

**Cooperative for Sale of Fruits and Vegetables:
A Success Story of Urban Horticultural Marketing
HOPCOMS (Horticultural Produce Cooperative Marketing Society)**

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1. Introduction

The Horticulture Producers Co-operative Marketing and Processing Society Limited (HOPCOMS), with its headquarters located in Bangalore, India, is a unique enterprise for urban co-operative marketing of horticultural produce. It is a co-operative society, started and run with state support, managed largely by state government officers. It has a membership base of 11,680 farmers in 2002, who supply the produce to HOPCOMS, through five procurement centres. The produce is then marketed through 504 retail outlets, of which 231 are in different localities of urban Bangalore, 114 in rural Bangalore, and the rest in other districts of Karnataka.

Highlights of HOPCOMS

Annual Business	Rs. 42 crores, \$ 8.75 Million
Fruits and vegetables retail outlets	504
Bangalore	231
Chemical & Fertilisers retail outlets	06
Procurement centres	05
Branches	08
Cold storages	05
Juice processing unit	01
Permanent employees: 650	650
Temporary staff	
Temporary staff	790

The transport in Bangalore is done through 40 vehicles that also transport the employees of the outlets to their locations, with the produce and the price lists every morning. The quantity of horticultural produce sold per day is over 500 Metric Tonnes, and the turnover for the year is Rs. 42 crores or \$ 8.75 million, at current conversion rates.

This paper describes and analyses the enterprise, its history and operations, its management and also the benefits it provides to different stakeholders. The paper makes some conclusions about the sustainability and replicability of the experience, and also makes some suggestions for improvement of its effectiveness and impact.

A marketing cooperatives such as HOPCOMS can be seen as a form of investment for Urban agriculture. This is possible by investing in the organisational form, a cooperative, training members, and helping them organise a business that brings benefits through collective marketing in urban areas, which provide concentrated

markets for fruits and vegetables. The members are also guaranteed better prices for produce, and consumers benefit from lower prices for high quality products. Thus the case study of HOPCOMS is an example of an investment scheme whose performance and functioning can be compared to other investment schemes, such as savings and credit cooperation (Nepal), project grants (Europe), municipal investment (Latin America) and in-kind support (Nairobi). The benefit of such an investment is that it creates a business organisation, that can be potentially managed by the poor, and can be run at a scale that provides significant benefits through urban marketing of agricultural produce.

1.1. Karnataka: the Home to HOPCOMS

HOPCOMS is located in the State of Karnataka in South India. Some details of the State are given in the accompanying table.

State Capital	Bangalore
Population ('000s in 1991)	44,977
Area ('000 sq. km)	192
Females per 1000 males (1991)	960
Literacy rate (1991)	56
Ratio of urban population (1991)	30.9
Net Domestic Product (Rs. million at current prices in 1992- 93)	291,220 \$ 5442 million
Per Capita Income (Rs. at current prices in 1992-93)	6,313 (\$ 132)
Principal Language	Kannada

Agriculture is one of the main occupations of the State and nearly accounts for 65 percent of the workforce. Paddy, *Jowar*, *Ragi*, *Bajra*, Maize, Wheat and Pulses are some of the important crops of the State. One of the leading industrial states of the country, Karnataka has been attracting both domestic and foreign investment and is home of some of the leading Indian and Multinational Companies. The State is rich in mineral resources.

Karnataka is predominantly rural and agrarian and has a population of 44,977,201. About 76% of its population lives in rural areas while about 71% of its working force

is engaged in agricultural and allied activities which generate 49% of the state income.

Among the agriculture crops, Karnataka accounts for 59% of the country's coffee production and 47% of the country's *ragi* production. The state is fifth in oilseed production. (<http://mapsofindia.com/stateprofiles/karnatka>)

Bangalore: City of HOPCOMS origin

The fifth largest city in India was build in the year 1537 by Kempe Gowda as mud fort, with eight gates which have lent their names to different areas: Ulsoor Gate, Kengiri Gate etc. Inside the fortress walls, the city grew into a bustling commercial area, dividing into *pets* or localities where one trade dominated each area. To this day these areas bear their countries' old names, such as *Chickpet* (little town), *Doddapet* (big town), *Taragupet* (grain market), *Halipet* (cotton market) etc.

In 1687, the Mughals captured Bangalore from the Bijapur Sultanate and gave it on lease to King Chikkadevaraya Wadiyar of Mysore, eventually selling the city to the Mysore rulers for a paltry five lakh Rupees! The 19th century saw Bangalore grow from a mere military station to the British into a flourishing administrative centre and a prime residential locality with an aura of graciousness that sets it apart from other cantonments. It was separated from the old town, which had the fort as its nucleus, by a strip of open land about a mile-and-a-half wide.

Mysore State acceded to the union in 1947 and the then Maharajah, Sri Jaya Chamaraja Wadiyar, nephew of his predecessor, became *Rajpramukh* (Governor). When the Indian states were reorganised on a linguistic basis by the States Reorganisation Act of 1956, a new Mysore State (renamed Karnataka in 1973) was formed to unite the Kannada-speaking areas of the country and Bangalore remained the state capital.

