

Flying in a Flock

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The Madhya Pradesh Women's Poultry Producer Company Limited, a tribal women's collective, is today among the largest suppliers of broiler chickens in the state.

In small hamlet of Chokipura, there is nothing which is distinguishable from other villages of the Kesla block except that the village is abuzz with the cackling sound of poultry birds. Each of the houses situated on both sides of a concrete road have a poultry shed standing in the backyard. Their day starts early to take care of the poultry farms the tribalfolk have built with so much resilience. This small innovation of poultry breeding by the community has helped them overcome constraints and realise a better living standard for themselves and their families.

Till the 1990s, a general air of wellbeing had permeated through the settlement. Hoshangabad and, especially Kesla, had good forest area cover; however gradual deforestation depleted this natural resource and the forest-based livelihood of the people was taken from them. They had to face the trauma of displacement due to construction of several projects such as the Tawa dam, the Ordnance factory and the Bori sanctuary. Owing to the fact that the tribal community here had depended on the forest for generations, depletion of forest resources due to these constructions left them vulnerable and pushed them to the brink of poverty. Their only source of living was now the wage labour in neighboring areas where the agricultural intensity was high and on sale of minor forest produce like Tendu leaves. Migration coupled with loss of jobs in the vicinity led to women being the worst affected. They were either left in the villages to manage the children and the livestock or forced to migrate seasonally to support their family. People became vulnerable in the hands of local traders who would exploit them by lending at high interest rates. Consumption of liquor was also on the rise which led to other social and economic hardships for the villagers.

Livelihood interventions like sale of tendu leaves and bamboo baskets were not economically sustainable. The rate of return in individual enterprises was minimal and did not successfully intervene to uplift their conditions. They required local solutions to overcome their hardships. Focused community intervention seemed the only way to engage them productively. A basic contention was the specific activity that could involve community members.

Among the tribal households, poultry is the most common livestock species and every household keeps at least some birds in their backyard for local consumption and to earn some income. Poultry rearing in small numbers is a part of the integrated farming system and is followed traditionally by the community. The village members are knowledgeable and skilled in rearing these indigenous birds.

But at the time of intervention they did not have the capacity to engage in large-scale production.

PRADAN, which was working with the Madhya Pradesh District Initiative Project (MPDPIP), approached women of the village to discuss the formation of the community poultry centre in the village. Women were also informed of the government schemes to assist them in this initiative. The organisation then started working with working with the Gond and Korku tribes to build their capacity in backyard poultry farming by involving better breed and rearing practices coupled with better marketing mechanisms. Today, the Madhya Pradesh Women's Poultry Producer Company Limited, formed by the coming together of six poultry cooperatives, is one of the biggest suppliers of broiler chickens in the state of Madhya Pradesh.

How it All Began

PRADAN's decade long association with community engagement in poultry farming has provided it with valuable insights in the functioning of the sector and the market. But most importantly PRADAN realised the importance of economies of scale for forward and backward integration to make this venture successful. PRADAN approached the villagers to set up a poultry rearing enterprise for which most of the women showed interest. It started working in the area by forming small interest groups. They were also provided training in poultry rearing, poultry management practices including construction of sheds. Once the training was over, each woman was provided with Rs 30,000 for the construction of sheds. The amount was part grant and part loan. The loan part was later settled by deducting it from their share of the profits once they started operations. When the number of women entrepreneurs reached around 300-400, they were federated to form a cooperative. After the cooperative was formed, they started operations with 300-400 chicks in their sheds. There are now altogether six cooperatives working for the welfare of the community.

The managers of the cooperatives were also concerned with how to increase the income of the poultry producers and ways to shield them from the day to day volatility of input prices and final product prices. The very basic purpose of securing livelihoods and to enhance it by this supplementary activity was diluted for the producers were not shielded from the risk of market fluctuations.

