Farmer Producer Organisations: Approach to transform agriculture sector
About

NAFPO is a stakeholder driven institutional consolidation of FPO mobilization efforts and works towards creating an enabling ecosystem to support FPOs in identifying a pathway towards scale and sustainability. The main objects are to further interests of small and marginal farmers of India, various Farmer Producer Organizations in all forms, their associative tiers like state bodies and associated organizations. The aim is to facilitate FPOs to function as collectives, promoting the interest of their members while addressing larger challenges such as sustainable agriculture for livelihoods, resource conservation and regeneration and promoting an equitable and inclusive model of rural economic growth.

This paper addresses four classes of problems for FPOs to survive. The first is related to FPC-member relationship. The second pertains to hard issues of capitalization, working capital, and business volumes. The third pertains to the management of human resources who run the FPC. The fourth pertains to FPC being in the market. This paper is an attempt to diagnose elements that can maximize the chances of FPCs/FPOs to become sustainable.
Background
How some FPC balloons can become durable flyers?

The agrarian economy of India is driven by 70% of the 1.32 billion population. The agriculture sector has gained significant focus from the government in the past decade. Farmer Producer Organisations (FPOs) have emerged as the most preferred institutional mechanism for farmer prosperity by policymakers and development agencies. The government’s push towards promoting 10,000 FPOs, and a slew of other measures supporting FPOs, including 5-year tax breaks, in the Budget 2018 has made FPOs the linchpin strategy for doubling farmer’s income. In this regard, two things are clear - One, the fever about setting up FPC has gone viral, actively spreading by massive infusion of funds from international donors and the State supported programs mounted at their instance. And second, that there is a genuine need for farmers enterprises that work for their benefit.

For the benefit of readers, an attempt to diagnose elements that can maximize the chances of FPCs becoming durable is necessary. While doing so, some things have been borrowed from Dr. Tushaar Shah’s wonderful work on cooperatives. It is relevant because, barring the legal format, scope for interference by State Registrar of Cooperative, local politicians and compliance intensity, there are no fundamental differences between the two forms of group enterprises.

There are four classes of problems which need to be addressed properly for an FPC to survive and strong. The first is related to membership and FPC-member relationship. The second pertains to hard issues of capitalization, working capital, and business volumes. The third pertains to the management of human resources who run the FPC. The fourth pertains to FPC being in the market. These problems are interrelated and have to be managed as a whole. Prudent and far-sighted management of all these issues involves someone assuming “surrogate entrepreneurship” on behalf of the farmer group owning the FPC and her incentives for doing so.

Before elaborating further, it is to be noted that the texture and content of all the four classes differ between a set of FPC which deals with a multiple-harvest commodity produced by farmers and an FPC which deals with a single-harvest commodity produced by farmers. Produce like grain, oilseeds, cotton, pulses are typically harvested only once a year. To manage them one needs huge but short-term working capital, storage space, transportation arrangement, etc. The prices prevailing around the harvest time make or mar the fortune of the farmers. The business is, therefore, trickier. Produce such as fruit and vegetables, milk, fish, poultry are harvested multiple times in a year. They are also marketed almost continuously throughout the year. Since prices of perishables are subject to far greater intra-year variations than those of cereals etc; for them, the question of price risk is of a somewhat sharper order. Also, their perishable nature makes stocking difficult but processing more suitable.
Part- I
Member-FPC Relationship

The key question to answer is what is it that an FPC provides which will make a farmer join it and do business with it. What specifically does it offer which is not on offer from anyone else? This is what Dr. Tushaar Shah calls Unique Member Allegiance Proposition (UMAP). Often FPCs fail to evolve such an UMAP. All FPCs, whether their UMAP is compelling or not, are associations of members in one or more villages. Members come from diverse backgrounds in terms of caste, landholding classes, political beliefs, dependence on a specific activity for livelihoods, etc. There is an ever-present social dynamic among them. Income from crops or animal husbandry are of course private goods of individual but in creating a working and stable structure that offers a measure of security to members’ economic interests, FPC creates a shared common good for all the members. The issues of social dynamic, incentives to become and remain members as well as to become and remain leaders in the FPC are shared by FPC with other classes of grassroot organizations. The question for the first set of issues, in summary, is how one makes members make their social and political differences subservient to the shared economic interests. For the second set of issues, the questions pertain to creating an incentive structure that clearly distinguishes between members and non-members on one hand and members and leaders on the other. The answers to both these questions are highly context-specific and need to evolve in consensus with members.