Bangalore is endowed by nature with a very salubrious and equable climate. The mean temperature in the warmest month (April) is 27.1C (80.8F) and in the coldest month (January) is 20.4C(68.8F). The temperature during the day rarely exceeds 34C(93F) in summer (April and May) and seldom falls below 15.5C (60F on winter nights (December, January and February). The atmosphere is neither very humid nor

very dry. The mean values of the relative humidity in the wettest (September) and driest (January) months are 76 and 63 percent respectively. The climate of Bangalore makes it very conducive for growing a variety of fruits and vegetables.

It is in this city that HOPCOMS was started, in 1959, and urban marketing of horticultural produce was started. The organisation was started in the co-operative sector. Following section provides a brief background of the sector, its origin and spread in India, and the principles of co-operatives.

1.2. The Co-operative Sector

The Co-operative movement, launched in the 19th century by Rochdale pioneers, is at full scale now. This is the movement totally based on democratic principles and wages on the solution of the problems on collective basis. The co-operative movement is strong in many nations with these organisations doing a lot in the development work going on under its aegis. (Muneeb-ur-Rahman, 2001)

1.2.1. Origin of Co-operatives in India

The co-operative movement in India owes its origin to agriculture and allied sectors. Towards the end of the 19th century, the problems of rural indebtedness and the resulting conditions of farmers created an environment for the chit funds and co-operative societies. The farmers generally found the co-operative movement an attractive mechanism for pooling their meagre resources for solving common problems relating to credit, supplies of inputs and marketing of agricultural produce. The experience gained in the working of co-operatives led to the enactment of Co-operative Credit Societies Act, 1904. Subsequently, a more comprehensive legislation called the Co-operative Societies Act was enacted. This Act, *inter alia*, provided for the creation of the post of registrar of co-operative societies and registration of co-operative societies for various purposes and audit. Under the Montague-Chelmsford Reforms of 1919, co-operatives became a provincial subject and the provinces were authorised to make their own co-operative laws. Under the Government of India Act, 1935, co-operatives were treated as a provincial subject. The item "Co-operative Societies" is a State Subject under entry No.32 of the State List of the Constitution of India, 1951.

In order to cover Co-operative Societies with membership from more than one state, the Government of India enacted the Multi-Unit Co-operative Societies Act, 1942. This Act was an enabling legislative instrument dealing with incorporation and winding up of co-operative societies having jurisdiction in more than one state. With the emergence of national federations of co-operative societies in various functional areas and to obviate the plethora of different laws governing the same types of societies, a need was felt for a comprehensive Central legislation to consolidate the laws governing such co-operative societies. Therefore, the Multi-State Co-operative Societies Act, 1984 was enacted by Parliament under Entry No. 44 of the Union List of the Constitution of India.

After India attained Independence in August, 1947, co-operatives assumed a great significance in poverty removal and faster socio-economic growth. With the advent of the Planning process, co-operatives became an integral part of the Five-Year Plans. As a result, they emerged as a distinct segment in our national economy. In the First five-year Plan, it was specifically stated that the success of the Plan would be judged, among other things, by the extent it was implemented through co-operative organisations.

The All-India Rural Credit Survey Committee Report, 1954 recommended an integrated approach to co-operative credit and emphasised the need for viable credit co-operative societies by expanding their area of operation, encouraging rural savings and diversifying business. The Committee also recommended for Government participation in the share capital of the co-operatives.

In view of these recommendations, different States drew up various schemes for the co-operative movement for organising large-size societies and provision of State partnership and assistance. During 1960s, further efforts were made to consolidate the co-operative societies by their re-organisation. Consequently, the number of primary agricultural co-operative credit societies was reduced from around 200,000 to 92,000.

1.2.2. Evolution of Co-operatives

In 1958 the National Development Council (NDC) had recommended a national policy on co-operatives. Jawaharlal Nehru had a strong faith in the co-operative movement. While opening an international seminar on Co-operative Leadership in Southeast Asia he had said " But my outlook at present is not the outlook of spreading the co-operative movement gradually, progressively, as it has done. My outlook is to convulse India with the Co-operative Movement or rather with co-operation to make it, broadly speaking, the basic activity of India, in every village as well as elsewhere; and finally, indeed, to make the co-operative approach the common thinking of India.... Therefore, the whole future of India really depends on the success of this approach of ours to these vast numbers, hundreds of millions of people".