At this juncture the idea to form a producer company which would combine all the cooperatives under a single umbrella for the purpose of business but would still give them internal autonomy to function was born. In the interest of the community finally the Madhya Pradesh Women's Poultry Producer Company Limited (MPWPCL) was formed, which commenced operations in 2006.

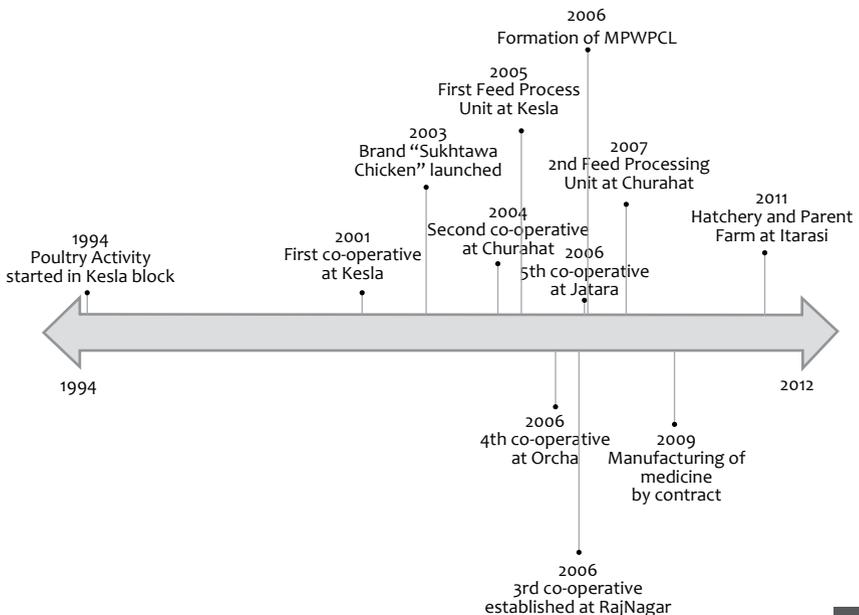
What Prompted the Formation of MPWPCL

- The scale of production was small. An individual cooperative's scale of production was no match for that by competitive commercial farms.
- At the cooperative level integration was not possible.
- Cost of inputs as well as output was very volatile and hence cooperatives were at the mercy of market forces they could not influence.
- The size of production did not give the producers the bargaining power to maintain their profit margins.
- As most inputs had to be sourced from outside, the profit margins were eroded.

How MPWPCL Addressed these Problems

MPWPCL now is one of the biggest producers of broiler chicken in the state. This was achieved by first establishing four feed processing units which supplied feed to the cooperatives and then taking on the contract for manufacturing medicines. Marketing activity under the brand name 'Sukhtawa Chicken' was started and a parent farm and hatchery was commissioned in October 2011. Now as most of the inputs are produced in-house or are getting contract manufactured by MPWPCL, market volatility has a lot less influence on operations. The end-to-end integration and scale of operations under the umbrella company MPWPCL has given the producers much needed bargaining power to influence market decisions and further shield themselves from market volatility and depleting profit margins. Each step of integration has added to margins by 2-3 per cent.

Figure 1: Time line in the history of MPWPCL



Benefits of the Cooperative

Each cooperative is designed in such a way as to allow producers to compete with large commercial poultry producers. The cooperative institution helps to accumulate capital over the years allowing members to expand their production facilities. It provides the following services to the farmers:

- a. access to high quality inputs and market
- b. on-farm production support
- c. working capital assistance
- d. risk mitigation from input and output price movements

These cooperatives have promoted the state-level secondary organisation, namely MPWPCL. The aggregation at federation passes on the benefits of vertical integration, professional and technical support, economies of scale in procurement of inputs, increased bargaining power with external suppliers and regulators, while providing a platform for knowledge and process-sharing between its member cooperatives. It helps the member cooperatives in reducing input cost for feed (about 60% of total expenses), and ensure steady and consistent supply through collective purchase or creation of in-house production facilities.

