

DEPARTMENT OF AGRICULTURE & COOPERATION
SMALL FARMERS' AGRI-BUSINESS CONSORTIUM (SFAC)
CONCEPT SFAC

1. Agriculture is the most important economic activity as well as a way of life for about 70% of our population. Workforce employed in this sector has to input in hard labour and be content with relatively lower levels of income.
2. The Agriculture sector has tremendous potential for expansion of employment opportunities and removal of rural poverty. These objectives can be achieved best only if concerted efforts are made to realize the untapped potential of this sector. Low productivity in many crops, imbalances in the regional development, post harvest losses and inadequate processing facilities for fruits and vegetables are some of the major weaknesses.
3. Efficient linkages between the producers and the consumers are absolutely essential for expanding employment opportunities and for increasing the income of rural people through better marketing of agricultural products. The present situation in this regard is far from ideal.
4. The finance Minister in his 1992-93 Budget Speech announced Government's decision to start this programme in the following words.

“Special attention needs to be paid to supporting innovative ideas for generating income and employment in rural areas through support to various types of agri-business. As an experimental measure, Government proposes to set up a Small Farmers' Agri-Business Consortium as an autonomous corporate entity funded by the Reserve Bank of India, NABARD and IDBI. The Consortium will include representation from various Development Boards dealing with individual crops and Public Sector Corporations dealing with agriculture and agro-industries, private sector companies, banks, scientific organizations and farmers' association. The Consortium will function on the principles of economic efficiency, environmental soundness and social equity and will organize 12 major projects in 1992-93 in different parts of the country, based on a mix of enterprises with active participation by the State Governments and farm families. The programme will be expanded as we gain experience. We must begin a new chapter in our agricultural history where farm enterprises yield not only more food, but more productive jobs and higher income in rural area.

5. Increased production and productivity, value addition and efficient linkages between producers and consumers would naturally be high priority goals of the Consortium. The empowerment of rural people specially women and socially disadvantaged sections, availability of credit, access to technology and assured remunerative price for their produce through institutional development (the cooperative and commercial structure) should receive high priority. SFAC would undertake to fund research and development activities through the CSIR, and other scientific establishments in India to promote its activities. SFAC will deal with agriculture in its wider connotation including Animal Husbandry, Fisheries and Sericulture apart from crop husbandry and horticulture.
6. The success of Agri-Business Consortium would depend upon innovative approach, appropriate interventions, active participation of the farmers and flexibility in approach. The intervention could be in the form of a comprehensive approach for the identified districts as is being attempted by Dr. M.S. Swaminathan Foundation or the approach may be commodity / activity specific. Highest priority needs to be accorded to a bottom up approach and empowerment of women and farmers. Grape growers Federations of Maharashtra is a striking example of successful Agri-Business.

ORGANISATIONAL STRUCTURE

7. Proper organizational arrangements are of crucial importance for the success of SFAC. The Policy Planning Council and the Board of Management would have broad based representative from the Government, autonomous organizations, NGOs/farmers' organizations including cooperative societies and individual farmers. The SFAC may function through existing and new organizations like NGOs, cooperatives and public / private limited companies and trade bodies etc.
8. At the Central Headquarters, the Consortium would have a compact office with a small component of whole time staff. Initially the states would be requested to identify and nominate a nodal officer and Department at the State Headquarters as well as at the district level which will serve to disseminate information relating to SFAC. District Industries Centres (DICs) could be involved in this. The Consortium would prefer to use consultants, specific to a particular activity or area and catalyse those activities which are not being undertaken by the existing organizations rather than duplicate the existing efforts. The SFAC would not undertake any development activity but would try and provide channels for generating business for developing enterprises. Useful consultancy could be provided by the District Industries Centres for availing assistance through SFAC.
9. The Consortium could adopt two district approaches to achieve its objectives. A holistic approach focused on all the beneficiaries of a defined area or a specific activity or commodity related intervention over a large area. Dr. M.S. Swaminathan Foundation, Madras had received an assistance of US two lakhs from the UNDEP for the developing of 11 District plans in respect of the following districts :-
 - i) Dharampuri (Tamilnadu)
 - ii) Pondicherry
 - iii) Ernakulam (Kerala)
 - iv) Bikaner (Rajasthan)
 - v) Bulsar (Gujarat)
 - vi) Midnapur (West Bengal)
 - vii) Dharwar (Karnataka)
 - viii) Pithoragarh (U.P)
 - ix) Ganjam (Orissa)
 - x) Barpeta (Assam)
 - xi) Jabalpur (Madhya Pradesh)

