



**Draft Strategic Approach
to Scale up the promotion of Producer
Groups
Under DAY-NRLM**



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1. Background

DAY-NRLM has made significant achievement by mobilising over 9 cores households into 84 lakhs SHGs across the country. As part of the farm livelihoods strategy, improved practices on Agro Ecological Practices, livestock management, collection/cultivation of the NTFPs are being promoted with more than 2.83 crores SHG members households as mahila kisan. To these households more than 1.6 lakhs livelihoods cadres viz. Krishi Sakhi, Pashu Sakhi, Van Sakhi Matshya Sakhis have been promoted.

To support these mahila kisans market ready and support them accessing better market for their produce, farm value chain development strategy is being adopted. In the process, Producer Enterprise, formal large entities covering multiple blocks/districts and Producer Groups which is informal small entities in villages or within a Gram Panchayat are being promoted. As of now, 442 women-owned Producer Enterprise/ Farmer Producer Organisation have been promoted in seven states of the country.

2. Promotion of Producer Groups under DAY-NRLM

Initially, under various projects sanctioned under MKSP (Mahila Kishan Sashaktikaran Pariyojana), small producer groups are being promoted to support the women farmers to access the input services and learn better practice collectives, Later on, recognizing the difficulties of smallholder farmers in gaining access to markets and receiving reasonable prices for their produce the strength of these Producer Groups (PGs) were motivated and build so that to support them market their output effectively.

To resolve difficulties faced by the small holder farmer, the concept of PGs emerged as a means of aggregating the produce of twenty to twenty-five farmers. By bringing together farmers, PGs aimed to accomplish economies of scale, lower transaction costs, and increase their collective bargaining power. Farmers could procure inputs at lower prices, pool their resources, and negotiate better terms with input suppliers if they collaborated within PGs. Similarly, they could aggregate their output, allowing for mass sales and access to larger markets, which would result in a rise in price realisation.

Farmers share knowledge, expertise, and resources via Producer Groups, which serve as inclusive platforms. They encourage farmer cooperation, collective decision-making, and risk sharing. Farmers can leverage their collective strength to negotiate equitable prices, gain access to information about market trends, adopt new technologies, and increase their overall productivity by operating as a group.

In addition, PGs provide an environment conducive to skill development, capacity building, and training. They teach farmers modern agricultural techniques, value addition, quality control, and market connections. This knowledge exchange improves the producers' adaptability to fluctuating market demands, production practises, and diversification opportunities.



The Ministry of Rural Development intended to nurture the social and economic empowerment of farmers through the establishment of PGs. Through collective action and collaborative efforts within PGs, smallholder farmers can overcome the obstacles they confront individually and improve their livelihoods collectively.

Overall, the formation of PGs under the NRLM initiative addresses the need for collective action, pooling of resources, and enhanced market access for smallholder producers. By leveraging the power of numbers and fostering cooperation, PGs enable farmers to improve their agricultural practises, gain access to better markets, and enhance their socioeconomic circumstances.

Promoting and expanding Producer Groups (PGs) can be a transformative rural development strategy, empowering smallholder farmers and fostering inclusive growth. Progress made in establishing PGs across the nation demonstrates their significant contribution to reducing transaction costs, enhancing market access, and enhancing producers' livelihoods.

3. Progress so far

Significant progress has been made in promoting Producer organisations (PGs) under the NRLM initiative, demonstrating the transformative effect, these organisations have on farmers and rural communities. In India, a remarkable 1.36 lakh (154,000) PGs have been established as of the present.

- i. The establishment of PGs has empowered farmers by providing them with a forum for addressing their challenges collectively and working towards common objectives. Farmers have obtained a stronger voice and negotiating position in the agricultural value chain as a result of PGs. They have been able to negotiate higher prices for their produce, gain affordable access to high-quality inputs, and decrease transaction costs associated with input procurement and output marketing.
- ii. Improved Socio-Economic Conditions: PGs have improved the socio-economic conditions of producers. Farmers now understand and have achieved economies of scale by aggregating their produce and engaging in collective marketing, resulting in increased incomes and profitability.
- iii. PGs have nurtured a sense of community, cooperation, and mutual support among farmers, thereby enhancing their social capital. By cooperating, producers have established robust social networks, cultivated trust, and developed social capital. This has promoted the sharing of knowledge, experiences, and best practises among farmers, resulting in the adoption of innovative farming techniques, increased agricultural productivity, and sustainable agricultural practises.
- iv. Farmers' talent development and capacity building have been significantly influenced by PGs. Farmers affiliated with PGs have acquired knowledge and skills in numerous domains, including crop management, post-harvest handling, value addition, marketing strategies, financial management, and entrepreneurship, through training programmes and capacity-building initiatives organised by NRLM and its partners. These improved abilities have enabled farmers to make informed decisions, employ modern farming methods, and diversify their income sources.



