones who have organized/attempted to organize themselves in FPOs

One member from each group presented the summary of discussions to all the participants of the round table. There were five major challenges identified from this session in the context of FPOs in Sikkim, each of them were discussed in further detail in the next session. These were:

- 1. *Lack of Professional competencies:*** The requisite skills for business management, financial management, marketing is not available to the FPOs in Sikkim.
- 2. *Lack of infrastructure:*** Sikkim does not have adequate post-harvest infrastructure like cold storage houses, warehouses, processing centres; impeding the performance of FPOs.
- 3. *Untapped market opportunity:*** FPOs in Sikkim have explored very limited markets and are largely disconnected from the markets to negotiate price of their produce. The hindrance is not just physical, it is also because of lack of understanding & awareness of opportunities of market access beyond the local markets.
- 4. *Certification:*** Certification costs of organic produce is currently borne by State Government of Sikkim but in many cases, only a certain proportion of food is certified organic, as per the system under which it is certified.
- 5. *Financing FPOs:*** FPOs do not share positive feedback from financial institutions, who are usually unaware of a body like FPOs and face difficulties in explaining their institutions and their rationale for loans. The financial institutions are mostly closed towards FPOs.

Some highlights from the session of identifying challenges in the context of Sikkim are:

FPOs and promoting agencies shared major challenges faced by farmers and FPOs in Sikkim. Tshering Ongmu, Secretary, FPO East Sikkim elaborated on *inaccessibility of organic inputs and lack of awareness* amongst farmers on organic practices. FPOs find it challenging to identify the 'right' price for their produce and generally loose out to competitive prices from produce of other states.

Tshering Ongmu added that farmers in Sikkim are in a *different mindset* than the one required for marketing and building agri-business. Seeds and other inputs are provided by the state, along with trainings. Further, produce is also bought by the State Government at expensive rates. This keeps the farmer unaware of the real market scenario. Problem for cold storage and transportation, lack of business knowledge, limited capital are some concerns amongst others.

Karma Dechen Bhutia, President FPO East, shared the incapacities of the *technical know-how especially for management and marketing* in the FPOs of Sikkim. Mr Rajesh Gupta from EDA Rural Service Private Limited raised the concern of *unfriendly nature of financial institutions* to the FPOs. Most of the banks in Sikkim are not aware of FPOs and are therefore reluctant to finance them. This is a major hindrance in growth of FPOs in Sikkim.

Rangu Rao, Safe Harvest Private Limited, added the distress in country with *pulses prices* which are affecting farmers across the country. Reaching attractive markets is expensive for a distanced farmer, especially the ones located in the hills.

Prof Shambhu Prasad from IRMA identified *trust building among farmer members* as very critical and a challenge faced by many FPOs in the country today. This is a time taking process and involving farmers at each step of institutional building is the key. One of the FPOs, bought produce from farmer members in times of crisis and gained the trust of the farmer members, over a longer period.





Possible way forward to address the challenges

Sikkim Government initiatives for sustainable agriculture; doubling farmers' income

Dr Anbalagan Sundaram, Executive Director, Sikkim Organic Mission, elaborated on various initiatives that government of Sikkim has taken and plans to take up for supporting organic agriculture and better incomes for the small farmers in Sikkim. The recent announcement of **Vegetable ban** from outside Sikkim, in order to promote local agriculture production is seen as a challenge as well as a big opportunity for Sikkim farmers to access local markets with their produce.

Rowena Mathew, from UNDP Sikkim, raised a concern whether Sikkim farmers are ready to cater to the Sikkim market after the vegetable ban is executed. Additionally she requested Dr Anbalagan to throw light on ways through which Government of Sikkim will support the farmers and the consumers during this transition period.

Dr Anbalagan in his response mentioned that the department is planning extensively for this transition. He further adds that Sikkim is producing huge amount of vegetables, though certain vegetable cannot be grown here due to climatic conditions, the population of Sikkim, 60,000 tonnes will be consumed production is 80,000 metric tonnes. There are storage and transportation facilities in some locations it will take some time to avail these facilities to the FPOs in all regions. The government will invest in developing clusters of farmers for a crop, to enable better marketing opportunity.

Karma Dichen Bhutia, President FPO East Sikkim, says that he too was shocked at the announcement. But on the second thought, he sees this as a major opportunity for the farmers to sell their produce, on conditions of transport and marketing support from government.