The co-operative sector has been playing a distinct and significant role in the country's process of socio-economic development. There has been a substantial growth of this sector in diverse areas of the economy during the past few decades. The number of all types of co-operatives increased from 1.81 lakh in 1950-51 to 4.53 lakh in 1996-97. The total membership of co-operative societies increased from 1.55 crore to 20.45 crore during the same period. The co-operatives have been operating in various areas of the economy such as credit, production, processing, marketing, input distribution, housing, dairying and textiles. In some of the areas of their activities like dairying, urban banking and housing, sugar and handlooms, the co-operatives have achieved success to an extent but there are larger areas where they have not been so successful. The failure of co-operatives in the country is mainly attributable to: dormant membership and lack of active participation of members in the management of co-operatives. Mounting overdues in co-operative credit institutions, lack of mobilisation of internal resources and over-dependence on Government assistance, lack of professional management, Bureaucratic control and interference in the management, political interference and over-politicisation have proved harmful to their growth. Predominance of vested interests resulting in non-percolation of benefits to a common member, particularly to the class of persons for whom such co-operatives were basically formed, has also retarded the development of co-operatives. These are the areas that need to be attended to by evolving suitable legislative and policy support. However, taking into account all the above listed factors which

caused co-operatives to decline in their effectiveness, a commission set up to study and suggest ways to improve the workings of co-operatives in India suggested certain reforms in how co-operatives are run in the country. These changes have been taken into consideration by certain states when enacting new laws on co-operatives in the states. Some of these states are Madhya Pradesh, Bihar and Karnataka. The Central government has at present a bill regarding the multi-unit co-operatives, which is still yet to be passed by the Parliament. These acts take into account the seven Principles as enumerated by the International Co-operative Association. (Press Information Bureau).

1.2.3. The 7 Co-operative Principles

The co-operative movements around the world are governed by 7 Principles. These principles are listed below and guide co-operatives in their success (The Karnataka Souharda Sahakari Act, 1997 and Co-operative Initiative Panel)These principles are:

- 1. The co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership without gender, social, racial, political, or religious discrimination.*
- 2. Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights, (one member, one vote) and co-operatives at other levels are organised in a democratic manner.*
- 3. Members contribute equitably to, and democratically control the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. They usually receive limited compensation, if any, on the capital subscribed as a condition of membership. Members allocate surpluses by setting up reserves part of which at least would be indivisible, benefiting and supporting other activities by the membership.*
- 4. Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations including*

government of raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5. *The co-operatives provide education, training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public particularly young people and leaders about the nature and benefits of co-operation.*
6. *Co-operatives server their members most effectively and strengthen the co-operative movement by working together though local regional national and international structures.*
7. *While focusing on member needs, co-operatives work for the sustainable development of their communities through policies accepted by their members.*

HOPCOMS was incorporated as a co-operative, based on co-operative principles, and the following section capture the origin, functioning and lessons from the experience of HOPCOMS.

2. Methodology

2.1. Multiple Stakeholder Discussions

The study was conducted in the month of April-May 2002. The first step was to understand the activities of HOPCOMS, and the different categories of stakeholders. Then discussions were conducted with the major stakeholders, farmer members, consumers, staff and board of HOPCOMS, and of KHF.

Respondents to Research	
* Farmer Members	15
* Farmer non-members	3
* Customers	7
* HOPCOMS staff	15
* Staff of other Departments	5
* Commission agents and retailers	7
* Group Discussions	2
Total	54

The existing market situation was studied in detail with data collected from HOPCOMS and other bodies. From the F&V growers 18 farmers, and appropriate

number of customers and other intermediaries were contacted. We also conducted detailed interviews with officials from various departments and agencies- HOPCOMS, Dept. of Horticulture, KHF etc. Some private agents were contacted and interviewed, to understand the differences between the way in which HOPCOMS functions as compared to private traders. Private market yards were visited, and this was compared to the HOPCOMS procurement centres. Non-members of HOPCOMS were also interviewed to get the difference in perspectives of members and non-members.

2.2. Validation and Triangulation

The discussions were open-ended interview, with a set of key questions, to understand the process of marketing, positive and negative experiences of respondents. Discussions focused on understanding the benefits of the marketing cooperatives from the points of view of each category of stakeholders, and these formed the key focus points of each individual and group discussion. Answers to the same questions were checked with different groups of people, so that we could get their different perspectives. Our understanding was also repeated to the respondents, to ensure that we had got their perspectives as they had stated these.

These discussions were compiled into a draft paper, and presented to the Chairperson, Board members (including representative of farmer members) and senior staff of HOPCOMS. A copy of the draft report was also given to the organization for detailed comments and validation of data contained. The report was refined on the basis of additional information from HOPCOMS.

The draft was then presented at a conference of UNHABITAT in Nairobi, to members of a group on Credit and Investment in Urban Agriculture. The suggestions given by members of this group were also incorporated in the case study.

2.3. Limitations

The study was done over a very short period of time and entailed interviews with a wide range of stakeholders. Members were typically interviewed at the market yard

when they brought their produce for sale to HOPCOMS. They tended to be busy and could not spend too much time. They could not provide much information on the production management of the fruits and vegetables. It was, therefore, not possible to do a cost benefit analysis for farmer-members, of producing horticultural products. The study covers only the benefits of marketing and not the aspects related to production of fruits and vegetables.

A lot of the study was hampered by the fact that HOPCOMS has no baseline data since its inception in 1959.