4. Significance of promoting Producer Groups

The following points illustrate the significance of Producer Groups (PGs) and their respective contributions:

i. Market Access and Price Realisation Enhancement:

- Producer groups give smallholder farmers collective bargaining power, allowing them to negotiate higher prices for their produce.
- By aggregating their produce, PGs are able to gain access to larger markets and value chains that would be difficult for individual producers.
- Increased income and greater financial stability for producers are the result of greater market access and fairer pricing.

ii. Transaction Cost Reduction:

- By combining resources, PGs are able to reduce transportation and marketing expenses, thereby increasing producers' profits.
- Lower transaction costs increase the cost-effectiveness and financial viability of farming, especially for smallholder producers.
- PGs facilitate the bulk purchase of agricultural inputs, enabling farmers to take advantage of economies of scale and negotiate lower prices for seeds, fertilisers, and other agricultural inputs.

iii. Enhanced Scale Economies:

- Through collective action, PGs allow farmers to invest jointly in infrastructure, machinery, and technology that would otherwise be financially burdensome for individual producers.
- By pooling resources and sharing costs within PGs, economies of scale are created, allowing producers to enjoy increased production efficiency and cost savings.
- Economies of scale also create opportunities for value addition and secondary processing, which can further increase producers' profits.

iv. Collective Determination and Information Sharing:

- PGs encourage participatory decision-making processes in which producers have a say in determining the group's production, marketing, and business strategies.
- Through regular meetings and interactions, PGs facilitate the dissemination of information, best practises, and innovative techniques among producers.
- The sharing of knowledge within PGs empowers farmers to implement modern farming practises, increase productivity, and effectively address common challenges.

v. Capability Development and Skill Acquisition:

- Producer groups provide a platform for training programmes and capacity-building initiatives that equip producers with technical skills, entrepreneurial development, and knowledge of financial management.



- Training programmes enable producers in PGs to make informed decisions, gain access to new technologies, and adapt to fluctuating market demands.
 - Skill development contributes to the overall professional development and empowerment of farmers, nurturing an entrepreneurial and independent culture.
- vi. Social Capital and the Empowerment of Communities:
- Participatory activities foster social capital by fostering cooperation, trust, and mutual support among producers in the community.
 - Farmers can collectively address challenges, share resources, and support one another in times of need if they work together.
 - The formation of PGs strengthens social cohesion, increases community resilience, and enables rural communities to assume responsibility for their own development.

During COVID 19 it was seen that the Producer Groups are instrumental in sustaining the local supply chain of essential commodities and ensuring the availability of essential items. The producer groups has also supported various SRLM in fastening the promotion of Producer Enterprise/Farmer Producer Organisation as the PG intervention has already instilled an idea of business organization among the community members.

5. Expanding promotion of Producer Groups

Currently, around 45,000 producer groups who are into aggregation and marketing covering individual producer members in around 22,000 villages in around 2100 blocks in twenty-eight States/ UT.

Considering the current outreach of the mission, and need to support the small holder women farmers (mahila kisan), the mission needs thrust spreading out to more villages, reaching out to more women farmers to support them to be market ready. Some thrust areas to expand promotion of Producer Groups are;

i. Promotion of Producer Groups:

- Prioritise the expansion of PGs promotion in order to reach a greater number of producers, particularly in underserved regions.
- Regions, where the formation of PGs is lacking or underrepresented, shall be identified and targeted.
- Collaboration with local government bodies, community-based organisations, and self-help groups can facilitate the identification and formation of potential PGs.

ii. Enhancing Links with Producer Businesses:

- Promoting strong connections between PGs and Producer Companies can create value addition and market integration opportunities.
- Facilitate the formation of partnerships between PGs and established Producer Companies, allowing PGs access to marketing networks, technical knowledge, and resources.



- Producer Companies can assist PGs with activities such as processing, branding, market connections, and product diversification, thereby increasing their profitability and viability.
- iii. Encouragement of secondary processing:
- Highlight the significance of secondary processing activities, such as grading, categorising, packaging, and value addition, within PGs and at a cluster Producer Groups level.
 - Provide PGs with training and technical assistance in secondary processing techniques and quality standards to enhance their capacity in these areas.
 - Establish value addition infrastructure and facilities, such as processing centres or shared facilities, to allow PGs to engage in value-added activities and increase their market competitiveness.
- iv. Market Access and Connectivity:
- Strengthen PGs' market connections by forming strategic alliances with market aggregators, processors, retailers, and e-commerce platforms.
 - Facilitate access to domestic and international markets through market-focused training, market intelligence, and assistance with meeting quality and certification requirements.
 - Investigate opportunities for direct procurement by government agencies, institutions, and corporations to assure a stable and equitable market for PG produce.
 - Taking benefit of various marketing platforms like ONDC (Open Network Digital Commerce)
- v. Policy Assistance and Facilitating Environment:
- Advocate for policies and interventions that promote the development and viability of PGs.
 - Leverage support through convergence with the suitable scheme of other Ministries such as MSME, Ministry of Agriculture, Ministry of Tribal Affairs etc.
 - Simplify regulatory frameworks, streamline licensing processes, and incentivize investments in infrastructure for secondary processing.
 - Establish an environment conducive to promoting entrepreneurship, innovation, and technology adoption among PGs.
 - Enhanced Financing Producer Groups.

