

**DECODING IMPACT PRESENTS**  
**DECODING FARMER PRODUCER**  
**ORGANISATIONS WITH**  
**EMMANUEL MURRAY**

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# Acknowledgements

## Contributors

This podcast was arranged by the **Agriculture Team** in Sattva Knowledge Institute and was hosted by **Rathish Balakrishnan**.

We would like to thank **Emmanuel Murray**, Investment Director at Caspian Equity, for participating in this podcast and for contributing his valuable expertise, insights and time.

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## About Sattva Knowledge Institute

**Sattva Knowledge Institute (SKI)**, established in 2022, is our official knowledge platform at **Sattva**. The **SKI** platform aims to guide investment decisions for impact, shedding light on urgent problems and high potential solutions, so that stakeholders can build greater awareness and a bias towards concerted action. Our focus is on offering solutions over symptoms, carefully curating strong evidence-based research, and engaging decision-makers actively with our insights. Overall, SKI aims to shift intent and action toward greater impact by influencing leaders with knowledge. All of our content proactively leverages the capabilities, experience and proprietary data from across **Sattva**.

**Introduction:** From Sattva Knowledge Institute. This is Decoding Impact, the podcast where we apply systems thinking in conversation with extraordinary experts to understand what it truly takes to scale solutions in the social sector. Decoding Impact is hosted by Rathish Balakrishnan, a co-founder and managing partner at Sattva. Welcome to today's episode.

**Rathish Balakrishnan (RB):** [00:00:38] Small and marginal farmers comprise 85% of all the farmers in India. Farmer producer organisations have the potential to address issues of bargaining power, credit taxes, farm inputs and effective implementation of various government and private sector-led farm interventions and this idea of farmer producer organisations is not new. It has been around for the last 20 years, especially in the last few years we've seen exponential growth in the number of farmer producer organisations.

However, farmer producer organisations are the land of the dwarfs in some sense. 50% of all the FPOs are actually in just four states. 5.4% of the FPOs in the ecosystem generate more than one crore in revenue. 13.4% of the FPOs have more than ten lacs paid of capital and less than 4% of the FPOs are able to raise 15 lacs within five years, so a lot of what we see as farmer producer organisations are necessarily very small organisations today and scale has been a very critical challenge.

Across the board, it has been acknowledged that building and finding this capability has been a challenge. If you are looking to grow the income of farmers, it's necessary now to actually find ways to build the capabilities of leaders and to build the capabilities of farmer producer organisations.

Our conversation today is actually going to be about what it takes to make it happen and to help us with this conversation, we actually have an eminent speaker with us, Mr Emmanuel Murray. He is currently working as a senior advisor at Caspian Equity, considered one of the most passionate and knowledgeable experts in the FPO ecosystem. With over 39 years of rich and diverse experience across agriculture, rural credit and micro enterprises, including five years as Head of Operations of an impact-focused NBFC with a portfolio of over ₹6 billion. He is currently focusing on multiple focus areas, including how to help build a more resilient and emergent food and Agri start-up ecosystem. Mr Murray, thank you so much for joining us. It's an honour and a pleasure to have you.

**Emmanuel Murray (EM):** [00:03:16] Thank you so much for this opportunity, given to me to speak about farmer producer organisations.

**RB:** [00:03:22] To just begin the conversation. Mr Murray, I'd love to hear about your experiences over 39 years across both agriculture, more specifically also with farmer producer organisations.

**EM:** [00:03:33] In the early days, farmer producer organisations that were pioneered were the ones who kind of piloted the policy around the farmer producer organisations and incubated this early institution and FPOs. While at Reserve Bank, then principal of the bank and later on to be deputy governor, Mr Khan was the one who suggested to me that these were institutions worth studying and the outcome of that study was a paper we published on farmer producer organisations and the need for banking finance to these institutions. I think, was a pioneering piece of that type and it's still widely quoted and one of the first

pieces of literature on this subject, and that is how I got inducted into this space. Later on, I of course went back to my parent organisation NABARD and after a few years, NABARD decided that those were institutions that they would like to launch and promote under their own programmes and of course, at that point of time, I was transiting out of number, but I was consulted in the design of those projects, which were launched later on, and a large number of FPOs were promoted by NABARD.