Unlike co-operatives which mandate one-member-one vote and hence divorce a member’s ability to influence management from either capital contribution or business volume with the cooperative, FPC structure permits such a link. A member with a large contribution to the business of an FPC can influence it more, as he/she should be able to, than someone who contributes marginally. This, therefore, raises several questions. When would members think it is worthwhile to transact with the FPC? Potentially there are three stages of member transaction with the FPC. The first is about members continuing to invest equity capital in the FPC. The second is about members obtaining the production advice and inputs they need via the agency of the FPC. The third is about members marketing the produce via the FPC. Achieving an alignment between these three is the key management issue. Typical FPC members are poor and have to manage their homes within the small incomes they get from their farms. The shrewd and nimble private traders ever-present in all produce markets know precisely how to play upon these weaknesses. Therefore, that effectively members will be myopic and have fickle loyalty in their association with the FPC is to be assumed. Two other
issues are important. When a membership drive is mounted at the time of launching the FPC, promises may be made about what the FPC will deliver. Members frame their expectations based on these promises. The actual performance and delivery on these promises will determine how loyal members feel. Hence the expected myopia and opportunist behaviour will get influenced by gap, if any, between the promise and performance.

Some strategies found appropriate and useful by diverse organizations engaging in the business of member produce are summed up as below:

- **Requiring members to pledge loyalty to the FPC;** specifying the proportion of output they will market through the FPC. This is a common practice aimed at curbing opportunist behaviour of members, but very often found tough to implement.

- **Linking volumes of input supply with volumes of output accepted from members.** This works best when a particular input is very expensive or difficult to procure and chances of its spurious supply is high.

- **Enforcing strict quality norms on output brought in by members.** Again, this is a common practice but tough to implement as powerful members have a way of influencing functionaries.

- **Linking equity contribution made by members with the volume of output accepted by the FPC.** This helps in raising adequate capital needed for working capital needs of the FPC to handle members’ produce. While necessary, this strategy cannot be implemented initially since FPC’s management needs to gain trust. This may be done by deductions in payments made to members.

- **Staggering planting and harvesting time of horticultural produce, so that overall risk across members is contained in a fluctuating market.** For example, not all tomato comes during the same week but is staggered during a month or more. If by bad luck prices crash during a week, still much produce can fetch a reasonable price. This strategy is combined with a system of pooled price: members contributing during whole month receive an identical pooled price irrespective of the price prevailing when they harvested and sold.
• Requiring members to keep a portion of the sales value of output with the FPC to help the later build a price equalisation fund as well as increase its equity capital. A better way to do this is to apportion a part of the “bonus allocable profit” to price risk fund.

None of these strategies are popular, leave alone populist. They need to be brought in and enforced to bring in a measure of stability and sense in the FPC-member relationship. Huge efforts at explaining the rationale and persuading the members is essential for the strategies to be adopted and enforced. Local politician masquerading as farmers’ messiah usually does not sympathise with the logic of long-term stability and hence will tend to incite farmers wherever an unpopular step is enforced. It is entirely fortunate that such a politician has a much-reduced scope to interfere in the affairs of an FPC than he/she can interfere in a cooperative. But the difference is only relative.
Part- II
Capitalisation of FPCS

As noted earlier, despite the inherent problems with group enterprises, of which FPC is a subcategory of, there is a need for these enterprises to provide a measure of stability to farm incomes. Here the issue of capitalisation of FPC and issues connected with it is addressed.