6. Challenges in expanding promotion of Producer Groups

- a) **Human Resource:** Promotion of Producer Group required dedicated resources at the block and below block level to closely handhold, oversee and monitor the activities on promotion of producer groups. At present, considering the thrust & provision under NRETP an, dedicated staff are placed in NRETP blocks. This is not the same case in the non-NRETP blocks of the country. Dedicated staff of required to complete the desired activities as part of the readiness at PG level and handholding the producer groups. Alternative strategy may also be explored to address this gap.



- b) **Training and Capacity building of staff/community cadres:** Training and capacity of staff as well as cadres have more importance considering the scope and quality implementation of increasing outreach. There is a requirement of creating a master pool by the States and also State roping in technical agencies for support. There is also need to standardise the training modules and development lots of training & IEC materials for use.
- c) **IT solution:** To keep track of the upscaling activities, IT based platform will be required to support across all level to digitised up the regular activities and focus on the quality aspect of it.
- d) **Resources Availability:** With enhanced target there will be requirement of more funding support to Producer Groups. Adequate thrust need to be brought with in the program. Leverage from formal financial institutions at affordable rate of interest may need to be facilitated.

7. Essential Measures to upscale promotion of Producer Groups

To effectively upscale the promotion of Producer Groups, followings are required to be keep in focus:

a. Training and Capacity Building:

It is essential to enhance the capabilities of NRLM staff, Udyam Sakhi, and members of PGs. Training programmes should emphasise the development of technical skills, entrepreneurship, market connections, financial management, and leadership skills. This will enable PG-affiliated individuals to effectively manage and scale their operations. Development of training materials for widespread use of the same. NIRD & PR may be engaged to support states through engaging NRPs for training activities. An E-learning tool may be useful in carrying out regular training activating. It may also facilitate evaluating the knowledge level of the field level implementers.

b. Technology Intervention:

The incorporation of technology can considerably contribute to the expansion of PGs. For PGs, the introduction of digital platforms, such as mobile applications or online marketplaces, can facilitate communication, market access, and transactions. In addition, employing agricultural technologies and practises such as precision agriculture, organic farming, and mechanisation can increase productivity and efficiency within PGs. Recently, an online application for Producer Groups was launched by the Additional Secretary, Rural Livelihoods during the regional workshop on implementation of budget announcement. The roll of the application need to be fast tracked to keep track of the PG promotion activities.

c. Management Information System (MIS):

Implementing a MIS tailored to the unique requirements of PGs can facilitate effective monitoring, evaluation, and tracking of their activities and impact. The MIS should record information regarding production, marketing, finances, member profiles, and any other



pertinent parameters. It will provide insightful information for decision-making, policy formulation, and resource allocation. The PG application developed for the purpose may be used for creating dashboard to track the activities.

d. Additional Funding for Secondary Processing:

It is crucial to encourage financial institutions and development organisations to provide dedicated funding for the secondary processing activities of PGs. Credit facilities that are accessible and affordable will allow PGs to invest in infrastructure, technology, and apparatus required for value addition, product diversification, and quality improvement. The existing funds of NRLM under the component infrastructure and marketing may also be utilised in establishing secondary processing infrastructure.

e. Grading tools:

The development of grading tools that are specifically tailored for PGs will enable assessing the health of the Producer Groups and extend necessary suitable support and services. This may also used to assess the requirement of credit and support them availing enhanced credit.

f. Collaboration with compatible Ministries/Departments/ agencies: Collaboration will be required to leverage more support for promotion of producer groups, collaboration with the other ministries to avail benefit of their schemes. Further, technical agencies may be roped in to support the mission building the technical capacity of the NRLM and SRLM which was experienced during the implementation of NRETP.

g. Building a cadre of resources at community level: As of now, the mission has promoted various resources at the community level viz, livelihoods CRPs, staff working at the community institution level. To make the effort to widen the intervention, the SRLMs may promote some senior CRPs as the resource pool to promote Producer Groups.

