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Producer Companies and their Partnered Institutions, Owned by Small and Marginal Producers in India

LUMES MASTERS THESIS, Lund University

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ABSTRACT

Providing insight into a new company model in India, the Producer Company Amendment (2002), this study looks at the emerging trend among development oriented organizations who couple it with ambitions of improving livelihoods and market integration of small and marginal producers. The defining feature of the producer company model is its restriction of ownership to primary producers. Seven case studies of producer companies are presented, drawing on over fifty semi-structured interviews, farmer focus groups, document reviews and field and observational visits. The practical intent of this paper is to descriptively map the architectures of combined institutions coordinated with producer companies. In the seven case studies described, the producer company is found to be combined with other institutions - predominantly with cooperatives and self-help groups - which try to create platforms for ownership and governance of the producer company by a large collective membership of small producers. The paper situates the cases within a larger discussion of institutions and governance, proposing how the latent potentials of these institutional structures are relevant to the aspirations of sustainable development. This study contributes to filling a lacuna in the literature on producer companies.

Key Words
Producer Company, Institutions, Capacities, Governance, Indian Agriculture, Cooperatives, Self-Help Groups, Rural Development, Producer Organizations, Sustainable Development

Forward

Our research was awarded a Right Livelihood Award scholarship by the Lund University Centre for Sustainability Science (LUCSUS), and specifically challenged us with making our investigation pertinent to the work of a Right Livelihood Laureate in the respective field of supporting small and marginal livelihoods in agrarian India. We were invited, therefore, to meet the work of Dr. Vandana Shiva and her organization Navdanya, situated in the Himalayan foothills of Uttarakhand. No specific demands or restrictions were made on our research, neither Navdanya nor Dr. Shiva took any part in facilitating either our access, our process, the collection of our material, its chosen direction, its subsequent analysis or its presentation here. When we began our research in Delhi we had no idea that Navdanya was planning to incorporate a producer company, and that it was in the process of developing the cooperatives it intends later to federate into a producer company. It was not until the end of our process, when Navdanya was the last organization which we visited, that we discovered a producer company to be 'in the works'. The fortuitousness with which this allows us to present our findings back to Navdanya, with the hope that it will inform their present ongoing considerations of how best to organize and sustain their institutions and governance, bespeaks to the producer company's appeal.

We would like to sincerely thank Lund University and LUCSUS for granting us the financial support, with which to conduct these five months of research. We would also like to thank the following mentors at Lund University, whose advice, encouragement and practical assistance was invaluable: Stefan Anderberg, Elina Andersson, Ingegerd Ehn, Lars Eklund, Amanda Elgh, Olle Fröden, Anna Lindberg, Staffan Lindberg, Barry Ness, Krister Olsson, Lennart Olsson and Vasna Ramasar.

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A Note Regarding References

The reader will find two reference lists. The first, Field Research References on page 51, contains all interviews, focus groups, and observations collected during field research. The second list, Primary and Secondary References on page 55, contains all references to secondary sources including primary documents collected during field visits.

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Abbreviations

ADS	ACCESS Development Services
AGM	Annual General Meeting
ATI	Appropriate Technology India
BOD	Board of Directors
CBO	Community Based Organization
CHIRAG	Central Himalayan Rural Action Group
CIG	Common Interest Group
COAPCL	Chetna Organic Agriculture Producer Company Limited
COFA	Chetna Organic Farmers Association
CRP	Community Resource Person
DLA	District-Level Association
FBG	Farmer Business Group
FOARD	Foundation for Organic Agriculture and Rural Development
HARC	Himalayan Action Research Center
IOFPCL	Indian Organic Farmers Producer Company Limited
NABARD	National Bank for Agriculture and Rural Development
NGO	Non Governmental Organization
NTFP	Non-Timber Forest Products
SHG	Self-Help Group
SIFFS	South Indian Federation of Fishermen Societies
SNVF	Sthree Niketh Vanitha Federation
UNDP	United Nations Development Programme
VAPCL	Vijwa Agro Producer Company Limited
VLA	Valley-Level Association

I. Introduction

There are many contexts within the agrarian economy of India. One of them is that of a predominantly agriculturally dependent population, whose marginalization is derived partially from its minuscule land holdings - 80 per cent of which are fragmented to below 2 hectares - and partially from its exclusion from distant and larger markets because of the smallness and vulnerability of crops at subsistence scales, and from its exploitation by an imperfect trader-controlled local market and reliance on informal credit (Rao 2004). Agricultural livelihoods support up to sixty per cent of the working population (Rao 2004), which means that over 100 million rural households depend on their cultivation of marginal (below one hectare) and small (below two hectares) land holdings (FAO 2010), whose average size is declining progressively (Vaidyanathan 2010). These families are transformed by the often necessitated migration of one of their members, usually male, into the service sector of an urban centre, and by the feminization of agricultural cultivation (Agarwal 2011), whereby women who perform the majority of agricultural labour also increasingly enter its marketing and management, within the confines of patriarchal economies and likewise within the determinants of patriarchal family structures (Harriss-White 2005). Uninsured against natural afflictions of crop, and almost always indebted to a local money lender, who provided credit without guarantees of collateral on the basis of trust but at exorbitant interest rates, these families' livelihoods depend on their ability to sell seasonal, sporadic and often perishable produce through the lenders who extract debt payments and control marketing information, and through highly imperfect markets with no infrastructural means of preserving or processing their produce. Caste, ethnicity and gender persist in defining divisions (Harriss-White 2005), and determine not only terms of market access, but also inclusion or exclusion from governmental and non-governmental schemes of support. In trying to describe this economy, we necessarily confront the imperfect categories of *formal* and *informal*, and we describe it as predominantly the latter, meaning that it involves forms of non-market and of mobile exchanges, and that its transactions fall below a threshold of taxation and registration (Harriss-White 2004). This informal economy is by no means unregulated, it is by no means unorganized, nor is it marginal (Harriss-White 2004). It predominates, accounting for perhaps 90 per cent of all livelihoods, and upwards of 60 per cent of the net domestic product, incomes and savings (Harriss-White 2004).

It may be self-evident that the prevalence of the above concerns place us within the purview of poverty alleviation and sustainable development[1]. Very significant gains stand to be made in alleviating poverty, re-vitalizing rural livelihoods (relieving pressures on urban employment) and developing more resilient and sustainable food production systems (improving social and food security) if small and marginal farmers can be assisted with marketing their produce at fairer prices. A very long standing aspiration in the way Indian society has formally organized itself from the beginning of the twentieth-century has been through cooperation (Datta 2004). An influence of both the cooperative structures, remnant of British colonial rule, as well as a much older and at the same time younger spirit drawing from the philosophies of Gandhi and Nehru and their contemporaries, has aspired to integrate India's population into communities with ideals of self-sustainability at the village-level and into massive cooperative enterprises (Datta 2004). These cooperative enterprises, owned by many and employing millions, are under frequent scrutiny for being skewed in their intended objectives by organizational failure or by the co-opting of their management by political elites and poor leadership (Baviskar and Attwood 1995)(Rajagopalan 1996)(Shah 1996).

India's cooperative network is truly staggering, with over 500,000 societies and with a membership of around 209 million, no other country in the world rivals its cooperative spirit (Datta 2004). Most of these cooperatives are member based, and have often been established with the support of the state government, since cooperatives are the subjects of state rather than federal legislation. This means that cooperatives are

[1] The definition of sustainable development has been constructed in many ways, however we can rely on the frequently used definition provided by the Brundtland Report from *Our Common Future* which states: 'Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts: the concept of needs, in particular the essential needs of the world's poor, to which overriding priority should be given; and the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs' (United Nations 1987).

registered across India under various names that include societies, federations, trusts, and cooperatives. They provide a variety of services such as marketing, credit and input supply and are traditionally organized into two tier and three tier structures (Datta 2004). Worth mentioning is Andhra Pradesh's introduction of the Mutually-Aided Cooperatives Act[2] (1995) which curbed the powers of the Registrar and gave cooperatives the independence to reject share capital from the government freeing them from a legacy of political influence and making them more democratically responsive, user-sensitive and user-managed (Baviskar and Attwood 1995)(Rajagopalan 1996). Eight other states have followed suit in creating new liberalized (self-reliant) cooperatives, which now total around 70,000 liberal cooperatives across the country (Rajagopalan et al. 2011). While seeking to learn it, we have only grown more reticent of offering any weighty summary of India's cooperative legacy, which is extensive and complex and does not deserve to be abridged, but the importance of its context for us is that Indian rural agricultural communities are braided with cooperative structures and with other collective forums, such as self-help groups (SHGs). SHGs are popularly known as small informal micro-credit institutions, intended for the collective savings and credit activities of 10 to 20 members, usually women, with the formal benefits of group bank accounts and access to formal credit. We will sometimes express these benefits by referring to SHGs as *semi-formal*. It is estimated that there are close to 7 million savings-linked SHGs, and close to 5 million credit-linked SHGs in India (NABARD 2011). Five years ago, SHGs earned the famed name of becoming the fastest growing movement in the world, hourly incorporating 400 women, and were widely celebrated as a significant economic development strategy (EDA-APMAS 2006). Despite SHGs' intimidating volume, it has been called into question how systematically their dynamics have been studied (EDA-APMAS 2006), how inclusive they have been to the members of the least means in their communities, as well as what social divisions and patterns of privilege they may be found to reinforce (Pattenden 2005)(EDA-APMAS 2006).

Collective strategies in the agricultural sector respond both to the ideals that collectivity can help aggregate ownership and participation, aspiring to create of marginalized communities democratic forums of self-help and entrepreneurial influence, and to the necessity of aggregating small quantums of produce to give them the aggregated benefits of economies of scale. This then is one way of seeing the surface of how rural India, fragmented into subsistence and small surplus scales, has been organized through government directive, non-governmental organizations (NGOs), and international development investments. These widely prevalent collective forms have been trying to now wed the current mantra of seeing development through market means, by creating competitive and viable business models whose ownership and governance would belong to the small and marginal producers. With this marriage of ideas in mind, in 2002 a notable economist Y.K. Alagh, chaired the committee in developing a fourth company form - a hybrid between a private company and a cooperative society - intending to provide a legal framework for the incorporation of cooperatives as companies still retaining the ideals of cooperation (Alagh 2004)(Pradan 2007). Ongoing recent experiences with the implementation of this legal form are what consumed our investigation, and will preoccupy here its presentation. Estimations guess that fewer than 100 producer companies have been formed since the Amendment Act (2002) was incorporated, our guess is not comfortable below at least a doubling or trebling of this figure.

The company model conjures interpretations as wide apart as: (1) seeing it as the most autonomous and effective legal space enabling institutional collectivization of a large number of small and marginal producers and giving them access to economies of scale and integration into the opportunities of the market; (2) seeing it as the potential channel through which government and development agencies may choose to channel investment into the rural and agricultural sectors; (3) questioning whether it is an ideal company form designed beneficially for producers at all or whether it is a constrained and imperfectly limited attempt at a conversion option for cooperatives - laden already with their own legacies of hurdles and sprains; (4) considering that its wide appeal may be the symptom of a development trend enamoured with its idea but unconvinced by its potential; and (5) finally questioning whether it introduces anything new at all and whether, as the draft Companies Bill (2010) has already raised, the legal instrument may be as easily disassembled as it was stacked up (Krishnagopal 2011). When these widely divergent opinions crowd around a piece of legislation, one which was amended into the Indian Companies Act (1956) very recently in 2002, and when many equity shares by and on behalf of small and marginal producers across the country have

[2] Popularly known as the MACs Act or Liberal Cooperatives.

already been invested into its idea; it seems a fitting time to discuss the producer company in its present context and explore some of the tangents of its widely differing interpretations.

In this paper we set out to attempt this discussion, informed by five months of field research, mostly concentrated on the experiences of facilitating organizations establishing and institutionally developing producer companies. We chose to organize our discussion through a focus on institutions for several reasons: (1) the producer company itself is an institutional model with in-built legal governance demands; (2) its intention and wide application is utilized in partnership with the aims of market integration and livelihood support for small and marginal farmers, and therefore with development and poverty alleviation ambitions; (3) it has, in all of the cases which we studied, been combined with other institutional forms similarly intentioned, and embedded alongside them into complex multi-institutional governance structures.

Three propositions guide how we structure our presentation. First, that since the producer company model, when wielded for the benefit of small and marginal producers, as in the cases surveyed, relies on the integrated efforts of other institutional forms, the potential of the producer company model itself must be understood through its *embeddedness* in a larger governance structure. Second, that the combination of different institutional forms creates synergies (beneficial and problematic), which make the combined structure significantly different from the sum of its institutional forms. Third, that the potentials of an institutional form are complex, and that when questioning the potential of the producer company, one is not alleviated from recognizing that its viability partners with the challenges of making other institutions, such as cooperatives and SHGs, viable.

The conversation about cooperatives comes frequently in India no doubt because of their prevalence and because according to many a large number of them have failed to be economically successful, self-sustained, and autonomous enough from the State (Datta 2004). The discussion of collective models for marketing and empowering small and marginal producers similarly does not abate, and to rectify the perceived failures of cooperatives new collective models are being requested. The producer company is one such model. Interestingly, in the cases we studied, the producer company is being implemented in partnership with, not instead of, cooperative institutions. In practice, how we saw it, the viability of the producer company relied on the partnered viability of cooperatives, federations, societies, trusts, self-help groups, primary societies, associations, farmer business groups and common-interest groups. Most prevalent among these combinations are those organizing governance and participation at three distinct levels. In all cases, formal and informal institutions were combined bridging these two vague categories, which we will restrict ourselves to understanding as formally *registered* and *unregistered* (Harriss-White 2004)(Guha-Khasnobis et al. 2006).

While an economic analysis would provide a more nuanced perspective of a project's, or an institution's, real effect on livelihood improvement and market integration, we recognized that planning such an investigation was not possible until the architecture of the producer company in relation to the other institutional forms it combines with was mapped. Our practical intent in this paper is to descriptively map the architectures of combined institutions coordinated with producer companies. These blue-prints we think can then be used to plan more focused research investigations. Our focus on institutions has also a more theoretical appeal. We will explain this appeal through what we ultimately call a *latent potential* of institutions, and how this latent potential is significant for investigations motivated by a sustainable development perspective.

II. Research Question

Across the cases surveyed, what institutional forms collaborate with the producer company, within the bounds of a single governance structure combining multiple institutional forms?

Sub-Questions

1. How are the institutional forms combined into a single governance structure?
2. What is the delineation of functions, responsibilities and services of each institutional unit?
3. Which functions/services are assigned to the producer company?
4. How do the institutional units keep one another accountable?
5. Which functions/services are provided by the facilitating organization?
6. Where present, how does the facilitating organization anticipate its function to change over time?
7. How is the sustainability of the institutional structure (social, economic and ecological) considered?

III. Methodology

The methodological process of our study can best be described as an observational field study which used qualitative research methods to collect information over a period of five months and culminated in the presentation of structural descriptions of seven case studies. Our iterative process was one of continual oscillation between inductive and deductive processes; between using our cases to build theory and of using information we collected and observed to deductively test the theory (Eisenhardt and Graebner 2007). We can divide our process into four research phases (see below), which continually involved a complex and interrelated set of considerations that moved us from research question to observation, and back again to re-formulation (Bryman 2004). We aim to qualitatively describe the institutional structures as a pragmatic means of organizing the diversity of information related to the governance and sustainability of the producer companies.

Research Process and Design

Phase 1 : Literature Review

An initial three month phase spent in Sweden, prior to departure, was used to review literature and develop a research direction, which initially questioned the impact of emerging large-scale retail on small and marginal farmers in India. We depended on secondary sources and several interviews with officers from international development agencies and academics at various institutes to give us a contextual grounding.

Phase 2 : Scoping on the Ground

The second phase, a one and a half month period spent in New Delhi, Ahmedabad and Hyderabad, relied on a series of 20 formal interviews and on secondary sources to assess the relevance and feasibility of our intended research focus, whose nascent dynamics we found increasingly problematic to appropriately access and isolate. The majority of our interviews were officials and academics from various institutes and development organizations and included those formally recognized by titles, such as Chief Executive Officer, Director, Journalist, Academic, Researcher (see Field Research References on page 51). In addition, we consulted secondary source material, conducted several field visits and organized two farmer focus groups. The information we collected precipitated a sift in research direction and we became increasingly interested in the producer company. Simultaneously, we became cognizant of the producer company's growing popularity in India, as a new rural development strategy to assist primary producers in gaining greater market access, and also of its absence from academic literature domestically and abroad. The lack of scholarly research, and the model's wide-scale deployment by NGOs and State Governments (as far as we could perceive at the time) caught our attention. During this phase we visited Chetna Organic Farmers Association (COFA) in Hyderabad (which become our first case study) in order to verify our new research direction. At this time we selected three thematic and overlapping areas, which guided our discussions and interviews, and the information we collected in the following phases. These thematic areas were capacity building, institutional building and governance structures of producer companies.

Phase 3 : Primary Data Collection - Interviews, Observations and Focus Groups

In the third phase, which lasted three and a half months, we investigated ten cases of producer companies or facilitating organizations, which had initiated or were thinking of initiating a producer company. The information collected from the cases varied in size and scope depending on the accessibility of the organization or company and on time and resource constraints by the researchers. The list of cases below includes a description of the type of case within our study - whether it is a full or partial case and whether it is included or excluded from the study. The difference between full and partial cases recognizes the differing amounts of primary data collected between cases. Partial cases were collected within a briefer amount of time and did not allow us to collect information from a variety of sources or to make a field visit to discuss the structures described directly with the primary producers involved. In the final analysis, we decided to

include partial cases and diagram their structures because we felt they informed are other cases and revealed discussions pertinent to the exploratory nature of our research.

The following lists the cases in order of collection:

No.	Case Name, Location	Type of Case and Inclusion in the Study
1	COFA, Secunderabad, Andhra Pradesh	Full Case, INCLUDED
2	IOFPCL, Aluva, Kerala	Full Case, INCLUDED
3	ACCESS Development Services, Udaipur, Rajasthan	Full Case, INCLUDED
4	CHIRAG, Simayal Village, Uttarakhand	Full Case, INCLUDED
5	Pradan, New Delhi, Delhi	Partial Case, NOT INCLUDED
6	Navdanya, Dehradun, Uttarakhand	Partial Case, NOT INCLUDED
7	HARC, Dehradun, Uttarakhand	Partial Case, INCLUDED
8	SIFFS, Trivandrum, Kerala	Partial Case, INCLUDED
9	ATI India, Garhwal, Uttarakhand	Partial Case, INCLUDED

During this phase of primary data collection, we conducted 50 interviews, 4 focus groups, 7 observational field visits, and collected over 40 primary documents. During the first two months of data collection we were assisted by one other colleague (Masters student) from Lund University, who provided additional support in validating our information.

Our choice to pursue multiple case studies supported the exploratory nature of our research, which on one hand sought to delve into the specificity of three themes (capacities, institutions, and governance) but which was also interested in amassing the widest breadth of experiences related to the facilitation of producer companies given the lack of scholarly work present on this subject. We chose to empirically inquire into the facilitation of producer companies, using the format of a case study, to bring greater clarity to the boundaries of the producer companies and the contexts within which they are embedded (Yin 2003). We agree with Eisenhardt and Graebner in wanting to use multiple case studies in order to support our analysis and increase the generalizability of our cases studies (2007).