FPC is for doing business. Any business needs capital infusion. Capital can come by way of equity, by way of grants, by way of profits ploughed back in business, by way of trade credits and advances or by way of formal institutional or informal loans. The relevance and possibility of each of the scenarios are explored. The amount of capital needed would vary by the nature of business. For an FPC engaged in merely pooling demand for inputs, going to the market with a pooled bulk demand, collecting and transporting goods back to villages and distributing each farmer’s order against cash to him; the capital requirement will be minimal. It will be only to arrange its office space, some local storage and things like phone for staff. For an FPC which procures a produce such as say paddy from farmers, processes it to produce rice and markets it through a retail chain under its own brand the need for capital will be much larger. It will need money for building a plant and installing machinery, creating storage for paddy and rice, creating and building a brand for its packed rice and of course manage its office, transport vehicles and so on. Thus, the extent of capital needed varies a great deal across FPCs depending upon the business they get in. Some FPCs could start small and add on more and more services and stages of processing in their business as they grow. It is to be noted that almost at each stage of its growth, FPC shall experience acute paucity of capital.

FPC cannot receive equity capital from individuals who are not producers of the concerned commodity or farmers who can be potential producers. Capital must be contributed only by producer members.

Hence, FPC’s own (that is non-debt) funds can come either by way of equity contribution of members or by way of reserves built out of retained earnings. Capital grants given it by Governments or donors are another source of owned funds. For conducting its business, an FPC can raise debts either in the form of long-term debt or short-term working capital gains and can also avail credit from suppliers and advance payment from buyers of produce during the course of its business. The reality is that most of the members of an FPC are poor farmers. They have a severely limited ability and possibly uncertain willingness to invest their scarce savings in the share capital of the
Farmer Producer Organisations: Approach to transform agriculture sector

FPC. If they expect the FPC to transact with them even when they do not contribute equity capital, they would possibly completely refrain from making this contribution. Assuming that each member can and is willing to contribute Rs. 1000 towards share capital of the FPC, a typical FPC working in 20-30 villages each with 100 potential members can hope to mobilize at best Rs. 3 million. Further, if the FPC gets a grant of Rs. 2 million from the Government, its owned funds will be Rs. 5 million. With great reluctance Banks may lend up to say Rs. 10 million to it. Thus, its total funds will be no more than Rs. 15 million. For an FPC engaged in business in single harvest produce, it can then have at most the capacity buy produce worth Rs. 5000 from each member if it were to try and follow a buy and hold strategy for their produce. This would be grossly an insufficient number as it will perhaps account for no more than a tenth of a typical member’s total produce. While specific numbers can be debated, the clear lesson is that within the overall funds available to an FPC, it can only be a bit player if it ever considers adopting a buy and hold strategy for members produce.

In the above paragraph, it is implicitly assumed that the Bank would accept a Debt/Equity ratio of 2. This is done arbitrarily here and is a matter of both priority sector-related banking norms, the experience of the local branch with farm-related lending and the risk appetite of the bank manager. The tragedy is that FPC usually has nothing to offer by way of a collateral and a long history of loan defaults and delinquency on the part of farmers (for quite genuine reasons) has made the old maxim of “capitalization of honesty” into a poor joke. So, the Banks are generally not keen to lend to FPCs unless forced by Government policy. Even when they do, the interest burden of 14-15% is so large as to wipe out much of the trading margin of the FPC. Therefore, borrowing for business in produce with thin margins is really not a good idea, and excessive borrowing is bad business. The worst-case scenario, not always avoided, is for the FPC to borrow in the informal market or from NBFCs at high-interest rates and then invest it in stocks of goods in the hope of a favourable price movement. A large number of businesses have been ruined due to speculation on borrowed money.

So, how should an FPC run its business within limited capital? There is no point wishing away the critical nature of the funds problem. This is a tough problem admitting of no easy solution. Any quick and dirty solution is more likely to lead to ruin than to sustainability of the FPC. No one has really solved the problem of under-capitalization and inadequate working capital for operations in seasonally produced commodities.