The approach seeks to optimize the output from the local resources and provide full employment to the workforce of the respective districts.

10. The Second approach seeks to identify gaps in the existing structures and plan interventions through Government, Cooperatives, Private Sector and NGOs with a view to provide a return to the farmers and also to improve the employment potential. This approach inter-alia seeks to commercialise agriculture, provide better linkages between producers and the consumers, aimed to get the best possible returns from the produce and promote high value and high income agriculture activities.
11. It may be desirable for the Consortium to adopt both the models depending upon the specific situation and the identified needs.

MANAGEMENT AND DIRECTOR

12. The Consortium will have a policy Planning Council at its apex level under the Chairmanship of the Prime Minister. The Council would have a number of ex-officio and six nominated members.

BOARD OF MANAGEMENT

13. Agriculture Minister shall be the President of the 15 members Board of Management. It shall have 8 elected members, representing financial institutions, statutory and autonomous organizations, NGOs/farmers and beneficiaries.

BOARD OF MANAGEMENT

14. Proposed Articles of Association provide for primary members and associate members. It is felt that in addition to the primary members, various Chambers of Commerce, cooperative societies and corporate bodies involved in agri-business may be admitted as associate members on their specific request which may indicate the role they would like to play – The functions of the Policy Planning Council and the Board of Management are as under :-

FUNCTIONS OF THE POLICY PLANNING COUNCIL

- i) To consider the policy issues concerning the areas of functioning of the SFAC and give necessary guidance and direction to the Board of Management.
- ii) To review the programmes and progress of implementation of projects.
- iii) To evaluate the effectiveness of various programmes and projects undertaken by the SFAC and to suggest appropriate corrective measures required, if any
- iv) Any other matter referred to it by the Board of Management.

FUNCTIONS OF THE BOARD OF MANAGEMENT

15. The Board of Management of the SFAC shall have all such powers as are considered necessary or expedient for the purpose of carrying out its functions. Without prejudice to the generality of the foregoing power, such power would include the powers.

- i) To consider the policy issues concerning the areas of functioning of the SFAC and give necessary guidance and directions to the Board of Management.
- ii) To review the programmes and progress of implementation of projects.
- iii) To evaluate the effectiveness of various programmes and projects undertaken by the SFAC and to suggest appropriate corrective measures required, if any.
- iv) Any other matter referred to it by the Board of Management.

FUNCTIONS OF THE BOARD OF MANAGEMENT

16. The Board of management of the SFAC shall have all such powers as are considered necessary or expedient for the purpose of carrying out its functions. Without prejudice to the generality of the foregoing power, such power should include the powers :

- i) To admit Members and terminate membership of the Society.
- ii) To approve the budget estimates.

- iii) To determine terms and conditions of collaboration with other institutions and organizations.
- iv) To appoint such Committees, sub-committees as may be necessary and delegate to them or to the Chief Executive and other officers of the society, such powers as may be appropriate.