Our selection was initially based on producer groups, associations and facilitating organizations (NGOs) whose membership or target group was comprised of small and marginal farmers and who had already incorporated, or were in the process of incorporating, a producer company. Where we had to make a choice between which organizations to visit, we selected cases in favour of those presenting a new context and structural variance. We chose our cases, then, for their diversity, as opposed to selecting them on the basis of a similar set of representative conditions (socio-economic groupings, produce harvested, geographical conditions, etc.). Our selection of cases may, therefore, be described as neither random or stratified and was intentionally purposive (Eisenhardt and Graebner 2007). In agreement with Yin, that case studies do not necessarily require long periods of participant observation, unlike ethnographies, and instead rely on a triangulation of data sources, including archival documents and interviews (2007), the following methodological tools were used to collect our case information, aspiring to validate through a mixture of methods.

Our methodological toolbox included:

1. Primary and archival document analysis, which contained qualitative (progress reports, annual reports, information pamphlets, company memorandums and articles of association, workshop reports and case studies), as well as quantitative information (base-line data which includes socio-economic statistics on membership, company balance sheets and progress reports);
2. Direct observation of operational activities and events, such as annual general meetings, formal staff meetings, board of director meetings, farm and agricultural field visits, plant and facility tours and

witnessing the interactions between members of the producer company or cooperative group and key staff members of the facilitating organization;

3. Focus group discussions which we organized with farmers and key staff members of an organization/ company held in a formal setting;
4. Expert interviews of targeted representatives of the facilitating organization or producer company. The interviewees were selected on the basis of their relevant expertise directly in, or related to, the capacity building and institutional building which the organization/company was facilitating or were a key official from within the structure of governance. The majority of interviewees were officially recognized, such as a Chairman, Chief Executive Officer, Executive Director, Director, Board Director, Field Staff, Program Officer, Marketing Coordinator, etc. (see Field Research References on page 51). In several cases we conducted personal interviews directly with female and male farmers outside of focus groups.

   With 50 interviews directly related to the 7 case studies, we assert that they have enabled a robust set of findings, contributing towards the aims of generating theory (Flick 2009). Our interviews were open-ended in nature and lasted on average between 60-90 minutes in length. Our interviews also became increasingly semi-structured (Bryman 2004) as we moved through the cases and refined our focus. Still, in hopes of perceiving a more complete, rather than a partial, perspective of the organization/company we encouraged the pursuit of tangential avenues of interest (Rubin and Rubin 2005). Usually the trust and report we were able to build with one individual led us to an important informant within her/his social network, who we would not have met otherwise.

   To add to the validity of our field research the majority of our interviews have been recorded with the permission of each interviewee and photographs were taken at the end of each interview and focus group (Yin 2003). All digital material is available upon request.

Phase 4 : Analysis, Structural Mapping and Generation of Findings

The fourth and last phase, after leaving India, is divided into three parts over a two month period. It encompasses one interview and several correspondences by email to verify our data and fill in gaps of information, information and data analysis, structural mapping, and the final written thesis.

A. This part involved the creation of comprehensive interview descriptions for each case study as well as the collation of observational information and primary documents to search for patterns between the cases. This enabled us to develop a more reliable theorization of the producer company and how in each case it was being supported by a set of interconnected institutional structures usually facilitated by a developmental organization. It also involved the categorization of our primary data according to self-designated categories (1. highly relevant, 2. relevant, 3. less relevant) and to the three themes of (1) capacity building, (2) institutional building and (3) governance.
B. This part involved the mapping of all institutional arrangements, and imposing on them boundaries, present in each case study according to a reformulated set of research questions. Using our categorized information, we sought to translate 'highly relevant' structural information and data into a diagram that would illustrate the institutions that support each producer company and the uniqueness of each set of arrangements. We also made a choice to delineate a primary focus (from among our three themes: capacities, institutions, and governance) to institutions, institutional structures, and their facilitation. The related themes of capacities and governance inform our descriptions, but we limit the extent of their presentation based on their relevance to our focus on institutions. Our goal was to diagram as consistently as possible across cases so as to increase our analytical generalizability (Yin 2003).
C. Simultaneously, we began to develop a conceptual framework of institutions and governance based on literature drawn from the following areas: new institutional economics, economic sociology, institutional political economy, historical institutionalism, organizational ecology, political economy, sustainability science and sustainable development. Once satisfied with our attempts to combine multiple influences from secondary sources into a loose set of conceptual ideas, we imposed this conceptual framework overtop of our structural analysis of each case. Needless to say, this last stage produced many observational ideas, several generalizations and mostly future research questions - all of which we articulate in the discussion section.

Overall, our iterative process, from in-field research, throughout question re-formulations, to post-field analysis and conceptual framework generation has strived to meet the five criteria of credibility, transferability, dependability, confirmability, and authenticity as laid forth by Lincoln and Guba (1989; 1985). It is our intention to pass our finding back to all of the organizations and companies we visited.

Limitations

Our intention to seek out cases based on their diversity limits our ability to compare data across one set of variables and lowers our ability to generalize. Where we had the option of choosing between cases, we favoured those cases which gave us a greater variety of information and perspectives on institutional structures adopted. By the end of our field research we reached a repetition of similar themes and organizational structures. This repetition raises our confidence that the discussions we present here are relevant to cases of producer companies beyond those of our sample. We are humbly aware that our study presents only some of these discussions and does not account for the extent of debates and structural permutations of other producer companies in India.

The access we had to producer companies was limited in various ways: (1) by the recency of the Producer Company Amendment Act (2002), (2) the uncertain number and low public profile of registered producer companies across India, and (3) the juvenescence of the companies which have been incorporated. Producer companies have only begun to be promoted, therefore, those producer companies who are un-facilitated or working without the support of a well-known NGO are difficult to locate and access.

Similarly, because of the recency of the producer company model, a lack of scholarly work specifically addressing producer companies persists. We were limited, therefore, in the extent to which we were able to inform our research through secondary sources. Mostly, we have had to rely on our own primary data and consider from our own experience which dynamics are important to isolate and present here.

It is important to note that our research process was both iterative and experimental. The strength of such an approach allowed us to discover the producer company model's increasing appeal and to re-direct our research trajectory to focus on it. Although this gave us the ability to pursue a topic of research that is both unstudied and salient to agrarian and rural development in India, the decision to shift research trajectories imposed limitations on the methods we were able to apply, and the balance between conscious guidance and intuitive experimentation which we were able to strike. Unable to prepare our research investigation robustly prior to collecting our data, we followed a process which was iterative and permitted us to evolve our research foci and to adjust our methods throughout our field research. The evolving character of our process, therefore, leaves us with an extensive and diverse breadth of information relevant to the specificities of each case, and challenges our ability to present a set of 'common' dynamics consistently between cases. The challenge of consistency, of finding a common-ground between cases, is what we struggle with in our presentation here. We declare that in many instances we have had to limit the diversity of discussions we are able to present.

Finally, language translation, although not a significant barrier, was mostly provided by the facilitating organization limiting our ability to privately cross-validate the statements made by farmers. We were sensitively aware of the bias this posed throughout the process. This was not an ideal choice, but a restriction in the access and resources we had available. Because our primary interview targets were the staff members of the facilitating organizations, because we were never in a position of gathering information which could be considered either sensitive or controversial, and because we validated our information contained in the interviews with primary and secondary sources, we feel that this bias does not compromise the objectivity of the information we present here. Where we felt information was not validated, or where it was inconsistent, we did not include it in our analysis. Moreover, we found time to be a great limitation restricting our ability to cross-check our transcript notes with our interviewees directly.

IV. Institutions and Governance

We will use the term *institution* to refer to a unit governed by a specific set of rules of conduct and of regularity, with its own governance mechanism, and operating at a certain governance level (village, state, federal) (Davis and North 1971 in Slangen et al. 2008). We will use the term *institutional structure* to refer to a network of several institutional units, which collaborate through an institutional arrangement, which is 'an arrangement between economic units that governs the ways in which these units can cooperate and/or compete' (Davis and North 1971 in Slangen et al. 2008, 83). We set these terms in this way for their practicality, not with the intention of engaging with their semantic definition for a wider scope beyond our present analysis. The institutions we will discuss will include both formal and informal; in some cases we will refer to an institution as semi-formal if it enables its members a specific formal recognition and access to a formal service. We apprehend the complexity of defining *formal* and *informal* because of the ambiguities and the merging of these economies (Harriss-White 2004)(Guha-Khasnobis et al. 2006). We will restrict ourselves to using the terms *formal* and *informal* as meaning formally *registered* and *unregistered* (Harriss-White 2004).

David North was instrumental in putting forward definitions of institutions, institutional environments and arrangements for economic analysis. We have used his definitions to inform the way we use terms here and we follow his distinction between institutions and organizations. Organizations, being similar to institutions, are seen as 'groups of individuals that have a common purpose, let it be economic, political or social,' and as Stimson et al. reiterate, 'organizations are the players, and institutions are the rules' (2009, 4).

We follow this distinction between institutions and organizations. For the purposes of our discussion, organization will refer to the NGO or developmental organization, or to the body of staff employed by such an organization, who work for the implementation of a common purpose and who engender different institutional structures to achieve this purpose. The institutional units we will analyze will mostly include: (a) producer companies (under federal jurisdiction); (b) cooperatives, societies, federations and trusts (under different titles and respective state jurisdictions); and (c) self-help groups, common-interest groups, farmer business groups and primary societies (informal or semi-formal institutions at the local village-level). Each of these institutions has a unique and differing legal registration and degree of formality, and the differences between the institutions of each category could be analyzed in their own right. We will refrain from focusing on these differences, instead we will concern ourselves with presenting the broad sets of functions which make the institutional forms of each category similar.

Elinor Ostrom has inspired through her writing a perspective of embracing the complexity, diversity and plurality of institutional forms in their own right, as important dimensions of governing socio-ecological systems more sustainably, resiliently, creatively and democratically (Ostrom 2000)(Ostrom 2005)(Ostrom 2007)(Ostrom 2009)(Brondizio et al. 2009). We apply the term *latent potential* of institutions to capture what we take from many of Ostrom's writings as the potential of the act itself of organizing actors into common platforms of communication and decision-making, which creates a potential for a much wider set of outcomes beyond only the economic functions which motivated the creation of the institution. Ostrom writes about the potential for institutions to *crowd in* or *crowd out* citizenship (Ostrom 2000); she likewise writes about the benefit of allowing institutional forms to develop creatively on their own, from the needs of a local community not from a theoretically attractive design impressed top-down (Ostrom 2000). We interpret that at the core of many of her arguments is a placed importance on the act of citizenship itself. That the engagement of participating in an institution, of committing to its processes, and even more of developing its structure, makes governance viable and gives it the potential of being sustained. This seems obvious in theory, but passive participation in institutions and governance platforms probably does not need to be substantiated as a rife occurrence. Perhaps then, through the act of citizenship or participation the potential of the agent is incited in combination with the potential of the structure.

All of the institutional forms we will discuss here share the common feature of relying on the collective action, collective decision-making and collective ownership of their members to make them viable. Each institution, therefore, even if its reason for forming is economic - to aggregate produce, aggregate savings,

improve prices through accessing a fair trade premium - requires the effort of its members' participation. The producer company, as we will discuss, requires not only participation, but it requires that members begin to identify with this institution as their responsibility, that they take on its ownership and its risks. All of these dimensions or ideals - democratic participation, inclusion in decision-making, representation, ownership, risk-taking - are necessary for an institution to become self-sustained. We know that the dynamics of socio-ecological systems, of livelihood sources dependent on natural resources and environments, are complex and embroil dynamics not always perceived or integrated by governance regimes.

It is the integration of social, economic and ecological systems which motivates the search of new holistic, long-visioned and incentivized governance approaches. For example, building of effective supply chains and linking them with remunerative markets has to be balanced with the preservation of appropriate seed varieties and sustainable production techniques for these systems to be resilient. According to Ostrom, the institutions applied in such approaches should be plural, polymorphous, democratic and non-neglectful of local and community based decisions, participations and perspectives (Ostrom 2000)(Ostrom 2005)(Ostrom 2007)(Ostrom 2009)(Brondizio et al. 2009). Collective institutions, pooling participation and citizenship at effective levels, create platforms of communication, which can be used to ensure that local specificities inform governance decisions, instead of being lost to the imposition of a top-down, generalized or misinformed template.

When we try to select a phrase to describe what the act of participation brings to the potentials of institutions we settle for the term *social capital*. Ostrom's working definition of social capital is that of 'the value of trust generated by social networks to facilitate individual and group cooperation on shared interests and the organization of social institutions at different scales' (Brondizio et al. 2009). What is popularly referred to as *capacity building* subsumes for us the process of developing social capital.

For us capacities are kindred of capabilities, in the way Amartya Sen defines capabilities as 'the opportunity to achieve valuable combinations of human functioning - what a person is able to do or be' (Sen 2005, 3). Sen uses the concept of capabilities to distinguish between: '(i) whether a person is actually able to do things she would value *doing,* and (ii) whether she possesses the *means or instruments or permissions* to pursue what she would like to do (her actual ability to do that pursuing may depend on many contingent circumstances)' (Sen 2005, 3). The capability-based approach, then, seeks to resist over-concentrating on material means; trying to account for the incongruence between substantial opportunities and exclusively material means (Sen 2005). The notion of capabilities, although we will call them capacities as they mostly appeared in our discussions and surveyed documents, helps us explain what we mean by *latent potential* of institutions. Institutions have the potential, variously utilized, to develop capabilities and enable the actual pursuit of opportunities, and these capabilities are various and extend beyond tangible material means. It is logical then that one of the aims of development, from our perspective, becomes searching for institutional forms which emphasize and invest in capacity building.

The United Nations Development Programme (UNDP) defines capacity development, which we will refer to as it is colloquially called capacity building, as 'the process by which individuals, organizations, institutions and societies develop abilities (individually or collectively) to perform functions, solve problems and achieve objectives' (UNDP 1997). According to the UNDP's capacity development framework four dimensions interrelate for sustainable capacity building: (1) individuals, (2) entities, (3) interrelationships between entities, and (4) enabling environments (UNDP 1997). Four themes account for an enabling environment: (1) institutional, (2) socio-political, (3) economic, and (4) natural resource management and environment (UNDP 1997). The way the term entity is described in the framework is analogous to the way we mean the term organization. Seen from the perspective of this framework, our discussion will concern itself primarily with the enabling environment for capacity development, and will dwell mostly on its institutional themes.

In practice, we know that collaborative institutions are complex and that the potentials they foster are varied tremendously, both with positive and negative outcomes. Particularly challenging to investigate and apprehend validly are the power dimensions of interpersonal interactions in organizations and institutions. Barbara Harriss-White refers to institutions as 'the expression of systems of rights and values which as easily reinforce power inequality as replace or challenge it' (2005, 17). Admittedly, descriptions of institutions

without insight into their dynamics of power, as well as their path-dependencies, are importantly incomplete. Our present objective of mapping institutional structures to provide an overview of the various institutions producer companies confederate with, has not permitted us to access either the extensive power dynamics interlaced within or how the power inequalities translate into benefits or exclusions. We insist therefore, that this remains a crucial related research pursuit.

As it pertains to our mapping of institutions, the organizations we met often structure group membership homogeneously with respect to the most meaningful dimensions in their context, such as gender, caste, class, religious affiliation and socio-economic status. Unless the organization profiles the selection of its entire membership along set lines, these social divisions are crossed, challenged and combined across large memberships where hundreds of village-level groups are aggregated from numerous regions. Their confrontation and blending becomes a dynamic to acknowledge with respect to the large varied memberships collectivized by producer companies. Social dimensions are not definitive or consistent across or even within contexts. Harriss-White has authored very informative and challenging accounts of how gender, caste and religion may structure the Indian agrarian economy (2004)(2005). We were informed greatly by the presence of social and economic divisions along the lines of gender, caste, class, ethnicity and economic status. Since their presence in our case findings is too incomplete and inconsistent for us to incorporate, we choose to only include them when they are overtly informative of an organization's or institution's structure. The ways in which these dimensions structure the institutions partnered with producer companies is another waiting research pursuit.

The creation of institutions is set within a much larger evolutionary dynamic, one which evolves within economics and within social and political values and ethics. Attention paid to the emergence of new and influential institutional forms, therefore, is interested in the broader reasons' for the emergence of particular institutional models and in the anticipation of their wider influence. If we accept that the market economy is embedded in and realized through economic, social and political institutions (Harriss-White 2005), then we perceive that institutions ultimately evolve the larger culture of collaboration and exchange which comes to define economics (Ebner and Beck 2008). Institutions do so by developing or depriving social capital depending on which institutional potentials are released and through what structures of power - 'crowding out' or 'crowding in' citizenship (Ostrom 2000). Institutions, therefore, are both set within a larger plane of ethics and values and they participate in evolving it. Values which rise to be prevalent or dominant in economic, social and political society - sometimes with the consistency and prevalence of a paradigm - are often expressed as convictions about how institutions and their governance should be structured and they create a discourse which convinces and justifies the choice of certain institutional models over others. The expression of values is particularly evident in an institution's structure of governance, as 'governance determines who has power, who makes decisions, how other players make their voice heard and how account is rendered' (Institute on Governance 2011).

Among the cases of producer companies which we will present here, all but one involved the presence of a facilitating organization. The facilitating organizations, and the directors of the boards in the case without facilitation, consistently referred to a set of values which informed their choice of institutional forms adopted and how they intended to support their performance. The values which were consistently expressed were those of: inclusive and effective participation, democratic decision making and economic self-sustainability. They emphasized the significant role of community-level institutions in decentralized governance. These values align quite consistently with those expressed by the new governance paradigm, which is currently described as widely characterizing and structuring development interventions in India (Shylendra 2009). According to Shylendra, the thrust of the new governance paradigm is 'on collective and co-ordinated action which would help in maximizing the growth potential by unleashing outward looking and market driven forces by making necessary adjustments in the structure of the economy and in the manner of exercise of control over power and resources' (Gov. of India 2002 in Shylendra 2009, 21). It focuses on the market as the 'dominant agency of development' arguing that by enhancing the bargaining strength and capacities of the poor those who are excluded can be enabled to participate and benefit from the market (Shylendra 2009). The development of institutions intended to mobilize and organize the poor, and increase their access to crucial services such as credit, water, inputs and marketing facilities, will therefore be, according to Shylendra, 'one of the key challenges under the new governance paradigm' (2009, 47). The producer

company model, in the cases we encountered, was presented in conjunction with a set of values consistent with those of the new governance paradigm. Its appeal was articulated in terms of strengthening small producers' bargaining leverage, enabling their access to markets through an aggregation of assets and produce, and empowering small and marginal producers to benefit from the opportunities of the market. Its presentation, therefore, is consistent with a view of the market as the dominant agency of development.

