



A Project by World Bank and Jharkhand State Livelihood Promotion Society

CASE STUDY

Saving Two Birds with One Nest: Strengthening Governance and Market Returns of FPCs with Proactive Participation Mechanisms for FPC Board of Directors

Neeraj Kumar | Nagendra Rajawat | Avi Jain

ABOUT JOHAR FPO ENHANCEMENT PROJECT

JOHAR (Jharkhand Opportunities for Harnessing Rural Growth) is a project implemented in 68 blocks across 17 districts of Jharkhand, India. The development objective of the project is to enhance and diversify household income in select farm and non-farm sectors for targeted beneficiaries in rural areas. Ananya is engaged as one of the Technical Support Agencies for enhancing creditworthiness of the Producer Groups (PGs) and Producer Companies (PCs) by way of imparting trainings, streamlining book keeping, helping adherence to regulatory compliance & supporting financial reporting & analysis.



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The case study has been developed as a response to create knowledge around JOHAR project. Hence, the case study can be used as a learning tool for other FPCs and agencies. No part of the publication can be reproduced or republished without the permission of proper authority.

BACKGROUND

Sarhul Aajivika Farmer Producer Company Limited (SAFPCL) is a women's Farmer Producer Company established in 2019 in Ranchi, Jharkhand. SAFPCL is working in four different blocks namely Bedo, Chanho, Mander and Kanke of Ranchi District, Jharkhand. These regions are known for rich varieties of fruits and vegetables like Watermelon, Guava etc. The FPC is promoted by Jharkhand Opportunities for Harnessing Rural Growth (JOHAR), a project of Jharkhand State Livelihood Promotion Society (JSLPS), a society under RDD, Govt of Jharkhand. SAFPCL comprises more than 1,500 women farmers, 10 Board of Directors and has 13 staff employees (inclusive of 10 JOHAR project staff).

THE CHALLENGE

The last two years of SAFPCL i.e., FY 20-21 and FY 21-22 have been the worst. The business was affected by the COVID lockdown period that resulted in local market closure and loss of business. Hence, it decided to reach out to other markets for sale of produce. However, the restriction of interstate movement of vehicles induced the FPC to face transportation challenges for the transport of vegetables and other products to other states. Another challenge observed was the restriction on the movement of staff which barricaded the communication to local farmers concerning the assessment of product availability, pricing information and logistics coordination.

These challenges faced by SAFPCL were quite similar to other FPCs in the region. The biggest challenge observed in SAFPCL was the coordination problem among the Board of Directors of the FPC, the field staff and the producer groups (PGs). There have been discrepancies observed in business decision-making by BoDs of SAFPCL. There were no consensus on the right harvest and seeking a competitive price for all the farmers. Moreover, due to a lack of established systems and processes, the FPC was not able to make the right assumption for the produce available with PGs.

No discussions took place among the board concerning the post-COVID market strategy for the sale of the harvest of the PGs. Establishing a proper network mechanism among BoDs of SAFPCL and the PGs became the bottleneck for the prosperity desired for the farmers.

INTERVENTION

It was a challenge for Ananya to devise a strategy for initiating discussions during the pandemic. The limited mobility and interaction on the field induced us to develop a localized approach towards the training needs of the FPC. Hence, Ananya's team adopted a mixed approach to gathering field intelligence on the discrepancy and devised a mixed online and offline training programme for the BoDs of SAFPCL. Moreover, the team also devised a monitoring and mentoring mechanism to aid FPC's efforts post-training.

