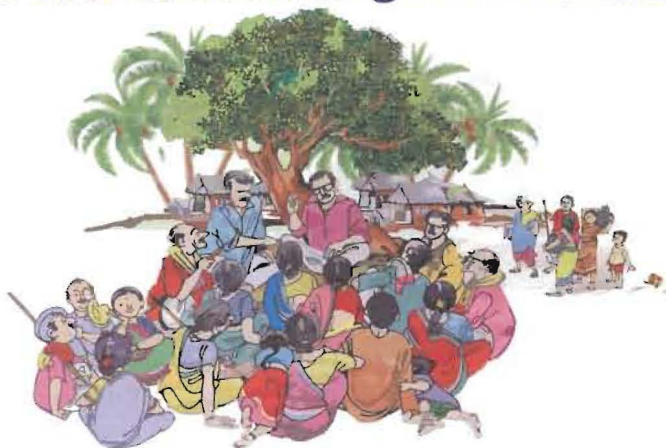


# Why Coconut farmers need to be mobilized to benefit from viable markets through Economies of Scale



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**O**nattukara Coconut Producer Company Ltd (OCPCL) is a role model of farmers aggregation successfully oriented to benefit from viable markets through economies of scale. Located in Alappuzha district of Kerala, it is one among the 29 Coconut Producer Companies presently functioning under the Companies Act in India. Being a daring and challenging initiative of small and marginal coconut farmers, it aims at the welfare of more than 25000 farmers of the area, of whom, 4000 are share holders. The company is encouraging the coconut farmers to move towards value added coconut products and linking them to the markets, thus supporting the endeavor of realizing consistent and higher income for the farmers. The Company has started a coconut oil processing plant with annual processing capacity of 3000 MT of copra. The venture is financially supported by Government of India through Coconut Development Board and Small Farmers Agribusiness Consortium (SFAC) as well as Government of Kerala. It is in the 3<sup>rd</sup> year of establishment and second year of production of coconut oil. The product is sold under the brand name "Onattukara Pure Coconut Oil" which penetrated the domestic markets and about to reach the export market. Different value added coconut products are also manufactured and marketed by the Company. The Company is procuring raw material for all these products from member

farmers by paying remunerative and attractive prices to their produce by avoiding the middle men. All FPOs in the country are collectively working together by forming a Consortium of Coconut Producer Companies. Thus Coconut sector in India is on the threshold of a significant transformation. The outlook for the region therefore looks bright. A systematic growth is expected to continue on the background of aggregation of farmers and the resultant benefits flowing across the small and marginal families. This better position will sustain and other developing countries shall emulate the model for overall growth of the industry as well as for the social and economic upliftment of farming community at global level. Many coconut growing countries have started emulating the idea of forming Farmer Producer Organizations to benefit from viable markets through economies of scale. The unattended countries should also emulate the idea and the strategy to make a network of Farmers' Organizations at Asian and Pacific region. APCC can be the nodal organization for coordination and follow up. Emphasis can be bestowed on their potential role in poverty alleviation.

## 1. Introduction

One salient feature of Indian agricultural sector is the fragmentation of land and over 80% of lands are coming under the category of small and marginal

## The plight of Gods Own Country remembered in Cocotech Global Meet



Dr. B.N.S Murthy

The Berkeley Hotel, Pratunam, Bangkok, Thailand was home to participants from 30 countries who were thronged from different parts of the world for witnessing the 48<sup>th</sup> Cocotech Conference and Exhibition of Asia Pacific Coconut Community (APCC), the intergovernmental organization committed for coconut. The Conference was hosted from 20-24 August, 2018, and Cocotech is an occasion totally dedicated for the 'Gods Own Fruit' Kalpavriksha, reverently admired by the humanity.