h. Documenting best practices: To build on the successful interventions by various SRLM, case studies on successful producer groups on various sectors and models may be documented. The field staff may be engaged, properly oriented, trained to document such stories. Each year, one compendium of case studies of successful producer groups may be prepared and released for knowledge sharing. Further, the SRLMs may be given chance to present the success stories at various forums.

i. Financing from Financial Institutions:

The Reserve Bank of India in its master circular has recognised the producer groups being promoted under DAY-NRLM and has instructed the banks to open banks account for producer groups. The financial requirements of PGs will be met by collaborating with banks, microfinance institutions, and other financial institutions to design customised financial products, such as working capital loans, equipment financing, and marketing support. By providing timely and cost-effective financial services, PGs will be able to expand their operations and explore new market opportunities.



8. "One Gram Panchayat-One Producer Group", an approach

Currently, the Producer Groups are promoted in around 21,000 villages in 2,100 blocks across 28 Districts/UTs. A focused approach is required to spreading the intervention and reach out to more small holder women farmers.

To reaching out to more women farmers the "One Gram Panchayat-One PG" strategy seeks to encourage the formation of at least one Producer Group (PG) in each Gram Panchayat, ensuring inclusiveness and comprehensive coverage in rural areas. This strategy acknowledges the significance of decentralization and local participation in fostering rural development and empowering local communities.

By establishing a PG in every Gram Panchayat, the strategy ensures that every local community has the chance to actively participate in agricultural activities and decision-making processes. It gives farmers and rural communities a platform to collectively resolve their challenges, gain access to resources, and enhance their livelihoods.

Each Gram Panchayat is distinguished by geographical conditions, agricultural practices, and market dynamics, among others. The "One Gram Panchayat-One PG" strategy acknowledges the necessity of a customized approach that takes into account the unique requirements and opportunities of each local community. The strategy enables interventions and solutions that are tailored to the local environment, thereby promoting sustainable development and inclusive growth.

The existing platform of the federation of community institutions such as CLF (Cluster Level Federation), VO (Village Organisation) may be utilised to mobilise small holder farmers into Producer Groups.

The "One Gram Panchayat-One PG" strategy ensures that all Gram Panchayats have access to the benefits of PGs, regardless of their size or economic circumstances. It prioritizes reaching out to marginalised farmers, women, and other vulnerable groups to ensure inclusiveness and equitable development.

9. Future Potential

The future of Producer Groups (PGs) resides in their formalisation into Producer Companies, which offers numerous opportunities for long-term sustainability and growth. An expansion on the transformation of PGs into Producer Companies is as follows:

Legal Recognition and Administration: The transformation of PGs into Producer Companies grants them legal standing and a formal organisational structure. The Companies Act governs Producer Companies, ensuring transparency, accountability, and defined operational and management guidelines. The formalisation process enables effective decision-making,



financial administration, and regulatory compliance by establishing a robust governance framework.

Enhanced Market Access: As Producer Companies, members of PGs obtain better access to domestic and international markets, as well as government procurement programmes and institutional markets. Producer Companies' formal structure enables them to negotiate contracts, form strategic alliances, and gain access to value-added markets. Market connections facilitated by Producer Companies provide farmers with opportunities for greater price realisation, expanded market reach, and reduced marketing risks.

Increased Availability of Credit and Financial Services: Formalisation into Producer Companies improves the creditworthiness of PGs, thereby facilitating their access to credit and financial services from banks, financial institutions, and government programmes. Producer firms can raise capital via equity, debt, or collective savings, allowing them to engage in infrastructure, technology, and working capital. Enhanced access to credit and financial services improves the financial resilience of PGs and supports their efforts to expand and diversify.

Adoption of Technology and Innovation: Producer firms have improved access to technology and innovation, which can assist in enhancing productivity, quality, and value addition. The formal structure facilitates collaboration with research institutions, technology providers, and agribusinesses, thereby encouraging the adoption of modern agricultural practises, efficient processing techniques, and product innovation. Technology adoption and innovation contribute to enhanced competitiveness, product differentiation, and market resiliency.

Integration of Value Chains: By engaging in activities beyond primary production, Producer Companies enable PGs to integrate into the agricultural value chain. Producer Companies can effectively manage and coordinate value addition, processing, branding, and marketing, maximising the economic benefits for producers. Integration into the value chain offers opportunities for diversification, higher-value products, and capturing a greater portion of the value created.

Scalability and Sustainability: The transformation of PGs into producer companies promotes scalability and long-term sustainability. Producer Companies can aggregate the resources and output of multiple PGs, thereby realizing economies of scale and expanding their market presence. The formal structure enables professional management, succession planning, and the continuity of operations, ensuring the enterprise's continued growth and influence.