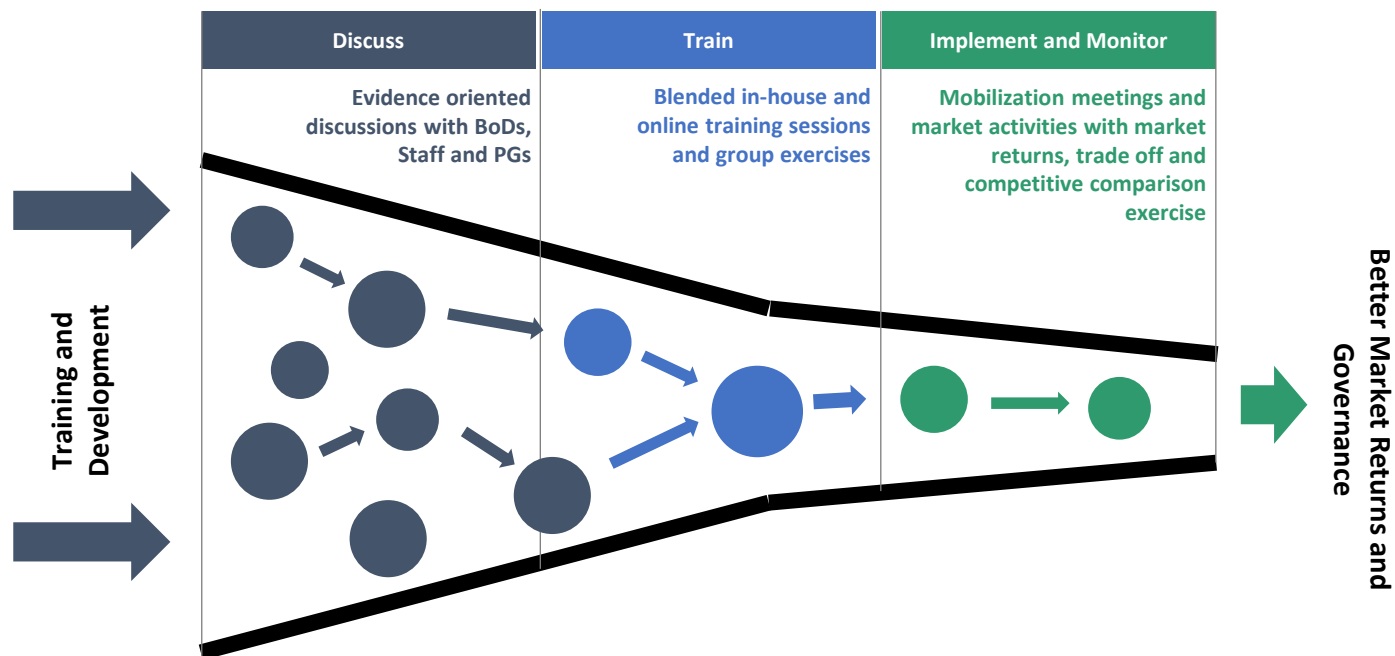
The **DTI (Discuss, Train and Implement) strategy** developed by a team was a simple mechanism to help the FPC learn from local case studies and devise their strategy with defined outcomes.

The team from Ananya approached the BoDs and understood the current coordination challenges among the farmers. The focus of these discussions



The biggest challenge for the FPC was coordination among their members. Moreover, no proper communication mechanism existed between the producer groups and the FPC's Board of Directors. The restrictions posed by COVID-19 deterred mobility and transportation on the field and in the market.





ANANYA’S DTI (DISCUSS-TRAIN-IMPLEMENT) STRATEGY FOR SAFPCCL



Field Interaction with 10 PGs, 10 BoDs and 3 Staff members



8 days online, offline and field training with 10 BoDs and 100+ shareholders.



20 intense blended sessions with 12 group activities on 60+ topics and cases

helped the team uncover bottlenecks for BoDs and the staff of SAFPCCL in coordinating with the producer groups. It was discovered that there was a poor frequency of group discussions observed between the PGs and the FPC. Moreover, the FPC had little knowledge of the changing market structure and demand of certain produce available in abundance with the PGs.

Based on the insights, the team from Ananya designed the training programme. The training sessions comprised case studies, group discussions and group activities for BoDs and PGs around governance and active listening which targeted the gaps observed during the discussion phase.

The sessions were conducted by experts from Ananya in coordination with other programme partners. Most of the PG members used to sell their product in the local market. Despite knowing that they were getting lower prices, they preferred to sell directly as they were able to sell in cash. During the training to BoD members, Ananya made them understand through different case studies that if the PGs will not contribute and collaborate with the FPC, the profit margins will go into another trader’s pocket.

The third phase of implementation observed organic proactive participation of the BoDs of the FPC in business decisions that involved perspectives from PGs and the latest market data. The Board members started making decisions like finalization of vendors, sales and purchases etc., and most importantly mobilizing Producer Group members. Distinct responsible ownership by the PGs was also observed as accountable shareholders of the FPC. So, Producer Group must come forward to sell their product to the FPC to explore better market price.



THE DTI Strategy was developed as a simple response tool for establishing and training BoDs, Staff and PGs regarding the benefits of communication and coordination.