The 'Gods Own Country', Kerala, was suffering from severe unprecedented flood when the weeklong Conference was deliberating the issues, problems and prospects of Coconut in the present scenario through 52 expert presentations spread out in 12 Sessions. Kerala became a watery hell with the July-August flood with death toll of 483 human lives, huge number of domesticated animals and immeasurable loss to the agricultural and other sectors which was estimated at around Rs. 20,000 Crore by the State Government.



Dr. P. Chowdappa

The unprecedented flood and resultant calamities of Kerala were reverberated in different presentations; maybe it was a coincidence that the theme of the Conference was touched on 'Sustainable development through Climate Smart Agriculture'. In the first Session itself, while presenting 'Experience of Indian Coconut Industry in relation to utilizing climate Smart Agriculture practices to increase resiliency to climate change effect', Dr. B.N.S Murthy, the Horticulture Commissioner of Government of India, who was till recently holding the additional charge of Chairman, Coconut Development Board, recalled that the Conference was held at a juncture where one of the premier coconut growing states in India, Kerala was facing the threat of climate change. He added that not only the rise in temperature is considered as the after effect of climate change but the reverse phenomenon too is sounded so, as is being faced by the Gods own Country. Kerala, the tiny land strip, in the southern tip of India contributes lions' share of 36 % of area and 37 % of production of India, notwithstanding the fact that its contribution was once surpassed 60 %. India enjoys the prime position in coconut production in the world by sharing 38 % (APCC Statistical Year Book 2016).

This Cocotech recorded the ever largest participation of 450 registered participants from over 30 countries. The Conference was concluded by several salient and salutary decisions and resolutions on which we can pin hopes for evolving solutions for many issues and apprehensions booming out in various sectors including the health sector. Scientists, medical doctors, industrialists, Farmer Groups, exporters and media persons found place among the resource speakers / presenters category. Participants shared concern on the video circulated amidst, of

Dr. Karin Michels, an epidemiologist at Harvard TH Chan School of Public Health, in which coconut was referred as 'one of the worst foods one can eat', and the forum vehemently opposed and further resolved to fight against the negative propaganda through concerted campaign. The August Body also took note of the resolutions and study results covered in the two International Conferences on Coconut Oil (ICCO), organized under the auspices of APCC.

The Exhibition which showcased value added coconut products by Government and non-government agencies had given colors and added value to the Conference which was inaugurated by H.E. Mr. Luck Wajananawat, Deputy Minister of Agriculture and Cooperatives, Thailand. The audience was welcomed by Dr. Suwit Chaikiattiyos, Director General, Department of Agriculture, Thailand and a Conference response proposed by Hon. Richard Maru, MP, and Minister for National Planning and Monitoring, Papua New Guinea. Mr. Uron N. Salum, Executive Director of APCC along with his full fledged team took control over the whole programme and concluded it in a meticulous manner after a one day field trip arranged for the participants on the last day of the Conference.



*Dr. Remany Gopalakrishnan*

size. Small holding size limits the scale of operation and poses limited scope for a successful farming. Therefore mobilization of farmers has been mooted as a novel idea in many agricultural crops in different forms like group farming, cluster farming, contract farming etc. All the forms share the same idea of standing together for reaping individual benefit through empowerment and experience sharing. Such groups practice and build their capacity to collectively leverage their production and marketing strength.

Coconut is a small holder crop and 98% of the holding size fall below 2 Ha at national level and in State like Kerala, 98% of holdings is in the category of 0.2 ha. Vast majority of coconut farmers in other developing countries also constitute under small holders category. They generally face several constraints due to the small size of operation. Small holdings possess inherent limitations and they do not produce enough food to support the family. These limitations include the inability to create a scale of economies, low bargaining power owing to small marketable surplus, scarcity of capital, lack of market access, lack of knowledge and information, market imperfections, and poor infrastructure and communications. The practice of mobilization farmers into a community as a mode of strengthening and empowering has come to the rescue of overcoming these limitations.

