

Strengthening Farmer Producer Organisations in Coconut Sector



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Worldwide, farmers are often exposed to economic risks and uncertainties owing to price crashes and a high degree of price fluctuation in farm produce. Same is the case with coconut growers in India. Coconut is cultivated predominantly in small and marginal holdings in India. Many of these farmers often find it difficult to effectively utilize technologies for realizing higher productivity and income from their tiny holdings. But when mobilised as Farmer Producer Organisations (FPOs) these small and marginal coconut farmers are able to address their resource limitations and this has been amply demonstrated by various agencies including the ICAR-Central Plantation Crops Research Institute (ICAR-

CPCRI). The Coconut Development Board (CDB) has been promoting the formation of FPOs in the coconut sector so as to improve productivity and promote value addition through product diversification and marketing for enhancing the profitability of coconut farming.

The coconut inflorescence sap, namely neera, is a value-added product with huge potential to be promoted as a health drink. Technologies for extracting neera from coconut palms were developed by various research institutions, including ICAR-CPCRI (Hebbar et al. 2015). Even though neera is a 'zero alcohol' drink, its production and marketing were restricted due to the provisions of the Abkari

No.	States	No. of CPS	No. of CPF	No. of CPC
1	Kerala	697	73	17
2	Tamil Nadu	7230	467	29
3	Karnataka	400	125	13
4	Andhra Pradesh	1157	82	8
5	West Bengal	1	0	0
6	Odisha	39	0	0
7	Assam	14	0	0
8	Gujarat	218	0	0
9	Maharashtra	29	0	0
	TOTAL	9785	747	67

Act governing the production and marketing of alcoholic beverages prevailing in the major coconut producing states. However, due to the concerted efforts of CDB and coconut growers' associations, the Government of Kerala amended the Abkari Act and created a congenial policy environment for the production and marketing of neera. Encouraged by the favourable policy environment and incentives, many coconut FPOs established neera production units in their respective jurisdictions and started its marketing. However, a substantial number of neera units managed by these FPOs have been discontinued due to various problems.

Promotion of FPOs by the Coconut Development Board

Organizing the unorganized coconut sector through farmers' collectives was one of the important activities of CDB during the Twelfth Five-Year Plan (2012-2017). Since then, CDB has been facilitating the formation and handholding of FPOs in the coconut sector. The three-tiered FPO structure facilitated by the Board has coconut farmers organized into small neighbourhood informal groups at grassroot level as Coconut Producer Societies (CPSs), which are small scale FPOs formed by an association of 40-100 coconut growers in a contiguous area with a consolidated minimum of 4000-5000 palms.

The farmer member contributes equity in the organization and undertakes activities aimed at productivity improvement, cost reduction, collective marketing, processing and product diversification. The CPS forms the basic unit of the FPO framework in the sector. The next hierarchical tier, the CPF, is formed by combining about 8-10 CPSs. The FPOs formed are provided legal status through registration under the Charitable Societies Act and are also registered with CDB. An aggregation of 8-10 CPFs would form a Coconut Producer Company (CPC) under the Indian Companies Act, 1956. A CPC will have around 10 lakh coconut palms under its management. So far, 9785 CPSs, 747 CPFs and 67 CPCs have been registered in the country. The progress of CPS, CPF, and CPC formation so far is summarised in Table 1.

Development of technologies for production of neera from coconut palms, awareness about its potential as a health drink and economic benefits led to widespread discussion at the policy level on creating an enabling environment to support coconut growers in order to utilize the potential of neera, who were otherwise struggling due to low market price of coconut (Box 1).

A 2016 study indicated that a total of 204 CPFs were granted licenses to produce and market neera (Table 2). Most (91%) of these licenses were issued during the period from 2014 to 2016. Only 95 (43%) CPFs initiated the production activities. The remaining CPFs could not start neera production mainly due to the lack of skilled palm climbers and lack of neera processing plant under the CPCs in their jurisdiction. It is noteworthy that only 13 Federations (14%) out of the 95 CPFs who have ventured into production have continued with their activities, and in eight out of 14 districts neera production by all the CPFs was discontinued. After this data was collected in 2016, many more units discontinued neera production.