17. The concept paper was discussed in the Departmental Sanctioning Committee meeting as well as in the first meeting of the Board of Management of SFAC. Ideas generated during the discussions are as follows –

- i) Today different institutions are providing credit support in a segmented manner. Agricultural inputs, food processing, agro-forestry, agro-industry, agro-exports etc. are getting finances through different institutions in a different manner. SFAC will endeavor to give it an integrated approach by bringing about all agri-financing in a unified manner so as to ensure success for such ventures.
- ii) SFAC will help build up organizations and institutions which could organize farmers so that they could benefit from various schemes of Agri-Business and help farmers to market their produce.
- iii) SFAC could also undertake the vetting of projects for the facility of the financing agencies, for which technical consultants would be engaged. SFAC, apart from giving venture capital would also extend guarantees for small institutions entering the field of agri-business, so that credit worthy projects could become bankable also. SFAC would come forward to bridge debt equity ratio gaps in financing of projects by the financing institutions. Marketing infra-structure today is either inadequate or is not able to obtain benefits of value addition for farmers. SFAC will support endeavors which go to provide farmer – friendly marketing infrastructure.
- iv) While there are consultancy arrangements for heavy, medium and small industries, there are no such facilities for cottage and village industries which could play an important role in the field of SFAC. There are large number of successful examples of cottage and village industries which need to be documented and which could easily provide consultancy services to small, cottage and village industries wanting to work for furtherance of aims and objectives of SFAC. As such SFAC would help organize Groups to utilize indigenous Development Expertise (GUIDE) to serve the purpose of providing consultancy services to small, cottage and village industries sector with the help of indigenous experts and NGOs.

18. The concept of SFAC came up for detailed discussion during a National Workshop organized on the subject. The various aspects of the concept paper were deliberated upon. The following additional ideas were generated :-

- i) Source of funding is crucial and it was generally felt that a corpus of sufficient amount would be a must so that the recurring income arising out of the corpus could take care of activities of SFAC. It was the consensus that in spite of basic financing of projects taking place through banking channels, there will be certain activities needing to be funded by SFAC. IDBI has worked in this direction and has catered for some contribution to the proposed corpus. NABARD were in agreement and would extend full support to the project financing and were open on the issue of corpus.

- ii) There were a broad consensus that SFAC should in the long run, have an organizational setup in the field at the district level as a promotional body. However, to begin with some existing organization or body willing to take up promotional activities at district level should handle such matters. At the field level, enterprises, corporate bodies and societies etc. would have to be formed for different viable commercial activities by such a promotional set-up, which itself would not, however, take part in commercial activities.

Various models available in the field, such as Pepsi, NDDB, Maharashtra Grape Growers Association and Lijjat Papad were discussed. It was felt that all such models and any new innovation models could be suitably adopted for purposes of project implementation under SFAC.

- iii) It was felt that SFAC should work in the direction of obtaining agri-business benefits for the farmers.
- iv) It was felt that SFAC should take up marketing as one of the major thrust areas. It should collect useful market intelligence and make it available to farmers and their organizations and enterprises. It should also help the farmers in obtaining marketing support from existing Government Schemes.
- v) SFAC should emerge as a scouter of new technology and take up the task of transferring such technologies as pilot projects.

19. In the National Workshop organized on the subject no clear view had emerged regarding the form of organizational set up the state and the district levels from pursuing SFAC objectives and programmes. In order to discuss these matters a group discussion was held in Krishi Bhawan among knowledge experts from different government and non-government backgrounds and the following views crystallized :-

- i) Representatives of the corporate sector felt that it was very important to have a strong State Level Coordination Committee as the state level presided over by the Chief Minister in order to give a clear direction to various concerned departments and their field functionaries to give necessary support to agri-business ventures that marketing support that was necessary for agri-business activities may have to be extended over more than one district for a given commodity and therefore in their view a district set up was not really necessary in the beginning.
- ii) Representatives of the cooperatives and the government sector felt that a district support system would be necessary even if activities of agri-business relating to a given commodity extends over more than one district. Without such a district level set-up, they felt that it would not be possible to organize the farmers and extend to them the benefits of technology and research which would be major strengths of any agri-business enterprise.
- iii) In the beginning, at the district level a Committee under the Chief Development Executive of the district (District Magistrate/Collector/Chief Executive Officer of Zila Parishad) could be constituted either afresh for SFAC or by slightly recasting one of the available district level development committees, which could initially be serviced by a designated department or institution such as the District Industries Centre or a well-run cooperative institution or even an corporate house, leading the marketing activities of agri-business in that particular district. A vibrant

known non governmental organization interested in this field could also be associated with this district level body.