## 2. Genesis of Farmer Producer Organizations (FPOs) in Coconut Sector.

To address the constraints in the small size of

operation and the inability in reaping profit from miniscule farm size, a new thought was mooted among the coconut farming community all over India in recent times. Group approach was thought of in production, pest & disease management, post harvest handling, processing and marketing, collective purchase of inputs, farm implements, maintaining labour bank, etc. Aggregation of produce, and sharing benefits from increased bargaining power and better remunerative prices were the additional advantages envisaged. By way of integrating small producers and processors in their different groupings into modern value chains, many innovative approaches and strategies were possible for farmer groups for promoting competitive business models in agriculture. The mobilization of farmer groups enable farmers to enhance productivity through efficient cost effective and sustainable resource use and get back higher returns for their produce through collective action. Much emphasis has been placed on its potential role in poverty alleviation.

## 3. Coconut Development Board, the forerunner in forming Farmer Groups

The fact that coconut farmers in the country were highly unorganized and unable to pool their tiny marketable surplus of produce, and that the middlemen were so active in the sale of their produce leaving the farmers with no bargaining power, Coconut Development Board initiated the formation of Farmer Producer Organizations (FPO) in 2010 by collectivization of farmers with the objective of socio economic development of farmers

through productivity improvement, cost reduction, efficient aggregation of produce, processing for value addition, better by-product utilization and efficient marketing of the produce. Forming cluster groups and involving them in implementation of development programmes was, however, initiated early in 2005. Coconut Farmer Producer Organization started with a three tier structure consisting of Coconut Producer Society (CPS), Coconut Producer Federation (CPF) and Coconut Producer Company (CPC). Farmer Producer Organization provided a platform for the overall empowerment of farming community. There are at present 9633 CPS, 740 CPF and 67 CPCs functioning in the country. The formation of FPOs aimed at providing a fair, steady and reasonable income to farmers by organizing the small and marginal coconut farmers through farmer collectives.

Subsequent to the steps initiated by the Coconut Board, Government of India issued a National policy and process guidelines for formation of Farmer Produce Organizations (FPOs). This set of guidelines had ignited the initiatives and the formation of FPOs gained momentum. The vision envisaged under the FPO is to build a prosperous and sustainable agricultural sector by promoting and supporting member owned producer organizations. Its Mission, on the other hand, is to promote economically viable democratic and self governing FPOs, to provide support for their promotion by qualified and experienced resource institutions. Essential features of FPOs are that these are the group of producers for farm and non - farm activities, and are registered bodies and legal entities and work for the benefit of member producers. The concept was to mainstream the idea of promoting and strengthening member based institutions of farmers. The FPOs organize collection, processing, storage and marketing of their members' produces in high value markets at an optimal price. Such organized activities reduce transaction cost as well. Ownership of FPO is with its members and it is considered as an organization of the producers by the producers and for the producers.

The FPOs formed in India are in the path of addressing the challenges of integrating small producers and processors in their different groupings into modern value chains, many innovative approaches and strategies are being piloted for promoting competitive business models in agriculture. This endeavor of aggregation of farmers



will continue in other parts of the country too for bringing the coconut farmers of pan-India under one umbrella.

#### **4. Advantages of Farmer Collectives vis-a-vis Market Penetration**

The primary goal of mobilizing farmers is to link small holders to markets. The solitary farmer is at the mercy of middlemen while trying to market their produce. The concept of FPO therefore thrusts on collectivization of producers especially small and marginal farmers to form an effective alliance to collectively address many challenges of agriculture such as improved access to investment, technology, inputs and markets. Government of India identified FPOs as the most appropriate institutional form around which the mobilization of farmers is to be made for building their capacity to collectively leverage their production and marketing strength. With the changes in the organization of marketing channels, new challenges for small and marginal farmers have been crept in. In this environment of greater instability and competition, collective activity can serve to enhance farmers' competitiveness and increase their advantage in emerging market opportunities. Aggregation offers scope for centralized infrastructure for better post harvest handling, processing and value addition. It also offers better options for small scale value addition owing to the bulk quantities and remove hurdles in farmers' access to the market both as buyers and sellers. Thus the process of backward and forward institutional networking among the stakeholders is taken place in the mobilized farmer groups.