Our conclusory discussion will concern itself with the experiences of currently incorporated producer companies, it will not have the ability to further a discussion of the model's theoretical orientations and implications, though we see these as interestingly hybrid and intriguing to consider. We will be more concerned here with the implications of the model's practical implementations, and two more sibling terms borrowed from Ostrom assist us in this task: *implementation capacity* and *absorptive capacity* (Guha-Khasnobis et al. 2006). Guha-Khasnobis et al. use these terms in conjunction with a reminder to 'design the interventions to be consistent with the implementation capacity of government and the absorptive capacity of people it is meant to help' (2006, 10). Our introductory observation is that a specificity of the producer company model, as a legal option for small and marginal producers, is the ambitious level and variance of capacities which it requires of its members. A crucial concern of our discussion will, therefore, reappear as a question of how these capacities are being identified and invested in by facilitating organizations. Even more so, where a facilitating organization is not present, how is the producer company coping with prioritizing capacity development alone? The concern of course is for the persistence of a chasm between the capacities demanded by the pursuit of a producer company and the absorptive capacity of its membership to achieve the ownership and self-sustainment imagined.

Our intention is to map the architectures of the institutional forms which combine, and to illustrate how they combine, into an integrated institutional structure. We impose bounds on these illustrations: and these bounds end where the governance structure converging into a single decision-making body ends. What we isolate as a focus is systematically identifying what institutional units combine, and how, to aggregate a membership of producers. We present these structures along with the dominant discussions which inform their current operations and concerns. Our intention is that these rudimentary models may be used in isolating appropriate systems, relationships, synergies and dynamic foci for further investigation. Before presenting the cases, we briefly present a summary of the Producer Company Amendment (2002) legislation.

V. Producer Company

The original Companies Act, 1956, recognized three types of companies in India. First, companies limited by shares (these subdivide into public limited and private limited companies); Second, companies limited by guarantees; Third, unlimited companies. The 2002 Amendment to section 581 of the Companies Act (1956), introduced a fourth company type - producer company limited. Shareholding in the producer company is restricted to producers or to persons engaged in activities relevantly related to production. There is some flexibility as to who can be legally recognized as relevantly positioned in supporting production, but because the company model is relatively new and its implementations have been very recent the extent of the eligibility outlined in the Act of who qualifies as a 'primary producer' (see below) has not yet been tested or challenged (Madhavan 2011*a*). We thought it interesting to provide the passage from the Producer Company Amendment (2002) which gives the legal definition of a 'primary producer':

> The objects of the Producer Company shall relate to all or any of the following matters, namely: (1) production, harvesting, procurement, grading, pooling, handling, marketing, selling, export of primary produce of the Members of import of goods or services for their benefit: Provided that the Producer Company many carry on any of the activities specified in this clause either by itself or through other institution; (b) processing including preserving, drying, distilling, brewing, vinting, canning and packaging of produce of its Members; (c) manufacture, sale of supply of machinery, equipment or consumables mainly to its Members; (d) providing education on the mutual assistance principles to its Members and others; (e) rendering technical services, consultancy services, training, research and development and all other activities for the promotion of the interests of its Members; (f) generation, transmission and distribution of power, revitalisation of land and water resources, their use, conservation and communication relatable to primary produce; (g) insurance of producers or their primary produce; (h) promoting techniques of mutuality and mutual assistance; (i) welfare measures or facilitates for the benefit of Members as may be decided by the Board; (j) any other activity, ancillary or incidental to any of the activities referred to in clauses (a) to (i) or any other activities which may promote the principles of mutuality and mutual assistance amongst the Members in any other manner; (k) financing of procurement, processing, marketing or other activities specified in clauses (a) to (j) which include extending of credit facilities or any other financial services to its Members. (2) Every Producer Company shall deal primarily with the produce of its active Members for carrying out any of its objects specified in this section. (Government of India 2002)

We summarize some of the most notable aspects of the Producer Company Amendment (2002) below:

I. Ten or more individual producers, or two or more producer institutions, or a combination of ten or more individual producers and producer institutions may incorporate a producer company.
II. Membership size is unlimited, differentiating the producer company from a private limited company.
III. Liability is limited to members' shares.
IV. Voting rights are distributed as one vote per member in cases where the company membership is either exclusively formed of individual producers or is a mixed combination of individual producers and producer institutions. Otherwise, if the company's membership is exclusively made up of producer institutions, voting is determined based on patronage and participation.
V. Each producer company is required to elect a board of directors numbering no less than 5 and no more than 15, who will hold office for no less than one year and no more than 5 years, and may adopt expert directors not in excess of 1/5th of the total directors. The board is required to meet no less frequently than once every 3 months and at least four times within a year.
VI. A producer company must also appoint a Chief Executive, who is to be selected from outside its membership.
VII. A producer company must conduct one Annual General Meeting (AGM) for the company's full membership.

VIII. An inter-state cooperative, or any cooperative society formed by producers, by federations or union of cooperative societies of producers or cooperatives of producers, which has extended its operations outside the state may convert to a producer company; a producer company may also in reverse apply to be reconverted into a multi-state cooperative society.

IX. A producer company may invest in any other producer company; may invest in any other corporate body up to 30 per cent of its aggregated equity, may enter joint ventures with any other body corporate.

X. It may transfer shares to another producer company, it may merge with another producer company, or it may be divided into two or more producer companies.

XI. A member may only keep his shares in the producer company as long as he remains a producer by the above criteria; shares are transferrable provided that the person assuming transferred shares meets the criteria of being a producer.

XII. If a Registrar has reasonable cause to believe that a producer company is not maintaining any of the mutual assistance principles, he has the power to strike its name off. (Source: Government of India 2002)

The notable feature of this legislation may be obvious as a restriction of shareholding to primary producers, and therefore a constraint on share capital from other sources. A workshop, conducted by the NGO Pradan in 2007, described this constraint as:

> A Hobson's choice between bearing all the consequences, such as slow growth, or not being able to use the most modern technology, or modern designs or investing in marketing and advertisements, or in professionals. Or the other choice, which some have tried, is to get capital which does not seek returns, that is seek grants. The current form of the legislation does not permit mobilisation of appropriate amount of capital and that is something we need to worry about. But the other very important point is that capital also brings in control. The people we are talking about are dispersed, segregated, small, there is a need for bringing them together and therefore there is a need for an institution, which has a clear format. (Pradan 2007)

The producer company's greatest appeal, and currently its most persistent challenge, is dedicating ownership to primary producers only and ensuring that their decision making power is not compromised or subjugated to powerful investors (Alagh 2004), at the same time restricting sources of capital to producer's own savings, grants and credit sources.

What distinguishes the producer company additionally from a private company, is the unlimited size of membership. The inclusion of institutional membership, allowing membership of registered and non-registered groups, provides an important degree of flexibility (Pradan 2007). One of the intentions behind the creation of the producer company was to provide cooperatives with a more autonomous institutional form (Alagh 2004), in this way providing 'a new legal space - otherwise not available to small producers who wanted to organize outside the purview of the State Government and the Registrar' (Pradan 2007, 14). The intention of Y.K. Alagh, who Chaired the committee responsible for drafting the Amendment, was to 'retain the spirit of cooperative principles, by retaining patronage based mechanisms for example, but situate it under the regulatory framework applying to companies, uniformly across the country regulated at the federal level' (Pradan 2007, 14).

VI. CASES

Introduction to Case Studies

The aggregation of small and marginal producers was the main reason for the incorporation of a producer company in all of the cases which we will present. The facilitators in our cases, repeatedly and without exception, presented the producer company as a livelihood development approach for producers who cultivate at small and marginal scales and could not establish comparable market linkages individually. Even when a criticism was levied that the producer company is on its way to becoming a development trend, this concern itself reaffirms the model's prevailing appearance as a livelihood strategy. Because the producer company restricts shareholding to producers and allows shareholding to institutions owned by producers, and since the majority of producers hold very small assets and cultivate at small and marginal scales, large membership is a common way to aggregate working capital of a substantial and operational size. Large membership was a common feature of all of the producer companies we studied, and we think it is likely a common feature found among other producer companies working with similar intentions of promoting livelihoods. If large membership is a common feature of producer companies working with small and marginal producers, then we can assume that the question of how governance is organized for a large membership becomes fundamental. The common approach taken by all of the producer companies presented here, to facilitate the governance of their large memberships, was to rely on existing or to create new levels of institutions in combination with the producer company. Most commonly, self-help groups (SHGs) and cooperatives (under various registrations) organized membership locally and regionally, creating a three or four tier structure with the producer company positioned at the top tier, as an institution registered at the federal level. The predominant reason for combining multiple institutional forms, in addition to gaining semi-formal benefits of bank linkages, credit and saving activities, and the provision of marketing and social services, was the organization of governance and participation at manageable levels.

The following section presents primary information from seven case studies collected over a period of five months in India. The information is organized according to three broad categories: Structure, Facilitation and Case Discussion. A particular challenge was the organization of highly diverse and profuse material into succinct case presentations. The organizations whose chosen structures we diagram below, were in various stages of development and differed from one another also in terms of their regional contexts, cultivated crops, support networks and in the capacities of their memberships. Our intention here is to descriptively map the institutional structures that support each producer company and to convey the unique set of arrangements between producer companies and their facilitating organizations. What may be of interest to the reader, as it was to us, are the similarities between cases - in terms of patterns of institutional organization and support provided by facilitators to producer companies - despite their contextual variance. The first two sections of each case, Structure and Facilitation, discuss the institutions adopted and their relationship with a facilitating organization, where one is present. The third section, Case Discussion, permits us to include elements of the companies' context and experience, as well as aspects relevant to their future sustainability. Recognizing that sustainability refers to sub-dimensions of itself which are social, economic and ecological, we discuss variously those sustainability challenges which emerged as the most pertinent themes to each case. The first case requires us to introduce the relationships between different institutional forms. The presentation of each successive case will be briefer relying on the assumption that the basic institutional relationships introduced do not need to be repeated where they do not differ.

List of Case Studies

A Note on the Diagrams

In an attempt to bring greater clarity to the institutional structures that are present in each case study and provide a visual tool for comparison, we have undertaken the task of diagrammatically mapping the structure of institutional units combined into single governance structures. The diagrams identify the institutional components, show how they situate within the structure in relation to one another, and draw attention to the structure's scale. We found each structure to be hierarchical, in terms of governance, aiding us in our task of defining different tiers or levels. Black lines are used to depict relationships between institutions of different tiers. Embedded in each structure, often at the apex level and depicted by a red triangle, is the producer company. A facilitating organization is represented by a tall rectangle, which remains outside of the tiered structure. The support provided by facilitators is depicted by green arrows illustrating which tiers their interventions focus on or target.

A Note Regarding References

All references cited in the following case studies, excluding primary documents collected in the field, can be found in the Field Research References list on page 51. This list includes citations for interviews, focus groups and observations.

Chetna Organic Farmers Association, COFA

Facilitating Chetna Organic Agriculture Producer Company Limited

Chetna Organic Farmers Association (COFA) is a producer owned farmer's association that provides development support across a series of livelihood activities in three states (Andhra Pradesh, Maharashtra and Orissa) all of which have very different socio-economic and cultural conditions. COFA, managed by professional development staff, chose to incorporate a producer company in 2008, opting for a model that would give its membership complete ownership over its marketing activities, mostly of organic cotton (Deshpande 2011*a*). Cotton cultivation is a male dominated sector (Deshpande 2011*a*). The crop has a highly volatile market, earning itself the associations of a cash crop, a gambling crop and a political crop, colloquially called 'white gold' (COAPCL FG 2011*a*). It has the dubious reputation of being responsible for substantially contributing to India's farmer suicides due to its inculcation of farmers into cycles of debt. These reasons were among those motivating an NGO, Forum For Integrated Development (FFID), to initiate Chetna Organic Farmers Association (COFA) with the intention of assisting and altering the livelihood conditions of small and marginal farmers by promoting organic cotton cultivation and aggregating their small-scale production into a stable supply chain. The producer company, Chetna Organic Agriculture Producer Company Limited (COAPCL), the first of its kind in Andhra Pradesh (Deshpande 2011*a*), has a membership base of 9,032 producers, of which 94 per cent are considered small and marginal.

Structure

The organizational structure of COFA, diagramed in Figure 1, can be illustrated by three tiers, which combine four types of institutional units: a farmers association, a producer company (COAPCL), registered cooperatives and self-help groups (SHGs). At the grassroots level (the first tier), farmers are organized into 716 informal village-level SHGs (Valluri 2011). Membership in SHGs is almost entirely male, although COFA considers the household to be its primary unit including women in this way. COFA has organized some women's SHGs, but these remain mostly unincorporated into the cooperative level or into the producer company for the time being (Ambatipudi 2011*b*). The second tier in the structure is comprised of 9 formally registered cooperatives with an average membership of between 500-1200 members (Krishna 2011). Cooperatives are state registered entities, and each state has its distinct cooperative acts, which means that the cooperatives in Andhra Pradesh differ in their legal form from those in the other two states that COFA works in. These different cooperative forms face different bureaucratic challenges, are restricted differently in their permissible activities, and are subject to different state government policies adding numerous challenges to their facilitation (Krishna 2011).

At the top tier, the apex governance of the structure is organized by the partnership of two institutions: Chetna Organic Farmers Association (COFA), a registered non-for-profit farmer owned association and Chetna Organic Agriculture Producer Company Limited (COAPCL), the producer company. While COAPCL provides marketing and certification services, COFA facilitates COAPCL, the cooperatives and the SHGs with social extension, institutional and capacity building support as well as broader livelihood and community development projects.

Figure 1: Diagram of Institutional Structure - Chetna Organic Farmers Association (COFA)

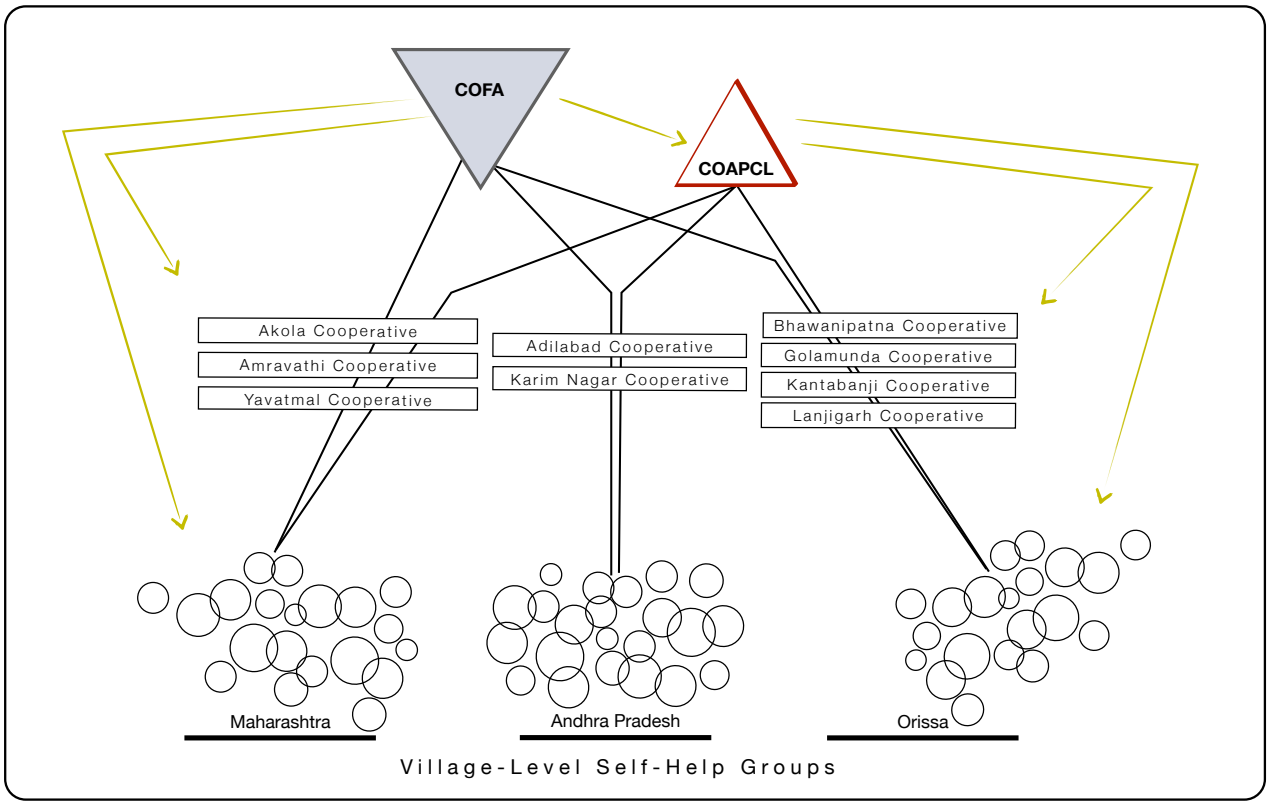


Figure 1 depicts COFA slightly above COAPCL to express the extensive support COFA provides to COAPCL. COFA also establishes the larger social commitments which COAPCL, although a business entity, agrees to adhere to (Deshpande 2011*a*).

Every producer joining COFA simultaneously becomes a member of a cooperative and an SHG. Once a farmer obtains organic certification he may market his produce through COAPCL. The cooperatives are institutional shareholders in COAPCL, therefore producers have stakes in the company collectively through their cooperatives rather than as individual shareholders. SHGs elect one representative to the cooperatives and the cooperatives elect two representatives, one representing them on the Board of COFA and the other on the Board of COAPCL. According to Ram Krishna, COFA's Program Coordinator, the three tiers in the structure allow governance to be organized at manageable and accessible levels across a large membership, encouraging participation and assisting with the dissemination of information and the avoidance of power concentrations (2011).

SHGs on the fist tier are seen as the most crucial platforms for effective governance. They can ensure participation at the local level, and they can bring locally specific demands to the higher tiers (cooperatives and apex institutions) working as pressure groups on behalf of their members (Krishna 2011)(Deshpande 2011*a*)(COFA 2010). SHGs are intended, therefore, to become supportive local institutions running their own credit and savings activities, exchanging information and technical support between members and acting as internal control groups ensuring compliance with organic practices (OneWorld 2011). COFA encourages savings and credit activities in SHGs, believing that these create incentive for active involvement and promote a sense of ownership (Intellecap 2009). SHGs are the institutions within which upper levels must stimulate ownership for the structure to become truly producer owned and sustained (COFA 2010).

Situated at the village-level SHGs are small forums where participation can be mobilized. However, they are limited in several ways, including the marketing and aggregating functions they can perform, their access to credit and their ability to effectively commission the locally specific support services they need. Cooperatives, therefore, come in as crucial state level structures combining 30 to 120 SHGs or ideally no

more than 1,000 members according to Arun Ambatipudi, Executive Director of COFA and Expert Director of COAPCL (2011*a*). Cooperatives are regionally based institutions summing information and creating need-based agendas from each regionally specific context. They are intended to work as the link between the SHGs and the apex level institutions COFA and COAPCL. They are also expected to monitor and review the performance of SHGs and facilitate their cooperation and problem resolution. Because SHGs have direct representation in cooperatives, cooperatives are reasoned to be in the best position to decide the social programming and capacity needs of their members. Ideally, therefore, once cooperatives achieve self-sustainability and autonomy they will commission COFA for specific services and remunerate it accordingly.

