

**REPORT OF THE FEASIBILITY STUDY TO SET UP A
COMPREHENSIVE AGRICULTURAL
COOPERATIVE STRUCTURE IN
DIBRUGARH AND TINSUKIA DISTRICTS**

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EXECUTIVE SUMMERY

TITLE OF THE STUDY FEASIBILITY STUDY TO SET UP A COMPREHENSIVE AGRICULTURAL COOPERATIVE MARKETING STRUCTURE IN THE DISTRICTS OF DIBRUGARH &TINSUKIA

In February 2006, Tatva submitted a proposal to North Eastern Development Finance Corporation (NEDFI) to conduct a feasibility study to set up a comprehensive Agricultural Cooperative Marketing Structure in Dibrugarh and Tinsukia districts of Assam. After a thorough study of the proposal and deliberations with Tatva, NEDFI commissioned the study in August 2006. The primary objectives of the study were to determine the variety and quantity of crops produced in the study areas; gauge the infrastructure available; determine the markets for agro-produce; and last but not the least, people perception of the cooperative movement.

The study was carried out by Tatva, both through its own staff as well as specially recruited local personnel, during the period August to October 2006. The geographical boundaries can be roughly defined as Saikhowaghat in the North, the Arunachal Pradesh border at Bordumsa in the East, Moran in the South and the river Brahmaputra in the West. The methodology of the selection of villages is detailed in a subsequent chapter.

While Tatva has taken all steps possible to gather accurate data, there may be a little anomaly in certain data due to circumstances beyond our control. For example, people are reluctant to go on record with their actual incomes; the higher income group intentionally moderates their incomes, while some people from the poorer sections show an inflated figure to overcome an “inferiority complex”.

Traditionally, rice has been the primary crop cultivated in Dibrugarh and Tinsukia districts. The alluvial soil is rich and gives farmers a good return for their investments. However, due to the lack of use modern agricultural methods and a sluggish approach of the people, the quantity of rice produced is mostly used for self consumption only. The paddy fields remain barren for a good part of the year as people cultivate only in the traditional growing season.

Besides rice, tea is an important crop of the twin districts of Dibrugarh and Tinsukia. In fact a huge majority of Assam’s tea is produced in these two districts. Earlier, tea was produced by the organized

sector, with large gardens and factories attached, only. However, of late smaller planters have forayed into this sector and over the last decade anyone having “high” land has entered this sector. In fact, the Tatva team has seen plantations that are lesser than 1 katha in size.

Mustard is another crop that is widely grown in the two districts. It is predominantly cultivated for sale as opposed to rice which is the staple food of the people of the region. Oranges are also produced in orchards in parts of Tinsukia district bordering the hills of Arunachal Pradesh. A wide range of vegetables like gourds, cabbage, cauliflower, lettuce, tomatoes, etc. as well as fruits such as bananas, mangoes, plums, jackfruit, etc. are also grown across the districts of Dibrugarh and Tinsukia. Besides these, spices like ginger, garlic and turmeric are also grown in various scales in the area.

Rice is the primary crop grown in the areas covered by the study. However, all or most of the rice produced by a huge majority of farmers is consumed by the growers themselves. Only few farmers could claim that they sold paddy or rice in the markets. Moreover, most farmers complained that they did not get commensurate remuneration for their produce as rice produced outside Assam was available at lower costs thereby reducing the demand for their produce. Though the demand for wheat/wheat based products like atta or maida has been steadily growing in Assam, farmers covered by the study have not shown much enthusiasm for the crop. None of the farmers questioned had grown the crop during their lifetime. The farmers argued that since irrigation facilities are not developed in the areas studied and they are not familiar with the crop, wheat growing becomes a difficult issue for them. The Tatva team found out that more and more arable high lands were being converted into tea plantations, whatever the size. Earlier these lands were being used to grow vegetables both for domestic consumption and for sale in the local markets. The contention of the farmers has been that tea provided a stable income with very little operating cost after the first year. Labour input too was minimal in tea growing for most of the year. Also, with better communication facilities between the towns of Upper Assam and high vegetable producing areas like Nagaon and Darrang, vegetables from the latter two districts were flooding the markets. With a price advantage, the “imported” vegetables overshadowed their local counterparts as a result of which local farmers were being badly hit. Lack of cold storage facilities has been quoted as the number one deterrent for commercial vegetable farming in both Tinsukia and Dibrugarh districts.

MAJOR PROBLEMS FACED BY THE FARMERS COVERED IN THE STUDY:

Communication has been quoted by farmers as the biggest hurdle for a thriving farming economy. 47% of the people surveyed have said that the lack of basic infrastructure like roads, power and irrigation facilities have hampered their farming activities.

Lack of proper roads is pointed out as the main drawback by most farmers. This factor means that farmers take more time to take their produce to markets, thereby losing value, as well as spend more time on every visit to the towns/markets to get essentials such as fertilisers or seeds, hence leading to a loss of valuable man-hours.