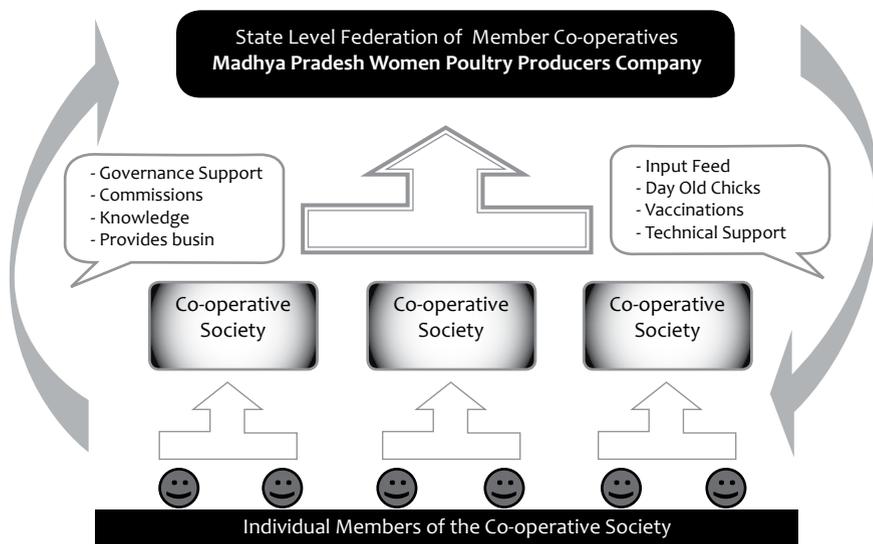
MPWPCL today has a producer base of over 3,000 scheduled caste (SC) and scheduled tribe (ST) women and covers 108 villages in five districts of MP -- Hoshangabad, Sidhi, Chattarpur, Dindori and Tikargarh

The Operating Model

The Cooperative-Federation model leverages the strengths of both centralised and decentralised structures; while the production and marketing systems are decentralised, the procurement of inputs are aggregated at the federation level. Decentralised production and marketing systems help member cooperatives provide localised and need-based support to their members by dedicating much wider attention to them, members also have space to take decisions suitable to their local context. Decentralised marketing by the cooperatives in local markets also helps the cooperatives save costs and time involved in logistics. The structure of the federation helps member cooperatives achieve competitiveness and sustainability through economies of scale while providing them a monitoring mechanism, which helps to minimise internal conflicts between member cooperatives.

This unit is managed by an experienced and trained CEO along with a professional team. Among other things as discussed earlier, it ensures coordination among primary cooperatives, support in induction of new members in the existing cooperatives and promoting new cooperatives in its operational area. Further, it helps prepare organisational development plans for member-cooperatives, organises the capacity building programmes and ensures compliance with the statutory authorities.

Figure 2 : The Operating Model



The Board of MPWPCL comprises representative of the member-cooperatives -- President and CEOs of the respective cooperatives and two expert directors.

Month	Feed Price (Per kg.)	
	MPWPCL	Avg. Market Price
April'10	17.01	21.1
May'10	16.28	22.15
June'10	16.90	21.87
July'10	17.69	23.24
August'10	18.55	22.89
September'10	17.26	23.73
October'10	17.01	21.41
November'10	16.90	22.88
December'10	16.76	20.8
January'11	17.20	21.63
February'11	18.15	22.88
March	18.60	23.69
Average	17.36	22.36