Now, because of my writings in this space and also my fieldwork, I became a reference point for various people working in the FPO space, more as a consultant, as a speaker at conferences, and as an advisor to several different *avatars*. I used to be invited and every opportunity to visit is also an opportunity to learn. Because I was going to these multiple institutions, I had a panoramic view of what was happening in this space. What happened next was that the FAO of India requested me to report on FPOs in India and their prospects, which became another opportunity where we could do some work on the FPO space. This was presented before the Planning Commission. And in that way, my engagement with the FPOs continued, and most recently we were commissioned by GIZ to write a guidebook on financing FPOs, so that's been another recent assignment that we did at Caspian.

**RB:** [00:06:31] It's interesting to see how across diverse organisations, be it the NABARD, be it your work with Caspian now across other places as well, you've been able to look at this. I mean there's the evolution of producer organisations, but also this whole idea of access to credit, to farmer producer organisations. And I specifically wanted to get your thoughts on this whole idea of the capability of FPOs today to even absorb the capital that we are talking about them getting. What are your thoughts on the whole capability-building conversation of farmer producer organisations?

**EM:** [00:07:11] Building institutions is a long-term activity, so it takes a lot of effort and time to build these. 5 to 7 years, maybe some minimum that would happen. Our expectations of quick results are unfair to them, but moving from production to being a player in the market is a big shift that we expect FPOs to do. I think the challenge is unlike, let's say, milk and others, which are commodities where the aggregation is easier and linkages are possible, we have not networked these institutions. So, if FPOs were standalone institutions and were told to play in the market and therefore because they didn't have prior experience in dealing with the market, it was pretty a new game for both those promoting FPOs as well as the farmers themselves in trying to handle this. Also, because agricultural markets are in a way unstructured, not every transaction happens on paper and is documented, and so informal markets exist in a very large way. Trying to have a formal institution to deal in an informal market is a game by itself because there are a lot of things. Once you are in a formal institution, you need paperwork, you need records, you need registrations and all that is new and the other guy on the other side with whom we are competing doesn't require all these things.

In spite of that, I think over a period of time, these institutions have been able to find a place for themselves. Let's talk about members of FPOs. If we tell them that this FPO can make a difference in their life, the farmer would be looking at how can he get a better deal than what alternative channels provide. That may not happen in the immediate sense and would a farmer is willing to deal with a promise of something better in the future is a question. So, a small farmer having a small marketable surplus in the future will be great. But for the. They

bring you to deal with us and we may not be able to give something better is a difficult proposition to sell. In spite of this, I think many of these institutions have been able to make a space for themselves to turn the tables and make a difference. Diverse commodities deal with markets which on the other side are unstructured, promoting institutions that are large of NGO origin, and therefore they do not understand the markets. All these have been the reasons why it has taken much longer than we would have liked for these institutions to mature.

**RB:** [00:10:21] This is a fantastic insight. And I want to break down now, Mr Murray, what you shared into six things that I picked up as reasons. It'll be good to sort of go into some of the details here. The first thing that you mentioned is we have unrealistic expectations about the time it takes for any organisation to mature from being an idea to a set of people to a business to an organisation. Even in a regular private sector play is a very long journey and perhaps we have an unrealistic expectation of the time frame. We do know that 79% of our producer organisations are aged three years or less. So today we are still a very nascent sector and the market and so maybe we should just give it more time. I think that's a very valid point.

The second thing that you said, which is extremely important, is that the business of production is very different from the business of market engagement. Producers are focused on a set of unique challenges on their own, and this is only getting worse with climate change and everything. In addition to that, now we are expecting them to trade, understand markets, figure out pricing and so on, so the set of skill sets that we are talking about is very different. So, are we even expecting them to have, you know, this broad set of skill sets overall?

The third point that you made, and I think this comes from your experience as well, an Amul or NDTV, it was a networked entity, you know, as opposed to a set of independent organisations that are left to fend for themselves. We still don't have a networked entity of a mother FPO network, which then works in integrating these individual FPOs. So, market negotiations, market frictions, just having critical mass, etc. is very hard. It's like having micro enterprises delivering to a massive value chain on the manufacturing side.

The fourth point you made is that even a very seasoned entrepreneur would struggle because the markets are so informal. So, the rules of the game are not very set and recently we know with the farm laws as well, the nature of engagement here has a lot of structural sorts of issues and challenges and informality. Any entity, even the most seasoned entrepreneur will struggle in being able to do this very effectively. And FPOs then, along with all the other challenges we are talking about are going to be even harder. NGOs are enabling farmer producer organisations and NGOs themselves are not market-facing organisations, you know. So, it is in some sense organisations that themselves have a more equitable focus than the market focus guiding farmers who also don't have a market focus. So, the blind spots are getting compounded unless we get people who really, truly talk the market language.