Lack of credit facilities is also a major problem faced by farmers. Almost all farmers when asked about credit policies framed by the government claimed ignorance about them. The farmers stated that they did not get any monetary support from the government or loans from banks or financial institutions. In the face of this, money lenders and traders were reaping great benefits. According to a farmer in Hanhkati Nepali Gaon, traders were advancing money to farmers during the rice growing season on the condition that they would get a particular quantity of rice after harvest. Where the problem lay was the price which the traders fixed for the rice. According to the farmer, the traders fixed prices in the range of Rs 150-200 per quintal of paddy. This compared to the market prices ranging between Rs 650-750 per quintal of paddy. What added to the misery was that by the time small farmers had harvested their crops, they realised that a large part of their crop was already sold to the trader/money lender and they had used up the money got by selling the produce. This leads to another series of loans on the same terms and conditions, which makes the entire process repetitive. These marginal farmers are therefore living on loaned money only. Another major issue that is faced by farmers is the problem of getting fair prices for their produce. During the course of the study, the Tatva team found out that the market price for any given produce varied from farmer to farmer. The market price was dependant on a number of factors like quantity of produce, perishability of the produce as well as the marketing skills of the farmers.

MAJOR MARKETS FOR AGRO-PRODUCE AND THE TRENDS THEREIN:

In the areas covered by the study, namely Dibrugarh and Tinsukia districts, the major markets, urban areas with a high population, for agro-produce include Dibrugarh, Tinsukia, Duliajan, Digboi, Doom Dooma, Margherita and Ledo towns. Of the above, the Tatva team did not conduct a survey in Tinsukia town as it has been traditionally the wholesale market for agro-produce in Upper Assam. Organised trading with cold storage facilities make it a difficult market to penetrate. Hence Tinsukia town was exempted from the study. Of the other towns surveyed, it has been found that a majority of the people have not come in contact with cooperative store. 60% of the people say that they have never bought from cooperatives. The cooperative stores that the other 40% bought from were the government supported "Ration Shops" which sell specified products at subsidised rates. There were no independent cooperative societies/ stores from which these people had ever made purchases from.

Most of the people in the towns surveyed purchase the necessary agricultural products from traditional sources like markets or retailers who conduct a house-to-house business.

43% of the people surveyed purchased from both door-to-door salesmen as well as local markets. As another 42% of the people buy their agricultural products from markets, it can be assumed that an overwhelming majority of the people prefer to buy from a place where a wide variety of products are available. On being questioned whether they would like to buy agro-products from a single store which sold vegetables as well as grains and pulses, most people replied in the affirmative.

TRANSPORTATION OF AGRO-PRODUCE:

As per our findings, the cooperative should initially be operated on a micro-level instead of the originally proposed macro level. In the initial pilot project stage, farmers can bring their produce to a centrally located collection point in their individual villages. These products, after the produce has been weighed and quality checks taken, as also the relevant documentation made, will then be transported by the cooperative to a central storage hub geographically located in the heart of the area of the cooperative structure. From there, the produce can be transported to the markets or particular selling booths operated by the cooperative in urban areas. The mode of transportation can be chartered trucks/vans at the initial stage as this will keep infrastructure costs down.

PRICING OF AGRO-PRODUCE:

The price structure of the various agro-produce of the cooperative will be two pronged. Firstly, the cooperative's members will get access to the prices at the local retail and wholesale markets. Secondly, they would also be able to track the rates prevalent at the National Agricultural Products Index on the internet. This will give them an idea of the prevalent market prices as well as the government support prices of different products across the country. On the basis of these two factors, the prices of products can be fixed.

The farmers will get the wholesale price prevalent at the local markets or the National index. End customers of the cooperative will however pay a higher cost for the same produce. At the end of the financial year, when the cooperative's accounts are audited, the profit, if any (after deduction of various operational costs and loan repayment schedule), will be distributed among members of the cooperative. The dividends will be issued on the basis of the amounts contributed by members concerned.

MARKETING POLICY OF THE COOPERATIVE:

The cooperative can set up dedicated selling points in urban areas to target the retail market. This will enable it to garner higher prices. An awareness or advertising campaign can be launched to highlight the concept of “fresh agro-produce directly from the farms” among retail consumers. The focus on quality and freshness will definitely attract urban consumers who will be the prime customers of the cooperative. The supply chain of the cooperative from collection to the selling booths will be run by organization itself. Hence there is no space for middlemen in the process. Moreover, the cooperative will try to maintain attractive prices to garner greater market share. If the outside market rates are increased due to traders’ interference, more customers will come to cooperative’s stores as prices there will be controlled strategically. However, one point needs to be cleared that the cooperative would never be selling product at subsidised rates.

USAGE OF EXCESS PRODUCTION:

In the event of any excess, the vegetables or fruits can be pickled or dried (whichever is applicable) and these products can be marketed along with the regular agro-produce. Ladies can be given short term courses in these skills to inculcate modern methods in the entire process. During the initial stage, this can be done by using manual methods, however if the market reaction is positive, automated food processing plants can be set up.