Accountability is an important function of the cooperatives since they, through elected representatives, are meant to ensure that the apex level organizations are not only responding to the needs of the first and second tiers but that they also facilitate market linkages favourably. Produce is aggregated at the second tier (cooperative level) and cooperatives retain the decision to select which channels to market through, just as the producers retain the right to sell through channels other than COAPCL (Ambatipudi 2011*a*). This places beneficial pressure on the producer company (COAPCL) to provide remunerative linkages for the cooperatives and to engender a sense of ownership and loyalty from individual producers. One of the key priorities aspired to by COAPCL is to develop deeper relationships with its farmers, convincing them of their stakes in the company and securing a sense of commitment (Intellecap 2009). Commitment on behalf of farmers is crucial for the operations of COAPCL, which must secure a reliable quantity and quality of cotton to create stable and enduring relationships with buyers (COAPCL FG 2011*a*)(Intellecap 2009).

Chetna Organic Agriculture Producer Company Limited, COAPCL

Engendering a sense of ownership and commitment for the producer company and increasing members' capacities to govern at the apex level, most pressingly those of its Board members, are important priorities for COAPCL. They are coupled with the pressing need to have a successful and sustainable business strategy which will be able to compete internationally and provide higher returns to its shareholders (Intellecap 2009). Building a supply chain of organic fair trade cotton means that COAPCL is working contra international demands, while the domestic market is not yet ready to remunerate the higher certified margins (Deshpande 2011*a*). This significantly elevates the marketing capacities the company needs to operationalize (Deshpande 2011*a*). As an important face for its strategy it is trying to establish a brand, which would associate its cotton with the social aspirations of its institutions (Deshpande 2011*a*). Producer-owned institutions can use the social significance of their collective ownership as a business strategy in itself (Krishna 2011) (Deshpande 2011*a*).

Another marketing direction, one which its current members are very much hoping for is to diversify the produce marketed through COAPCL to include spices, soy, pulses, patty and vegetables (COAPCL FG 2011*b*). Towards this aim, COAPCL will need to find additional linkages with domestic and local buyers, relying on the cooperatives to promote non-cotton crop strategies and develop farmers' capacities to grow and manage their fields organically.

As another source of revenue, COAPCL was advised to procure bulk inputs, offering discounts to its members while retaining a percentage for the company's working capital (Intellecap 2009). At present, COAPCL has decided to refrain from procurement and sales, suggesting that this would be an 'artificial way of making profit for the company' (Ambatipudi 2011*b*). Ambatipudi believes that the choice of seeds should remain with the farmer and that all inputs should be procured at the farm level (2011*b*). Limited access to credit is a significant problem for COFA's members, one which they hope might improve if COAPCL can acquire credit and offer its members micro-loans on better terms and with less restrictions/formalities than those offered by banks. In doing so, COAPCL could internalize some of the accrued interest for the benefit of the company (COAPCL FG 2011*b*).

Facilitation

Established in 2007 for advocacy at the national level, and for capacity building and provision of social extension services, COFA became the nodal body for numerous activities, such as: facilitating and monitoring organic group certification; researching organic practices appropriate to each region; providing technical extension and training; developing market linkages; facilitating sales; negotiating prices; transporting and organizing the processing of cotton; supporting the institutional development of cooperatives and SHGs and building members' capacities; providing social extension services to communities beyond crop cultivation and marketing; and lobbying and advocating for organic fair trade farming (Intellecap 2009). Compromised in its ability to deliver all of these services and finding a conflict of interest between providing social and technical extension services and creating a competitive business, COFA decided to launch a separate business entity (COAPCL) which could assume all organic certification and marketing functions (Deshpande 2011*a*). It took a total of 9 months to register COAPCL, a first of its kind producer company in Andhra Pradesh (Ambatipudi 2011*b*). The intention was to separate social and research activities from business activities and allow each institution to focus on its core competencies. The partnership between the two leading institutions (COFA and COAPCL) would ensure that the producer company (COAPCL) would prioritize within its activities the social mandates and ethic of COFA (Deshpande 2011*a*).

Currently, COFA's support is crucial to the operations of COAPCL, but the intention over time is for COAPCL to become more self-sustaining and profit generating. To succeed, the emphasis falls on more than just building the technical and participatory capacities of its producers, rather the aspiration is to engender ownership of the company's potentials and an identification with its risks and failures as well as its benefits. Ambitiously, COAPCL is pioneered as 'the catalyst that converts [producers] from being the beneficiaries of a certain process to becoming the owners of that process' (Deshpande 2011*a*).

One pragmatic effort has been for COFA to support COAPCL in actively engaging the farmers in their own price negotiations with buyers. This form of capacity building has been done at the farm-gate where buyers can meet the producers. In an attempt to go one step further, for the first time this past year, a delegation of Board members travelled with COFA staff and the CEO of COAPCL to price negotiations (Deshpande 2011*a*)(COFA 2010). Exposure to the marketing process and visits to well-functioning model cooperatives are used as ways of building capacity (COFA 2010). Hands-on training remains a core priority of COFA's facilitation efforts, executed at the cooperative and SHG level through routine meetings and staff trainings in basic business practices, vision-building and long-term business planning (Valluri 2011). Significantly, COFA is striving to develop supply linkages between cooperatives and local produce markets for non-cotton produce. The diversification of marketed produce was expressed both by farmers directly and by COFA staff as an important business strategy, one whose facilitation will ideally be taken over by the producer company (COAPCL FG 2011*a,b*)(Krishna 2011). As a means of embedding technical support and facilitation within communities themselves, COFA is training community resource persons (CRPs) from within their membership (Valluri 2011). This should enable cooperatives and SHGs to access and request trainings on a more self-directed and needs basis. CRPs can also provide immediate assistance in emergency situations, such as pest infestations (Valluri 2011). Where COFA's interventions have only recently been established, such is the case in Orissa, COFA has sought to rely on the collaborative support of other local NGOs to help strengthen, support and monitor SHGs (Valluri 2011).

The institutional building process, which COFA is now facilitating, has evolved through some experimentation. Previously, COFA facilitated common interest groups (CIGs) at the grassroots level before translating these into SHGs (Valluri 2011). It initially gave individual shares in COAPCL before revising to the usage of institutional shares (Valluri 2011). It also considered making producers direct members in cooperatives without using village-level groups, currently SHGs (Krishna 2011). The present decision to organize members into institutions at three levels assists with the challenge of including and promoting active participation and representation of a very large membership with diverse local and regional needs. One reflection on the evolution of their process thus far, from Samata Valluri the Institutional Building Officer, was that ideally each institutional level would have been strengthened and stabilized before a subsequent level was introduced, in this way allowing members to assimilate the functions of each institution

and their participation within it, before extending participation to another institutional level (2011). Valluri feels that because COFA established all three institutional levels simultaneously, COFA is still struggling to make farmers understand the distinct purposes of each institution and their roles within the larger structure (Valluri 2011). COFA's approach to institutional facilitation has solidified only recently in this last year (Lahankar 2011*b*) and has included the development of trainings for its own staff in institutional building concepts (Valluri 2011).

Case Discussion

Cooperative societies, like SHGs, are limited by the scale at which they are able to market and by the level at which they are able to influence and advocate policy on behalf of their members (Valluri 2011)(Ambatipudi 2011a). COFA is striving, through the combination of four distinct institutional forms, to organize the governance of a large membership (approximately 9,032 producers) and the complexity of an extensive supply chain. It is attempting to combine institutions' complementary functions and create plural levels for members' participation, which would be capable of recognizing and responding to diverse needs. Engendering self-sustainability of such a complex and large structure challenges COFA with creating a remunerative revenue balance between institutions (Krishna 2011).

The social viability of COFA's institutional structure, and its ability to deliver livelihood benefits to its grassroots level, rests on its ability to strengthen the institutions at all levels and achieve a form of balance through which the different levels can hold one another accountable (Valluri 2011). Institutions, and different levels of institutions, are only expected to work together as long as they find a mutual benefit and need. Therefore, as the structure evolves some institutions may lose purpose, the services of some may become internalized by others, and the structure may change (Krishna 2011). There is a pragmatism, however, guiding the combination of institutional forms in the three tier structure at present. COFA and COAPCL must aggregate a large membership to gain policy advocacy leverage, and to achieve the benefits of economies of scale and market integration. COFA plans that it may reach an economic operational sustainability when it achieves a membership of between 15,000-20,000 producers, and the volume of produce of 15 cooperatives (Ambatipudi 2011a)(Intellecap 2009). Large membership size is one response to the capital constraints of the producer company model, restricting COAPCL to aggregate working capital from the shares of its producers (Intellecap 2009).

Organic Cotton

COAPCL's supply chain is dependent on organic cotton, and organic cotton is dependent on the availability of organic seeds, on the ability to match organic farming practices with local conditions and maintain incentivizing yields (Nemes 2010). The dominant concern voiced by farmers and staff is the current shortage of available organic seeds and the encroachment of Bt cotton (COAPCL FG 2011*a,b*). Inability to provide adequate seed varieties has posed the greatest constraint in involving new members (COFA 2010). In response, COFA has begun to produce organic seeds in several experimental plots, but it remains to be seen how legal barriers might be overcome in order for COAPCL to properly produce and sell its own seeds (COFA 2010). Many of the farmers in the areas where COFA recruits cultivate *organically by default,* which means that their lands and produce have not been treated with chemical inputs. Successful support and marketing of *organic by default* cultivation, as COFA strives to do by incorporating it into a certified organic supply chain, hold the important potential of improving farmers' livelihoods and preventing them from seeking chemical inputs. Because chemical inputs are also substantially responsible for farmers' persisting indebtedness, viable organic cultivation has the potential to reduce the costs of inputs and the resultant dependence on credit.

Tribal Farmers in Orissa

In western Orissa, and also in Andhra Pradesh, COFA is working predominantly with tribal farmers. It reflects that the sense of identification with the producer company, as well as the sense of commitment to its ownership, has evolved most profoundly among the members from tribal communities in Orissa (Mendali 2011*a,b*)(Rao 2011*a*)(Ambatipudi 2011a). The ability to market organic cotton for better returns has reversed

some of the distress migrations from the area of farmers and families who opted for distant bonded wage labour because of the unviability of cultivation and of local employment (Mendali 2011*a*). These regions of Orissa have been among some of the most neglected in terms of the prevalence of poverty and the absence of social support (Mendali 2011*a*)(Rao 2011*a*). Organic cultivation, according to COFA, has found important support from tribal farmers, whose relation to land is congruous with its values (Ambatipudi 2011a).

Central Himalayan Rural Action Group, CHIRAG

Facilitating a discussion on the Producer Company

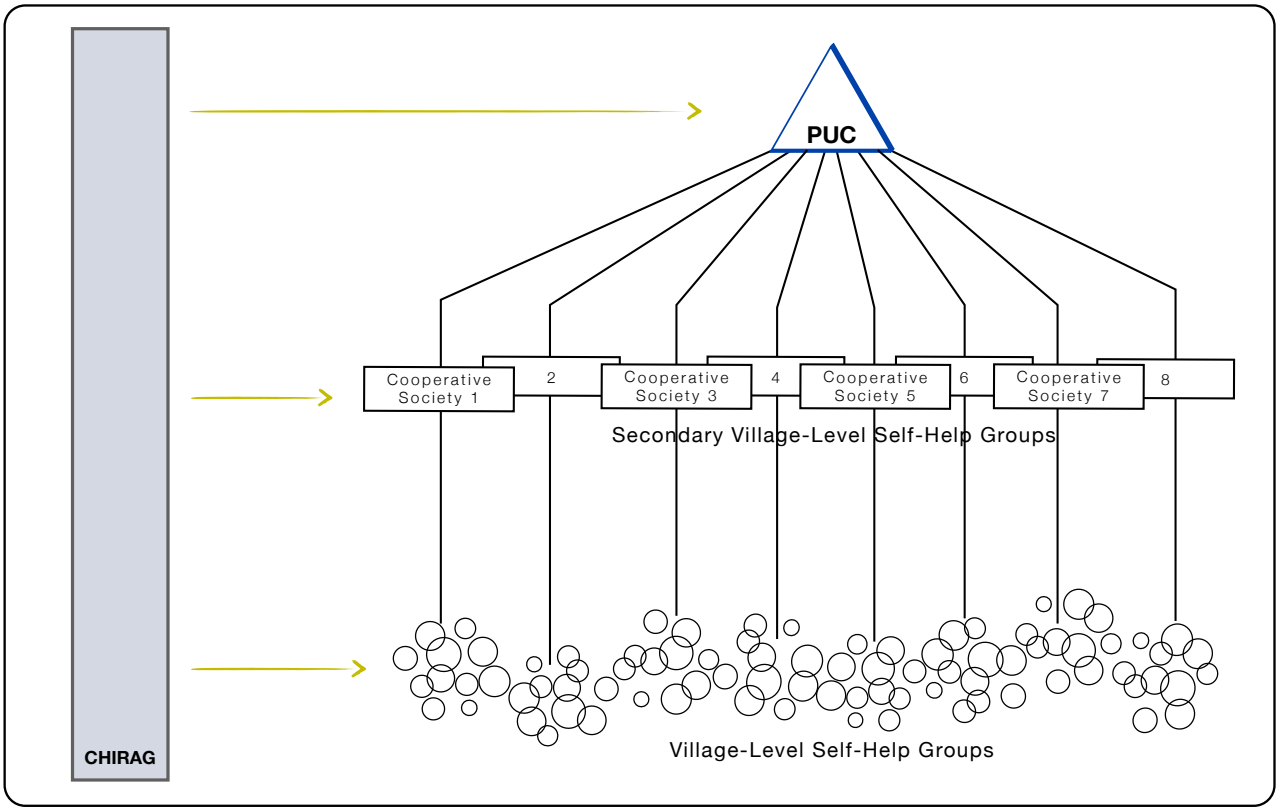
The Central Himalayan Rural Action Group (CHIRAG), established in 1986, has focused on a multi-sectoral development approach in the hill communities of the Kumaun region of Uttarakhand. With presence in over 171 villages precariously tucked away into the difficult and remote terrain of the Himalayan foothills, isolated for several wintery months of the year, CHIRAG has been providing crucial marketing services (procurement, input and logistical support) for the past four years to its membership who are comprised of low-income small and marginal women farmers (CHIRAG 2010). Our visit was fortuitously timed with CHIRAG's final discussion held to decide between promoting a public unlisted company or a producer company - a process that had already involved 8 months of considering company models. The argument favouring a producer company emphasized its inherently strong governance framework, which intends to protect the rights of primary producers through restrictive ownership. CHIRAG decided, ultimately, to incorporate a public unlisted company feeling it needs the ability to attract more capital to make more rapid investments than the producer company model would allow. In this case, we present the reasons and hesitations CHIRAG debated while choosing to promote one over the other of the two company forms.

Structure

CHIRAG has been laying the foundation of a three tier structure (diagramed in Figure 2), which positions informal SHGs at the bottom, formally registered cooperatives in the middle, and an apex institution, a public unlisted company, at the top which will assume the marketing and business activities currently facilitated by CHIRAG. Figure 2 shows the intended relationship between CHIRAG, which will provide development support to all three tiers, and the apex institution, which will provide direct marketing support to the first two tiers. The first tier organizes producers (approximately 14,000 households, 2,200 women producers) into small village-level SHGs. These groups elect one member to represent their group at the secondary cooperative level. In total there are 8 cooperatives, 2 of which are old and 4 of which have been recently formed by CHIRAG (Madhavan 2011*a*). It is important to note that these are multiple commodity cooperatives growing and selling perishable fresh fruits and vegetables, pulses and spices.

In facilitating the apex level organization, the public unlisted company, CHIRAG expects that it will work to support the first and second tiers along 6 areas: (1) branding; (2) information provision to cooperatives; (3) input supply; (4) financial services; (5) common logistical support; and (6) value addition. One way to add value to the farmer's produce is through processing whereby lower grade produce can be marketed. Enabling investment so as to create a processing facility will become one of the priorities for the public unlisted company (Madhavan 2011*a*). Unlike a producer company, a public unlisted company can acquire capital through equity investors and unlimited joint ventures. This opens the potential for acquiring equity, however, it gives non-producer equity investors presence in the company's ownership and governance.

Figure 2: Diagram of Institutional Structure - Central Himalayan Rural Action Group (CHIRAG)



A strong governance framework and protected ownership of company shares for producers was the reason for CHIRAG's interest in the producer company (Madhavan 2011a). CHIRAG feared, however, that with the restriction of working capital to the assets of its members, the producer company would either have to place higher pressure on its operations from day one and finance investment through credit, debt being expensive, or pace the investment out over a much longer period of time and proceed along a much slower growth trajectory (Madhavan 2011a). Even in seeking a join venture the producer company is limited to investing 30 per cent of its share capital, limiting the investment amount it is likely to attract (Madhavan 2011*a*). This limitation is a particular concern for companies wanting to adopt a 'fast growth' strategy (CHIRAG OR 2011*b*). CHIRAG would like to make an investment in a processing facility that would immediately bring significant income improvements to producers while enabling a larger population of producers (those outside of its membership) to benefit from new processing infrastructure in the region (Madhavan 2011*a*). This is a leading reason for why CHIRAG feared that the producer company model would 'lock' its potential into a slow growth trajectory (Madhavan 2011*a*).

Facilitation

CHIRAG works with a livelihoods perspective of development that tries to target four broad areas: institutional building, primary health care, education and natural resource management, which includes agricultural technology improvement (CHIRAG 2009)(CHIRAG 2010). CHIRAG's long presence in the region has earned it trust among its communities, which makes it much easier to promote new projects (Negi et al. 2011)(Mathur 2011*a*). The cruciality of trust was reiterated by several of the NGOs studied here as fundamental for functioning effectively in a community, and by extension, for building institutional forms that are premised on trust and collective cooperation between individual members and partnered institutions. Even in the case of CHIRAG, despite its long standing presence, it is taking a much longer time than expected and with varying results to get the women to support the cooperative societies financially by buying shares (Mathur 2011*a*). As we were told, convincing the women to participate requires convincing other members of their households who hold a high degree of influence over monetary and business decisions

(Negi et al. 2011)(Mathur 2011*a*). Convincing begins by showing how a collective approach to marketing can be beneficial.

CHIRAG prioritizes strengthening the institutional capacity of its membership (CHIRAG 2009)(CHIRAG 2010). Institutional building is a slow process, one which requires not just technical skills (reading balance sheets, understanding market information and business plans), but also requires building members' confidence to make informed autonomous decisions despite having minimal or no formal education (Mathur 2011*a*). Sanjay Tewari, CHIRAG's Marketing Coordinator, outlined two current problems: (1) that members presently associate all marketing decisions and risks with CHIRAG and (2) that they also believe that CHIRAG will always be present to facilitate the marketing of the company. Both require CHIRAG to strategize how 'to make the elected members of the cooperatives understand that they are the decision makers...and CHIRAG will only be there [in the future] to support not decide for them' (Negi et al. 2011). The members will require not just the technical business skills, but also the confidence to lead the decision making processes in the face of other market actors, who will often be of differing genders.