The scarcity of skilled manpower for neera tapping coupled with very high wage rate was observed to be the major factors that contributed towards the discontinuance of neera tapping (Table 3). The supply



Box 1: Policy changes to support promotion of Neera

Due to the efforts of CDB and various farmer organizations, the Government of Kerala amended the Abkari Act to enable coconut growers to take up enterprises for production and marketing of neera for enhancing income from coconut farming. Meanwhile, efforts of the State Government to save the traditional toddy sector which was going through a crisis also indirectly contributed to the evolution of a congenial policy environment to support coconut growers for neera production and marketing.

The government accepted the recommendations of the expert committee constituted to study and report strategies to revive the traditional toddy sector, and for the first time granted permission to CPSs/CPFs facilitated by CDB and five other agencies for production and marketing of neera. Subsequently amendments were made to the existing Abkari Act of 1931 and rules (Kerala Sweet Toddy [Neera] Rules 2014) were framed for issuing licenses for the production and marketing of neera.

The Toddy-Neera Board was also established for implementing suitable interventions to make coconut farming more remunerative and to promote marketing of neera as a health drink within the state and other parts of the country. The Government of Kerala also took many steps – providing subsidy for training of neera technicians, support for CPCs for the installation of plant and machinery for neera production, and providing equity support to the coconut FPO – to promote neera production as an important measure to solve the problems of the coconut sector.



chain of neera was not robust enough to sustain the activities with optimal distribution of revenue share. Low level of technical knowledge and marketing expertise of the entrepreneurs who ventured into the neera sector also led to discontinuance of the activities.

Hurdles encountered

The study revealed that a substantial number of producer organisations could not sustain their activities due to various constraints related to technology, marketing and policy. These are discussed in detail below. It is imperative that there is need for a restructured support mechanism to sustain the FPOs so as to effectively carry out activities related to neera-based enterprises.

1. Need of a support mechanism to enable FPOs to sustain interventions

Formation of CPFs and initiation of various activities for the production and marketing of neera were mainly triggered by CDB and the initial phase of these FPOs were quite encouraging. The FPOs were unable to cope with the production and market-related hurdles that emerged thereafter, which ushered most of them to the exit routes. The results of the present study is in line with the earlier observations that in the case of farmer producer organizations

Table 2. Field level scenario of sustainability of interventions taken up by CPFs pertaining to production and marketing of neera in Kerala State

No.	District	CPF with licence for neera production	CPF started neera production
1	Thiruvananthapuram	10	6
2	Kollam	3	3
3	Alappuzha	17	9
4	Pathanamthitta	1	1
5	Kottayam	6	3
6	Idukki	2	1
7	Ernakulam	11	8
8	Thrissur	6	3
9	Palakkad	11	10
10	Malappuram	56	9
11	Kozhikode	58	35
12	Wayanad	1	1
13	Kannur	13	4
14	Kasaragod	9	2
	Total	204	95

Source: Thamban et al. 2020.

Table 3. Factors contributing to the discontinuance of neera production activities: CPFs' perception (n=82)

Factors contributing to the discontinuance	No. of CPFs citing the factor
Scarcity and high wage rate of palm climbers/neera technicians	48 (59)
Inadequate support from state government agencies/LSGs	21 (26)
Marketing problems	45 (55)
Low yield of neera due to poor management of coconut palms	22 (27)
CPC not formed in the area of CPF functioning to manage marketing of neera	3 (4)
Low economic viability	28 (34)
Inadequate processing facilities	3 (4)
Drudgery involved in climbing palms for tapping due to predominance of very tall coconut palms	12 (15)
Problems in tapping palms during rainy season	23 (28)
Lack of product uniformity due to non-standardised technologies for neera production	9 (11)
Spoilage due to low shelf life of neera	9 (11)
Note: Figures in parentheses are percentages.	
Source: Thamban et al. 2020.	

formed with the external trigger of a programme of the government, NGO, or other agency a common challenge for institutional sustainability is how to survive once the policy or programme has ended (GFRAS 2015).