- the society has data as to the exact acreage of land it covers through its members
- it has no data as to the impact it has made in the lives of its members since it started operations.
- The society has no data as to the break up of its purchasers- between its individual customers and the bulk customers like PSUs and how much they constitute of the share of profits.

3. History and Profile of HOPCOMS

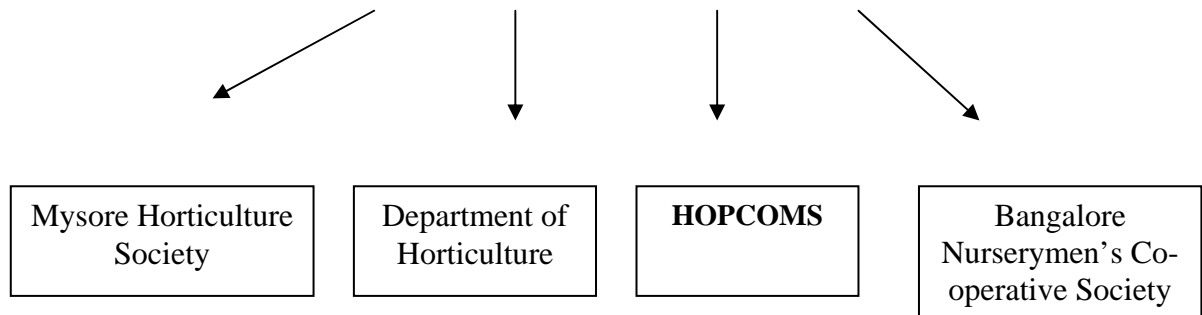
HOPCOMS was established in 1959 for organised marketing for organised marketing of fruits and vegetables in the co-operative sector

3.1. Mother of HOPCOMS: The Department of Horticulture

The initiative to establish HOPCOMS was taken by the Director of the Department of Horticulture under which the Society was established.

The department has four arms in the State of Karnataka, and these are given in the chart below:

The 4 Limbs for Horticultural Development



The Department of Horticulture has a number of schemes to help improve horticultural production and marketing in the State. (<http://www.nitpu2.kar.nic.in>). Horticultural produce is classified as four elements: Fruits and Vegetables, spices, flowers and cash crops. HOPCOMS works only with fruits and vegetables. The promotion of other items is done through other activities of the Department of Horticulture, which specialises in marketing of fruits and vegetables and has as members farmers growing these crops.

3.1.1. Training

Training programmes are being organised by the Department to train farmers and women in the preservation of fruits and vegetables and mushroom cultivation.

3.1.2. Hi-tech Horticulture

Under the provisions of the new Seed Policy of Government of India of 1988, the Department issues import permits for floriculturists after registering entrepreneurs. Subsidy is also given for setting up greenhouses.

Four spawn production units for mushroom development have been established at Bangalore (Lalbagh), in Belgaum, Gundlupet and Gulbarga. Spawn is distributed to growers at reasonable rates.

The department encourages farmers to switch to drip irrigation for horticultural crops. In order to motivate farmers to do this, a large part of the cost (up to 90 percent) of putting a drip irrigation system is subsidised to all categories of farmers. The oil palm

development programme covers area expansion, maintenance of oil palm seed gardens and frontline demonstration plots apart from a leaf analysis laboratory.

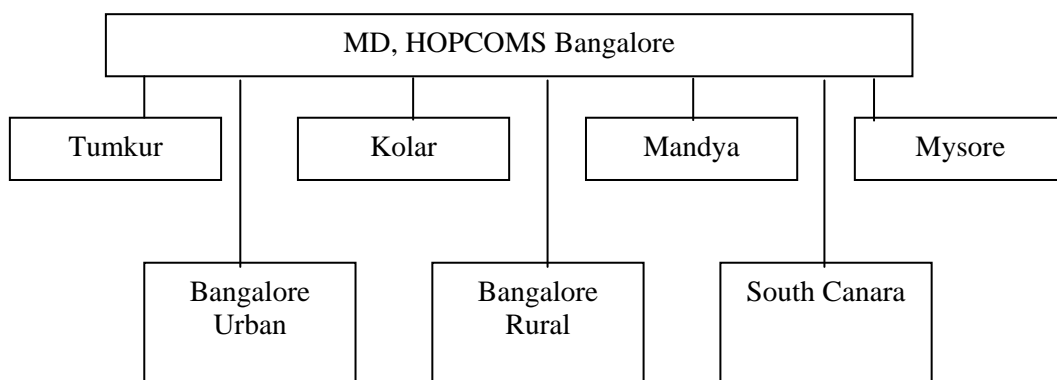
The Karnataka State Agricultural Produce Processing and Export Corporation has been established to promote export of horticultural produce.

3.2. District Co-operative Societies and the Federation

The success of HOPCOMS led to the establishment of 15 district level co-operatives societies and 25 commodity societies, with a membership of 9,800, handling 100 tons of horticultural produces per day in 8 districts.