Providing cooperative members with business training to build confidence in decision making is important, as are strong governance mechanisms that strengthen the cooperatives and their members' roles and tasks as representatives. CHIRAG hopes to enhance producers' overall leverage within the public unlisted company by encouraging participation in governance within the first two tiers (SHGs and cooperatives) and engendering a sense of ownership of the company at the apex level (CHIRAG OR 2011*b*)(Mathur 2011*a*) (Madhavan *b*). As Kuldeep Kumar Thapliyal, Senior Team Leader of Community Based Institutions, stated during the final meeting with which CHIRAG finalized its decision on the form of its apex marketing institution:

> In the process of creating this federal structure there is the potential of losing sight of how strong the cooperatives have to be. If we lose sight of that, it doesn't matter what federal structure we create. The federal structure might be great but if your cooperatives are weak you might as well settle for a private limited company and buy and sell services to farmers. But how you reinforce that collective strength, that is as important as setting up that federal structure. That balance must be kept. Eight of the enterprises are cooperatives and the federal level company is one - [CHIRAG] has to look at nine enterprises rather than look at one. (CHIRAG OR 2011*b*)

Choosing to commit to a public unlisted model CHIRAG will take steps to protect its members' interests and and balance them with the interests of equity investors. Initially, this means that CHIRAG will occupy the role of a mediator between the women producers and potential investors. It will likely use aspects from the memorandum and articles of association of the producer company to inform the articles of association of the public unlisted company. CHIRAG will also selectively seek socially minded investors who are content with smaller more stable returns and less decision making power (Madhavan 2011*b*).

CHIRAG, in the future, will remain committed to its other livelihood initiatives and will foreseeably continue to promote technical interventions that increase produce crop yield and quality, assist the public unlisted company in improving the logistical side of procurement (grading, packing, sorting and transporting), and provide balanced market information and purchase information for bulk input purchases (Negi et al. 2011).

Case Discussion

CHIRAG considers the self-sustainability of its institutional structure a key priority and hopes that self-sustainment may be achieved in between 5-8 years (Madhavan 2011*a*). Economic self-sustainability, and independent governance, associate for Madhavan, Executive Director of CHIRAG, with fiscal discipline: 'there is a correlation between the type of capital you get and the culture in the organization that develops' (2011*a*). Accordingly, Madhavan believes that all services provided should be written contractually and accounted for within the financial plans and statements of its institutions, even those facilitated and financed by CHIRAG (2011*a*).

Organic by Default

CHIRAG plans to create a brand and hopes to access niche markets, which will remunerate pesticide-free produce *organic by default* (Tewari 2011*a*). The hope is to infuse new vitality into the region's agricultural sector, provide options to alleviate the trend of youth migration to urban centres and perhaps align with changing policies in favour of promoting the State's organic production potential (Negi et al. 2011). To sustain longevity of agricultural production in its regions requires CHIRAG to engage with resource management efforts and evolve alternative enterprise sources for livelihoods (CHIRAG 2010).

Women

Socially, CHIRAG made a commitment to work with women. Membership in CHIRAG's programs and institutions in reserved for women producers who are identified as having the least means in their communities, based on CHIRAG's economic and social criteria (Madhavan 2011*a*). CHIRAG believes that if it can empower its women producers to run a successful business, and if it can support them in gaining confidence of ownership and control of decision-making at all institutional levels and at the interface with investors and buyers, then the next generation of women in their communities will grow up knowing this possibility (Madhavan 2011*a*).

Indian Organic Farmers Producer Company Limited, IOFPCL

Un-facilitated

Established in 2004, the Indian Organic Farmers Producer Company Limited (IOFPCL) based in Aluva, Kerala, is cited as the first organic producer company in India. IOFPCL is a very unique case among those studied here, because of the absence of a facilitating organization. A group of individual farmers, who now constitute its Board of Directors, independently incorporated the company. Five years ago the producer company facilitated an NGO, Foundation for Organic Agriculture and Rural Development (FOARD), primarily to assist it with technical extension support of organic cultivation and certification compliance. Working predominantly in Kerala, but also in the neighbouring State of Karnataka, the majority of IOFPCL's 5,000 farmers are small and marginal in size and grow organic certified crops in the hills of the Western Ghats. In the past, IOFPCL has mainly procured cash crops such as coffee, cocoa, coconut, cashew and spices all destined for export markets (George 2011*a*).

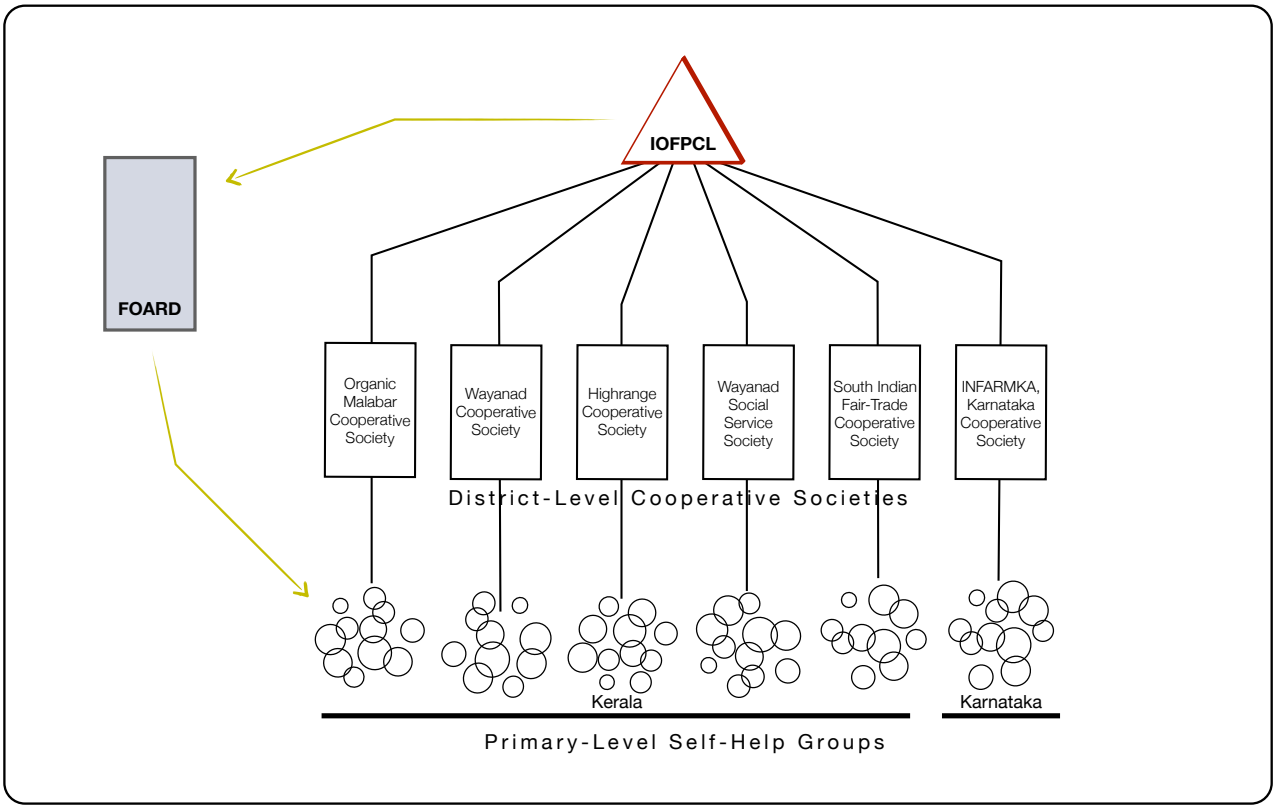
Structure

The institutional structure of IOFPCL can be divided into three tiers. The first tier, illustrated in Figure 3, uses SHGs to organize farmers into groups based on commonalities of location and crop type (George 2011*a*). SHGs also function as internal-control systems for organic certification and compliance, providing their members with mutual support of technical knowledge and practices. This primary level contains a mixed membership of those who have small and marginal holdings and those who have large land holdings (IOFPCL FG 2011). SHGs are federated based on regional distinctions into 6 cooperatives, which organize the structure's formalized second tier. One elected representative from each SHG sits at the cooperative level, and each cooperative elects a director to represent it at the apex level. IOFPCL is the apex institution, the producer company, on the third tier (as shown in Figure 3).

Due to limited financial capacity, the directors of the producer company's board work voluntarily. They are assisted by a small paid staff of a CEO and three office bearers, who are responsible for accounting, marketing and managing the company's daily operations (IOFPCL FG 2011)(NRAA 2009). Each director on the board of IOFPCL represents a cooperative of significantly different membership size. All shareholders are institutional, among them the the Wayanad Social Service Society (WSSS) is a passive member, marketing through other channels due to IOFPCL's limited capacity (Jose 2011)(IOFPCL FG 2011). WSSS plans to incorporate its own producer company in the near future (Jose 2011).

Motivated to shift towards more sustainable farming practices and needing support to market organic crops, the Board of Directors incorporated IOFPCL in 2003. They chose the producer company model, feeling that its legal design would shield them from the political interference they associated with cooperative models and that it would safeguard their stakes in the company as primary producers (IOFPCL FG 2011). The founders were equipped with the necessary business knowledge to incorporate, manage and plan the company, some are owners of their own business ventures and all possess graduate or post-graduate education (IOFPCL FG 2011)(Mathew 2011).

Figure 3: Diagram of Institutional Structure - Indian Organic Farmers Producer Company Limited (IOFPCL)



Foundation for Organic Agriculture and Rural Development, FOARD

The initiation of an NGO (FOARD), expressed in Figure 3 as an institution partnered with IOFPCL, came from the financial and operational need for an alternative institution, one focused on providing technical capacity support and training to the company's members. Initially, FOARD's training sessions centred on helping farmers increase their yields and introduce better organic farming practices (Sreekumar 2011). FOARD has since become more autonomous, hosting training workshops and organic farming fairs for the wider community, while continuing to provide support services for IOFPCL (Sreekumar 2011). FOARD's services are narrowly dedicated to technical services and capacities relevant to organic cultivation. The delineation of activities between IOFPCL and FOARD is described, similarly to the way it was by Chetna Organic Farmers Association (COFA) presented as the first case study, as a beneficial separation of business activity from education and capacity provision. The separation is also a financially beneficial one, since FOARD, as a non-for-profit organization, can access grants and subsidies which IOFPCL alone cannot. The separation between profit-generating activity and social capacity support has been further necessitated by recent changes in India's tax laws (IOFPCL FG 2011).

In addition to the capacity services offered by FOARD, IOFPCL's members benefit from the agricultural trainings initiated by farmers within the membership (Chackochan 2011). As an example, P.J. Chackochan, Director of Organic Wayanad and Board Director of IOFPCL, will attend trainings in organic cultivation abroad at personal expense and will bring this knowledge back to share with the wider membership of IOFPCL (2011). IOFPCL is a very lean entity without facilitation or donor support. The company's operations, financial and capacity-developing, rely on the devoted commitment of its initiators and members. The directors and board members of the company have particularly invested great personal stakes in the producer company and continue to commit effort without direct remuneration (IOFPCL FG 2011). This was

the answer with which IOFPCL responded to the Government of India when asked how they sustain operations given that they are un-supported by a facilitating organization[3].

Case Discussion

IOFPCL has an interesting organizational feature - large and small farmers are mixed within groups. The Board of Directors of IOFPCL perceive the mixing as an advantage, whereas the other producer companies we studied expressed mixed membership as a drawback for the equitable functioning of groups. Almost 90 per cent of IOFPCL's farmers own less than 1 hectare of land, while the remainder own greater than 4 hectares (George 2011*a*). It was proposed during our focus group with IOFPCL's Board of Directors that Kerala's high education standards might be a reason for the absence of social tensions between its highly mixed membership (IOFPCL FG 2011). The mixed membership enables the company to maintain a kind of *financial elasticity* between members, whereby large farmers can wait for final payment thus enabling the pre-financing payment from the buyers to compensate smaller farmers, whose needs are more immediate (George 2011*a*). This elasticity was described as an important means of maintaing the company's economic self-sustainability.

IOFPCL provides market linkage for organic and fair trade certified crops, incentivizing organic cultivation practices through higher premiums. This has, however, required IOFPCL to access international markets, since at present the domestic markets for organic and fair trade crops are not established (George 2011*a*). In this respect, IOFPCL, whose limited capital and inability to access credit is a dominant constraint, is further challenged by having to acquire capacity to work with foreign buyers, comply with international standards and rely on distant market linkages.

[3] IOFPCL was the subject of a Government of India, Ministry of Agriculture and National Rainfed Area Authority, publication in 2009 entitled: *Perspectives and Problems of Primary Producer Companies - Case study of Indian Organic Farmers Producer Company Limited, Kochi, Kerala*.

ACCESS Development Services, ADS

Facilitating 13 Producer Companies

ACCESS Development Services (ADS) is a not-for-profit Section 25 company which has primarily focused on micro-credit services in India since 2006. It has extended its activities to a series of integrated livelihood initiatives. Seeing the producer company model as way of creating a 'better space for producers' which enables them to increase their access to markets while restricting corporate and political interference, ADS has initiated 13 producer companies in the last two years (Roul 2011). ADS has thus organized an astounding 100,000 households into 14,653 farmer business groups (FBGs) that operate at the village-level across six states (ACCESS n.d.). ADS envisions producer companies as a component part of a much more ambitious and multi-tier structure for organizing rural development (Maity and Singh 2011). We focus here on one of the four producer companies facilitated by ADS' Udaipur field office in Rajasthan: Vijwa Agro Producer Company Limited (VAPCL). These 4 Rajasthan based producer companies together comprise 220 FBGs and 6,000 households (ACCESS n.d.). Our visit to the village of Phaloj in Southern Rajasthan to conduct a focus group with VAPCL coincided with the producer company's first Annual General Meeting and the distribution of company share certificates to its membership.

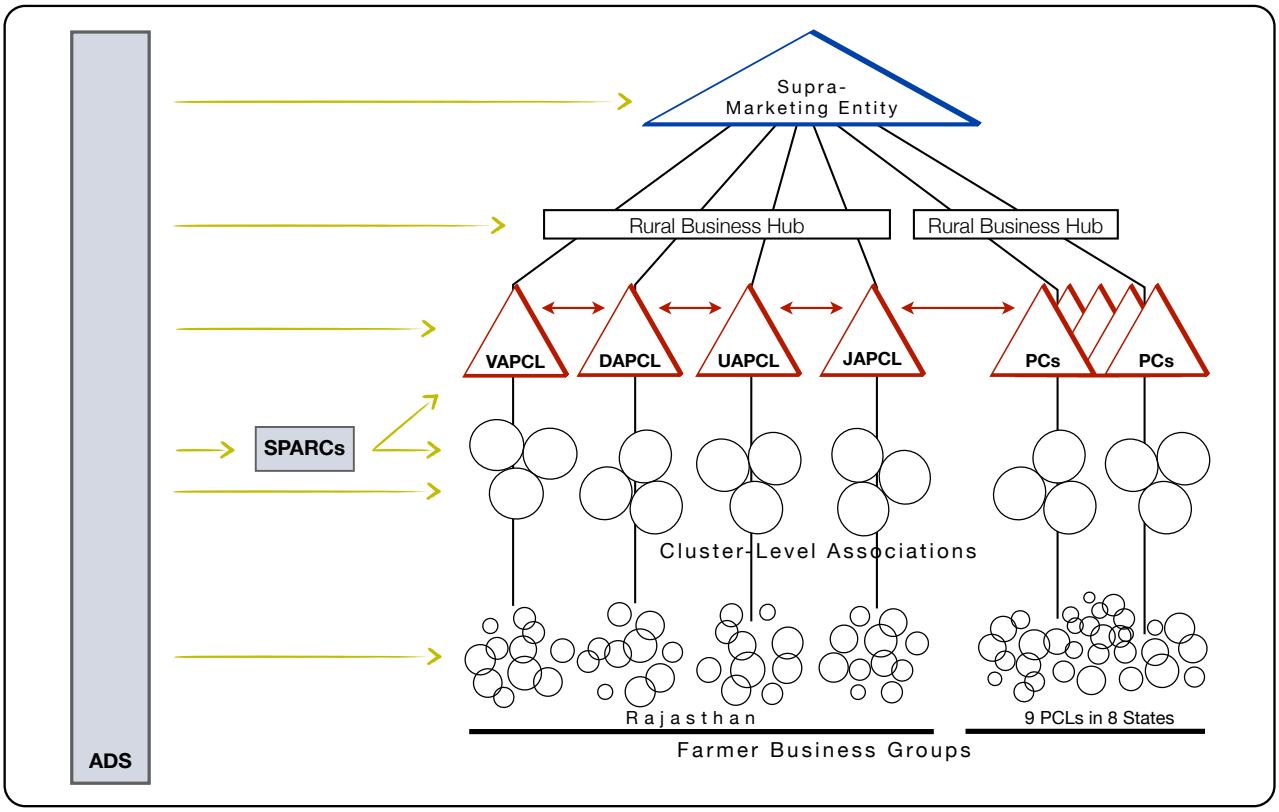
Structurally, ADS has posed the most challenging case for us to diagram. Mainly, it is the size of its ambitions that we find difficult to depict. Its producer companies can be depicted as embedded within five institutional levels (see Figure 4). The first three of these levels are established while the top two are aspirations which ADS hopes to fulfill. ADS works with a large consortium of partners, among these are the World Bank and the Sir Ratan Tata Trust who have supported the facilitation of the 4 producer companies in Rajasthan (Maity and Singh 2011)(ACCESS 2009b).

Structure

The structural diagram of ADS, shown in Figure 4, illustrates five tiers and six different institutional forms. ADS is represented on the left side of the diagram as a long grey rectangle that spans the whole length of the structure illustrating ADS' facilitation of each level (Kujur 2011). ADS plans to build all five tiers, however, at present it has incorporated institutions only on the first three tiers. We will focus primarily on the institutions within the governance bounds of the producer company VAPCL.

On the first tier in Figure 4, producers are organized into 7 Farmer Business Groups (FBGs), with 10-15 members in each group (VAPCL FG 2011). These groups are similar to SHGs in their credit and savings objectives and their semi-formal status, unregistered but still recognized by the government and banks. At present among the main functions of these FBGs are their monthly savings activities (VAPCL FG 2011). These groups consist mainly of small and marginal farmers with similar socio-economic conditions (ACCESS 2009a). Usually, FBGs are comprised of farmers belonging to one tribe, caste or village and are separated by gender, organized into women's only or men's only groups (Mallick 2011)(VAPCL OR 2011). Voting is based on patronage and all shares in the producer company are held institutionally by the FBGs (Maity and Singh 2011). Institutional shares are an important way through which ADS believes that power concentrations can be diffused between farmers of various sizes (Maity and Singh 2011).

Figure 4: Diagram of Institutional Structure - ACCESS Development Services (ADS)



The second tier, in Figure 4 represented by a series of three circles, depicts the cluster-level associations which are informal groupings of FBGs. The cluster-level is designed to assist ADS with administration of services to FBGs and with communication between them and the producer company (Maity and Singh 2011). From each FBG a representative is elected who sits on the governing board at the cluster-level. Clusters act as forums, meeting once a month with monetary penalties for late or absentee groups, for giving voice to the problems and concerns within each FBG. The role of the clusters is to communicate concerns to VAPCL's management and ADS' staff who are usually in attendance at the meetings (VAPCL FG 2011). The cluster-level is the primary place for addressing social concerns and group dynamics, while business agendas are discussed at the producer company level (Mallick 2011).