The last part of what you said is the fact that farmers don't have cash flow and access to a security net that allows them to play the long game. It's easier for big businesses to play the long game by saying, listen, for three years, I'm going to do this and in the fourth year, there

is going to be value. Farmers are subsistence and they have to see value today and really to get them and sell them the story that listens four years later, this is going to be incredibly helpful for you. It's very hard to sell. I don't know if I've been able to capture some of the points that you made. I fully agree with you.

I think sometimes we underestimate cash flow as a critical challenge, we just sort of do it as a business model and say, okay, five years, it's okay. But, you know, farmers are looking at cash flow and that's important.

I wanted to take the second point you made first, which is the fact that farmers are producers and the production-related challenges are very different or unique in themselves compared to the market engagement challenge. At the core of it, do you see that as a skill set, we can build in people? and also to be great, some FPOs have also been able to despite all of these challenges, and some fears have succeeded. So, it'll be great to hear stories from you about people who have done this well and what are ways in which we can bring these productions and market engagement sort of skills together would be great to hear.

**EM:** [00:14:32] Particularly on the last one. Keeping 10% of the need to be paid as equity in the company, doesn't work for small farmers because what they get on hand is also very small. So how we build equity in these institutions is also a challenge that I think keeps them small. On the input side, enough is being done by several other players. So, therefore, where FPOs have tried to start with inputs, they haven't been able to, they may be able to build a top line, but they haven't been able to very successfully build businesses. So being just an input supplier may not work for an FPO in the long run. So, the alternative is to begin to be a player on the market side, and that is where you need to identify how you could be different from others or you could gain a foothold in the market, which is already pretty crowded with traders. So, we have an FPO called Chetna Organic. Again, I think it's well, widely written about, but what they have been able to do is to identify markets for organic cotton globally and then start building a production base in India because of weather and other factors, including the low rainfall area, and soil conditions. There are very few countries in the world that can grow cotton on the scale that we in India can grow. And we are going to be the major global supplier of organic cotton in the years to come also.

This institution was able to build a large production base in multiple states, including Telangana, Maharashtra and Orissa. That is also important because weather conditions vary across the states. So, if you want to have regular availability to supply to buyers in, let's say, Europe or USA, you can't rely on a single location which could have a drought or flood or something else. So, a diversified production base and the ability to convince farmers to shift from conventional cotton to organic cotton and then provide non-GMO seeds, the whole works. They have been able to build up a robust production base and now I think demand far exceeds the supply that they can provide. So, from, let's say, a three crore turnover about 5 to 6 years ago when we started supporting them. Today they are at 40 crores this year and they would be doing 50 plus next year. But I think they will hit the ceiling because the production capabilities are reaching a limit. So, in that sense, these are the kind of places where value addition, finding niche markets, and connecting with consumers at a sustainable level, are going to play an important factor. If we have undifferentiated products and we still want to market them to the same set of people, it's going to be difficult. So, trying to find those niches is going to be the key.

**RB:** [00:18:34] You made a point, Mr Murray, that focusing on inputs is not going to help. And we have to start from a market first approach on what is the market opportunity, what is the niche, etc. And the case study you just shared with us talks about, okay, here is how you identify a market opportunity which is really in organic cotton, etc., just for the sake of the audience. Can you also talk a lot about what focusing on inputs mean? What do inputs mean here? If maybe you can give us an example.

**EM:** [00:18:57] So inputs mean, let us say, seeds, fertilisers, growth promoters and pesticides, plant protection. These could probably be the four things. Seeds have good margins in them. There is a possibility to make a decent profit in that. But then I think the corporates have their distribution channels for seeds so the FPO may be one more institution. Fertiliser is where the problems lie. You can get volumes, but prices are regulated and margins could be anywhere from 3 to 5 to 8%. So ultimately, if you add on all other costs, it doesn't work.

The larger profit is in pesticides and growth promoters, both these businesses. But again, I think the ability to have working capital to stock these, to supply them on a demand basis, all these are pretty difficult challenges. Appeals have been doing this fertiliser and these kinds of inputs. But on the other side, where the margins are more, they haven't done many growth promoters and other things. Again, for example, organic inputs still do not have standards. So, there are issues of performance farmers trusting these things, those are the challenges. That is where inputs business is easier to start, but difficult to make money out of will not offer a great future.