The following are some suggestions about what to do and what never to do. Not every “to do” may be feasible in given local conditions nor every “never to do” completely avoidable. But this is a suggested guideline.
To do:

While undertaking input operations, ensure that members deposit at least is a significant portion of the cost of their requirement when placing their order. This should be insisted upon whenever the FPC is not being promoted by an agency that also has SHGs in the same area. If they have SHG, there is a sort of built-in assurance in the form of the savings of the household.

- **Begin small:** just pooling demand, ensuring a fair negotiated deal with a supplier, facilitate for transport and distribution for him and undertaking logistics if at all compelled. In effect, start as a local distributor of the supplier for a fee.

- The next step in the input business could be to assume the **dealership of the input supplier** if the assessment shows that there is a reliable demand for input in your area. This will involve investment in shop/warehouse space, deposit with the district level distributor, etc and hence can be done only when FPC has accumulated some retained earnings.

- While engaging in output marketing related activity, to start with the FPC may engage only with **Government’s price support agencies and act as their sub-agents**. This will involve a minimal funds exposure and serve as a good training ground for efficient operations. FPC will need to ensure that produce quality as received from members adheres to norms specified by the Government agency.

- Unless specific donor funds are available for setting up processing facilities, and if the FPC must process the produce, **FPC should work in processing only on lease or job-work basis**.

- FPC must ensure that **every incremental gain made by members, a portion is contributed towards equity capital each year**. FPC may also encourage all desirous members to save money with it or with the SHGs associated with it so that those funds can be used for working capital.
Never do:

- Deposits with suppliers who appoint the FPC as their local delivery agent needs capital. FPC is short of money. Yet no one will give products to a nascent FPC without deposits. Hence, to the extent possible, FPC should minimise the amount of deposit money for obtaining dealership, etc. from input supply agencies.

- FPC should rely as much as possible on rented vehicles, office space, warehouse space, etc and not try to buy these. This will reduce its fixed investment making it available as working capital.

- FPC should not agree for immediate payment for member produce on borrowed funds resisting member pressure as much as possible.

- FPC must not adopt procure and hold strategies for farm produce unless it also can simultaneously hedge in commodity futures. A village-level FPC needs time to acquire the savvy for the later and hence minimal reliance on buy and hold strategies is recommended.
Part- III
Interaction Between FPC and Markets

Two earlier notes had been devoted to discussions of issues in members-FPC relationship and in managing business in a capital short FPC. In this note, the issues surrounding the interaction between the FPC and the market is addressed. This note is intended to first lay bare the issues and then to offer some actionable suggestions to help create a viable business model for the FPC.

All promoters of FPCs need to disabuse their minds of the naivety that by pooling the produce or input needs of members they can always improve their bargaining power in the market and that this is necessarily good for the producers. It must be noted that the size of virtually any produce in the market is huge, much larger than the cumulative quantity produced by the members. Mere pooling by ten or a hundred farmers can only marginally influence realised or paid prices and that too in the short run.

However, pooling can help one get better terms of trade in terms of logistic matters of time and place of delivery, changed structure of charges for warehousing, different credit terms and the like. The main advantages of pooling are in two respects. The first pertains to reducing the asymmetry of information. Someone savvier and clued in the market conditions are likely to deal with the transactions when a commodity is aggregated, and she is more likely to have access to more and more timely information when compared with a lay illiterate producer who may have no smartphone. The second advantage is in sharing of costs among the producers. Instead of each producer individually transacting with the market operators and thus spending her time and money in the process of travel, only one or two members or better still, an employee of the FPC does so. Thus, the remaining members can save their money and apply themselves to other tasks. Similarly, handling, transportation, and similar cost elements could perhaps be shared and hence reduce for a member. This tends to happen particularly where the charges are fixed per transaction and not unit linked.

There are three caveats to this wishful advantage of pooling:

- The first lies in pooling and aggregating all the risks: risk due to adverse price movement, risk due to hazards, risk due to accidents in movement, risks due to mala fide behaviour of the market agent or even the representative or FPC employee and so on. When the tomato of only one farmer gets damaged due to a road accident, only she suffers. When the vehicle carrying tomato of 30 producers gets damaged in a roadblock
by the Naxals, everyone loses. Such risks which were diversifiable across producers when individuals did their transactions are now pooled.