2. Need for strategies for marketing neera

Problems related to marketing were a major hurdle in sustaining neera enterprises by CPFs which included lack of product uniformity and lack of proper adoption of the recommended neera production protocol which affected the product quality. Consumer perception studies which are essential for streamlining strategies for successful marketing have to be undertaken. Neera enterprises under coconut FPOs were finding it difficult to handle competition with other products, including soft drinks, for its market share and neera as a unique product with a nutritional edge has to be appropriately positioned while marketing.

3. Policy constraints to be addressed

Though the Government of Kerala has come out with a pro-farmer policy framework for the production and promotion of neera in the state, it is highly paradoxical that, even now the product is partially under the control of the Excise Department, which is entrusted with granting licences for neera production. The producer organisations perceive it as a cumbersome process to obtain a licence for tapping coconut palms for neera and renewal of the licence every year. They also think that since neera is being promoted as a non-alcoholic health drink,

it should be delinked from the Excise Department – thus making the formalities for issuing a license simpler.

4. Need for a target specific entrepreneurial development programme

Planning and implementation of interventions pertaining to production and marketing of neera is to be undertaken. The asymmetry of information on the level of inherent managerial and technical expertise of the FPOs was evidently the major reason for early discontinuance of the neera business by the aspirants. A well-designed, target specific entrepreneurial development programme on various facets of the neera value chain would help the business aspirants to survive the inertia of business inherent in the initial phase.

5. Labour-related constraints

Scarcity of palm climbers/neera technicians coupled with high wage rates was observed to be an important factor that had adversely affected the sustenance of neera enterprises in the state. Predominance of tall coconut palms in the coconut groves in the state was another limiting factor that added to the workload of climbers engaged in neera tapping. Commitment from skilled climbers is a key factor in the successful management of a neera enterprise and in many neera units lack of punctuality of climbers and conflicts over the wage rate created difficulties in ensuring regular supply of neera. The Board had extended training for neera technicians, but the manpower trained was inadequate.



Mr Shaju, farmer cum neera technician from Udayagiri,
Kannur District, Kerala

6. Need for technology assessment and refinement

Lack of product uniformity due to different technologies for neera collection across the state was another important reason perceived by CPFs for the discontinuance of neera enterprises. Spoilage due to low shelf life of neera was also cited as another reason for discontinuance. The study revealed that majority of the CPFs (73%) adopted technology developed by CDB through SIBB R&D (SCMS Institute for Bio-Science and Biotechnology Research and Development), for neera collection and processing and the remaining 27% of CPFs resorted to technology developed by ICAR-CPCRI. Back-up support for effective field level utilisation of neera technologies is very much essential for successful implementation.

7. Economic viability of the neera enterprise

Even though a very attractive level of economic benefits was projected for neera enterprises, due

to field level constraints it could not be achieved in reality. The neera collection was limited to a very limited number of coconut palms by most of the CPFs and the existing policy on neera production has prevented the CPFs from realising the economies of scale. Yield level of neera per palm per tapping day was not that attractive mostly due to poor palm health, thereby adversely affecting economic viability. Hence, scientific management of coconut palms plays a crucial role in ensuring better yield and continuous supply of neera in the upstream end (production node) of the neera value chain.

Conclusion

Promoting FPOs for processing and value addition is to be undertaken with adequate technology refinement and market assessment. FPOs do need continuous handholding support to help them deal with the technical and marketing challenges in enterprise development. Collaborative support from various developmental institutions would help in providing continuous hand holdig. There should also be mechanisms to respond to policy and institutional bottlenecks that can constrain the scaling up of new farmer enterprise. In other words, Farmer Producer Organisations (FPOs) need support not only at the FPO level, but also at the promotion and ecosystem level (Aneesha 2021). A slow and steady paced journey is ideal for FPO's, which will help them in attaining sustainable development and stabilizing their position in entrepreneurial development to have the farming community forever.

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