**RB:** [00:20:39] When we come back to what we discussed about Chetna, what do you think they are doing right for us, for them to be able to go from 30 to 40 to 50 now, especially from a capability building and the leadership perspective?

**EM:** [00:20:52] Great question. Yeah. So, they have a very decentralised organisational structure, so there are farmer producer organisations of some form. I think in some states there are cooperatives, and in some states, there are company formats. But empowerment is at the ground level, so a lot of things are taken care of by these institutions. The federation, which is organic, is the market-facing arm of the institution. They are the ones who go out and get these European and other brands to build long-term partnerships. In particular, Cotton is a sensitive commodity where the risks of contamination, the risks of misstatement about it being organic, these are all issues and these have been taken care of in such a way that I think today globally also Chetna organic as a brand is trusted to be the most reliable supplier of organic cotton globally. And that, I think is built on community institutions, systems and processes on the ground, documentation of things, and building the people's institutions on the ground.

**RB:** [00:22:28] I want to build on what you're saying, Mr Murray, because the kind of leadership we need to unlock global markets and brands to even manage those relationships, they are not easy relationships to manage. You meet all of the industry criteria, etc. The federation level for Chetna organic is a different type of business leadership to what you talked about very usefully on the decentralised leadership, which is at the level of FPO itself, which is, as you said, building community structures, ensuring trust

quality controls. There I'm sure there's a lot of community-led leadership that has to be done and production, quality and sharing and all that to be done. What type of in your experience, what type of leadership profiles do we need? Is it that the Federation is usually led better by people who have some experiences in mainstream industry value chains, etc., and are typically coming from a professional background? And can farmers be trained to become leaders of these FPOs? And maybe I'm stereotyping it here, but I'd love to hear your thoughts on what type of people and profiles and talent you think is necessary at both of these levels, both at the Federation and the level of FPO.

**EM:** [00:23:41] What we could say is that too much of a corporate approach doesn't work, so it is more about building relationships between end consumers and producers. So I'm not sure whether it's more Europe or it's universal, but even the end users are not looking for big hype or a very corporate approach to things. That is a kind of connection that they have built with these European brands and probably it would be difficult to make this prescriptive and say this is how it should be. We have not had high-profile corporate professionals, but we have had people who have been able to deliver results through trust and fair play and delivering on what is promised and that, I think, has worked in this space.

**RB:** [00:24:51] What would a high-quality FPO leadership look like for you? So what sort of skills and traits do you think they should have? And let's assume we have, we are talking about a really high-quality, A-plus FPO leadership. What are the qualities that you are expecting in them?

**EM:** [00:25:05] A top-quality FPO leader is one that you know where the organisation excels or performs even in the absence of leadership. The leadership is very much there, but it's still not overpowering or over-visible. It has empowered people across the institution to be able to perform their roles. This includes, let's say, the professional management, and the field staff, so everybody feels that they have clarity about what they're doing. They are empowered to do what they do, and they have the freedom to do what they do. The board just does the oversight of things, so that is where I think good leadership comes from and where the leaders are present to deal with the external world mostly not with the internal institutional arrangements. When it comes to negotiating with markets, negotiating with lenders, this is where you see the leadership making its presence. Some of the other qualities that we see are dispersed leadership or let's say leadership which is not too centralised, it is a good thing. If there's just one man who is defined as although technically there is a board, one or two people determine everything, which may not be the best thing. A board that feels that it is participative AND decision-making is dispersed.

The second is rotational leadership again, where leadership has the depth to be able to have a second line of people who can take charge over a period of time from the present leadership.

Third is, again, a participative board. In most FPOs you'll see that there are two or three active directors and the rest are dormant but in a good board, you'll find more participation and decision making, more accountability, and more ownership also. So, these qualities are very much visible over there. Particularly, I think, when the peak operation seasons of business come. That is when you see the board's presence and activity. Their ability to be there and get things done when the business is at its peak, when things are moving, and that



is when you know you have commodities moving, you have money moving, you have all the risks and everything. And that is where leadership drives organisations toward success.

**RB:** [00:28:16] You're sort of really enabling the organisation to grow even in your absence, rather than purely shadowed by your presence and this type of leadership. Mr Murray. In mainstream companies, it's also is also hard to find today. It's good quality. Leaders like these are hard to find. In your experience, do you think we have a sufficient supply of leaders who can become this today? Is supply a constraint? Then we will actually not even have a fertile supply.

**EM:** [00:28:41] Supply is not the issue. The issue is also of the promoting institutions not willing to challenge societal conventions and other things.