- The second caveat is that in so far as reduction of costs and improved realised prices occur simply because of poor logistic connectivity, this advantage is just as durable as the adverse logistic condition. As soon as roads improve and become safer, private trade jumps in increasing competition and reducing the advantage of pooling.

- Seldom do proponents of FPC like to bring up the third and very important caveat to pooling. This pertains to moral hazard in the form of deliberate mischief done by producers: prompted by narrow self-interest, producers are likely to sell the best portion of their produce on their own and bring only the second rate or even worse quality material to the FPC. When such material gets mixed with the bulk of materials brought in by others, the chances that buyers will offer a much-reduced price will be higher. Since then everyone gets a lower price, this reinforces their motivation to separate the material at least on visible parameters of quality, take the best one through individual marketing route and bring the worst to the FPC. Thus, unless rigorously checked, the average quality of pooled materials will tend to steadily decline. Rigorous quality checks before allowing members to pool their produce in the FPC and undertaking every possible step to minimise opportunistic behaviour of members is a very critical and fundamental business principle.

Coming back, from the rather long prelude to the issues faced by an FPC in its engagement with the market.

The first and a critical issue which separates an FPC from other market players is that it is legally and organisationally compelled to adopt formal procedures and processes in its market operations. For its clean and transparent management, it requires invoices and bills for every service. Being subject to multiple levels of scrutiny, it will need to create and maintain documentation of all its transactions. Therefore, unlike a typical market player in markets of farm produce, it cannot operate in a faceless manner in shadowy zones. The need for elaborate documentation and at times decision making may make it stodgy and slow. The typical market player is and will remain much nimbler. Furthermore, unlike the FPC, such a market player can adopt varying stance to different customers often within minutes of each other. While the market player can differentiate between buyers or sellers the way he wants, FPC cannot.
The second and substantive issue is that often through his social network the market player in rural markets combines and interlocks multiple markets: market for inputs, for produce, for consumption goods, and credit. He may have intermeshed familial, social and business relationship up the market channel in terminal markets or with the processing industry. He thus has a strong and durable relationship with his clients. He has multiple degrees of freedom and levers while dealing with the average farmer. FPC has very economic interaction on very few fronts with the members and hence has fewer degrees of freedom and levers with its membership. As markets formalise and logistic and information bottlenecks loosen their grip, the grip of the market player on rural clients possibly slackens but he usually has an advantage over the FPC.

Given these two aspects noted above, the question is in dealing with the market on their behalf, what does the FPC offer to members that is distinctly superior to what the private players offer. Hence the question of UMAP becomes very important.

The mirror image of UMAP in the market so far as potential customers are concerned is the unique selling proposition (USP) of the FPC. Why should the customers care to engage with an entity which is perhaps stodgy, slow in decision making, inflexible in its terms of trade and quite possibly acting in a holier than thou manner? Why should the customer care whether they are buying from an entity owned by farmers themselves? Should or will they not be more concerned with the produce attributes, quality, time of delivery, its shelf life, price, incidental services offered, etc? This issue, therefore, has to be thought through by segments of the market. Perhaps the ability to pool produce of many people at lower costs than they would normally face is its USP with State procurement agencies. Traceability of the produce to individual farmers could be USP with choosey buyers wanting to claim Responsible Farming or Organic type tags on their produce. Excellent price-quality bundling could be the USP for retail consumers. Such USP would need to be thought through, developed into being credible and jealously guarded for building the FPC brand. Without such a USP, the FPC would find it difficult to be a long-term player in the market.