For several years, eight of these societies were under the purview of HOPCOMS, including the districts of Bangalore-Urban, Bangalore Rural and neighbouring Kolar, Tumkur, Mandya, Mysore and South Canara. The others worked independently from HOPCOMS, and were supervised by the Department of Horticulture.

In 1998, there was a major change in the way the co-operatives were managed. The Karnataka Horticultural Federation was established. The 16 district horticultural societies were each to be a separate HOPCOM, federated under the KHF. The new structure is given in the following diagram..



Structure of HOPCOMS Pre 1998

This federation was set up on the lines of Karnataka Milk Federation (KMF). It looks into inter-co-operative activities like movement of fruits and vegetables between the districts, processing and sale of fruit and vegetable products all over the state. The

federation has put forward a project to produce pulp concentrates under the brand name of "Sahodaya" the federation is also to look into export opportunities for the produce from the state. The federation conducts training programs, where the members of one society are shown the good horticultural practices of farmers from different areas.

Through these activities, the Federation hopes to bring about the development of the HOPCOMS in other districts, to promote inter-district co-operation, and to assist in the development of the business of HOPCOMS.

KHF has taken the

Objectives of KHF

- To build cooperation between different district co-operatives
- To facilitate inter-district procurement and sale of produce
- To facilitate processing and packaging of produce
- To promote product diversification, e.g. fruit juices, jams, ice creams
- To develop a brand image for products produced through HOPCOMS in Karnataka
- To set up gradation centres in districts other than Bangalore

Karnataka Milk Federation as a model, and plans to support HOPCOMS by providing technical guidance not only for production and processing, but also for better marketing of horticultural produce.

3.3. Profile of HOPCOMS

This section outlines the objectives and the functioning of the organisation, its resources, functioning and management.

3.3.1. Objectives of HOPCOMS

HOPCOMS is a primary co-operative society having the area of operation in 3 districts of Karnataka namely Bangalore Rural, Bangalore Urban, and Kolar Districts. (Brief note by HOPCOMS).

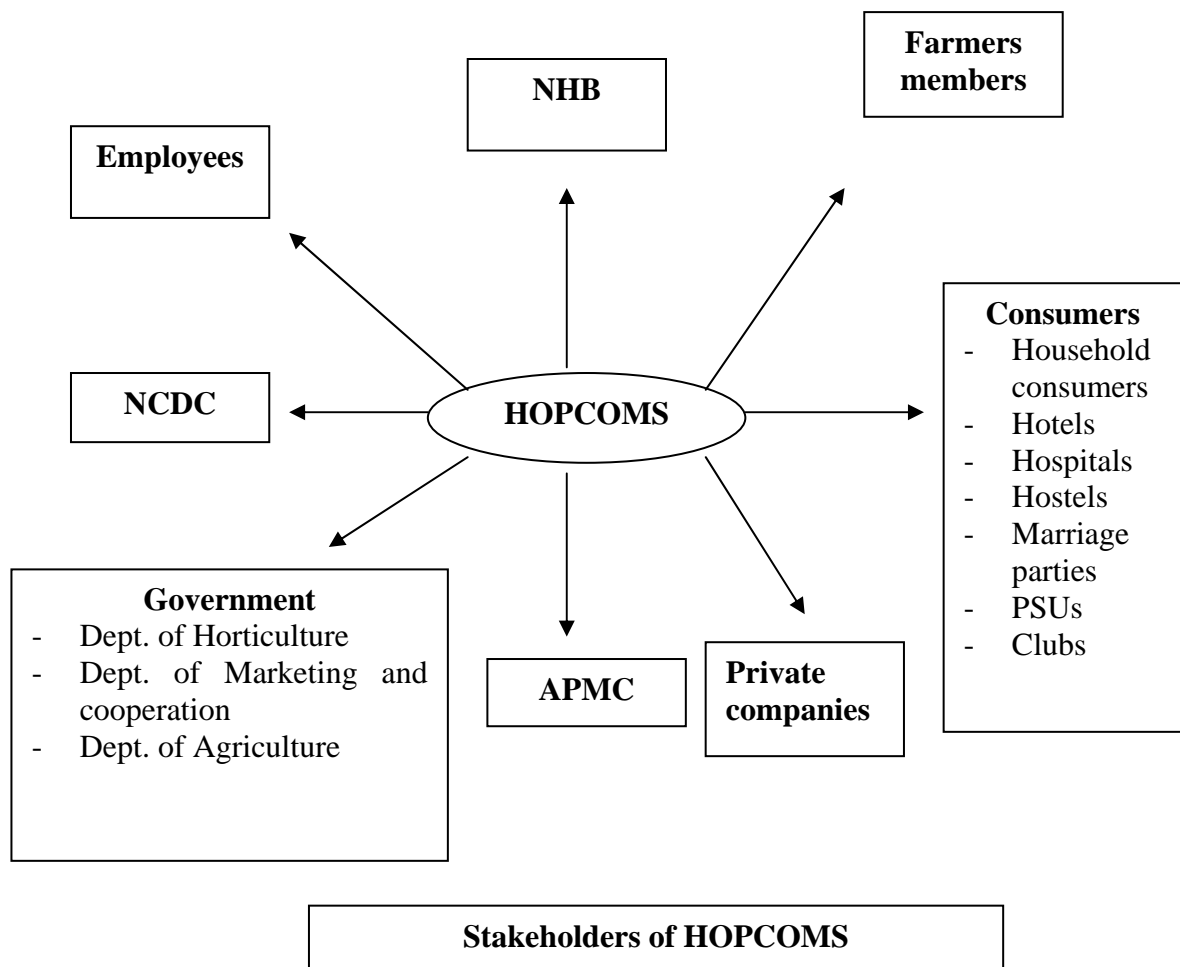
The stated objective of this Society is to **promote and encourage the development of horticultural produce**. This is to be done in the following manner:

- 1) By training and providing technical advice and literature on horticultural crops.

- 2) By providing chemical manure, implements plants and grafts etc.
- 3) By providing cold storage facilities marketing facilities and also organising proper studies to the member the society.
- 4) Besides this, by supplying horticultural produces to all major factories, Govt. Hospitals, Hostels, Clubs, and social functions like marriages, various horticultural processing factories like, Kissan products, Agro Industries, etc.

3.3.2. Stakeholders

The stakeholders of HOPCOMS are its shareholders, who fall in different categories. While farmer members and other shareholders are the primary members of HOPCOMS, there are also a number of other actors who are involved in the process of supplying horticultural produce to the market. The accompanying chart shows the category of shareholders of the organisation.



Classification of Members

The members are divided into the following categories:

- Class A: who are the farmer/producer members.
- Class B: members who consist of NGO, other Co-operative and Banks like NCDC and the NHB
- Class C: member, which is government.

Registered shares		%
Class A	Rs.10,00,000(\$ 20,833)	04%
Class B	Rs. 180,500 (\$ 3,760)	01%
Class C	Rs.226,000,000(470,833)	95%
Class D	Rs. 7,500.00 (\$ 156)	00%
Total	Rs.19,140,850(\$ 495,582)	100%

Source: HOPCOMS Annual Report, 1999

For the Class A members, any person can become a member on payment of Rs. 100/-, \$2, towards one share in the co-operative. The members of the co-operative, in addition to being able to sell their produce at the HOPCOMS markets/ procurement centres, are also entitled to receive as interest a part of the profits of the co-operative for holding the share in the co-operative. The membership of the co-operative has increased from around 8900 members to 11,680 members in HOPCOMS Bangalore. The present stake of the member shareholders stands at just over Rs. 10 lakhs, 4 percent of the total shareholding.

The second category of members, Class B members, is other co-operative like the NCDC etc who hold a stake in the society, by way of the monies loaned by them. They have a stake to the level of Rs. 1.8 lakhs (\$3,760), less than 1 percent of the shareholding.

The third category of members is the state government of Karnataka which holds one share to the equity value of around Rs. 226 lakhs, \$470,833, in the society. This was given as a matching contribution to every member who joined in to the society. Currently, this forms 95 percent of the total shareholding.

All other shareholders are classified as Class D and have negligible shareholding in the Society.

The Gender Dimension

Only farmers are eligible to be members of HOPCOMS. Farmers are required to render proof of landholding, and as land is registered normally in the name of men, HOPCOMS has mostly men as members. There was a drive to enlist women members in 1999, which brought women's membership to 600, representing 5 percent of the total number of members.

Poverty Targetting

HOPCOMS does not keep a systematic record of the amount of land held by members, and has no data on poverty levels of members. Its main objective is to get fair prices to farmers, and to promote sale of horticultural produce. It does not monitor the category of farmers who become members. As the minimum contribution farmers have to make to share capital is only Rs. 100, \$2, it is possible for marginal farmers to become members.

Other Stakeholders

The other stakeholders who play a major role in HOPCOMS are the Department of Horticulture, the Department of Marketing and Co-operation, the Agriculture Marketing Department, the Karnataka Horticultural Federation and the National Horticultural Board. These organisations set policies and launch different programmes for support for horticultural production, processing and marketing in and outside Karnataka.

The APMC markets play a major role in setting market trends and prices. These are established by the Department of Agricultural Marketing. The price at which HOPCOMS buys the produce from the farmers is based on the rates and prices released by this department. The department collects the maximum, minimum and model prices for the various commodities sold in the APMC markets the previous day and the same is released to the markets the next day, published in the newspapers. Based on the rates released by the department, HOPCOMS fixes the procurement and sale price for the goods. These prices form the basis of the price offered by HOPCOMS in the indents issued to its members.

3.3.3. Resources of HOPCOMS

Apart from the farmer members, the Government of Karnataka contributed share capital of Rs. 10.00 lakhs (\$20,833). The National Co-operative Development Corporation (NCDC), National Horticulture Board (NHB) etc. contributed share capital of Rs. 22 lakhs (\$45,833). In addition to this, the Society borrowed loan from NCDC, APMC, ICDP for its various needs to the extent of Rs. 256.00 lakhs (\$ 533,333). The funds were utilised for creating the necessary infrastructure and for business development activities.