There are these costs, there are these power structures and all of these are in the village or rural India. If we just want to be following that and building another institution, nothing much will change unless we confront that. I think it's going to be a big challenge. And these are, let me tell you, not government institutions, so it is not necessary for us to, again, have the same political or other kinds of people taking a call on this. But unfortunately, I think even promoting institutions or institutions that are trying to set up these FPOs fall into that trap and then we are in the same rut but where we are able to deal with this and empower, we're not displacing power structures. We are empowering others who are otherwise overshadowed, and things change. And this, I think, is possible only from an external force dealing with it. Internal structures within the rural institutions may not be able to do it, but if they are supported by these external agencies, transformations happen. We have seen I think a large number of young people emerging, going back to villages, having not much else to do. They are the future leaders whom we have to catch. Their relevance is certainly forgotten, so when we say the farmer, we look at the father, we forget the son and the daughter.

**RB:** [00:30:36] This is a fascinating point. Mr Murray, I was having a conversation recently that we are trying to bring ideas from management and structures, and I suppose something that you highlighted earlier. Formal markets and informal settings need a certain type of operating structure, but the underlying social structures have their own challenges and their own dynamics in some form in terms of how caste works, who can speak in a meeting? Who cannot? Who owns what? Who's entitled to what? And so on. And if you're expecting an internal restructuring of those dynamics for the external reality to sort of play out, it's going to take a long time or it's probably never going to happen because a lot of social capital is built into these structures which people use in whatever form. There is tension between the formal structures we want to establish on top of these informal and fairly well-entrenched social structures that are being there for such a long time, isn't it? I think understanding that is a challenge. I mean, the answer, is maybe that external entities have to come and put the pressure to be able to do this, or maybe there are other ways. But even acknowledging that challenge, I think, is going to be very important.

**EM:** [00:31:52] Speaking from working on the ground for long years, we assume that these are difficult to change more than what it's possible. The possibilities of transformation very much exist, but the ability for us as external change agents to make it happen, we need to work harder.

**RB:** [00:32:14] I always love an optimist, Mr Murray, so I love talking to you because clearly, you're bringing that sense of solutions as possible. I'm one of them too. So, let's move there if you can maybe tell us about what is already happening around capability building of farmer producer organisations. You know, what are some of the initiatives that are being done in the government market otherwise, I think that will be great to hear as well.

**EM:** [00:32:35] A lot is being invested by the government into the FPO sector in the recent past. Even for NABARD as a part of the government, a lot of resources have gone into capacity building, establishing these institutions and creating some degree of infrastructure. What needs to be done is, of course, a multiple of that. But the only thing, again, the question that arises is close to 60% of the programme budgets are on other than the ultimate institution, 30 or 35% of the budget is for the FPOs. The rest is for these intermediary institutions to do capacity building, management, monitoring and all these things, which is not very wrong. I think globally also that's a decent percentage to build on. But what is being done in the right way is a question what is the quality of human resources that are delivering these? Are they working towards sustainability beyond the project period and who are these people doing it? Again, if we see, you know, multinational consulting organisations are the best suited to take on these roles, these are the questions that continue to confront us. On the capacity-building side, I think quite a bit of good work has been done in terms of building manuals and training programmes and workshops.

The problem with capacity building probably is to integrate it with operations, so integrating the capacity building with the operations, doing it in a phased manner, interlinking it with outcomes and results. These have not so much been there. I'm not complaining, but compared to, you know, having worked with, let us say NDB or with the SHC programme where capacity building directly can be identified with outcomes. So here we don't see that relationship very distinctively and therefore I think there is scope to rework this.

**RB:** [00:35:06] One of the things that we've been discussing internally at Sattva, is how do we take a lifecycle approach towards capability building, and capacity building of farmer producer organisations as well because they probably are at different stages at different times and the kind of inputs, they need at different stages will be different. I don't know if you had any thoughts on that and is that possible and be done?

**EM:** [00:35:27] It is the way to go forward. The initial will have to be why FPO? Why do you need to come together? And those rationales have to be built in. The second of empowering or, let's say, building confidence that they can do it. So, the initial phases will have to be around that clarity of why vital this institution is required. Second, how you can manage it yourself. In all of these, I think there is the softer side of capacity building and then there is the other hard side of it processes, rules, regulations, compliance, organisation, and structures. Trying to blend these two is the important thing. And if we can build the energy around coming together, the other thing happens, especially among women FPOs, we need not tell them too much about bookkeeping, reconciliation and all that. They appreciate that once they know why they've come together and what they have to do. As we evolve in these institutions, you can go to higher levels of capacity building in many of the organisations that we have worked with, including to the extent of negotiating with the market, women FPOS have been able to do it very effectively. When we come to things like processing

technology, I think technical support is required and where guidance helps. But their ability to visualise and transform their own lives, there is enough evidence that I have seen and I think you'll get excited by watching the growth as it happens.