The final issue of relevance deals with FPC learning about, complying with and in due course tweaking to members advantage the governing principles of market institutions. Can it acquire a seat in the governing Board of the local regulated market institutions? Can it influence the entire marketing system to shift from visual, heap-based close hand transactions to weigh-based, formal quality governed open bidding process?
Based on the above, the to-do list for sound market interface would be:

- Evolve a UMAP for members which encourages them to engage with the FPC on a continuing basis,
- Evolve norms to curb potentially opportunistic behaviour of members without diluting the above UMAP
- Evolve USP for each segment of the market
- Thoroughly understand the norms of the local market institutions and evolve internal standard operating procedures compatible with it.
- Evolve internal norms regarding delegation of powers to empower the personnel engaged in markets to take expeditious decisions so that the FPC does not lose to private market players due to their nimbleness.

Admittedly achieving the above is not easy. But there does not seem to be an option!
Part- IV
Management of Human Resources Who Run the FPC

So far, the issues FPC-member relationships, managing with scant capital and interfacing with the market and offered some suggestions in each respect have been covered. This note deals with the internal management of the FPC, in particular, acquisition, orientation, motivation and management of human resources. In my first note, it was emphasised that for an FPC to establish and grow from strength to strength, someone has to assume the role of an entrepreneur.

There is no doubt that anyone who strives to help the poor and distressed farmers earn extra income and improve their economic position for a better life for themselves and their children is doing a very noble task. S/He must have an extraordinary motivation to overcome the normal self-interest for material well-being for self and family and work for the poor. However, all the managers and staff are also social beings with normal lives to lead and the question is to what extent they can do so working in an FPC.

The ownership is by a large number of farmers. The FPC has the mandate to provide economic services connected with the produce of the farmers on sound commercial lines. It is a for-profit entity. However, it is a member-oriented firm whose “main” purpose is the provision of requisite services to producers and the profits are only subsidiary, additional gains. If the person taking up the entrepreneurial role is also a producer of the commodity, s/he stands to gain from the work of the FPC like other producers to the extent of his/her farm produce contributes to the business of the FPC. If the person taking the entrepreneurial role is not among the producers, a more typical case, then s/he has no corresponding gain and s/he earns only her/his salary. It is undetermined if any FPC has yet offered an incentive directly related to business volume (say 0.5% of turnover) and gross margins (say 1% of gross profit) to its CEO and whether such a thing would contravene any law or rule. Thus the person assuming the entrepreneurial role has no direct, ethical and fully above board financial incentive in making the FPC grow and become strong. This is sharply to be contrasted with investor-oriented firms where the entrepreneur has a huge financial incentive in making his/her enterprise vibrant. So far as the staff of FPC is concerned, they work for a salary. Some of them could have a performance-related incentive and some could be working on a pure piece-rate basis and thus have a stake in the business volume, but these staff members typically work at relatively lower levels in the staff hierarchy.

It needs to be noted that most FPC working in input supply related to the cultivation of farm produce and its marketing operate in businesses which have thin trading margins.
Only a few fortunate enough to have large donor support can establish elaborate processing plants that then help them improve gross margins. Both types are fully exposed to high market price fluctuation and hence risks. Furthermore, operating centres of most of these enterprises are in provincial or rural areas. Living conditions in such areas as of even now leave much to be desired. In effect, one expects the staff to work on such salaries as are feasible within the thin gross business margins, most often without any performance-linked incentives and in living conditions prevalent in villages or village-like small towns.

To turn now to the required skill sets of the staff, three types of staff have been considered. The first type has extensive interface with membership: they mobilize the producers, they organize them in small groups at village level, they engage in such advisory and extension work, they engage in logistic operations of input supply, they need to help the FPC mobilise member capital and continuing equity contributions, they need to engage with members when the latter have grievances, sort out conflicts among members and so on. The second type of staff perform the accounting, financial and administrative functions: they work in offices on computers or ledgers, they go to Banks, they book vehicles, they follow up on deliveries, they receive and oversee stocks of goods, they may undertake stock audit, they deal with officials of such regulators as become relevant. So far as their work is concerned, they could be working with any other commercial firm which buys and sells produce. Finally, there is the type which engages in marketing the output. They constantly compete with other market players. For those engaging with State procurement agencies, the staff needs to all the time be adversarial to officials of the State procurement agencies long used to manipulating weight and quality reports for illicit gratification. For those selling to market operators, they need to be on guard against manipulations by the nimble and smart market player as also guard their reputation since charge that they sold their soul and cheated the producers are all too easy to bandy around. Finally, those who have to sell their produce in the retail market, they are competing with multiple other sellers offering the very same or similar produce at terms which are possibly far more advantageous to retailers and distributors. The content of work and constant worries differs across the three categories. And then we have the top management comprising men and women who have assumed the surrogate entrepreneurship without incentive.

