

## **HOW TO NOT PROMOTE FARMER PRODUCER ORGANISATIONS: LEARNING FROM THE COCONUT SECTOR**



*While mobilizing farmers into Farmer Producer Organisations (FPOs) is an important strategy to double farmers' income, promoting this approach widely without sound planning can lead to exactly the opposite. Thamban C, in this blog, offers several lessons on how to not promote FPOs by drawing experiences with coconut FPOs in Kerala.*

### **CONTEXT**

Worldwide, farmers are often exposed to economic risks and uncertainties owing to price crashes and a high degree of price fluctuations 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.



**In India, coconut is grown in an area of 1.90 million hectares with Kerala accounting for 7.81 lakh hectares, covering 38 per cent of the net cropped areas of the State.**

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 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.



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

## 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 grassroots 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). A CPC will have around 10 lakh coconut palms under its management. So far, 9736 CPSs, 743 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.

**Table 1. Progress of Coconut Producers' Society, Federation and Company formation**

No.	States	No. of CPS	No. of CPF	No. of CPC
1	Kerala	7226	467	29
2	Tamil Nadu	665	69	17
3	Karnataka	400	125	13
4	Andhra Pradesh	1148	82	8
5	West Bengal	216	-	-
6	Odisha	39	-	-
7	Assam	27	-	-
8	Gujarat	14	-	-
9	Maharashtra	01	-	-
	<b>TOTAL</b>	<b>9736</b>	<b>743</b>	<b>67</b>

Source: Coconut Development Board <https://www.coconutboard.gov.in/ProducerSocieties.aspx>

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).

**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.

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. We are yet to collect that data.

**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	CPFs with licence for neera production	CPFs started neera production	CPFs discontinued	neera production (% of discontinuance)
1	Thiruvananthapuram	10	6	6	100
2	Kollam	3	3	2	66
3	Alappuzha	17	9	9	100
4	Pathanamthitta	1	1	1	100
5	Kottayam	6	3	2	66
6	Idukki	2	1	1	100
7	Ernakulam	11	8	4	50
8	Thrissur	6	3	2	66
9	Palakkad	11	10	9	90
10	Malappuram	56	9	9	100
11	Kozhikode	58	35	30	86
12	Wayanad	1	1	1	100
13	Kannur	13	4	4	100
14	Kasaragod	9	2	2	100
	<b>Total</b>	<b>204</b>	<b>95</b>	<b>82</b>	<b>86</b>

**Source:** Thamban et al. 2020.

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 handholding provided by CDB had been withdrawn sooner, which also had detrimentally affected the confidence of the entrepreneurs. The supply 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.

**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/ <i>neera</i> technicians	48 (59)
Lack of continued support from CDB	32 (39)
Inadequate support from state government agencies/LSGs	21 (26)
Marketing problems	45 (55)
Low yield of <i>neera</i> due to poor management of coconut palms	22 (27)
CPC not formed in the area of CPF functioning to manage marketing of <i>neera</i>	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 <i>neera</i> production	9 (11)
Spoilage due to low shelf life of <i>neera</i>	9 (11)

**Note:** Figures in parentheses are percentages.

**Source:** Thamban et al. 2020.



**Bottled Neera**

## ALL THAT WENT WRONG

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. Lack 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. But as they entered the subsequent phase, CDB curtailed their active support in a phased manner, and 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 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. Lack of 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 before launching the commercial *neera* production and marketing initiatives were not conducted. *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 was not appropriately positioned while marketing.



Neera Outlets at Kannur District, Kerala

### 3. Policy constraints which are not 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. Lack of a target specific entrepreneurial development programme

Planning and implementation of interventions pertaining to production and marketing of *neera* were mostly done with a general format prescribed by CDB, whereas the majority of coconut FPOs were not having a clear handle on managing the *neera* enterprise on their own. 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 have helped 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*.

### 6. Lack of technology assessment and refinement

Lack of product uniformity due to non-standardised 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), the private R&D firm, for

*neera* collection and processing and the remaining 27% of CPFs resorted to technology developed by ICAR-CPCRI. Interventions were not carried out by the agencies who promoted *neera* production and marketing for pilot testing of *neera* collection technologies for assessing their effectiveness and refinement of technologies to suit the techno-socio-economic requirements for further scaling up production and marketing, and comparing the available technologies on different attributes for making target specific recommendations. Lack of back-up support for effective field level utilisation of *neera* technologies by the concerned agencies was thus cited as another problem by the CPFs.



**A Neera technician from Palakkad District**

## **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.

## **8. Lack of coordination among stakeholders**

It is a startling fact that the state's Department of Agriculture Development and Farmers' Welfare – with its vast network of extension system in the state that includes Krishibhavans at grassroots level in every grama panchayat – was not involved in the formation of the three-tier FPO system in coconuts. Furthermore, the coconut development schemes of Department of Agriculture were implemented with separate mechanism of farmers' participation without utilising the existing platform of CPS, CPF and CPC structure of FPOs. This lack of coordination among governmental agencies has failed in harnessing synergy for effective management of *neera* enterprises.

## CONCLUSION

Promoting FPOs in a hurry to meet the targets without adequate technology refinement and market assessment can do more damage to the fledgling FPO movement. FPOs do need continuous handholding support to help them deal with the technical and marketing challenges in enterprise development. 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). We should also learn from the mistakes that ensued from the hasty promotion of FPOs, such as the one in the coconut sector, so that we can continuously make improvements in the way we initiate and mentor FPOs.

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