- iv) Only after this informal district level arrangement has functioned for a few years would it be possible for the district to decide what kind of a formal organization set up it would like to have to promote SFAC. It would , therefore be prudent to leave this question for the future to be decided at the district level, wherever SAC activities get organized gradually over the years. The manner of associating the farmers with the district level set up would be an important consideration in deciding the institutional arrangement at the district level. Similarly, the manner of associating the corporate enterprise which are engaged in providing marketing support to SFAC activities would also be equally important.
- v) It is clear from even a cursory enumeration of pluses and minuses that both the levels (of the state and district) will need to discharge their respective functions in a symbiotic manner if the SFAC initiative is to take roots and blossom. It is not as such, a question of either / or but rather of how the two perform collaboratively with a common purpose. Moreover, their relative importance will vary with reference to the size of the state and the district, as also the nature of the state and the district, as also the nature of the operations. What is appropriate for Himachal Pradesh may not suit Uttar Pradesh. A coastal aqua-culture unit may extend not only beyond one district in a state, but may also cut across even the state boundaries. At the other extreme, a floriculture unit in a compact area within a district may well be served by one district administration. An a priori and uniform decision as to where the main organizational emphasis will be placed, State or District, will ignore these requirements of flexibility. To the extent that we recognize that the requirements for promoting different agri-business in different areas will vary, we should also allow a corresponding flexibility in deciding the organizational pattern to serve this broad initiative.
- vi) It would be useful to look at the process by which SFAC might initiate operations systematically in several States within such an organizational framework. Here again flexibility in methodology would be essential. One approach to try in the next round of district (in a departure from the approach adopted for the first set of districts) would be for the state Coordinating Committee to invite a dozen commercial houses (private, cooperative and public sector) to suggest district and lines of activity that they would be interested what policy and material support they would need to proceed with the venture. To the extent that the commercial house has already done technology economic studies or can undertake them quality, the job should be entrusted to them and these enterprises should be requested to come up with specific proposals for consideration by the State Committee within an agreed time-frame. Where no such study is readily available, the State Coordinating Committee should arrange to commission such a study with funding from SFAC. The study should not take the form of a roving survey but should generate specific project proposals based on a preliminary identification of possible agri-business. The study should be conducted by a well equipped technical institution, or a qualified expert in collaboration with the enterprise which shows interest in pursuing the business if basic techno-economic feasibility were established. The tendency to first commission studies and then look for someone to accept them for commercial operation needs to be avoided. At this stage, the role of the District Committee would be to provide data and other facilities for the needed studies and analysis to be completed in as quick a time as possible. The State Coordinating

Committee with the participation of national Policy-making, R&D and financial institutions should be the forum where the details are discussed and decisions taken based on an agreed set of functions and responsibilities by each agency involved in the project, as also a package of support by the SFAC and the relevant national institutions.

- vii) It follows that if based on such studies, no project acceptable to a commercial enterprise becomes available in a given district, no formal body needs to be set up for that district and the exercise can shift to explore possibilities in some other district in the state.
- viii) As a rule there should be no need to establish a formalized and registered body at the State level. A coordinating or Steering Committee should suffice for the roles referred to earlier, with field action being performed through the district committee / body. In this model, the SFAC budget can be operated by the APC and accounted for as part of the consolidated fund of the State.
- ix) As a rule therefore, SFAC in keeping with its mandate and little should encourage identification and development of specific types of agri-business in the select districts. It needs to make sure that the activities besides being commercially viable, satisfy the three criteria initially laid down by the Finance Minister, namely; “economic efficiency, environmental soundness and social equity”. The forward and backward linkages (example : roads, credit, marketing, storage, grading and quality control etc. which are needed to make the ventures commercially viable) should normally be found from the normal development menu in the relevant state / district. It would be unrealistic to try and undertake or fund such capital investments as part of the limited budget of SFAC.
