

Opportunities for Rural Collectives in Secondary Agriculture

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SUMMARY

India is predominantly a rural country with more than 65% of the population residing in villages and depends on agriculture for livelihood. However, due to the conventional form of monetization of agricultural produce by farmers, the pace of growth of income for this very important segment of our country has been observed to be incremental only unlike some of the sectors where unlocking of value has happened at relatively faster pace. To, address this situation an effort in the form of setting up secondary agriculture enterprises have been proposed by the Committee on Doubling Farmers' Income. This article makes an attempt to suggest how this can be done by involving rural collectives.

INTRODUCTION

India is predominantly a rural country with more than 65% of the population residing in villages and depends on agriculture for livelihood (Economy Survey, 2022-23). Although multiple efforts are being made to enhance farmers' income, the farming community involved in the agricultural production work is experiencing difficulties in income augmentation. One of the reasons that have been highlighted for this condition is related to the traditional pattern of primary agriculture activities involving the conventional form of monetization of agricultural produce by farmers. When a lot of focus is given on doubling farmers' income, probably this approach may not work efficiently in its current form for the farming community. Acknowledging this situation, the Committee on Doubling Farmers' Income advocated promoting secondary agriculture as a possible way of augmenting the income of farmers.

Secondary Agriculture and Secondary Agriculture Enterprise

The Committee defined secondary agriculture as a production activity at enterprise farm level and emphasised not only on production, monetization of produce, strengthening extension services but most importantly viewed this secondary agriculture work as an enterprise led by farmers. There are broadly three types of secondary agriculture activities. The first one, known as Type A activity that involves value addition to primary agriculture production systems. The second type called as Type B focuses on alternative enterprises that are linked to rural off-farm activities. And finally the third one known as Type C consists of those enterprises that are focused on crop residues and waste materials of primary produce.

When we talk about Type A activities basically we focus on enhancing value of traditional agricultural produce through better production practices resulting into higher quantity and better quality produce, related post harvest practices such as grading, cleaning etc. to improve the quality, exploring alternate marketing avenues / opportunities, collectivising in the form of Self-Help Groups (SHGs), Community Based Organizations (CBOs), Farmer Producer Organizations (FPOs), Cooperatives, Informal Groups etc. so that better bargaining power is attained in the market.

In Type B activities, the focus is on agri-allied options such as dairy, poultry, bee-keeping, mushroom etc. to name a few. The farmer still continues working on the primary agricultural activity in addition to type B activities. This helps in integration of on-farm and off-farm activities for better income augmentation. Type C activities focus on the bi-products of primary agricultural produce such as crop-residue, baggasse, cotton stalk etc. for converting into income enhancing enterprises.

From farmers' perspective, these three sets of activity cohorts may not be mutually exclusive and separated. For example, a farmer may focus on better production system to grow good quality paddy variety, form a cooperative in his area by mobilizing likeminded farmers and augment his income through selling the commodity in bulk (Type A activity). Parallely, he can also rear few cows and sell the milk so produce to the same of other community based organizations (Type B activity). He can aggregate the paddy straw (crop-residue) or other crop-residues through the same cooperative and sell it to bio-fuel producing companies (Type C activity).

These three sets of secondary agriculture activities certainly require an effective enterprise to unlock the full potential. It means that organizing and then after managing such enterprises on a sustained basis is a critical activity and should be given due importance. As we discuss about an enterprise, we must not see it merely as a set of activities done by the farmers but view it mainly as their entrepreneurship venture which means that the farmers need to start thinking like an entrepreneur. The farm enterprises that they pursue must revolve around this understanding. In this context, certain basic concepts of organizing and managing an enterprise becomes relevant.

Farmer as an Entrepreneur

Considering the low level of production/ output of agricultural produce on per farm family basis it is very important to understand here that value enhancement resulting into income augmentation of a farmer may happen only if they get adequate say as a significant player in the market. It basically means that they need to have a favourable terms of exchange as well as terms of trade. Unlike any other businesses where even production of raw material is largely centralised and has significant role in deciding the market dynamics, the farm sector has just opposite situation i.e. production of raw material (say agricultural produce) is highly scattered. Aggregating these scattered produce into a sizable quantity that can bring a favourable terms of exchange (bargaining power) and consequently a remunerative terms of trade is very difficult. This difficulty is not just due to the various types of differences that might have on individual farmer level but also due to variety of produce that might be required to be handled in the process.