**RB:** [00:37:12] Current funding or the capital that is focused on building farmer producer organisation capability is a project-based funding approach. In Three years Why don't you do this? You will get to this point. So, the incentive for the providers is to ensure that those three years of capital capacity building are happening. Well, not as much as it is being sustainable. Second, you also talked briefly about the kind of organisations that are doing this. Who are the way you know, the nature of these organisations, the way they are structured? If I had to ask you, what is the right form of capital? We need to build the capability of non-profits. Because, in start-ups, the people who build the capabilities of start-ups are investors, which means their returns are tied to the future growth of the organisation, almost automatically start-ups actually start to grow and build internal processes and so on. But in FPO it's very programme-based funding for many reasons. Is there an ideal type of capital that will help build the right type of capacity-building model for FPOS?

**EM:** [00:38:16] Difficult to say, but I think in terms of financial resources, particularly for the FPOs, it is falling short, so we need to strengthen that part.

Let me give a small illustration of the amount of work that a director of an FPO does. If he's serious about his interest in an FPO is not compensated and it is so valuable you can't attach a price to it, so really, how do we make good recompense for what services they provide is a question and capital for FPOs has to be strengthened. I think farmers contributing towards initial capital is a high expectation that may not happen and that has to be met from somewhere else.

Now, these are, I think, public good all said and done. A few are a public good and therefore the state has a major role to play in terms of the kind of financial budget and the money that is being invested in this programme. It is not significantly large. If you say that like a start-up, who is going to harvest the gains of this event when they come now the gains will largely, I think, go to the members of it as well as to society at large. Therefore, funding will have to come probably blending credit and equity funding with the state playing a dominant role as I see continue, it will continue to play a dominant role.

**RB:** [00:39:58] This is a bit of a provocative question, Mr Murray. And again, I'm simplifying this when I say this. Maybe the problem is the capital, which is the root cause. If the right capital comes in, do you think there are incentives for FPOs to organise the right type of leaders to come and join them and for them to be able to mature effectively? And is there a need for us to maybe actually look at what type of capital can be unlocked for us? In addition to just looking at how the quality of the capacity building can be improved.

**EM:** [00:40:29] The capacity to absorb and manage capital is there with about 10 to 20% of FPOs. So, we will have to pick those up and put them on a higher growth path and those capital provisions will have to be made at us in a larger quantum because these are state programmes, equity becomes an issue. Therefore, there is a uniform regulation saying

everyone will be eligible for these. So as some of these demonstrate their capacity to manage capital, they need to be taken and dealt with at another scale altogether.

**RB:** [00:41:12] Absolutely. I think it ties back to the lifecycle approach that you brought up as well, that calibrating a capacity-building approach to different parts of the life cycle and being able to look at what type of capacity-building support and what type of capital is required at each stage of the lifecycle. I think that is probably at the core of being able to build this effectively at scale.

**EM:** [00:41:33] Right. So, is capital constraining the growth of this programme? If you ask that question, debt capital at this time is scarce. Then the capacity of these institutions to manage debt and service debt is also a challenge. Just opening it up and providing may not solve the problem. For those that have reached a stage where they are hungry for capital, then you know, this debt-to-equity ratio and all of these should not apply. We will have to use alternative metrics of taking them on to the next level of growth. That is where I think the regulatory constraints, the structure which is built, has its limitations in being able to deal with higher demand.

**RB:** [00:42:27] Access to capital is limited because the absorption of capital is low, absorption of capital is low because the access to capital is limited. So, it is a self-perpetuating challenge.

**EM:** [00:42:36] We are reaching a stage where we're breaking out of that cycle and close to 20% of FPOs are showing signs of growth where they would get commercial very quickly. That is where I think regulations and laws also have to keep pace with that and treat these like corporates, not like cooperatives.