The third tier is that of the producer companies which are the first formally registered institutions in the structure. We term this the pseudo-apex level, since it is presently the highest governance level for the FBGs and cluster-level associations. At the producer company level there are two current objectives: (1) to target and develop market linkages and (2) to procure inputs at discount costs for members. In the case of VAPCL, bulk input procurement represents the dominant activity of the producer company (VAPCL FG 2011). The cost advantage of bulk input procurement, along with the company's ability to offer immediate payment during harvest and marginally better prices for crops, were the advantages voiced by farmers who attended our focus group in the village of Phaloj (VAPCL FG 2011).

ADS is interested in finding synergies between multiple concurrent producer companies. ADS' approach has, therefore, been quite different from that of the other cases presented here. Instead of establishing one producer company and extending its operations either geographically over several regionally diverse cooperative societies or over a varied range of crops, ADS has ventured to incorporate multiple producer companies simultaneously over a short period of time. In contrast to ensuring that one producer company can becomes successful and self-sustaining, ADS proposes that multiple concurrent producer companies can be synergistically used bringing viability to their combination. Several producer companies can leverage advantageous input procurement collectively through access to scale (Maity and Singh 2011). Community exchanges between producer companies are also envisioned as a way to capitalize on potential synergies of

working together within a large network of producers (Maity and Singh 2011). ADS is analyzing the needs of each community of FBGs to balance and exchange commodity stocks. For example, one community may become the market for its neighbouring producer company, while the producer company most endowed with production potential may become a role model - serving as a capacity forerunner for its sibling producer companies (Maity and Singh 2011). ADS has not hesitated, therefore, in incorporating producer companies of various production potentials, trusting that the supportive network will with mutual benefit assist those communities which are less endowed or where a self-sustaining commodity supply chain will take longer to establish. In Southern Rajasthan where 4 of ADS' 13 producer companies are located, one company has a high production potential while another is facilitated through a project dedicated to ginger production. The production potential of the other two companies is not yet developed and remains questionable (Maity and Singh 2011).

In a further evolution of the structure that presently exists, ADS imagines that a group of producer companies in one region will create a Rural Business Hub (RBH) depicted atop the third tier in Figure 4. Producer companies within RBHs will ideally work in concert to plan the commodities of their region using their comparative advantage (Maity and Singh 2011). Finally at the top, depicted by a large blue triangle in Figure 4, is an imagined supra-marketing entity, capable of drawing together the productivity of all producer companies under one marketing roof. This supra-marketing entity would have the ability to draw upon its multi-commodity producer base and consolidate it through a brand name 'Ode to Earth' so as to be capable of competing on a much larger scale (Maity and Singh 2011).

Facilitation

Significant institutional building is being invested in each community. ADS' overall approach has been to develop and implement each structural level in its entirety, quickly and simultaneously. As it develops a complex multi-level multi-state structure combining numerous and diverse institutions, capacity building remains a demanding challenge for ADS. In Rajasthan, the staff are struggling with gaining farmers' commitment to their institutions. One contributing reason is that many of these communities have grown sceptical of development programs that have come and gone in the region with questionable success (Zimmersmann 2011). ADS has also taken the risk of establishing producer companies in communities where a marketable and voluminous cultivation of produce has not been established. Some of these communities lack technologies which could assist them in raising low productivity, and along with the technical and capacity investments which they require their production potential remains to be strategized (Maity and Singh 2011). In the case of VAPCL, for example, ADS sees its strategy as first improving producers' access to inputs collectively at discount prices, developing technical capacities and acquiring technologies with which to raise production, and only then engaging more robustly in marketing (VAPCL FG 2011). Most of ADS' producer companies are very recently established and, therefore, identifying required capacities and building training components is a newly begun and ongoing process. One of the first training areas which needs to be prioritized, according to ADS, is the clear articulation and delineation of roles and responsibilities for board members and representatives at the different institutional levels (Mallick 2011).

Management

ADS is very articulate about separating the functions of ownership and management. It maintains that management and marketing require a highly professionalized skill set and education, and that professionals must bring their knowledge to the operations of the producer company, if the company is to be competitive (Roul 2011). Presently, ADS staff are providing management assistance to their producer companies and are striving to evolve the 'best management model' (Mallick 2011).

Case Discussion

ADS has created an estimated timeline, with which it approximates for how long it anticipates providing facilitation to its producer companies, and how it anticipates this facilitation to change over time. The first three years of a company's incorporation are termed 'intensive incubation,' during which ADS provides extensive support and focuses on building administrative capacity and developing a supply chain, while the

producer company focuses on aggregating produce, providing inputs and knowledge (ACCESS n.d.). During the fourth and fifth years, termed 'partial autonomy', the producer company begins intermediating with corporate entities and ADS narrows its facilitation more specifically to developing human resource management, business planning, risk mapping and expanding its market linkages (ACCESS n.d.). After the fifth year the company ideally achieves self-sustainability, termed 'complete self-sufficiency', and expands its activities to processing, branding, developing and maintaing its marketing channels. In time, ADS' role will recede more to the background, likened to a consulting agency, assisting on an *ad hoc* basis (ACCESS n.d.).

Small Producers Assistance Resource Centre, SPARC

ADS is aspiring to establish Small Producers Assistance Resource Centres (SPARCs), which will be embedded at the cluster-level (see Figure 4) dedicated to developing specialized interventions for producer companies and providing a myriad of services, such as stakeholder analysis, value chain analysis, and financial and strategic business planning (ACCESS 2009a). Producer companies will be able to hire SPARC services on a needs basis (Maity and Singh 2011).

Rural Development

In our discussions, ADS described how producer companies can become a channel for targeted rural investment. ADS anticipates that producer companies may become an important negotiating platform between small and marginal producers and government agencies wanting to channel investment into agricultural production, researching bodies facilitating technology, and developmental agencies wanting to promote rural development (Maity and Singh 2011).

If the appeal of the producer company is its potential to become an important channel of rural investment or distributor of government support, then its potential is equally attractive for corporate providers of agricultural inputs and extension services, and for political platforms seeking access to large voter bases with the incentive on offer of capital support. If political involvement found its place in producer company platforms, it would subvert the model's correction of the politicization of cooperatives, politicization which ADS staff perceive as a significant obstacle for cooperatives (Maity and Singh 2011). Presently, it is the producer company's autonomy from political interference, which ADS sees as its crucial advantage. Both concerns of attracted corporate and political interests were in attendance at the first AGM meeting we attended of VAPCL (VAPCL OR 2011). The provision of extension services is a crucial function which a producer company can provide, in the form of more affordable inputs procured in bulk, and in the form of assisted demonstrations and trainings offered by the incentivized companies (Maity and Singh 2011). It becomes a responsibility for the board of directors and expert directors of the producer company to perform due diligence and ensure that such linkages are made with benefit to their producers (Maity and Singh 2011). ADS hopes to rely in this case on its capacity, and on the capacity of the consortium it works through, to arbitrate such linkages beneficially.

Himalayan Action Research Center, HARC

Facilitating a discussion on 2 Producer Companies

Established in 1988 in the Uttarakashi district of Uttarakhand, HARC aspires towards a holistic and integrated sustainable development approach for improving the livelihoods of the mountain communities in the Garhwal region of the Himalayan foothills. Persistent challenges include the fragmentation of land holdings, the absence of reliable infrastructure and the dominant control of marketing and credit options by local traders and moneylenders. HARC, like the Central Himalayan Rural Action Group (CHIRAG) and Appropriate Technology India (ATI) presented in cases two and seven, has chosen to work exclusively with women producers.

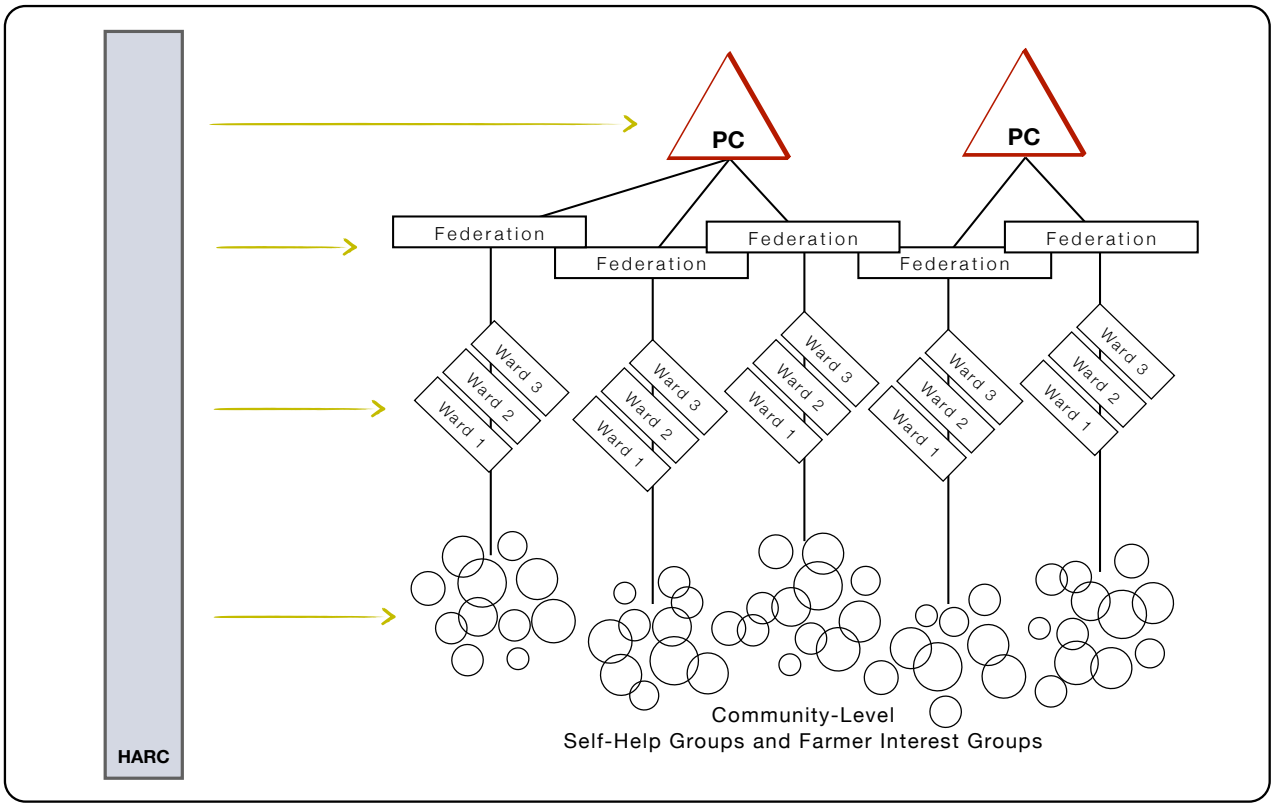
Structure

HARC had evolved a four tier institutional structure with two producer companies recently incorporated at the apex level (diagramed in Figure 5). The two producer companies were established four years ago and are managed and membered exclusively by women - both companies have a female CEO drawn from the region (Kunwar 2011). At the community level 20,000 women are members in SHGs or in Farmer Interest Groups (FIGs). Next, community-level groups are organized into wards, which combine several geographically proximal FIGs. One member from each SHG/FIG is elected to represent the group at the ward level, and subsequently one member from each ward is elected as a representative to the next governance level, which is organized into federations. There are currently 21 federations on the third tier, which were established with the assistance of HARC 8 to 9 years ago. Interestingly, all of the institutions on each of these three tiers - SHGs, FIGs, wards and federations - differ in the extent of their formality. Some are formalized and registered while others adopt a similar institutional and functional form but refrain from formal registration (Kunwar 2010). The choice of which institutional form to adopt, along with whether or not to formally register it, belongs autonomously to the members (Kunwar 2010). HARC believes that organizing its institutions in this way, according to a four tier structure, enables the democratic governance of large memberships and facilitates communication while providing the basic architecture for efficient procurement and delivery of produce (Kunwar 2011).

The diversity of institutional forms adopted by HARC's members, formal and informal, is an outcome of HARC's development approach. HARC asserts that a crucial component of autonomous governance and empowerment is ownership of the process of evolving the institutions themselves. Members of a group at each institutional level, therefore, decide which institutional form to adopt and retain the flexibility of choosing whether to formalize it through registration (Kunwar 2011). The federations that comprise the third tier, consequently, are a mixture of unregistered and registered cooperatives following different state acts.

At present, the two producer companies handle the majority of the marketing, including logistics, of between 20 to 30 perishable products (including spices and pulses) to large retailers and large markets in Delhi and Dehradun (Kunwar 2011). These market links have required the producer companies to provide a certain quality and quantity of produce, which has required comprehensive planning strategies across each federation, and the development of ward-level rural supply networks that include collection facilities capable of grading, sorting and packing (Baptista n.d.)(Kunwar 2011).

Figure 5: Diagram of Institutional Structure - Himalayan Action Research Center (HARC)



Facilitation

HARC's main objective throughout almost three decades of intervention has been to promote collective action through various models of aggregation (Kunwar 2011). HARC profiles itself as a research and development centre, which provides facilitation in three directions: (1) institutional building; (2) technical research (developing practices of organic farming, conservation and diversification); and (3) enterprise and rural marketing (Kunwar 2011). Its research and marketing information are extended to the community at large, irrespective of membership in its facilitated institutions and programming.

Evolved through experimentation, HARC has committed itself to a ground-up development approach based on the promotion of community-led organizations. HARC believes that, although the process may be slow, building a strong cooperative foundation is essential for realizing a self-sustaining producer-owned institution (Kunwar 2011). HARC's multi-tier interventions are illustrated in Figure 5. HARC is depicted as a long rectangle on the left supporting each level of the institutional structure on the right.

Over the years, by increasing the capacities of its federations, HARC has reduced its facilitation of certain parts of the supply chain, claiming that many of its federations are now self-sufficient (Kunwar 2011). HARC's role has, therefore, shifted to researching and gathering market intelligence and disseminating it directly to farmers via text messaging, sourcing new market linkages domestically and abroad, developing branding strategies and providing logistics analysis in order to decrease transaction costs and verticalize the supply chains of its two producer companies (Kunwar 2011).

Bare Foot Scientists

HARC trains skilled farmers in local communities as 'bare-foot-scientists' who assist their communities on a fee-for-service basis, and who continue to upgrade their knowledge by taking additional trainings from HARC (Kunwar 2011). The initiative strengthens local knowledge and honours the idea of empowering local

leadership. HARC plans in the future to set up a farmers' school operated by local producers. HARC provides capacity-training, and works through an extensive network of experts whose services it hires on a needs and remuneration basis.

Case Discussion

HARC asserts that the effectiveness of its supply chain can be gauged from its ability to market any volume of produce by any of its members irrespective of how small the volume may be (Kunwar 2011). HARC's Director, M.S. Kunwar, believes this is a telling measure of how equitably its two producer companies are working to provide marginal, small, medium and large farmers the same opportunities and economic benefits (2011). Kunwar describes HARC's persisting challenge as being that of establishing and maintaing a strong governance framework, one which could respond over a long period of time to the concerns of its membership and which would be able to resolve internal tensions arising from varying socio-cultural conditions of a large membership without the necessity of interventions by HARC (2011). If the governance structure, which HARC evolves, conversely becomes ineffective, according to Kunwar, it will ultimately lead to the loss of membership and the unraveling of the institutions created (2011).

South Indian Federation of Fishermen Societies, SIFFS

Facilitating Trivandrum District Fishermen Welfare Producer Company Limited

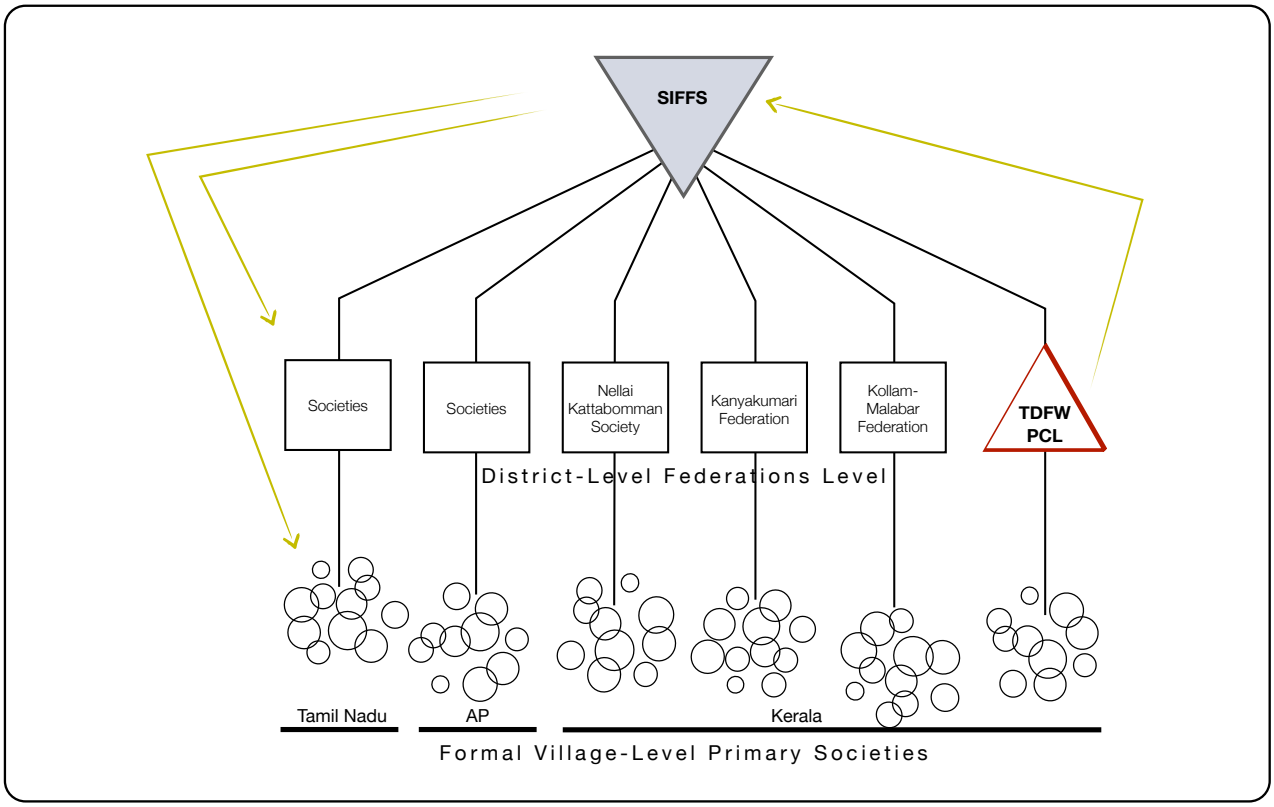
It is estimated that India has the third largest network of small-scale and artisanal fishers with over 8,118 kilometres of coastline and a potential of fishing in over two million square kilometres of India's exclusive economic zone (EEZ) (SIFFS 2010). According to the Marine Fisheries Census of 2005, 3.52 million fishers and family members living in 756,212 villages depend on fishing for their livelihood (SIFFS 2010). Fishing is a volatile and unpredictable livelihood, vulnerable to seasonal variations in climatic conditions and to resource depletion. Depletion becomes an increasingly critical concern as mechanized technologies, among these the increasing dominance of industrial trawling, transform the way fish are harvested and place more pressure on the fishing sector as a whole (Ephrem 2011). State development planners have paid little attention to the conditions of fishing communities, which are often on the outskirts of villages or urban centres, beset with high population densities, fragile housing, poor sanitation, and lower education and literacy rates than the rest of Kerala (SIFFS 2010). The contributions of women in the sector, which play a significant role in the cleaning, packing and marketing of the fish, continue to be inadequately recognized and remunerated (SIFFS 2010). SIFFS' mission is to contribute to 'the overall sustainability of the fishery economy and to the development of the small-scale fish workers of South India through co-operative action for increased control over marketing, credit, technology and responsible management of fish resources' (SIFFS 2010).