Table 1: Difference in the feed price in market and at MPWPCL

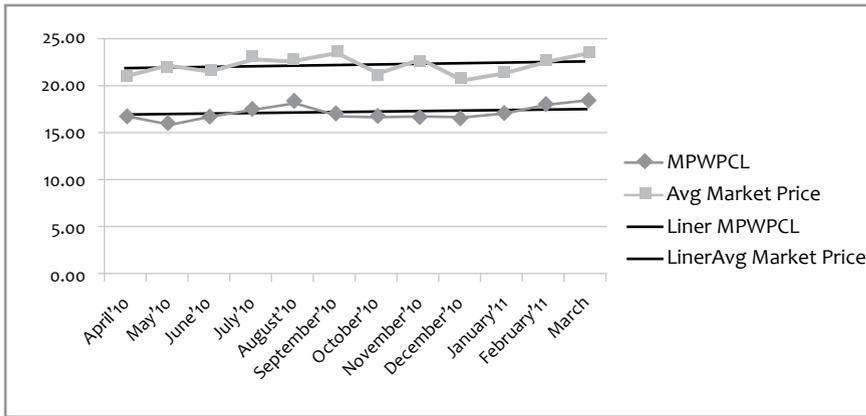


Figure 3: Difference in the feed price in market and at MPWPCL

The Two-tier Structure

1. **Tier I:** at the village level where many small producers (of capacity of 300-500 chicks) aggregate to achieve economies of scale of a commercial farm
2. **Tier II:** at the federation level where six individual cooperatives aggregate to form MPWPCL which then has the bargaining power comparable to any other private player.

The aim of MPWPCL is to empower the rural poor through livelihood creation in the area of small-holder poultry (distributed poultry farms) rearing.

Governance System

At the Cooperative Level

The Board of Governors is made up of the producer members and two experts. Every producer village nominates one member to the board, which is the supreme decision-making body of the co-operative. The board meeting is held on a fixed date every month. The chairperson usually visits the cooperative office once a week and is apprised of the weekly activities by the CEO. The CEO is also responsible to the board and presents his monthly report to the board. It is commendable that SC/ST women are responsible for running a multi-crore business entity. The board has taken many decisions to discipline erring members, supervisors and other staff. The board members are engaging themselves more and more in the day-to-day functioning of the cooperative. Recognising the need for sanitation to check disease outbreak and subsequent weight loss to the birds, the board members are now visiting every village in a team. They check the sanitation level, educate the producers about its importance and even take action against the erring members.

The board members are expected to hold a dissemination meeting in their villages a day after attending the cooperative board meeting. The board

is in the process of deciding whether to devolve part of its role to the village-level bodies and engage members by a gradual empowerment of these institutions.

Every quarter a meeting is also held to review the progress and discuss pressing issues. Regular training by external experts is also conducted for the production managers as well as field supervisors.

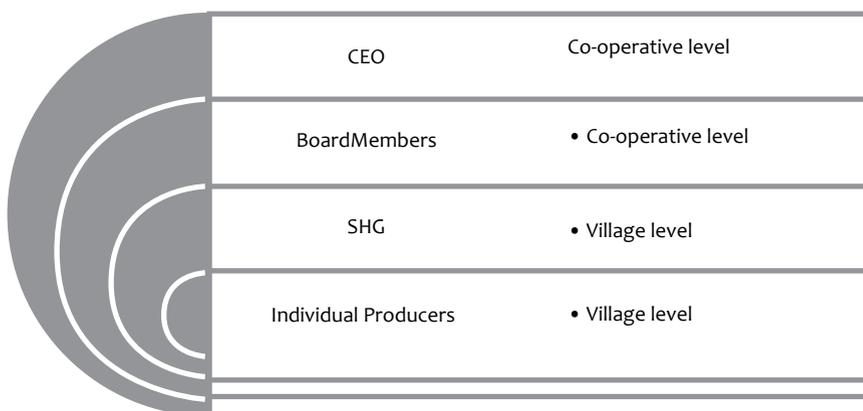


Figure 5: Governance System from the village to the Co-operative level

At the Producer Company Level

A similar system as that of the cooperative is followed at the apex level. All the CEOs are board members and they have an appointed president. One of the board members has been appointed as the procurement manager, who takes care of all the inputs supply along with a strong support staff team which includes accountants. Efforts are on for taking up full fledged marketing activities. An external expert on the board functions in an advisory role.

