

FPOs in Coconut Sector

Coconut Scenario

Global:

Coconut is grown in almost 94 countries in the world of which 90% of the production comes from Asian and Pacific countries. Annual world production of coconut is around **71299.41 million nuts**. India, Philippines, Indonesia and Srilanka are the four major coconut growing countries. India stands first in global coconut production with **22,680 million nuts per annum** and has a productivity of **10,615 nuts per hectare**. Among Latin American countries Brazil and Mexico are the major contributors to coconut production. Kenya, Vietnam, Jamaica, Fiji islands etc. are other emerging countries in this sector.

India:

India accounts for **31.46 per cent** of the world's coconut production. India is also the highest domestic consumer, at **1494.4 million nuts** being utilized for consumption annually. Kerala, Karnataka, Tamil Nadu and Andhra Pradesh together account for **90%** of the coconut production in India. However, India's annual export earnings from coconut and coconut based products form just **0.1%** of total export earnings.

Farmer Producer Organization - Program Summary

Coconut in Indian Economy

Coconut plays an important role in social and economic lives of people in India, especially in the states of Kerala, Tamilnadu, Karnataka and Andhra Pradesh. A typical Kerala cuisine heavily depends on coconut. The dried leaves, husk, kernel, trunk etc are still used in manufacture of various value-added products. Thus each and every part of coconut tree finds use in some form or the other.

With the advent of Land Reforms Act, individual land holding size got reduced. This trend continues even today on account of division of land owing to nuclear family culture, especially in the state of Kerala. Today, **98%** of coconut farmers in the state are small and marginal. A lack of labor for land maintenance and harvesting, high cost of labor and fluctuating price of coconut have given way to dwindling interest in coconut cultivation.

Rationale of FPOs:

Farmer Producer Organization is formed with the main objective of socio economic development of farmers through productivity improvement, cost reduction, efficient aggregation, processing for value addition, better by-product utilization and efficient marketing of the produce. It aims at providing a fair, steady and reasonable income to farmers by organizing the unorganized coconut sector through farmer collectives.

True empowerment happens only when farmers are involved in all stages of value addition supply chain, such as, production, aggregation, processing, marketing, distribution and sales. Only when farmers starts an enterprise of their own, they will learn to plan, collaborate, work in a team, take decisions and risks, interact with people from other spheres and sectors, thus learning and growing with the enterprise. This helps in inducing self confidence within the farmers thus enabling their overall development.

The name 'Producer Company' is provided in order to indicate that the members have to necessarily be a primary producer. A new **Part IXA, sections 581A to 581ZT** of Indian Companies Act 1956 provide the features of a Producer Company. It is a hybrid between a Private limited Company and a Cooperative society as it minimizes interference from other external bodies thus ensuring that the real power rests with members of the company itself. Such a company functions like any other private limited company with only difference being that the profit incurred flows back to farmers who own the company.

Approach:

The Coconut Farmers Producer Organizations thus formed have a three tier structure consisting of Coconut Producers Society (CPS), Coconut Producers Federation (CPF) and Coconut Producers Company (CPC).

Coconut Producers Society (CPS):-

CPS is formed by associating **40-100 coconut growers** in a contiguous area with range of **4000-6000 yielding palms**. Farmers with a minimum of **10 palms** are only eligible to be a part of this society. Once the society is formed, it is registered under charitable societies act and also with Coconut Development Board. All the societies have a common bye - law.

Coconut Producers Federation (CPF):-

CPF is formed by combining **8-10 CPS**. A CPF would have around **1, 00,000 palms** under it. CPF is also registered as a charitable society and further registered with CDB.

Coconut Producers Company (CPC):-

8-10 CPFs would join together to form a CPC. A CPC would consist of around **10, 00,000 yielding palms**. This company would be registered under section 581B of Indian Companies Act of 1956. The Producer Company is wholly and fully owned by the farmers.

As on 31-12-2016, there are **9308 CPSs, 723 CPFs and 65 CPCs** affiliated with CDB.

Equity for CPCs is raised through farmer contributions. Companies are also expected to collaborate with technical and financial institutes, research institutes, management institutes and other consultancies for acquiring the expertise required to move in the right direction during its initial stage.

CDB's Role in Farmer Producer Organizations:

Coconut Producer Company is one of the most important points under CDB's vision of 12th five year plan. CDB has taken up the task of facilitating formation and hand holding of FPOs during its initial stages. There are various fronts in which CDB is currently supporting FPOs.

Product Basket of Coconut

Being a zero wastage product, the product basket from coconut is enormous. Some of the value added products from coconut are Desiccated Coconut (DC), Virgin Coconut oil, , Coconut chips, Coconut milk, coconut milk powder, Coconut Vinegar, Coconut oil, Tender Coconut water, Coconut wood products, Ball copra, Husk and Coir products, Coconut ice cream, Coconut body lotion and so on.

Another unique product named 'Neera' is a sweet, oyster white coloured juice obtained from the unopened inflorescence of coconut palm. Neera is a rich source of sugars, minerals and vitamins which makes it an excellent health drink. It also has a **very low Glycemic Index (35 GI)** which makes it diabetic friendly.

Apart from directly consuming it as a drink, many value added products can also be prepared from Neera. Some of the value added products are Neera sugar, Neera halwa, Neera syrup, Neera honey, Neera chocolate, Neera squash, Neera biscuit, Neera jam, Neera fruit spread, Neera jaggery etc. A major volume of Neera in Kerala is been produced by CPCs.

Technology and Marketing support

Technology Mission on Coconut (TMOC) supports FPOs for establishment of coconut processing unit, market promotion, brand building, product processing and diversification. CDB Institute of Technology (CIT), CDB's in-house research centre is set up for providing technical support, consultancy and efficient technologies for integrated coconut processing.

Marketing team of CDB facilitates market identification, development and product promotion for the companies by generating demand through consumer awareness by conducting coconut festivals, exhibitions, fairs, exclusive coconut points etc.

Capacity Building and Training Programs

Friends of Coconut Tree (FocT) training for coconut climbers, Neera master technician training, certification courses in coconut processing and value addition etc. are some of the training programs initiated by CDB. Capacity building is also done by conducting leadership and other trainings for directors of the companies.

Various schemes of CDB such as Laying out of demonstration plots, Replanting and Rejuvenation schemes etc are being implemented through CPCs. For production of Quality planting materials CPCs are encouraged to establish own nurseries. This would invoke among the farmers a sense of ownership and thus give way to better productivity and quality.

CDB has proposed formation of Consortium of Producer Companies to take over the above mentioned role played by CDB and to establish itself as an independent entity which addresses the common needs of Producer Companies and act as a powerful force to build a more favorable business climate.

Way forward

Going forward, CDB plans to form **100 Producer Companies, 1000 CPFs and 20,000 CPS'** in the country. The purpose behind the same is that at least 10% of total production and value addition happening in coconut sector should be through Producer Companies. Only in such a situation would the actual bargaining power reside in hands of farmers. Besides, this would also encourage new entrepreneurs to establish business in this sector as the issue of aggregation and organized availability of raw materials would be addressed through FPOs.

Thus the need of the hour is to organize this sector in such a way that the bargaining power rests with farmers. With the proper support from government, FPOs have complete potential to benefit all stakeholders namely the government, farmers and the consumers. Hence this effort of CDB to form FPOs can be seen as the stepping stone for revival of coconut sector.

Prepared by:

Marketing Division of CDB