Professionals for running and managing farmers' institutions

Context:

The requisite skills for business management, financial management, marketing is not available to the FPOs in Sikkim. Every producer company needs 3-5 people to be fully functional, intensive training required.

Policy enablers:

Prof Shambhu Prasad, IRMA suggested to build a *local cadre of professionals* from Sikkim that have technical capacities for management and marketing decisions for the FPO. Special skill and training programme by the government can be introduced. On an average, skill development requires an investment of 4-6 months, costing INR 40,000 - 50,000 per candidate. Pratheek Abraham, from IFHD, further adds that local people are usually more motivated to stay and sincerely run the business.

MV Ashok, former Chief General Manager, NABARD and currently at TISS, Mumbai; elaborates on the *capacity building programmes by NABARD*. NABARD has identified 8 institutions across the country that can carry out training session and have the capacity. Reaching out and linking with them can be useful for FPOs in Sikkim.

Dr Anbalagan highlighted the concept of livelihood schools in Sikkim and mentions that professional trainings for FPOs staff can very well be a part of these livelihood schools.

Ashish Gupta from Bhoomika Campaign adds that in neighboring north eastern states, there is a *green college initiative* with 1300 + skilled trainees, as on 2017. 1% of these trainees are Self-Help Group members. Sikkim can also build a cadre of trainees on the same note.

Vijayalakshmi Das from FWWB, India, raised a critical point that *volume of business* of the FPO will be instrumental in retention of management staff; only focus on training for professionals in FPOs may be inadequate. It is important to focus on capacities of FPO to expand and increase the volume of their business. Growth of FPO is an important ingredient in retaining staff.

Infrastructure investments for FPOs

Context:

Sikkim does not have adequate post-harvest infrastructure like cold storage houses, warehouses, processing centres; impeding the performance of FPOs. Dr Anbalagan mentions that Government of Sikkim is planning to investment INR 20-25 crores for facilities like collection, processing, cold storage transportation, which will take 1-2 years.

Policy enablers:

Prof Shambhu mentions that such huge infrastructure investments have to be *public investments*. FPO cannot invest in a cold storage facility the government should provide requisite systems for the farmers and the FPOs.

Ashish cautioned that creating infrastructure is easy but *maintaining* is a task, FPO will not be able to take the ownership of the infrastructure. Sometimes large investment is made but lies vacant, it is important to get the right size. In most hill states, small manageable cold storage centres are useful since most of the product portfolio is either consumed fresh or has a long shelf life. More important in infrastructure is to furbish the need of grading and processing centres. Cluster based cold storage for some products can be used.

M V Ashok identified examples from Maharashtra farmers. Some large farmers invest in infrastructure lend the facility on revenue basis to small farmers. This is especially seen with grape farmers in Maharashtra.

Sarat Kumar, from ALC India suggested that Government can lease the storage infrastructure to the producer companies and then once the investment is covered it can be owned by the producer companies.

Business management, Marketing and Distribution

Context

FPOs in Sikkim have explored very limited markets and are largely disconnected from the markets to negotiate price of their produce. The hindrance is not just physical; it is also because of lack of understanding & awareness of opportunities of market access beyond the local markets. There are many FPOs that have got set up but with very limited market linkages.

Policy Enablers

Participants at the round table emphasized the importance to finding appropriate market for your produce. Ashish Gupta asked the FPOs to *explore new markets*, especially through *networks of organic farmers*. One can get better prices of their surplus in markets of Mumbai and Delhi. In doing so, it is critical to have transparency mechanism with farmer members, sharing the market price, cost of transport and marketing for building faith of the farmer members. MV Ashok wondered if Sikkim can explore Bhutan's market where vegetables are sold at INR 1000 per kg and take advantage of such pricing.

Rangu Rao from Safe Harvest Private Limited elucidated the logic of prices with farmers. According to him, farmers depend on the previous year prices. If FPOs can promise a minimum price for the product at the time of harvesting, on basis of a contract, the situation can be stabilized. On the other end FPO must establish links with market to reduce fluctuations in prices. In case of sudden dips and lows, government can support in *stabilizing the FPO*. An important point in perspective here is that an FPO cannot control competition in market but if a trustworthy relationship is built with farmers, retained for successive farm seasons, this can set the grounds of business for FPOs, securing the products to build their marketing on.