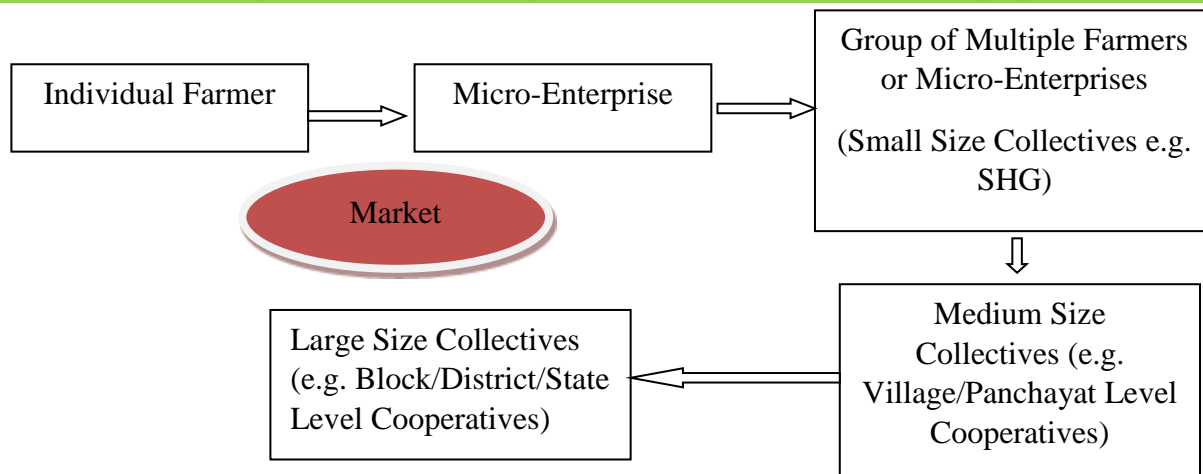
Considering the aforementioned challenges, to set up an effective enterprise the role of collective action by the community for which we intend to build an enterprise cannot be ignored. For collective action, 'efforts by a group' and 'common goal' are important features. And to mobilise group formation it is very important to showcase a need for group formation and channelizing this need into a common goal for all the group members. It essentially means that social mobilization needs to be done in order to generate sufficient enthusiasm for a collective action. Various studies in the past indicate that collective action might happen relatively easily when it does not have a huge mobilisation cost for the individuals, there are opportunities for coordination and willingness for undertaking series of interactions, a high stakes in the success of collective efforts, a norm that encourages collectivising and punishes the free-riders, higher reward to effort ratio at farm enterprise level and so on.

The trigger point for collectivisation could be any event/ experience at individual or group level that strongly communicates a need for group formation. However, when these experiences are commonly shared among or communicated to the prospective group members then collectives may actually start taking a shape. This process subsequently may result into social mobilisation. However, to realise the benefits of collectivisation, it is important to reach a certain level (in terms of size of the collective, measured through number of active members, business/ transaction volume etc.) within a reasonable time. The members joining the group need to experience the benefit soon either in terms of improvement in income, reduction in cost, and other tangible and intangible benefits due to collectivising. Those with smaller farm level output may be initially more interested in tangible benefits for continued engagement with the collective thus formed.

How to Set up Rural Collectives for Secondary Agriculture Enterprises

There may be various forms of collectives thus created out of collective action. Some of the prominent Community Based Organizations (CBOs) could be in the form of small groups such as Self Help Group (SHG), Resource Users' Group (e.g., Water Tank Users, Farm Machinery Users, Land Users & Skill Users), Joint Liability Group (JLG) etc., There are other groups such as Farmers' Club (FC) Organic Farming Group (OFG), Village Development Committee (VDC), Water User Groups (WUGs) etc. which could be useful for a medium sized set up. On the other hand, collectives such as Cluster Level Association (CLA), Project Level Federation of SHGs (PLF), Watershed Development Committee (WDC), Eco Development Committee (EDC), Farmers' Producer Companies (FPCs), Cooperatives etc. could be useful at a large scale. Here it is important to highlight that the levels such as small, medium and large needs to be assessed based on contextual requirements. One need to keep in mind while thinking of scaling up that one successful form of organization may not be equally successful everywhere and therefore should assess the requirements based on multiple factors.

To exploit value out of the 3 types of Secondary Agriculture as mentioned earlier, a flow diagram for setting up an enterprise (of different scale) has been suggested.



An enterprise is primarily focused on generating income for the members/ owners. The meaning of micro-enterprise in this context refers to the income generating activities that employ less than 10 persons including the owner and family members (as mentioned in DPI Report 2018). This could be a basic group level activity that could be done in the pursuit of leveraging benefits out of secondary agriculture.

However, as mentioned earlier, the real value for the producers could be created when they have a bargaining power, which might result due to high scale of production, quality of produce, specific nature of the produce and so on. Therefore depending on the nature of agriculture activities one may go for setting up the second level or third level of group based enterprise. Now, the market is becoming very integrated. Also various online platforms are providing opportunities to sale the produce not just within India but also globally. Also, from fund mobilisation, sourcing and equity infusion perspective certain sets or organization may provide more advantages than others. Thus, the legal nature of an enterprise becomes equally important, particularly at a larger level, for further business expansion purpose.

Government of India is promoting setting up of 10,000 Farmer Producer Organizations (FPOs) by 2023-24 under the scheme for "Formation and Promotion of Farmer Producer Organizations (FPOs)". The scheme provides a lot of financial incentives for such organizations as well. This provides a great opportunity to the farming community to collectivise and leverage its benefits. The rural collectives may therefore take advantage of this opportunity and register itself as a Farmer Producer Company in accordance with Section 465(1) of the Companies Act, 2013 or as a Cooperative under Cooperative Acts of various states or Multi-State Cooperative Societies Act. However, to sustainably function it is important for such organizations to effectively implement the basic principles of cooperation such as Voluntary and Open Membership, Democratic Member Control, Member Economic Participation, Autonomy and Independence, Education, Training, and Information, Cooperation among Cooperatives and Concern for Community as per International Cooperative Alliance.

CONCLUSION

Secondary Agriculture provides a good opportunity for farming community to augment their income by undertaking any of the three categories of activities. However, the real benefit could be leveraged if they collectivise and set up enterprises as per their contextual requirements. Setting up such organizations is not as difficult as governing and sustaining them. Therefore, a lot of attention should be given during the organizational set-up phase itself so that the enterprises thus created actually become a value creator for the members.

REFERENCES

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