**RB:** [00:43:05] I want to go back to something you said very early in the conversation. Bring it back right now, Mr Murray, and then I have a couple of questions after that. We started by talking about the difference between production and market linkages. And as we were discussing that, you gave us this example of Chetna Organic and how they looked at the organic cotton market, and it's a niche space they were able to play here and then they can differentiate themselves. If you look at a universe of farmer producer organisations, there is going to be a large share of them that are going to only focus on staple materials. They're not going to differentiate on market opportunity. They're just going to do the usual sell it to low premium, have lower margins. Their top lines are okay, bottom lines are what they're going to be. And then there are going to be some FPOs that are going to differentiate on a very unique and niche market opportunity like organic cotton. It could be other things and so on in, in, let's say five years from now if you look at the universe, do you feel like what percentage of them will continue to stay in the staple-based approach, low margins, decent top line to how many of them are going to be Chetna Organics, which are identifying niche market opportunities? And the reason I'm asking and I'll just add this is market differentiation is a constraint as well, saying a large part of our agriculture is non-differentiated staple produce, so most FPOs are going to be there. So, in case, you had to ask the answer, the percentage question, what is your general sense? I'd love to hear that.

**EM:** [00:44:35] What we've seen is the presence of an FPO in a market resets the rule of the game. You find that even if we are in a commodity like a soybean because we operate

differently. Right from, let us say, sieving the soybean to bagging it, to testing the soil moisture content in it, to weighing it in all these operations, when you are transparent and ethical, you could return up to 9% more to a farmer. That itself, you know resets the rules of the game. Even if we do 10% of the market, the fact that you are there as a last resort for a farmer helps the whole market to return better value to the producer. That is where I think timely payment, all these things, you know, are undervalued when we do a comparison with traders, if these are done, they could be right up to even the processor prefers to deal with an FPO because he knows that he's sure of what the quality is on paper is what he's getting, so he's willing to deal with it. These have been the things, but these require a lot of hard work, a lot of hard work. Expectations of farmers are also unreasonable. Trying to do these things is not easy and then trying to document and demonstrate it is the game which some have done and shown that it makes a hell of a difference.

**RB:** [00:46:30] I want to touch upon the last point that you made, and I think we've touched upon it multiple times in different ways, which is you said NGOs are enabling pharma producer organisations, insurance themselves are not market-facing organisations. We also talked about how global players may not be the right person in your experience and your wisdom, who would be an ideal capability-building partner for an FPO? What sort of traits, qualities, and skills should they bring to the table?

**EM:** [00:46:57] It will have to be a combination of the two. I think even where we are talking about these large consulting firms bagging these contracts, ultimately, they are relying on people who have prior experience working in this space. One space I think, we should recognise is that in the eighties and nineties a lot of young professionals with a lot of ideals went on to set up a large number of institutions like Pradhan. They would be the ideal ground or the entities that can promote robust institutions. We see some, like the Agha Khan Rural Support Programme or some of these are the ideal mix of bringing professional approaches with the human touch, combining these two, and trying to deliver results. So those that generation unfortunately is a fading generation. As I see Gram Vikas and some of these organisations, so they would be probably the ideal vehicles to implement programmes like this.

**RB:** [00:48:13] I want to touch upon two cross-cutting themes and FPO capability building. Mr Murray And one you touched upon already, and the one I think we haven't spoken about. I wanted to get your views on this one the role of gender. You know, I recently was in a meeting where I asked people to close their eyes and imagine a farmer and I asked them, how many of them imagine a man, you know, the entire room had imagined a man as a farmer, despite us knowing the fact that more women are in the field than men.

Our understanding and articulation of farmers and agriculture are from the lens of men. When we think about capability building, you touched upon how sometimes it's an advantage to have women because they intuitively understand a few things better. I'd love to have you share your thoughts on this idea of gender. Is there something we should do more to promote more women-led, women-based farmer producer organisations?

**EM:** [00:49:08] A little diversion from that. This self-help group movement has divided the country by gender. Unfortunately forgotten the men and that has had its adverse impact. In FPOs, probably we need to resolve that by having mixed gender FPOs. Women-only FPOs

are there but try and mainstream women also into a few programmes. So where again I will say we haven't seen too many but where leadership has been handed over to women, they have done a phenomenal job in many FPOs. In terms of discipline, they are very tough. We need to solve this problem by looking, I think probably as a household, as a unit of production and not a man and woman. So we'll have to relook at that. We also need to bring the next generation into the thinking process. So even if the man is a member of the FPO. The woman and the children also have to, in a way, be recognised as co-participants in this movement on this programme. And that is the way I think we'll have to address this issue. It's not easy, but it's not complex. I can say that.