Trivandrum District Fishermen Welfare Producer Company Limited (TDFWPCL), located in Kerala's capital Trivandrum, is a recent conversion, in 2008, of a district level federation which was previously a registered charity. Recent reforms in Indian tax laws, after which commercial activities of federations became taxable, prompted the federations' conversion to a producer company - an experimental move in adopting this new legal form made for the first time by a fisherman's society in India. It provides an example of the conversion Y.K. Alagh had in mind when drafting the producer company Amendment Act (2002) (Alagh 2004).

Structure

Trivandrum District Fishermen Welfare Producer Company Limited's (TDFWPCL) main objective is phrased as the pursuit of 'welfare through business' (SIFFS 2010). TDFWPCL cooperates with SIFFS to overcome two main problems: (1) the dominance of middlemen who have traditionally been the sole providers of credit acting at the same time as sole buyers, and (2) the inaccessibility of distant and export markets, primarily due to the perishability and small size of individual catches. TDFWPCL is diagramed in Figure 6 as part of the second tier of a three tier institutional structure, of which SIFFS is the apex organization (represented as a grey triangle). The first tier is comprised of 13 village-level primary societies, often voluntarily formed and formally registered, with memberships of between 25-30 fishermen and spread across the two districts of Kanyakumari and Trivandrum. This is one case, therefore, where village-level primary societies are direct institutional shareholders in a producer company. TDFWPCL has no individual shareholders and each primary society elects a President to sit on the Board of TDFWPCL (Francis and Kumar 2011). All of the institutions, including the village-level primary societies, within SIFFS' structure are formally registered (SIFFS 2010).

Figure 6: Diagram of Institutional Structure - South Indian Federation of Fishermen Societies (SIFFS)



As shown in Figure 6, TDFWPCL is one institutional unit among 6 other district-level federations, which aggregate a total of 165 primary societies spread across 17 regional districts and 3 states (Kerala, Tamil Nadu and Andhra Pradesh), with a current membership estimated at 50,000 fishermen (SIFFS 2010). The main services provided by TDFWPCL mirror those of the other district-level federations, and include the promotion of a coordinated marketing approach executed at the first point-of-sale, the beach, and facilitated through a transparent auction. This ensures equitable transactions and timely payment, specifically aiming to challenge the dominance of middlemen (Ephrem 2011). TDFWPCL provides a link to distant markets domestically, and the conversion from a district federation to a producer company seems to have been motivated by its members' intention to undertake export activities (Francis and Kumar 2011). The decision to convert was said to have been taken by the members of the district federation themselves, not initiated by SIFFS (Ephrem 2011). TDFWPCL implements SIFFS' credit scheme, assisting fishermen with debt repayments and financing larger capital purchases (boats, motors and nets), maintenance costs, collective savings accounts, life insurance, crew insurance and capital asset insurance (SIFFS 2010). TDFWPCL also monitors the village-level societies and engages in welfare activities for fishermen (SIFFS 2010).

Facilitation

The apex organization, SIFFS, evolved out of the initiation of the Catholic Diocese Welfare Societies in Kerala during the seventies, later becoming a charitable society registered in Kerala in 1980. Currently, it provides support to the entire structure targeting 5 areas of intervention: (1) assisting the district-level federations in supervising and monitoring the village-level primary societies; (2) setting up equitable marketing linkages; (3) providing affordable input supplies and services (motors, boats, nets and equipment repairs); (4) implementing SIFFS credit schemes including insurance and old age pension schemes; and (5) developing welfare activities for the fishermen (SIFFS 2010). SIFFS has also been providing credit services to Sthree Niketh Vanitha Federation (SNVF), a federation of 78 societies and 6 SHGs of more than 6,100 women members engaged in diverse business activities (SIFFS 2010). SIFFS has targeted women's roles in the supply chain through trainings and infrastructural support (SIFFS 2010). It is otherwise difficult for SIFFS to incorporate women into its membership, since membership is restricted to craft owners (usually a

fishing unit is comprised of a craft owner and crew members) (SIFFS 2010). Crew members benefit from marketing support, but are not incorporated into SIFFS' membership because their labour is transient.

SIFFS' current relationship to TDFWPCL is essentially the same as its relationship to the other 6 district-level federations. As an organization or 'federation of fishermen' it is governed by the decisions of its membership, comprised fishermen. The Chairman and Vice-Chairman heading its Board are required to be fishermen elected from the primary-level societies and district-level federations (SIFFS 2010). SIFFS' relationship with the remaining institutional structure can be compared to that of Chetna Organic Farmers Association (COFA) presented in the first case study. Compelled by changes in the federal tax laws, SIFFS is planning to incorporate a separate marketing and business entity and is deliberating between incorporating a Section 25 company, a multi-state cooperative or a producer company (Ephrem 2011). Once established, this delineated business entity will take over the marketing and commercial activities from SIFFS.

Case Discussion

> When SIFFS started off, there was a situation of plentiful resources availability and prices were low. Hence the intervention was mainly to help the fishermen get better prices through the cooperative model. The prime target for support then were poor artisanal fishermen who were left marginalized following the advent of trawlers. In the years hence, especially in the 2000s, the situation is one of resource depletion due to over-exploitation. In this context SIFFS has taken up more resource management and conservation activities. While it continues to address its principal target group, SIFFS also has taken up initiatives for fishermen using destructive gear...making them the focus of resource management activities. (SIFFS 2010, 18)

Sustainability and conservation are central in SIFFS' vision of improving fishermen's livelihoods while protecting the resource base for future generations (SIFFS 2010). SIFFS is also trying to diversify employment opportunities for youth from fishing communities, knowing that youth is eager to leave the sector and because resource depletion will likely undermine the sectors' ability to sustain their livelihoods in the future. Young fishermen who are entering SIFFS' institutions are recipients of an already established marketing systems as well as of the changes SIFFS' has impacted on local markets, but they do not necessarily possess a strong commitment to the cooperative process through which these were achieved. Therefore SIFFS sees, as an important component to sustaining its institutions, the re-education of cooperative and collective values (Ephrem 2011).

Appropriate Technology India, ATI

Facilitating Dev Bhumi Natural Producer Company Limited

Appropriate Technology India (ATI) has worked in the Garhwal region of Uttarakhand, in the Himalayan foothills, for close to two decades. Its activities aspire to combine economic development with biological conservation to develop sustainable livelihood options to relieve the pressure on non-timber forest products (NTFP) and on the biomass of old growth and critically endangered oak forests in the region. ATI seeks to create incentives to monitor and conserve the forests by bringing economic value to them as a resource (Croucher n.d.). With this aim ATI facilitates tasar silk production and processing and honey bee-keeping. Its producer company, Dev Bhumi Natural Producer Company Limited (DBNPCL), established in 2006, handles the marketing of tasar silk, organic honey and spices. ATI works almost exclusively with women producers, who are the dominant agricultural producers in the mountain regions of Uttarakhand (Croucher 2011).

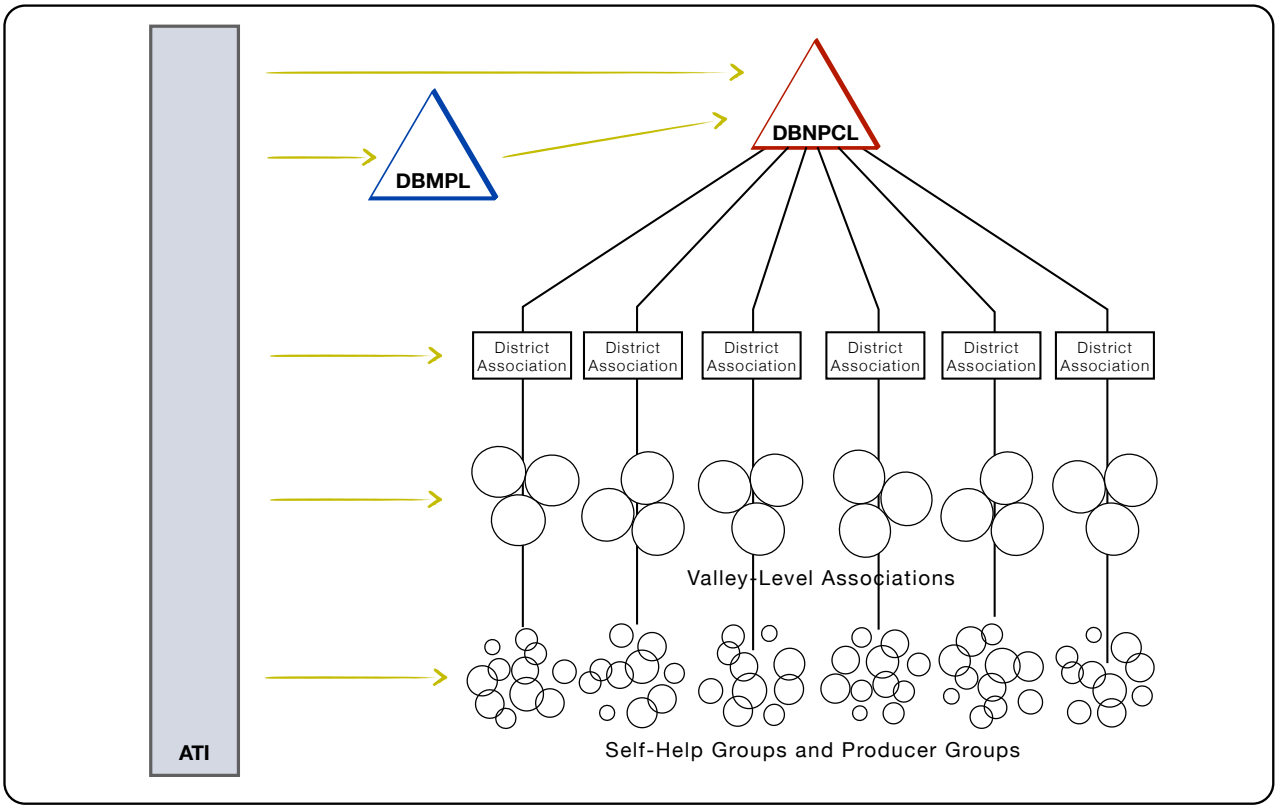
Our interview with the President of ATI and Senior Advisor, Jack Croucher, contributed several discussions on how ATI chose to transfer its marketing activities from two private limited companies to a single producer company. The evolution of ATI's structure is discussed below and diagramed in Figure 7.

Structure

Appropriate Technology India (ATI) has evolved a four tier structure containing five different institutional units - SHGs or producer groups, valley-level associations, district-level associations, a producer company, and a private limited company. Approximately 2,000 women producers are organized into SHGs at the lowest grassroots level. The second tier of valley-level associations, represents 452 villages across 29 valleys and aggregates several regional SHGs together. Valley-level associations are further grouped into five district-level associations in the third tier of the structure. At each level members are democratically elected upwards, representing each group's interests in the associations above. Those elected from the district-level associations make up the Board of Directors of DBNPCL (diagramed in Figure 7 as a red triangle), which is comprised unanimously of women producers. All institutions below the producer company are informal and unregistered (Croucher 2011).

Over a decade ago, ATI first established two private limited companies for the marketing of its produce. Wanting to refrain from working through a system of cooperatives, ATI opted instead to initiate two private limited companies, despite the private company limited's restriction of allowing a maximum of 50 shareholders (Croucher 2011). Prior to 2002, thinking along producer company lines, ATI experimented with giving a larger membership direct stakes in the company by making community-based organizations institutional members in the private limited companies (Croucher 2011). This solution to broadening membership failed to work because the inclusion of the chosen community-based organizations, for example van panchayats, was at odds with their not-for-profit tax exempt status (Croucher 2011). The restriction of membership to 50 shareholders became a significant challenge to ATI's intention of developing a sense of ownership among its members over its institutions (Croucher 2011).

Figure 7: Diagram of Institutional Structure - Appropriate Technology India (ATI)



When the producer company legislation was enacted, ATI saw it 'as an opportunity to do what we had always wanted to do, which was to set up a completely producer owned enterprise' (Croucher 2011). Thus, ATI folded the activities of both private limited companies into a single producer company (DBNPCL) in 2006 (Croucher 2011). It took steps to dissolved one of the private companies, while keeping the other under the name of Dev Bhumi Madu Private Ltd. (DBMPL) (diagramed in Figure 7 as a blue triangle), potentially to be used as a partner institution for the benefit of DBNPCL. A beneficial partnership between a producer company and a private limited company is a possibility outlined in the Amendment (2002), which allows a private company owned by primary producers to become an institutional member of a producer company (Government of India 2002). A benefit of such a partnership would be, for example, if the producer company (DBNPCL) could utilize ATI's private limited company (DBMPL) to procure funds for its operations (Croucher 2011) - essentially making the private company a channel for equity into the producer company. If such a relationship could help relive the producer company's credit constraints, it may be, according to Croucher, 'a possible option for other producer companies struggling with access to capital' (2011).

One of the significant challenges facing DBNPCL has been how to effectively market multiple commodities across a single procurement and supply chain. Marketing a diverse set of commodities, such as silk tasar, honey and spices, adds complexity to the producer company's operations (Croucher 2011). However, ATI finds it easier to converge different activities onto a single producer company, rather than to expend the effort of creating more than one company platform to handle a diverse set of needs (Croucher 2011).

Facilitation

ATI stresses the significance of capacity building, of training board members and shareholders in their respective responsibilities, and of empowering them to place appropriate demands on their institutions. According to Croucher, it is 'very important that shareholders really understand that they own [the] company and have a right to expect certain things from the company' (2011). At the same time, the women producers and owners do not run the daily operations of DBNPCL, which are managed by a hired professional staff (Croucher 2011). ATI also formerly established a community owned micro-finance institution, Ushamath

Mahila Self Reliant Cooperative Mahasangh Ltd., on which it now relies to conduct a significant portion of educational trainings (Croucher 2011). Educational and capacity building services specifically accessible and suitable to the needs of producer companies at large are, from Croucher's perspective, importantly lacking as services which could be hired from a dedicated specialized agency on a pay-per-service basis (2011).

Case Discussion

In agreement that the pervading challenge faced by producer companies is their limitation in accessing credit, Croucher had a different interpretation of this limitation (2011). Croucher did not attribute the inaccessibility of credit to only the design of the producer company model, instead he attributed it to a much larger lack of appropriate credit support for small scale enterprises, regardless of their format, across India (2011). Presently, NGOs are coping with producer companies' credit constraints in various ways, such as by providing producer companies with management staff and covering operational costs and management salaries through other sources, grants and donor support. This, however, creates dependence of the producer company on the NGO, and this dependence can compromise a producer company's competitiveness and self-sustainability according to Croucher (2011).

It has taken time and concerted effort for ATI to inspire ownership, for its producers to begin identifying with the producer company instead of identifying with the NGO (Croucher 2011):

> If you take the time to educate producers, and they understand that this is their company, evolving from a subsistence activity to a commercial activity, it is amazing how it changes the mind set of the farmer. The producer company...gives producers, who on an individual basis would not have any real power in the market place, a powerful position because they are combining their produce. It helps to integrate producers in a more effective way into the value chain and into the wider economy, and gives producers the opportunity to move up the value chain into processing and activities. (Croucher 2011)

The institutional structure headed by a producer company is one evolved component of ATI's enterprise model for biodiversity conservation according to which 'community based, managed and owned enterprises are the mechanisms through which biodiversity conservation activities as well as economic benefits will continue to be sustained after project funded activities come to an end' (Croucher n.d., 4).

VII. Findings

Within the seven cases we surveyed we observe that producer companies were always combined with other institutions within single governance structures. The most common institutional arrangement was organized into three levels: First, small informal or semi-formal institutions at the village-level which were most frequently self-help groups, otherwise they were farmer business groups and primary societies; Second, medium level informal clusters or formal state registered cooperatives whose forms varied depending on the cooperative legislation of each state; Third, the producer company as the apex marketing organization. Although in one case a cooperative society was converted to a producer company and in another the activities of two private companies were folded into a producer company; all other cases revealed the producer company to have been originally created without a previously existing institution in its place. The only case where the producer company was formed without the facilitation of a supporting organization was in the case of Indian Organic Farmers Producer Company Limited (IOFPCL). Reversing the trend otherwise seen, IOFPCL facilitated an NGO to assist it with capacity building and training. In all other cases, the producer companies had been initiated and were being facilitated by an NGO.

The main capacity and governance challenges, which the facilitating organizations revealed can be summarized as: (1) instilling ownership; (2) engendering risk taking; (3) motivating and facilitating collective action; (4) ensuring inclusion of marginalized producers; (5) ensuring gender inclusiveness (where not exclusively profiled); (6) achieving effective participation; (7) finding the right leadership; (8) developing business planning and marketing knowledge; (9) managing governance over large and varied membership; and (10) ensuring effective communication between all institutional levels.

As stated above, in all cases we surveyed, the producer company is embedded in a larger structure of institutions providing various services and performing various functions. Those services delineated as belonging to the producer company can be summarized as the following: (1) collective procurement and establishing links to the market and other communities; (2) value addition potentially through processing; (3) gathering and decimating market information; (4) input procurement; (5) extension services including technology; (6) certification; and (7) credit and other financial services.

Not attributed to the producer company was the provision of social extension services, institutional building or extensive capacity building for members beyond the company's board of directors. In all cases, the producer company was discussed by the facilitating organizations as a business entity needing to prioritize its business services and capacities, and therefore it was not discussed as an institution which would be used to provide social services or which would likely internalize their provision.

VIII. Discussion

In our theoretical introduction we framed our reasons for focusing on institutions and our choice to present the experiences of the producer companies through the lens of institutional structures. We also suggested a term, *latent potential* of institutions, with which we expressed our interest in the unperceived but possible effects that an institution is not only likely to produce, but can be consciously wielded to produce. An institution's manifest potentials are easier to perceive, while its latent potentials are much more elusive. The anticipation of potentials requires confrontation and consideration, so that current implementations can be supported and improved and future attempts can be informed and better designed. Our intrigue with latent potentials comes very practically from the juvenescence of the producer company model itself and moreover from the brief incorporation life of many of the companies presented here. IOFPCL, the first incorporated company, elderly in our sample, felt as though it was only at the budding of its marketing prospectives. Other companies, such as those facilitated by ADS, were only months into incorporation and still indecisive about their production and marketing potentials. With the objective of anticipating potentials in mind, we turn to discuss the foremost concerns of producer companies, those of accessing credit and overcoming capital constraints, enabling and recruiting capacities, and developing a self-reliant, sustainable and autonomous relationship with their facilitators.