Human Resources

Trained and committed personnel are necessary for institutional stability and sustainability. The cooperative thus has created a cadre of village-based supervisors. In addition, all the support staff is locally recruited. At present, the staff is paid incentives on production efficiency achieved by members. The CEO is a professional veterinary doctor, who is the only non-permanent resident of the area. The CEO is now delegating many of his responsibilities and empowering his subordinates and now even in his prolonged absence, the business of the cooperative runs as usual.

Marketing System

The selling price for chicken is decided on a daily basis. The prices in Madhya Pradesh are influenced by prevailing prices in nearby

markets of Chhattisgarh and Maharashtra, most notably of Malegaon. In general, Indore poultry prices are lesser than Bhopal poultry prices. Typically poultry prices are benchmarked against market prices in few major markets (for instance Malegaon, Jabalpur etc) that most impact the prices in the local markets. The cooperative has subscribed to a market information service which updates it on the daily prices in different parts of the country. The cooperative generally fixes its sales price as a function of prices prevailing in Indore and the Jabalpur market. The CEO also uses his contacts in different markets to keep a tab on the price movements. There are many other suppliers who purchase from the cooperative as per their needs, apart from dedicated customers who purchase in bulk from the cooperatives. All the sales are on a cash basis while the dedicated customers get three days of credit. However, the dedicated suppliers also have to settle their accounts at the end of the financial year. The boom in the poultry demand in the rural areas has served the cooperative well. Most of the produce is supplied to the nearby rural markets for it is believed that the rural market has huge potential and even at the time of avian flu outbreaks in the different parts of the country, the local rural market is only marginally affected. The marketing is currently done at the individual cooperative level.

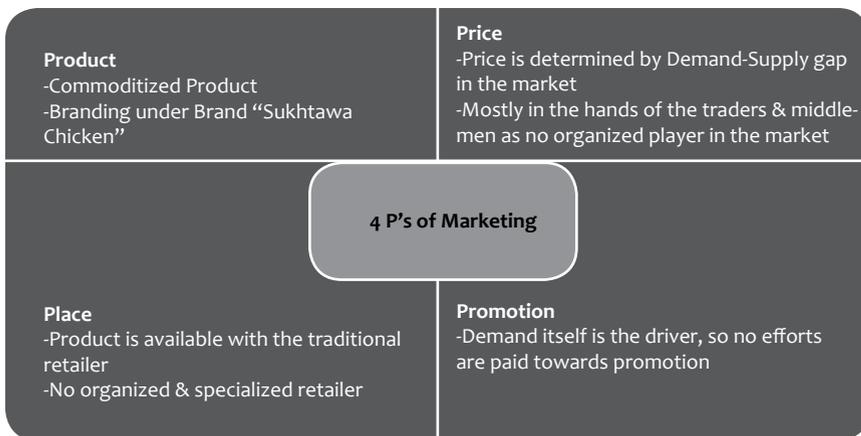


Figure 4: 4P's of Marketing in Context of MPWPCL

Production System

- Production is completely taken care of by the individual producers.
- Individual producers are provided day-old chicks at the doorstep for breeding based on the production plan and feed and medicine (on a need basis).
- Producers are also provided sawdust and material for white wash for pre-rearing management.
- When chickens reach a marketable age and size (approx 35 to 40 days), they are collected by the trader from the producer's doorstep.
- Monitoring of production is done by a team of supervisors (typically selected from amongst the village). Supervisors are responsible for distribution of chicks, feed, and medicine amongst the producers;

production monitoring; weighing at the time of sales to the trader and advising producers on upkeep of chickens, disease control, and post mortems of dead chickens. Each supervisor is assigned to a village or a cluster of villages.

