

Dhari Krushak Vikas Producer Company Limited

DSC's experience
20th Dec 2007

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Inception Phase

Dhari Krushak Vikas Producer Company Limited
(DKVPCL), Amreli, Gujarat

- Looking at some of the problems, especially the role of Government in running the Co-operatives, DSC felt that it may be good to try out the alternative of Producer Company that provided greater freedom to the farmers in managing their own affairs .
- Initially farmers of 10 Watershed Associations (WA) in and around Dhari (Amreli district, Gujarat) that had implemented watershed program with DSC came together and formed a Federation

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- Process of registration started in 2004 and the federation was finally registered as a Producer Company under the Companies Act -1956, in 23rd June 2005.
- DSC had to hire the services of a Company Secretary for registration.
- Each WA Contributed Rs.10,000 towards the share capital of Rs.100000.

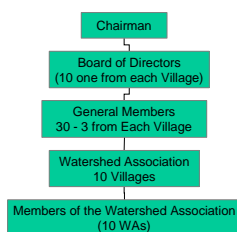
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Broad objectives

- To carry on the business of production, harvesting, procurement, grading, pooling, handling, marketing, selling, export of primary produce e.g. groundnuts, oilseeds, grains, and other agro products of the members or import goods or services for their benefit
- To provide for mutual assistance and technical consultancy services
- To provide for insurance cover and credit facilities to the farmers in a profitable manner.
- To provide for welfare measures or facilities for the benefit of members.

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Existing structure of Company



Approx 1000 members, one secretary ,ex officio director of the board

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Activities initiated by the PC

- The Producer Company has started an outlet at Dhari In 2006 to sell agriculture inputs- seeds, pesticides, improved agriculture equipments etc.
- Watershed Plus Activities in 10 Villages - Strategic focus is on productivity enhancement, cost reduction, risk mitigation, value addition , market and capacity building.
- About 150 farmers undertook soil testing. Plan for scaling up and reaching 500 farmers by Kharif 2008

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□ **Demonstration and Experiments**

- Trichoderma and castor cake for wilt management in groundnut.
- Integrated Pest Management in Cotton and Groundnut.
- New high yielding varietal trial in groundnut and Wheat.
- Use of Fertilizers in the field on the basis of recommendation as per soil testing.

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Activities initiated by the PC

- Linkages with various Agri Universities and research stations for Training and Capacity Building for the Members.
- Field Day at Farmer's Field.
- Spreading up successful experiments and demonstrations.
- Presently engaged with Loan based Land Levelling funded by NABARD
- Loan based support to Agriculture based Livelihood Activities such as setting up of vermin compost units and purchase of agri implements.

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Loan based Land Leveling

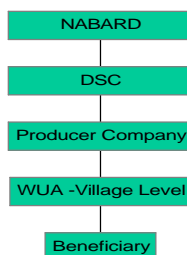
- Motivate watershed associations and village farmers to continue development works in their villages after completion of intensive phase of the watershed projects.
- Land Levelling is being the most demanded activity by the farmers in the area.
- NABARD has Sanctioned 10 Lac for the Activity.
- Presently Implemented in 4 Villages as a Pilot based Experiment.

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- Benefit Cost ratio in this area is around 5.19 and Pay back period would be around 3-4 years.

- Loan provided by:



- At every stage 1% interest will be charged as service charge.

- Repayment in 7 years (considering 2 years of drought)

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Recent developments

- DKVPCL will develop and provide field services to farmers doorsteps and all agri. inputs under one roof
- Recruited two professionals for its economic activities.
- Initiate decentralized wheat grading, as a first step to value addition.
- Looking at the un-seasonal rainfall this winter, PC will be taking up rainfall insurance on a pilot basis through Agriculture Insurance company (AIC).
- Turnover from April to Nov 2007 is Rs.7.5 lacs and is expected to reach Rs.10 lacs by the end of Rabi season.

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Future Planning

- Production of trichoderma.
- Value addition of agri and horticulture produce.
- Provide credit based financial support to its members for Agriculture and allied activities.
- Market linkages for assuring better price – tying up with MCEX etc.

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Producer Company – advantage gained or advantage lost?

□ Issues related to Awareness about the PC

- Since Co-operatives as a legal entity have long since been in practice in Gujarat, the Producer Company is seen as a competitive entity rather than a complementing one by the bureaucracy.
- Very less awareness regarding the new law and concept of producer company among govt. officials, producers and NGOs. Only 3 PCs (besides the NDDDB Dairies) promoted so far!
- Lack of awareness about PC in local auditors too

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□ Capacity Building

- Need for orienting the bureaucracy and NGOs on the salient features and provisions of the Producer Company.
- As in any business entity, capacity building of the members of PC is very important as it requires entrepreneurship skills to make it a financially viable unit and cope with the present market scenario.
- Need for providing continuous and regular hand-holding support to Producers Companies at least for 2-3 years to familiarize the functionaries on maintenance of financial records, filing returns etc.

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□ Policy

- Registration or setting up procedure is very cumbersome, arduous and time taking.
- Among all inputs fertilizers is the most controlled and regulated. As per the present licensing policy in Gujarat, the "principal certificate" can be given only to Co-operatives and they do not have any provision in their by-laws to provide such license for farmer's producer company.
- All the legal requirements of registering a Producer Company, filing a return etc are in English and therefore not very producer friendly.
- Initial share capital is a Rs 1 lakh which may not be possible for small and marginal farmers.

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Suggestions

- Registrar of company's office to spread information among government departments, NGOs and primary producers regarding the features and provisions of the Producer Company.
- There should be some department which needs to be directly responsible at the State, district and block level for providing information in local language and also to look into some of the problems that the primary producers may have during and after registration.
- The process of registration would need to be simplified and translated in regional language.

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- The concerned line departments such as rural development, agriculture and animal husbandry, could help in capacity building of various stakeholders involved in promoting and facilitating the functioning of the producer company.
- The Producer Company should be treated at par with Cooperatives by various Govt departments/agencies.
- There should be some incentives for promotion of Producer Company especially for NGOs.

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- For some years tax exemption may be needed to promote PCs.
- Government also could help with some start up capital to PC especially for small and marginal farmers and for recruiting professionals to help in enterprise development
- Special notifications may be provided to the Chartered Accountants on the provisions for filing returns etc.
- Last but not the least there is need to document and disseminate best practices on capacity building, awareness creation and enabling environment for promotion of Producer Company across the country.

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Thanks