Capital

The foremost challenge for producer companies is their constraint on accessing credit. Producer companies are restricted to the capital of their members, to the savings of their shareholding institutions, and to credit loans; these sources comprise the majority of their working capital. From among the companies studied here, some sought grants, planned on generating revenue by introducing fees for provided services or by procuring inputs in bulk and turning into revenue a portion of the discount. We discuss these in turn.

Credit is expensive, it is difficult to access and it creates a pressure on the enterprise to meet interests and repayment. For most bank loans, a producer company must have a credit history of 2-3 years to be considered eligible (Intellecap 2009)(Despande 2011*a*)(Francis and Kumar 2011). Producer companies are also new entities, under federal and not state jurisdiction, which are unfamiliar for administrators. The Executive Director of CHIRAG, V.K. Madhavan, weighed the constraint on sources of capital as possibly a shortsightedness of how the Producer Company Amendment Act (2002) was written (2011*a*). Designed more like an 'improved institutional framework for cooperatives' than an ideal company framework for producers (Madhavan 2011*a*), the producer company model does not allow companies owned by small producers to chose a balance between governance and equity that may most suits their needs. The appeal of the model is a strong governance framework, without the possibility of its subsequent amending. However, the permanent exclusion of equity investors will remain as a constraint throughout the lifetime of the company's operations. CHIRAG was concerned that without the ability to make investments of the size required to bring value addition and processing, the producer company model dictated a slower strategy of growth (Madhavan 2011*a*).

The President of the Board and Senior Advisor of ATI, Jack Croucher, attests to their producer company's (DBPCL) struggle with access to credit. However, he interprets this constraint not to be resulting exclusively from the design of the producer company model, but rather from a more ubiquitous lack of appropriate credit support for small scale enterprises, regardless of their format, across India (2011). Interestingly, after first organizing its marketing activities through two private limited companies, and experimenting with possibilities of incorporating a larger membership by making community institutions hold company shares, ATI decided to fold the activities of its private limited companies into a single producer company (Croucher 2011). It will experiment with the potential of partnering a producer owned private limited company with a producer company, as a means of enabling a greater inflow of capital (Croucher 2011)(Pradan 2007). The workshop hosted by Pradan, raised the discussion of allowing 'B' category shares in the producer company as a means of still selectively restricting ownership, but opening an option for capital investment (Pradan 2007). From Croucher's perspective, the suggestion of allowing 'B' category shareholding in the producer company model would be a mistaken solution to the very serious problem of unavailable credit and one that

is unlikely to bring its intended results (2011). Among solutions debated to alleviate the credit constraint, are those of revolving and dedicated funds (Ambatipudi 2011*b*)(Maity and Singh 2011) or dedicated loans for producer companies; some may come from the National Bank for Agriculture and Rural Development (NABARD).

Producer companies have also taken loans from the savings of their partner institutions, from cooperatives and SHGs. Where these investments are viable, and risks are adequately assessed, the loaning can be of mutual benefit - the producer company acquires capital and the lending institutions gain interest. The risks should, however, be adequately considered to ensure that producers' savings are not jeopardized or misused, or that the company is making investments aligned with producers' needs.

Producer companies can seek grants; and among the companies surveyed, the facilitating organizations were covering many of their operational and management costs, providing staff and sponsoring the provision of technical and market intelligence, and business planning support. Facilitators were also developing the institutions, monitoring their viability, coordinating their functions, as well as assessing all institutions' capacity needs. Capacity needs differ substantially between all institutional levels, and are especially required for members who are selected to take positions of leadership, either as office bearers, representatives or members of a board. Where available, facilitating organizations hired the services of agencies specialized in training and institutional development (Ambatipudi 2011*a*)(Madhavan 2011*a*); but the availability of such services being a significant lacuna in itself (Croucher 2011) they otherwise attempt to develop training workshops on their own. These supporting services are provided by facilitators and sponsored through grants.

Capacities

Capacity training and support with institutional development is not only a question of funding. Capacities are also difficult to identify and prioritize. Above we summarized the capacity and governance dimensions that repeatedly identified themselves in our discussions. Of these, educating board members in developing business plans and bringing to these long-termed perspectives, as well as understanding market dynamics, some of which extend abroad to international markets, were consistently emphasized as formidably challenging. These capacities, lets call them business and marketing skills, are not only challenging for producers to gain confidence with, they were in many cases significantly challenging the capacities of the facilitating organizations themselves. In COFA's case, the demands of providing business services began overpowering their ability to focus on social extension and the two mind sets - that required to run a profit-motivated business institution and that required to run a not-for-profit institution concerned with the delivery of social and developmental assistance - became difficult to facilitate within a single organization or institution (COFA 2010). The farmer's association, COFA, decided to delineate its business activities to a separate entity, the producer company COAPCL, and allow its mandate to be profit oriented (Deshpande 2011*a*)(Krishna 2011*a*). Similarly, CHIRAG, after facilitating the marketing of its members' produce for four years and gauging favourable volumes were achievable, wanted to cease carrying the risks of business activities and internalized them within a more appropriate and delineated business body (Madhavan 2011*a*). Recent stringencies in Indian tax laws, mandating NGOs to pay taxes on profit generating activities, are also largely responsible for prompting organizations to seek producer-owned institutional models capable of taking over these activities (Ephrem 2011).

There was an attitude consistently expressed in the discussions we had, which differentiated the producer company from cooperatives structures. At times it was not decisively clear what producer companies enabled beyond what is already achievable through multi-state cooperatives (Ramanjaneyulu 2011). The essence of the difference seemed to distill in most conversations to two points. The first, was that the producer company was detached from the political authority of the Registrar and from the political interference levied as injurious to cooperatives (Croucher 2011)(Maity and Singh 2011). The second, was more of an ideological ambition that the producer company should be a self-sustainable and competitive business model. The NGO was described as a necessary facilitator, but only for an initial time after which the hand holding should release (Croucher 2011)(Krishna 2011)(Madhavan 2011*a*)(Maity and Singh 2011). What this requires of the

membership is to take possession of the ownership of the company, and therefore assume the associated benefits but also the risks (Krishna 2011)(Madhavan 2011*a*). The elevation of capacities and of producer's identification with the producer company, from a passive role of a beneficiary to an active role of an owner, was conveyed as the hardest capacity to develop and the most profound shift in mindset to assist (Deshpande 2011*a*).

Another debate, frequently present, was that of how to balance the influence in decision-making between ownership and management. It was argued that, not only may producers not wish to take on the functions of managing producer companies, but that realistically they cannot in a short time be expected to acquire marketing and managerial skills required to run the daily operations of the company, and create as well as negotiate its business (Roul 2011). Business management and marketing especially were seen as requiring such a professionalized skill set, that chief executive officers and marketing positions were seen as needing to be filled by professional and highly skilled salary remunerated staff (Roul 2011). It is a prevalent challenge for producer companies to be able to hire professional managers and directors and to find professionals who are willing to settle for reduced salaries, but who would also espouse the commitment to the companies' social objectives of working for livelihood betterment and under capital restrictions (Ambatipudi 2011*b*)(George 2011*b*)(Mallick 2011)(Croucher 2011). Most of the time these positions are initially filled by the facilitating organizations' staff and remunerated from their funds.

Facilitation

Our discussion brings us then to the role of the facilitating organization, and to its relationship with the producer companies studied. Most of the producer companies informing this discussion were initiated and facilitated, and continue to be extensively supported, by NGOs. Gauging the extent of the facilitation which involved organizations are providing - not only financially, with market research, and technical extensions - but significantly in the areas of institutional building and capacity building - we began to ask how nascent producer companies could manage to provide these services themselves? For the organizations, likewise, between the identification of capacity lacuna and the ability to consistently and effectively meet them stretched a long distance with many priorities, set-backs, and experiments littered in between. We cannot assess the viability of their facilitation, but we can amass from their attempts and reports the far distance between the implementation capacity required by the effective and self-sustainable producer company and the absorptive capacity of newly recruited memberships. Facilitators saw the partnership between an organization, or an institution, focused on social support and the business-focused producer company to be nearly essential, if not at the very least highly beneficial (Deshpande 2011)(IOFPCL FG 2011)(Madhavan 2011*a,b*)(Maity and Singh 2011)(Valluri 2011). A unique case of a producer company not initiated by a facilitator is IOFPCL, which was established by the initiative of the farmers who now comprise its board of directors. Struggling to provide and finance the required technical and capacity outreach components it was the producer company who initiated the NGO, benefiting from the partnership of a not-for-profit entity which could raise funding for the purposes of training and education (IOFPCL FG 2011). Otherwise, the decision to embark on incorporating a producer company model was also described as initiated by the producers themselves in two more cases. In the case of SIFFS a cooperative society chose to convert itself, and in the case of HARC the producer groups facilitated by the organization were said to have chosen their own company form. Both companies, however, remain embedded in the facilitating organizations' larger multi-tiered structures and receive their services and support.

A pragmatic set of questions arise. Is the producer company a useful, or attainable, model for small and marginal producers without the assistance of a facilitating organization or partnered institutions? Or is the unique legal space framed by it for small and marginal farmers only attainable through the sustained and substantial assistance of facilitating organizations, and their abilities to fund objectives beyond market services? If facilitation is a requirement, either for an initial incubational period, or over a longer hand-holding time, which services may be identified as crucial for facilitators to provide? How can these be informed in design and implementation? When unassisted, what will incentivize producer companies to invest in the capacities of their membership? Cases presented here demonstrate that large memberships are the common strategy for small and marginal farmers to aggregate scale and leverage; but also that the governance of large memberships, when viably organized at multiple levels to enable participation, requires

the sustained assistance of balancing the strengths of multiple institutions, empowering them toward mutual accountability. The accountability between combined institutional forums, under the monitoring and support of facilitators, seems to be at the crux of making these multi-institutional structures effective and viable.

Viability does not encompass inclusivity. SHGs, cooperatives, and the boards of producer companies are all collective platforms intended to be democratically governed, but as such are susceptible to enabling a dominance of benefit for some over others or the direct exploitation of some by others. These are not easy concerns to levy. More disquieting is a concern that as imperfect as facilitators are in dislodging or replacing power dynamics, the absence or withdraw of facilitation may leave inequalities that much more unperceived and unaddressed.

If facilitation performs this crucial support role for producer companies, then one wants to ask what dependencies may be fostered? How facilitators regard their own role? How facilitators plan for their support to evolve or withdraw over time? There is a unanimous agreement among the facilitating organizations surveyed here, that the objective of the producer company is to become self-sustaining and independent from their support (Deshpande 2011*a*)(Krishna 2011)(Madhavan 2011*a,b*)(Maity and Singh 2011)(Kunwar 2011). Fiscal independence does not negate the requirement of ongoing needs-based services, but these services should be recruited by the producer companies, similarly by the cooperatives and SHGs, and remunerated. The relationship between the producer companies and the facilitating organization or the partnered institutions, is anticipated to transform in various ways across different companies. In the case of COFA, a long-standing partnership is imagined between COFA and COAPCL, with each hiring and remunerating one another's services. The intention is also to strengthen the SHGs and cooperatives to internalize decision making about desired services, and take the initiative of requesting them as well as the responsibility of demanding them (Valluri 2011). In the case of IOFPCL this relationship is already more or less delineated. ADS plans to provide its companies with 'intensive incubation' support for the first three years, waning to partial observation and partial support in the fourth and fifth years, after which they should be able to peel away from self-sustaining companies (Maity and Singh 2011)(ACCESS n.d.). More ambitiously, ADS plans to establish small producer resource centres (SPARCs), which would specialize in providing services to producer companies across areas of need, on a commissioned basis (Maity and Singh 2011)(ACCESS 2009a). Essentially, this would relocate the services provided by the organization, transforming them from *gratis* services financed by donors to remunerated services marketed in their own niche. Producer companies could also decide to hire support staff within the company and internalize the support provision through salary (Maity and Singh 2011).

A way for producer companies to instil the ethic of remunerated services is to begin early-on charging service fees, even when in the initial nascent stages these may be minimal and symbolic. Building in remuneration is argued to build strong fiscal discipline and should be incorporated from the beginning (Madhavan 2011*a*). Charging service fees is also a means for producer companies to generate revenue (Intellecap 2009). COFA perceives this source of revenue as requiring a finely positioned balance, remunerating services constructively and building strong financial discipline and self-sustainability into the structure but ensuring that service charges do not become exploitative (Intellecap 2009). For services to be charged fairly, farmers at the grassroots need to possess decision-making confidence, with which to commission and prioritize the services they need, to ensure that these services are effective and not dependency seeking, and that they are billed reasonably. Such confidence requires concerted effort to strengthen the grassroots level, and prioritize it as a means of making the apex structures efficient and accountable (Madhavan 2011*a,b*)(Valluri 2011). In the cases studied, this creation of a self-sustainable balance between the multiple institutions within a single structure or creating revenue synergy and accountability between them, was again the ambition of the facilitator. Service fees can also become prohibitive and exclusionary for small and marginal producers in their own right. Within an industry of very small margins and for a target population of very low assets, the small fees that sum across levels - mandatory SHG saving contributions, administrative fees, services fees, certification fees and company shares - may exclude farmers from participating, especially when joining the structure necessitates joining multiple institutions at multiple levels.

Considering revenue sources, leaves one more prominent source undiscussed. One of the easiest ways for a company to make working capital is to focus immediately on bulk procurement - this means securing bulk inputs at discount prices and retaining a portion of this discount as profit for the company. In the case of ADS input procurement, and commodity exchange between communities, is used as a strategy for bringing immediate small business activity to producer companies, whose production potential is not yet developed or certain (VAPCL FG 2011). Perceiving the concern of input providers' interests in such arrangements, ADS insists that it as the facilitator, and later the board of the producer company, must maintain adequate diligence in selecting input suppliers and negotiating favourable terms (Maity and Singh 2011). Still, many express the concern that input procurement can be used to benefit the interests of suppliers or of the producer company itself, at the utilization or expense of the large membership at the grassroots (Ambatipudi 2011*b*). The concern extends, that producer companies which allow input procurement to become their main service, may too easily settle for using a large membership as a consumer base delivering the benefits of minimal discounts, but not effectively developing the marketing linkages the farmers need. For this reason, COFA decided to keep its company out of collective input procurement, despite the business recommendations that this is a facile way of acquiring capital (Ambatipudi 2011*b*)(Intellecap 2009).

IX. Conclusion

The Producer Company Amendment (2002) has gained a wide appeal among development oriented organizations, who perceive it as an empowering option for assisting the livelihoods of small and marginal farmers. Its coupling with development objectives begins to constitute a development trend (Madhavan 2011*a*). The producer company model's appeal can in part be explained by its 'hybridity' - its combination of cooperative principles with the framework of a private company. The retention of cooperative principles is relevant to the prevalence of cooperative forms across India. The company's legal framework, however, intends to make the producer company a more market oriented and competitive business model than the cooperatives are considered to be. The producer company model, in this way, is a market oriented instrument articulated with the values of its time, those expressed by the *new governance paradigm* which is promoted by the Government of India and by international development agencies (Shylendra 2009). These values are expressed as decentralized and democratic governance, inclusive and effective participation, a focus on community-based and bottom-up approaches, and an emphasis on economic self-sustainability. In this way, the producer company model has inspired many, who see it as perhaps a new answer to rectifying the imperfect experiences of cooperatives and to answering the social requirements of aggregating small and marginal farmers, strengthening their leverage through collective means, and integrating their livelihoods into remunerative markets. The appeal of the producer company model is taken a step further, for example, by ACCESS Development Services (ADS) who propose that it could become a preferred instrument through which to channel, organize and distribute investment in rural and agricultural development. Accordingly, the producer company model is being promoted by influential institutions, such as the State Governments of Madhya Pradesh and Rajasthan, and the World Bank (Maity and Singh 2011).

Some of those who see the producer company as a trend are concerned whether it is an adequately designed model for producers (Madhavan 2011*a*) worthy of its appeal, and whether it is adequately understood what the model requires in terms of support (Ambatipudi 2011*b*). Regarding the first concern, if the producer company is more of an improved institutional framework for the conversion of cooperatives than it is an ideal model for producers, then its intention is somewhat at odds with the experiences presented here of how the model is being implemented. In six of the seven cases, the producer company is implemented in partnership with, not as a conversion of, cooperatives.

The second concern, of what is required to support the producer company model, consumed the majority of our investigation. If the producer company is going to become an influential and effective model for improving the livelihoods of small and marginal producers, it will have to overcome its credit constraint either with the help of supporting policies (such as dedicated funds), with an alteration of its design (such as the inclusion of 'B' class shares), or perhaps through other means (such as using a producer-owned private company to assist it with accessing funds). Those producer companies working for the livelihood betterment of small and marginal producers will likely need to solve the challenge of organizing effective and participatory governance over large memberships. In the cases surveyed, producer companies accomplished this by combining and building structures with other institutions, most frequently with cooperatives and SHGs. Furthermore, by combining with other institutions, the viability of the producer companies come to co-rely on the viability of their collaborating institutions.

In all of the cases surveyed, these constraints and other support requirements were being assessed and provided for by facilitating organizations. Only in one of the seven cases, had the producer company been formed through the initiation of independent producers and not by a facilitating organization. In this case, it was the producer company who facilitated an NGO to assist it with building the technical capacities of its members. We perceive that apprehending the facilitators' roles, as well as the dependancies of existing producer companies on facilitation support (especially on the provision of social and educational support) is crucial to understanding how producer companies have been implemented in the reality of their contexts. The most intimidating challenges, which we perceived, were those of enabling small and marginal producers to acquire the capacities which would allow them to govern the ownership and to sustain and plan the longevity of not only the producer companies, but also of the larger accompanying institutional governance structures. The intention of our present discussion, of our choice to focus on the institutional structures, was

to describe and illustrate those relationships we felt were necessary to consider in further investigations of producer companies. Our focus on institutions was also inspired by the idea that the numerous institutions created in combination with producer companies provide platforms of much wider potentials - significant for aspirations of sustainable development, which seek greater participation of local communities, the inclusion of their perspectives and knowledge, in systems of governance and policy creation.

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Appendix

Our investigation humbly offers the following recommendations:

1. The facilitating organizations we visited had limited resources and abilities to access the experiences of other producer companies and to inform their decisions with others' strategies. Facilitating organizations, therefore, would greatly benefit from further and systematic studies of existing producer companies.

2. Studies should regard the larger governance structures producer companies are set within, and could particularly bring insight into the functional and economic synergies and balances between collaborating institutions.

3. Systematic studies of the roles of facilitating organizations would assist in planning and creating more beneficial support instruments and policies (such as, for example, designing capacity training workshops and resources for producer company board members, office bearers and for their memberships at large).

4. Studies focused on the dynamics within institutions would assist in perceiving what power relations and what inequalities may occur systematically or sporadically in producer companies and within their collaborating institutions.

5. Developing funding support, helping producer companies access credit and grants, is necessary in assisting them to overcome their present capital constraints.

6. Studies dedicated to measuring the economic and livelihood benefits of members in producer companies (and in their accompanying institutions) would assist in quantifying the extent to which these institutions benefit livelihoods.