- The cooperative has a CEO who is the most important functionary and acts as a lynchpin for the various activities of the cooperative. He is assisted by a central supervisor who monitors the work of other supervisors.
- Each producer's performance is measured on an efficiency index. The efficiency index is a function of mortality, feed consumed and weigh gain of the chick. The supervisor's payment is directly linked to the efficiency of his assigned producers, which, on an average, is around Rs. 0.5 per live bird sold. The incentive of the supervisor is also variable and there is a sharp decline in the incentive if the producer fails to achieve a satisfactory score on the efficiency index.
- The cooperative endeavors to protect the farmer from any external business shock. As a result the producer is reposed solely with production responsibility and is assured a fixed minimum return per kg of broiler (plus additional payment linked to production efficiency). The collectivisation of the production helps in even distribution of risk and even if profitability in some production cycles are affected, it is compensated by gains in the rest of the production cycles through the year.
- The cooperative usually pays surplus accumulated with it at the end of financial year as deferred wage payment. This amount is generally referred to as bonus by the producer members. In this study also wherever the word bonus is mentioned, it refers to the deferred wage payment to the producer at the end of the year.

Operations Management

The cooperative has an elaborate management information system (MIS) that helps it keep track of all transactions and ensure accuracy and transparency in all dealings. All transactions with members are recorded in the system, and an elaborate system of challans and counter foils is used to ensure transparency between the members and the cooperatives with regards to the transactions.

The MIS software, '**Udyogmunshi**', is custom-designed to suit the accounting and stock taking requirements of the cooperative. The cooperative also has accounts with the local banks in the area whose representatives make regular visits.

Innovation

Summer is the most difficult season among all. Temperatures rise to 47-48oC combined with harsh sunlight and dry winds. To steer through this season, they have adopted an innovative technique, where on a platform

raised (on bamboo, which is available in plenty) on both sides of the farm, leaves of either mango tree or jambul are placed and water is sprinkled two to three times a day. Similarly, the roof of the poultry shed is also covered by wheat straw, to insulate it from the heat of the sun.

Salient Features of the Model

1. Bulk Sourcing: Medicines are being contract manufactured by a third party to give consistency of quality and control over price. Feed is being manufactured at the producers' own plants.
2. Decentralised Production: Small scale production (300-500 birds/ shed) over a larger area (in a village of 1 sq km.) and then commercial farms (5,000-10,000 birds over an area of a single farm i.e. 5,500-11,000 sq ft).
3. Risk Mitigation: Due to decentralised production there is lot less chance of a disease outbreak wiping out the whole flock.
4. Community Involvement: For the same number of birds reared compared to private commercial farming, this model allots work to more people and that too women.
5. Environment Conservation: As the production is decentralised there is very little pathogenic load on the environment and less odour.
6. Local Employment: Local youth are employed as supervisors (at the village level), accountant and other official posts (at the cooperative level)
7. Centralised Database: Information pertaining to stock and consumption is available centrally thus enabling the tracking of any inefficiency in the system.
8. Better Quality Output: Small-scale production considerably brings down the pathogenic load in the final product.
9. Clean Meat Production over Cleaned Meat Production: The stress is on hygienic meat production vis-à-vis producing meat unhygienically and getting it disinfected using chemicals.
10. Lesser Use of Chemicals: As stated above, lesser pathogenic load demands lesser treatment and hence minimal use of chemicals.
11. Cost Leadership: Poultry provides the household opportunity to employ its slack labor in a gainful economic activity. Hence, cooperative members will always have a **cost leadership** over a large farmer who has to employ labour from the market. Small farmers are also efficient producers, with their food conversion ratio matching the best in industry. The efficiency of the producer and utilisation of slack resources makes the cooperative competitive in relation to large farmers. Also the utility of a very strong support mechanism on both backward and forward linkages cannot be underrated.

Major Hurdles Faced

The poultry industry is highly organised, complex, competitive and intensively market-oriented. The poor with their socio-economic

disadvantages and low skill base cannot enter the sector without external support or intervention. The growing role of integrators and resultant benefits of scale to these big business houses are a major handicap for the poor participating in this growing market in many parts of the country. The production efficiencies reached by the integrators has pushed a large number of small farmers out of the production process in many parts of India. At present, lack of retail control is the only visible impediment for the integrators in monopolising the value chain in many parts of the country.