The BoDs took responsibility to organize the PG members to sell their product to FPC by making visits to PGs and by conducting the meeting to make them aware of the benefits of doing business with FPC. BoD members also devised strategies to promote the concept of collective marketing to the PG Members.

Outcome

The whole activity helped the FPC identify Watermelon as a commodity that had a huge demand in neighboring states as well as its surplus availability among the PGs. The activity enhanced the business of FPC. In the last two years, it has done good business with the help of BoD members through output sales.

In the financial year 20-21, the FPC could purchase 161,138 Kg of watermelon at Rs 10,79,657 from farmers of Mandar and Kanke blocks with support from BoD. As per the Marketing Manager of FPC, the purchase price varied from Rs.6-12 in the season. FPC could make a sale of 161,078 Kg of watermelon at Rs 11,95,171. The total gross profit of the FPC from this business activity was Rs 1,15,514. A similar growth phenomenon has been observed in FY 2021-22. The FPC has already sold 98,655 Kg of watermelon and has made a gross profit of Rs. 108,960.

On the other hand, with this event, FPC has gained more experience in selling output in the outside markets, negotiating the prices and managing issues of transportations. PGs have now more confidence in the FPC staff as well as BoD members. They have good experience of outside mandi and dealing with different parties and doing business successfully. The Producer Groups from the field could also sell their commodity without any problem from their doorstep.

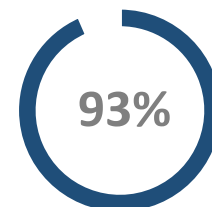
The oval shape variety of watermelon is preferred in the market so most producer group members grow that variety. BoDs spearheaded with a communication strategy to mobilize and inform the PGs about the market demand and assessed the produce available with the farmers. They took responsibility for mobilizing PG members in the villages and the finalization of agreements.

The Board members' visit to the PGs increased from 20 to 60 with an overall increase of 300%. Now, they make collective decisions in other fields like finances and operations too.

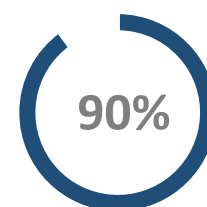
The overall exercise emerged as a good business experience for the FPC in doing business on one commodity, They have also added jackfruit, cucumber, tomato, beans, etc., and had earned good profit out of that. Thus, Producer Groups got profit of their produce through FPC which was otherwise not possible to get a good price in the local market. Ananya has always mentioned during the training the importance of maintaining good coordination between the PGs and FPC. The Producer Groups and the FPC have now better coordination balancing the demand and supply for the right commodities in the market.

CONCLUSION AND LEARNING

FPC gained more experience in selling output in the outside market during the worst market situation, assessing market volatility, negotiating on the prices and solving issues of transportations. Similarly, PGs gained more confidence in the FPC staff as well as BoD members. They are more organized. They felt that they are complementary to each other.



93% increase in watermelon produce sold in FY 2020-21



90% increase in the net profit for all the farmers and PGs combines



300% increase in the field visits and meetings conducted by BoDs with PGs

The experience helped in understanding the importance of coordination and understanding within the FPC, which decides their overall performance in the market. It is evidently important for any FPC to establish adaptable communication mechanism for gathering the right data to make right decision at the right time. For any agency working with FPCs, it is important to assess the communication mechanisms and channels before developing a training programme or market strategy for the FPC. The lack of communication has a potent ability to become a bottleneck for business growth and expansion for any FPC. Hence, an assessment and associative plan for establishing such channels should be considered.

ACKNOWLEDGEMENT

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GLOSSARY AND ABBREVIATIONS

1. **BoD:** Board of Directors
2. **PGs:** Producer Groups
3. **Mandi:** A market place for sale and purchase of vegetables, fruits and allied commodities.
4. **JOHAR:** Jharkhand Opportunities for Harnessing Rural Growth
5. **SAFPCL:** Sarhul Aajivika Farmer Producer Company Limited
6. **RDD:** Rural Development Department.
7. **JSLPS:** Jharkhand State Livelihood Promotion Society.



Address: 903 9th Floor Sakar - 9, Besides Old RBI Office Ashram Rd, Ahmedabad, Gujarat 380009

Email: admin@ananyafinance.com

Phone Number: 079 4040 3030

Website: www.ananyafinance.com