#### **5. How does the principle of Economies of Scale work out in Farmers Collectives?**

Economies of Scale refer to the competitive advantage that large entities have over smaller

entities. For eg, the cost of production is less when many units are combined to produce at once. Farmer collectives provide economies of scale over independent farmers. Cost of production in coconut farming and processing becomes less in groups than in the isolated single units. Procurement of seeds, fertilizers, inter cultivation, harvesting, post harvest processing and ultimately marketing of products run profitably in collectives. The cost per unit of the material is lowered in larger production centres by procuring raw material in bulk. It results in low packing cost, transportation cost, labour costs and above all the enthusiasm and energy are shared among the individuals than in isolation. In an organization of farmer groups both internal and external economies of scale are controlled and managed, as it has got technical and managerial economies of scale as well as external support from Government and other entities. It facilitates next generation who are not interested to enter into agriculture but can think and work collectively in entrepreneurship. It can also bring out an attitudinal change in small and marginal farmers when working in groups.

## **6. History of Onattukara Coconut Producer Company - Reaping benefit in viable Marketing through Economies of Scale**

Onattukara Coconut Producer Company Ltd (OCPCL) is located in Alappuzha district of Kerala. It is one among the 29 Companies presently registered under the initiative of Coconut Development Board, Government of India. Being a direful and challenging initiative of small and marginal coconut farmers, the Company aims at the welfare of more than 25000 farmers in the area, of whom, 4000 are share holders. The company is striving hard to encourage coconut farmers to move towards value added coconut products, thus supporting the endeavor of realizing consistent and higher income to the farmers. The concept of three tier farmers' collectives has been adopted in this Farmers collectives also. Under the ambit of Onattukara Company there are 235 Coconut Producer Societies and 21 Coconut Producer Federations which together work as a cohesive group.

The Company has established a coconut oil processing plant with an annual processing capacity of 3000 MT copra which in turn yields around 1900 MT coconut oil and 960 MT oil cake. The Company has invested nearly Rs.500 lakhs for the establishment of the plant. The venture is financially

supported by Government of India through Coconut Development Board and Small Farmers Agribusiness Consortium as well as Government of Kerala. Since its formal inauguration and launching of first product in 2017, the unit manufactured and marketed more than 130 MT of coconut oil under the brand name 'Onattukara' Global brand of Pure Coconut Oil'. The Plant is all set to utilize its full production capacity when the Company attained the second year of establishment. The Company catalyses the activities of its farmer groups while they are undertaking farm and on-farm activities like coconut nursery raising, establishment of organic manure units, establishment of modern copra dryers, coconut chips making units etc. They do purchase of seeds, procurement of fertilizers, broadcasting, harvesting, collection and sale in groups which ease their financial and physical burden. The Company is procuring raw material for all these products from member farmers by paying remunerative and attractive prices for their produce. This has evoked overwhelming enthusiasm among the farmers rather than going in isolation. The shareholders and other farmers are thus being benefitted by getting better price for coconut by avoiding the middle men. The creation of a sustained market has helped these farmers to receive their returns on time.

The Company, with the help of cohesive member farmers, has established indigenous markets for all the products manufactured. The products range include edible coconut oil, coconut milk oil, coconut chips, coconut chutney, desiccated coconut, fried and grated coconut, coconut cookies, burfi, squash and so on. The Company is marketing coconut neera products also. The firm is planning to move on to export of coconut products as well, for which all quality certification formalities are being fulfilled. Considering the wide acceptance of the products, the Company is confident about the successful marketing of its products both in the domestic and international markets. Without compromising the quality of the product, the company is trying to capture the niche markets for all edible and non-edible products.

## **7. Way Forward**

All FPOs in the country are collectively working together by forming a Consortium of Coconut Producer Companies. Thus Coconut sector in India is on the threshold of a significant transformation. The outlook for the region therefore looks bright.

