

Performance of Producer Organization: Case of Devbhumi Natural Products

Deepak Chamola*, Biswajit Behera**, Rahul Singh*** and Arunaditya Sahay****

ABSTRACT

The government of India has the mandate to double the farmers' income by 2022. One of the strategies government implemented is to promote producer organizations through various schemes and institutional framework. There are evidences of failure of many producer organizations. However, there are few community managed producer organizations which are successful and growing and at the same time created economic and employment opportunities, such as Devbhumi Natural Products Producer Company Ltd (DNPPCL). It engages over 8,000 primary producers in various livelihood activities and is operational in over 800 villages in Uttarakhand. The company engages in production and marketing of organic honey, tasar silk, dairy products, and spices. It has contributed in increasing income of primary producers, creating job opportunities for local people, getting the best price for products in the market. This paper intends to study the business model of DNPPCL, its performance in terms of growth, and impact as well as factors behind the performance of the organization.

Keywords: Producer Organization, Producer Company, Entrepreneurship, Livelihoods

INTRODUCTION

Devbhumi Natural Products Producer Company Ltd (DNPPCL) is registered under the Companies Registration Act 1956 in the year 2007. It was established in the year 2007 with the support of Appropriate Technology India (AT India) – a not for profit organization working in Uttarakhand. This company is owned by 8,561 primary producers from over 800 villages in Chamoli, Dehradun, Pauri Rudraprayag, Tehri, and Uttarkashi districts of Uttarakhand. The primary producers mainly deal with beekeeping, organic honey production, sericulture, organic spices, dairy, etc.

* Technical Expert, GIZ, New Delhi
E-mail: deepakchamola@gmail.com

** Technical Expert, GIZ, New Delhi
E-mail: biswa_dasapalla@yahoo.co.in

*** Associate Professor, Birla Institute of Management Technology, Greater Noida, UP
E-mail: rahul.singh@bimtech.ac.in

**** Dean (Research), Birla Institute of Management Technology, Greater Noida, UP
E-mail: arun.sahay@bimtech.ac.in

Disclaimer: This case has been developed for classroom discussion and is not intended to illustrate either effective or ineffective handling of an administrative situation or to represent successful or unsuccessful managerial decision making or endorse the views of the management.

The business model of the DNPPCL thrives upon providing the critical marketing services to rural producers that include production management collection, grading, storage, product development, processing, packaging, distribution, branding, etc. The model operates in a five tier structure: Primary producer level which then mobilized into village level producer groups, valley level association comprised operational villages, district level, and central level. The production and primary processing takes place at the village level whereas the advanced processing, packaging, and marketing is managed at the central level. DNPPCL connects rural primary producers to mainstream markets and also enables them to take advantage of the greater opportunities by participation as shareholders and board members.

Though the company faced challenges in initial years of its establishment, gradually it has become profitable. In 2012, the company bagged the best micro-enterprise award instituted by the City Bank Foundation. With an annual turnover of US\$ 0.28 million in 2015-16, the annual turnover of DNPPCL has been steadily increasing over the past few years. The company has impacted lives of hundreds of local producers mostly women by creating livelihoods options, developing skills and entrepreneurship locally, linking producers with the market, building local institutions for decentralized decision-making, etc.

This successful model of producer organization has potential to be replicated elsewhere. In this backdrop, the case study has the following objectives:

- To study business model of DNPPCL;
- To study performance of DNPPCL in terms of growth and impact; and
- To study factors influencing the performance of DNPPCL.

LITERATURE REVIEW

Producer organizations are rural businesses that are generally owned and controlled by small-scale producers and engage in collective marketing activities (Buckley, 2007; Bijman & Hanisch, 2012). Bosc et al. (2002) considered Producer Organizations (POs) as a hybrid organization which aims to make a profit but they also perform multiple functions that are non-profit.

According to NABARD (2015), a PO is a legal entity formed by primary producers, namely, farmers, milk producers, fishermen, weavers, rural artisans, and craftsmen.

The Rural Producer Organizations may have five types of function: economic (supply, production, processing, and marketing of goods and services, management of factors of production like water, land, labor, agricultural equipment), social benefiting members and or local community (cultural, education, training, health, drinking water, and mutual support), representation (advocacy and voice), information sharing/capacity building, and coordination (Bosc et al., 2002).

In India, there are various legal forms of POs (cooperative society, producer company, non-profit society, trust, section 8 company) where farmers are engaged in production activity (NABARD, 2015). However, scholars mainly considered the Cooperative and Producer Company under PO as their philosophy supports collectivization of farmers and they have legal provisions for sharing of profit earned by the PO by way of the dividend unlike other legal forms. Other legal

forms of PO (non-profit society, trust, section 8 company) can reinvest the surplus generated in the business itself.

Even though the government has the mandate to promote POs through resource institution, there are very few examples which are economically viable. The major problems observed with regards to POs in India are poor skills of professionals, lack of vision and direction from the board of directors (BoD), operational problems like low equity base due to low share value (share capital ranged from Rs. 1-5 lakhs across PCs), inability to attract capital or credit from outside though some promoting agencies had routed grants to the PCs or managed credit through joint ventures, poor marketing and value addition expertise, and no or poor business plans which were needed for obtaining finance (Murray, 2013). It is in this context important to understand how a successful PO operates, how it performs with regards to impacting community members, and what factors influence its performance.

METHODOLOGY

The study follows case study method to gather in-depth data and acquire a holistic perspective of the context and conditions under which DNPPCL operates and perform a collective action, incentivize participation among small and marginal producers.

The case study attempts to investigate a contemporary phenomenon within its real life context, especially when the boundaries between phenomenon and context are not clearly evident (Yin, 2003).

The complexity of the phenomenon of collective action and the context-dependent and subjective characteristics of performance of the PO determined the choice of case study approach. Data has been collected from multiple sources according to the following to verify the validity.

- Focus group discussion with producer groups located at three districts—Chamoli, Rudraprayag, and Uttarkashi;
- In-depth interview with the staff of DNPPCL, AT India and Ushamath Mahila Mahasangh Ltd.(UMM), local business service providers (BSPs);
- Participants observation; and
- Review of progress reports and other relevant documents of DNPPCL.

RESULT AND DISCUSSION

Producer groups are supported by DNPPCL in terms of access to credit from banks, aggregation, value addition, and marketing of products. AT India, a not for profit organization, which facilitated the development of DNPPCL provides infrastructure, equipment, and capacity building support to producers. Ushamath Mahila Mahasangh Ltd. (UMM), the sister concern of DNPPCL helps producer groups to access micro-finance including micro-credit and insurance from banks (Figure 1).

The producer groups supply their products to village/valley level associations which act as an aggregator. Each producer group consists of 15-20 members. Generally, the valley offices