Organic Certification

Context

Certification costs of organic produce is currently borne by State Government of Sikkim but in many cases, only a certain proportion of food is certified organic, as per the system under which it is certified. By 2015, the state has become certified organic. In the process, the Government of Sikkim has spent finance of the order of INR 100 crore. The money included certification costs and inclusive of training certification officer to conduct the certification assessment. Most of the certification officers were identified from local youth and generated local employment. Dr Anbalagan also highlighted that Sikkim Government is in the process of strategic planning, which includes 4 outlets for sale in Sikkim; organic brand of the state; and other facilities like incubation centre, processing facilities and more manpower.

Policy Enablers

Karma Bhutia raised a concern where only part of the produce is registered and flashed as organic under the government data. How to market and certify the remaining produce as organic (the one that hasn't been registered)?

Dr Anbalagan mentioned that Service providers from the government go to farmers for information. Farmers sometimes provide incorrect information to the service providers and the added produce does not get registered. Sometimes they even refuse to give information. Also, data registration happens only 2 times a year for *rabi* and *kharif* crops. Farmers growing 3rd crop usually are not able to register that as organic.

Ashish Gupta responded by saying that the third party Certification process undertaken by Government of Sikkim will have this concern and went further to suggest an alternative. He elaborated on the benefits of ***Participatory Guarantee Systems (PGS)***—as the way to certify organic. Under PGS, unlike the 3rd party evaluation; it is the farmer who gets certified as organic and not the land. Inside of Sikkim, there is no need for certification, for selling the produce outside Sikkim, it is a recognized form of certification.

Rangu Rao suggested another alternative, that is, to practice ***randomized sampling***, to send the produce to be tested by labs. Random sampling and publically available data can imbibe transparency.

Financing Farmer Producer Organisations

Context

FPOs do not share positive feedback from financial institutions, who are usually unaware of a body like FPOs and face difficulties in explaining their institutions and their rationale for loans. The financial institutions are mostly closed towards FPOs.

Policy Enablers

Ms Vijaylakshmi Das emphasized the need of *behavior change of banks* towards FPOs which is not very easy, as she elaborates from her experience. Banks have limited knowledge on FPOs. It is a new institution for them; there is a need to build awareness and confidence for these institutions in the banks.

On the other end, Vijayalakshmi Das also acknowledge that *farming is a very risky business* and there is a need to build capacities of the FPOs to optimize these risks. Governance and financial experience has to be enhanced to get finances. As said by Vijaylakshmi Das, if you need money from banks you need balance sheet for fundamental assessment, they look at the assets. Banks ask for business plans which the farmers are not experts at.

It was suggested if the Government of Sikkim can build a *credit guarantee fund* or a revolving fund to enhance investments towards FPOs and also provide directives to the banks to prioritise easy FPO lending. An argument was made, that when debt wavers to farmers can be done by the state, they can utilize that money in guarantee funds. State can guarantee funds for producer companies. NITI Aayog has also established incubators. Sikkim will be able to tap these funds if they build a tie up with some banks to provide parallel finance. MV Ashok added that NABARD has also set up incubators in 8 state agriculture universities, something Sikkim can also explore as an opportunity.

Ashish mentioned that many FPOs have taken the alternate route, moving beyond formal financial institutions; to raising fund from *impact investors*. Pratheek added that GIZ with SIDBI are planning to make financial products for sustainable businesses which is an opportunity for investments in FPOs. However Vijayalakshmi and Rangu emphasized the criticality of formal financial institutions linkages for stability and business growth in the long run.

Capacities and Knowledge System for Organic Agriculture

Ashish Gupta highlighted the *lack of research and analysis* on organic farming at an institutional level. Sikkim has the opportunity to collect and analyse data and put systemic analysis in public domain on organic agriculture. ICAR in Sikkim is converted into Organic Farming Institute and can take up this responsibility.

MV Ashok shared many initiatives where farmers are trained to then become organic farming trainers and reach out to other farmers. This is very useful in building awareness and capacity building of Sikkim farmers. Dr Reddy's Foundation has one such initiative. Sikkim farmers can register under such initiatives to enroll as one of the trainers. Sikkim farmers can also learn from such initiatives to replicate in their state.

Professor Shambhu said *extension system* for organic farming in Sikkim has to be completely reoriented and reimagined. The conventional extension systems cannot work for the new paradigm of agriculture. Extension should not be ignored by the government and capacities of how to do organic cannot be solely left on the farmers. Mr MV Ashok also identified a critical need to transform KVKs and extension system to the needs of organic agriculture production.





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