The large farmers can produce livestock at a lower unit cost by reaping the benefit of scale than the small ones. Their cost leadership overtimes pushes small farmers out of the production cycle. The small farmer can only survive if he produces for a few higher priced niche markets or subsidises his labour and cuts costs to become competitive to a large farmer who pays to hired labour. The poor can also survive if they provide place utility for this perishable product in a predominantly wet market in India. However, even then the odds are heavily against them.

The major impediments were

1. **High Entry Barriers:** The commercial poultry production involves a huge initial capital investment. For a unit of 400 birds this cost comes to Rs 40,000 i.e., Rs 100 per bird. This cost varies as the raw material cost keeps fluctuating. This is a huge cost and without incurring this, the producer's cannot kick-start the activity.
2. **Training:** The members were not trained to handle commercial poultry. Though they had experience with the indigenous breed, this is a high potential bird with fast growth and demands that kind of care. Any deviation could result in destroying the whole stock. Besides, standardisation was also a hurdle as the production techniques had to be adapted to local needs.
3. **Irregular cash flow:** The realisation of income at the end of each batch was subject to final sale price volatility. As the final price is a function of supply-demand there is little control over it. So, sometimes the producer reaps very good benefits (when markets are at its peak) while sometimes they suffer losses (when markets are at the bottom).

How these hurdles were crossed

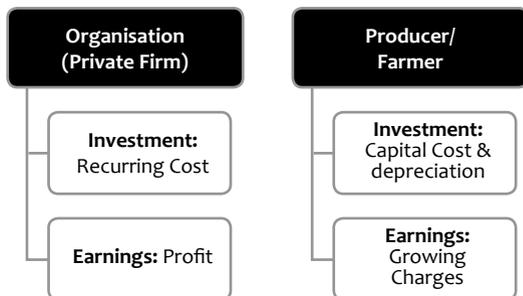
1. For capital investment, where linkages were sought, a soft loan at very low interest rates was financed by some foundations. Government schemes were also tapped to subsidise the capital cost
2. For training, different modules in Hindi and other local languages were created. Also, persons from within the organisation, who were readily available at any time, were engaged to drive down the cost.
3. Delinking of market prices and payments made to the producers. This was done through introduction of EI (Efficiency Index). Here

producers receive the compensation at the end of every batch depending on three parameters, which objectively assesses how efficiently the producers have raised the birds. At the end of the year the profit was shared with all the cooperative members as dividend.

Difference Between the Models Followed by MPWPCL & Private Firms

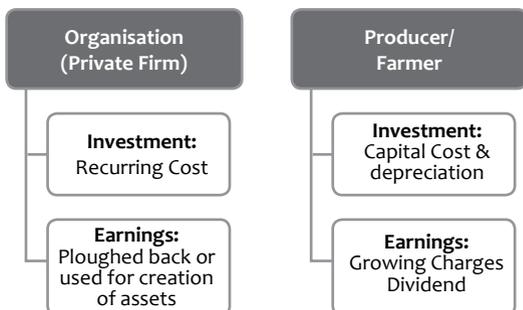
Model followed by private firms: where farmers/producers are only entitled to receive the growing charges and have no say in the final profit.

Figure 6



Model followed by MPWPCL: where apart from regular growing charges producers are also entitled to dividend, which is a part of the profit left after creation of assets for further economic advancement of the cooperatives.