A systematic growth is expected to continue on the background of aggregation of farmers and the resultant benefits flowing across the small and marginal families. This better position will sustain and other developing countries shall emulate the model for overall growth of the industry as well as for the social and economic upliftment of farming community at global level. Many coconut growing countries have started emulating the idea of forming Farmer Producer Organizations to benefit from viable markets through economies of scale. The unattended countries should also emulate the idea to make a network of Farmers' Organizations at Asian and Pacific region. APCC can be the nodal organization for coordination and follow up. Emphasis can be bestowed on their potential role in poverty alleviation. There is a need to synchronize the stakeholders including the state and central governments, financial institutions, peoples representatives etc to popularize the concept. Farmer Groups, with the help of research institutions and development agencies, can gain more knowledge about production and processing technologies, crop loans, financial institutions, and new ways of creating market linkages. By joining hands the farmers gain a renewed sense of confidence and strength. They will gain strength to break the chain of middlemen and traders who were exploiting them.

A collective entity represents a tool for small farmers to get organized and to reap benefits not only from aggregation but also from the linkage to high value markets. Such Group is professionally managed to ensure economic viability and to prevent political leverage. Ultimately the success of the Collectives will depend on the commitment of member farmers. The integrity and quality of the leadership, its acceptance within the community as well as the market environment are the most crucial factors for the success of the Farmer collectives. It must be economically beneficial to the participating farmers to market their produce. The FPOs are very much beneficial to improve the value chain of agricultural produce and thereby proved to be in getting good prices for their produce. Farmer Groups are promising new models for coconut farmers who eye for a better future for the coconut sector. A systematic growth is expected to continue on the background of aggregation of farmers and the resultant benefits will be flowing across the small and marginal families. Concerted efforts need to be taken to sustain this bright outlook.

## 8. Conclusion

Small size of agricultural holding limits the scale of operation and it poses limited scope for a successful farming. Mobilization of farmers has been mooted as a novel idea in many parts of the world to work together and reap the benefits. Such groups practice and build their capacity to collectively leverage their production and marketing strength. Coconut is a small holders' crop and 98% of holding size in India is below 2 Ha at national level and in State like Kerala, 98% is in the category of 0.2 ha. The constraints of farming in small holdings include the inability to create a scale of economies, low bargaining power owing to small marketable surplus, scarcity of capital, lack of market access, lack of knowledge and information, market imperfections, and poor infrastructure and communication. Coconut Development Board initiated the formation of Farmer Producer Organization (FPO) in 2011 by collectivization of farmers with the objective of socio economic development of farmers through productivity improvement, cost reduction, efficient aggregation of produce, processing for value addition, better by-product utilization and efficient marketing of the produce. It also aimed at providing a fair, steady and reasonable income to farmers by organizing the small and marginal coconut farmers through farmer collectives. The primary goal of mobilizing farmers is to link small holders to markets. Many coconut growing countries have started emulating the idea of forming Farmer Producer Organizations to benefit from viable markets through economies of scale. There is a need to synchronize the stakeholders including the state and central governments, financial institutions, peoples' representatives etc to popularize the concept. The FPOs are very much beneficial to improve the value chain of agricultural produce and thereby proved to be in getting good prices for their produce. Farmers collectives are promising new models for coconut farmers who eye for a better future for the coconut sector. APCC can be the nodal organization for coordination and follow up in setting up Farmer Producer Organizations by mobilizing farmers. Emphasis can be bestowed on their potential role in poverty alleviation. Emphasis also needs to be given to popularize the advantages of mobilizing the farmers to benefit from viable markets through economies of scale to tide over the inherent difficulties of working in isolation. ■  
*Paper presented by Dr. Remany Gopalakrishnan in 48<sup>th</sup> Cocotech Conference & Exhibition at Bangkok from 20-24 August, 2018.*