An observation is that while the staff in the first category have huge acceptance, affection, and respect among the producer community, they are in a no-return street. To start with, they are the sheet anchor of the FPC and pull a lot of weight within the internal team. As the FPC grows and marketing, processing, and sound financial management functions start becoming more critical to its functioning, they see their
relative importance within the organisation declining. Unless one re-train them and redeploy them, they burn out, at times becoming cynical and counterproductive.

The second category of staff acquire organisational importance over time and are often considered busybodies who only issue unrealistic orders without seeing field realities while they sit in comfortable offices. They also are the ones whose skills are more wanted elsewhere and can find positions in other organisations once they have long enough experience.

The third category usually sees a large staff turnover particularly if the FPC is engaged in retail marketing. They also need to be overseen carefully since they deal with money all the time. But they also acquire skills of retail marketing which can be applied elsewhere. Since new marketers of a wide range of products continuously look for fresh manpower manning their retail sales network, there is a lot of demand for them and they migrate.

And what about the top management? Professional management personnel, not hailing from producers carry the burden of entrepreneurship of the FPC without compensation. Further, at least at statement level, most FPCs like to claim that eventually, they would like the producers themselves to manage their companies, which means they will acquire the skills of managing a commodity business in an intensely competitive world with the additional complexity of satisfying the dual expectation of service and profits by a membership which may be fissiparous due to social and economic stratification. As Dr. Kurien said, ‘the task of top management is to train the producers to be good masters and then to serve them’. The unfortunate part is that noble though the task of running an FPC successfully is, the good deeds of the top management and the dedicated workers will help them only in the next world. The argument that producers themselves are poorer than them does not hold water when they are confronted with existential problems of managing their lives. They cannot pay their children’s fees of an engineering college with the immense goodwill of the producers. They need hard cash for it. And FPC is always under tremendous pressure to increase member benefits by keeping all overheads low. Is there any surprise that you have only one Kurien among a million men born? And hence is there any surprise that only a handful of FPCs out of thousands floated in the past decade show any sign of maturity and stability?

The to-do list in this respect are

- Plan for a staff cost budget of an order which will enable the FPC to acquire and retain high-quality talent which is both motivated, willing to stay and are competent to deal with the risk, travails, and tribulations of running a
nascent FPC; and willing to stay in places without the amenities they are used to or aspire for.

- Devise mechanisms to introduce an element of financial incentive linked in the first place to volume of business done by the FPC and at the secondary level with the gross margins fetched. This incentive should be applied to all those whose compensation package is not piece rated.

- Keep constantly drilling into the minds of the Board of the FPC (comprising producer representatives) that it is vital to encourage and retain the existing staff and that their well-being is as important to the proper running of the FPC as the well-being of members.

- Introduce constant team-building exercises for teams comprising the Board members and the top management so that they develop a deep personal rapport and understanding of each other’s human concerns.

- While constant reminders of the larger purpose of the FPC is essential for the management staff to enable them to derive meaning in their job, the FPC must remain sensitive to their changing needs in their life cycle and should create an adequate insurance provisions and a general-purpose employee benefit fund for looking after emergencies and sudden large funds needs for members of the staff.

**Never to do**

- FPC must resist the temptation to hire sons of the soil for positions that deal with critical action areas.

- FPC must try and ensure that sons of the soil hired never work in their village or communities lest they engage in partisan behaviour arising out of their caste or social affiliations.