Figure 7



Analysis of Income Portfolio of Women Pre & Post-poultry Activity

Table 2: Pre Poultry Activity

Activity	No. Of Days	Average Hours of Working (Hrs)	Earnings (Rs Per Day)	Earnings (Rs Total)
Fuel Wood Collection	125	10	70-100 (Average 90)	11,250
Tendu Leaves Collection	15	10-12	130	1,950
Mahua Seed & Flower Collection	30	10-14	125	3,750
Wage Labour	125	8	120	15,000
Illness & social functions	60	NA	NA	NA
Poultry	NA	NA	NA	NA
Total				31950

Table 3: Post Poultry Activity

Activity	No. Of Days	Average Hours of Working (Hrs)	Earnings (Rs Per Day)	Earnings (Rs Total)
Poultry	240	4	100	24,000
Fuel Wood Collection	0	NA	NA	0
Tendu Leaves Collection	15*	5-6	70	1,050
Mahua Seed & Flower Collection	30*	6-8	60	1,800
Wage Labour	60	8	120	15,000
Illness & social functions	50	NA	NA	NA
Total				41,850

* In addition to Poultry Activity

28% net increase in the household income generated by the women only.
57% share of poultry in the total income generated by the women in a year.

Professional and External Linkages

MPWPCL has garnered multidisciplinary assistance from organisations and institutions as shown in the Table below:

Table 4: Professional and External Linkages

Sr. No.	Agency	Intervention
1.	GoI	Provided subsidy under various central schemes (like SGSY) to cover capital cost
2.	Deewan Foundation, REBO Foundation, FORD foundation	Soft loans to the producers for covering capital cost (which is to be returned from income from poultry activity)
3.	PRADAN	Professional guidance on community building, training, resource persons
4.	MPDPIP	Seed money for establishment of MPWPCL

Sustainability & Replicability

The same model is being replicated in two districts: Sagar & Vidisha. The funds are being made available under Special SGSY of Government of India (GOI).

The poultry products demand in India is growing at 30 per cent per annum. So there is a lot of scope to expand and tap the market. Besides, the production methods are environmental friendly, which will contribute towards long-term growth. This is evident from increase in number of producers over the years.

Drawbacks of the model

Increase in Monitoring Cost and the Management Cost: Due to decentralised production and the small scale of production the management charge increases and this adds to the overall production cost.

Way Forward

1. Joining hands with other CBOs (Community Based Organisations) in the poultry sector: Integration with other poultry production units across India at the national level is also on the cards. The National Small Holder Poultry Development Trust (NSPDT) has been established to bring together all the state poultry federations on a single platform. Currently, apart from the MP state federation (MPWPCL), the Jharkhand state federation is also a member. This

trust can play a major role in promoting a major income augmenting activity in the rural scenario.

2. Vertical Integration: The Indian poultry sector promises a growth rate of 30 per cent per annum and is attracting big ticket foreign investment. As the MNCs step into this network they will bring end-to-end vertical integration. Organised players in India are also trying to integrate their operations vertically, end-to-end. This calls for end-to-end integration in MPWPCL too. Though MPWPCL is completely backward integrated it should work towards full-fledged forward integration.

Conclusion

MPWPCL has come way forward in addressing the problem of the Co-operative & hence farmers & the job done are commendable. MPWPCL should endeavour its best to create more value to the associated producers. The women community has got empowered by sustained efforts of the organization. MPWPCL should try & built strong associations with knowledge centers, Forward & backward linking agencies.

Table 5: Current Status of Cooperative

Name of the Co-operative	Year of Formation	Members	Output (mt. of Live Birds)	Turnover (Million Rs.)	Member's Income (Million Rs.)
Kesla, Hoshangabad	2001	750	3059.27	165.30	13.22
Churhat, Sidhi	2001	561	1224.12	73.81	5.65
Rajnagar, Chhatarpur	2006	360	1014.43	64.34	5.15
Orchha, Tikamgarh	2006	224	536.54	35.94	2.88
Jatara, Tikamgarh	2006	221	674.79	43.52	3.48
Amarpur, Dindori	2008	289	447.74	26.82	2.20
Total		2405	6956.89	409.75	32.58

i MPWPCL is incorporated as a producer company under the 'Companies Act 1956'.