**RB:** [00:51:07] The other cross-cutting trend I wanted to talk about, and I haven't heard much about this, so I'd love to hear your thoughts. Is this entire focus on climate change right now and the FPO capability building? I think if anything, there is probably greater urgency right now to be able to have aggregated structures. But in your discourse and the conversations you're having, do you see these two conversations coming together, which is the focus on climate change and the focus on farmer producer organisations and their capability building?

**EM:** [00:51:34] There is a convergence between these two at a production level, for example, in the Chetna story that we were talking about, farmers, if we go and meet them, talk about the changing patterns, weather patterns, rainfall or everything, so they are also worried or concerned about these things on the ground. But then they feel that these are too large issues for managing at a village level or a micro level, can these be controlled at the small unit level? These global changes, it's one question, how do we deal with them? What do we do to mitigate those? Is there and I think people are open to doing it and recognise that these are problems to be dealt with. Things like let us say water conservation and some of these measures are there that people are adopting or willing to do if provided the right guidance and resources are extended. But on the ground, certain communities are worried about the changes that are happening over time and are willing to do something about it if they are given solutions.

**RB:** [00:52:51] And it's great that a lot of times some of these problems are understood top-down. It sort of seems like everybody is worried, not the person on the ground here. It's the other way around. I think the farmers can see the problems directly. It's the enabling structure on the top, which is I think missing today, which I think we need to work on, which is a great point. This leads me to the last question I had for you, Mr Murray. You've been extremely kind, a lot of fantastic insights.

In terms of tangible recommendations on what we need to work on. And it'll be great to hear your thoughts at what they call the *Samaj Sarkar Bazar* level. So, at a *Sarkar* level, policy-related changes, what would you recommend be at a *bazaar* level? Are they market-related models, the private sector playing a role, and credit and finance markets playing a role? And at the *samaj* level, what can community organisations do differently? What can enable organisations to do differently? It'd be great to hear your thoughts at all three levels.

**EM:** [00:53:44] At the government level, probably the very design of this FPC is having its limitations. In a way, it is a company, in another way it is a collective and the cost of establishment and the cost of compliances are tremendous, these are killing these

institutions and that needs to be addressed. Everyone recognises that we have to solve that problem to some extent.

From the *bazaar* perspective, blended capital or what we call patient capital is what is required in this space. Private capital of nature like an impact, investors and others who have clarity about why they are wanting to get into the space, have the patience to deal with it, and have a willingness to wait., so it will be a longer-term investment. This will have to be blended with the grant and other kinds of support so that it is possible to have capital working for the long term, bringing the professionalism of the private sector and the advantages of the state and the social sector. If we can combine these two in a way that capital flows outside of the state sector, and also into the spaces that will be great, it's a possibility someone has to sit down and work on it and find how it has to be done, and that requires some thinking.

On the community side again, I think equally FPO should not be seen as pure or prescriptive to communities so that this whole idea of every village, one, FPO, all sorts of things are being done. So for a community, the rationale and the need and the advantages of an FPO have to be clearly understood before putting the first brick of the foundation of these institutions. If we build an edifice without clarity on that, it will not sustain. These institutions have to be people's institutions and work with people. Let them understand that these are their needs. Then we start building on this.

Let's not go into this whole high-speed, 10,000 FPO kind of model. It is not going to go anywhere, it will crash. So, people have to be at the centre of the programme and they should understand and acknowledge and realise the relevance and need for these institutions and then only we should move forward. But on the ground, certainly, communities are worried about the changes that are happening over time and are willing to do something about it if they are given proffered solutions.

**RB:** [00:56:41] This is very helpful, Mr Murray, and I think very tangible points. You're right that there is a little bit of euphoria is too strong, but there's excitement around, hey, we found this one thing that will solve all problems type of thinking for FPOs. I think tempering that enthusiasm, not focusing on purely just increasing quantity, but building quality and strengths I think is going to be very, important. This has been a fascinating conversation; Mr Murray I've thoroughly enjoyed our discussion. I think we covered a lot of ground and a lot of perspectives. For me, one of the beautiful things about the conversation was also that we were able to look at this problem from a lens of social structures, finance opportunities on the ground and so on, and also a larger, broader policy perspective. You've been very kind with your time and your insights. Thank you so much. I deeply enjoyed speaking to you today.

**EM:** [00:57:42] I stand by whatever I say, and I'm ready to be accountable for everything that I have said. And I think people can come back and ask questions.

**RB:** [00:57:51] Absolutely. Thank you so much.

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