3.3.4. Investment and Infrastructure

The major investment that HOPCOMS has made is in the infrastructure created for the marketing and processing of horticultural produce. These include

- Procurement centres
- Retail outlets
- Processing centres
- Cold Storage centres
- Staff
- Vehicles

The society has at present not borrowed any money for improvement/ increase of its infrastructure. The reason given was that the society was building its reserves to utilise it for increasing its infrastructure like increasing its retail outlets, vans etc.

HOPCOMS has two major uses of its funds, the first one is the investment in retail outlets and other infrastructure in terms of procurement centres, described above. Another major use of funds is the daily purchase of fruits and vegetables. The daily operating expenses of the company are around 10 lakhs (\$20,833). The society handles around 20 lakhs (\$41,666) on cash on every single day, including all other operating expenses like transport costs, etc.

3.3.5. Management

A committee formed as per provision of the by-law of Co-operative societies manages HOPCOMS. The management consisting of 20 Members, of whom 11 are representatives of growers, elected by the members of the society. The government nominates five members and another four are government officials. The President and Vice President are elected from among the growers' representatives. The Managing Director is from the Department of Horticulture, a other General Managers and managers from Department of Co-operation and Marketing.

The Society has 650 permanent employees, and 790 temporary staff. Apart from this the society has certain other officers on deputation from the Department of Horticulture or from other Departments.

The society has a regular auditing system under KCSR Rule 441 for day to day transactions. The results and performance of HOPCOMS, based on financial and quantitative data obtained, are described in the following section.

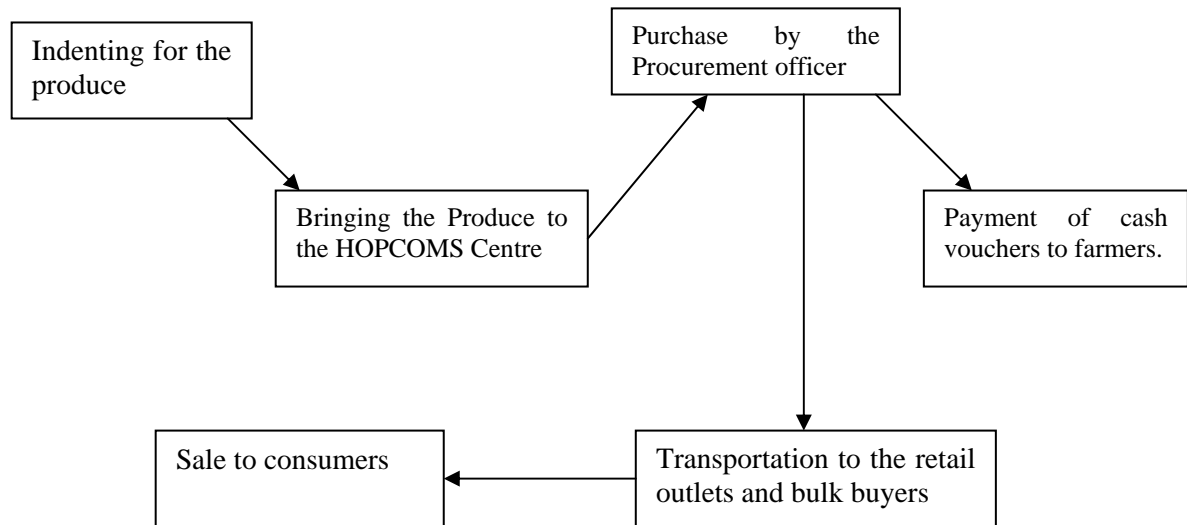
4. Results and Performance

This chapter describes the process by which HOPCOMS functions, the facilities provided to different stakeholders, and the performance of the organisation.

4.1. Process

The first step of interaction is for a farmer to become a member of HOPCOMS. HOPCOMS issues indents giving the quantity of a particular vegetable or fruit to be purchased from members. On receiving the indent order for a particular amount, the member has to bring in the produce to the procurement centre, either in Bangalore City or to the procurement centres in other districts/ taluks as the case may be. The produce is verified as regards its quality, it is graded and a receipt for the same is given to the farmer. The farmer presents the receipt to the payment officer, who pays the sum of money in a cash voucher to the farmer. The cash voucher can be encashed at

the bank which has a branch within the procurement centre, thus enabling farmers to take cash immediately for their sales for the day. This is shown in the chart below:



Process for the Procurement and Sale of Produce

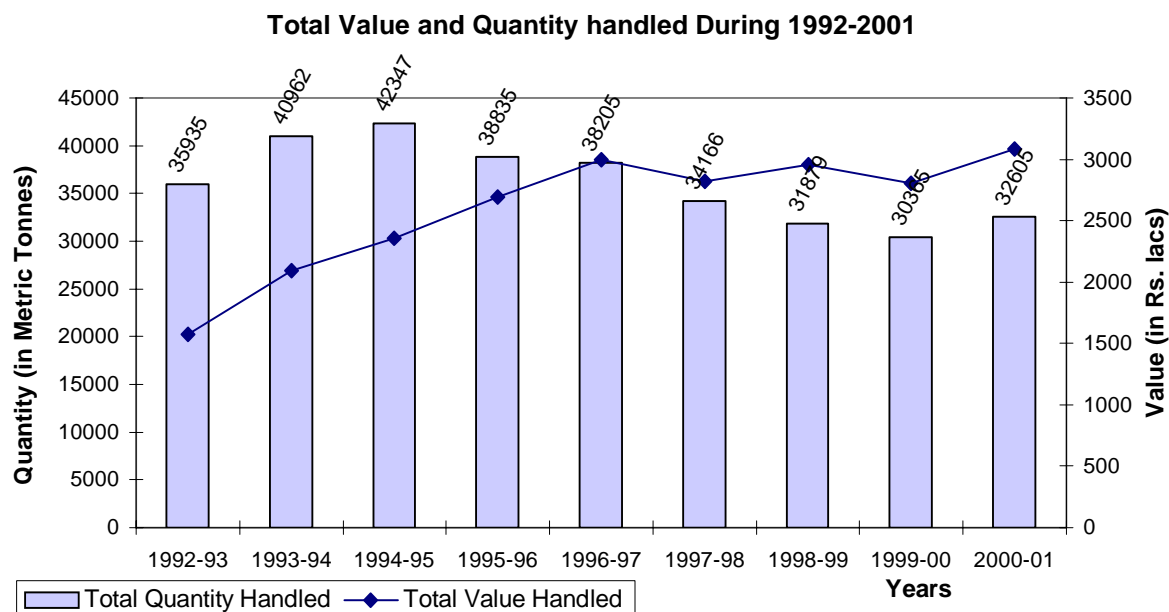
The process ensures that farmers who bring good quality produce to the procurement centres can sell this at good prices and get cash the same day. When compared to open market transactions, where they sale to wholesale traders, they get the money late, as they usually have accounts with these traders and settle them only one a fortnight or once a month.

4.2. Business Performance

4.2.1. Quality and Value of Produce

The Quantity and the value of the produce has shown steady increase over a period between 1992-95. However the quantity handled by HOPCOMS has shown a steady decline from 1995-00 after which it has again shown a rise in 2000-01. The organisation has not been able to increase its cash resources, which are needed for opening more sales outlets and sell larger quantities. Therefore, it has not been able to purchase larger quantities of fruits and vegetables. While it has been able to

maintain high prices to farmers for high quality produce, this has been possible only with reduced quantities traded.



4.2.2. Driage and wastage

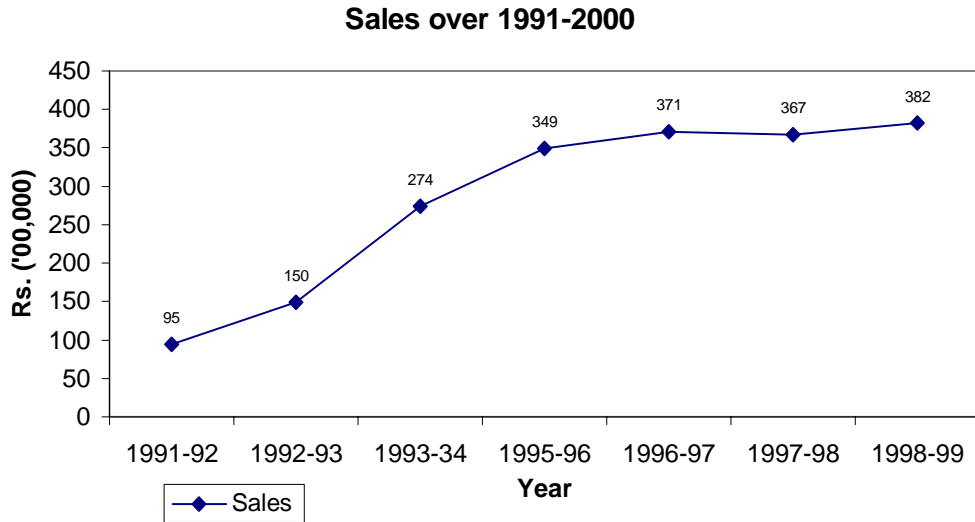
F& V being highly perishable products, control of wastage affects the performance the performance directly. Driage and wastage is around 4-5% of the total procurement of the produce. However, D&W has been reduced from 4.32 % of the total procurement to 1.85% in 2000-01.

While HOPCOMS claims that this is due to better storage facilities, a look at the above graph shows that the quantity handled has gone down significantly in the last five years. Since the quantity has reduced, automatically the amount of D&W would also have reduced.

4.3. Financial performance

4.3.1. Sales and component of sales

As the graph below shows, there has been a steady increase in the sales over the period of 8 years from around Rs. 10 million (\$208,333) to over 40 million (\$833,333) in 2000-2001



However, while the sales have seen steady increase, the component breakup of the sales between, F&V, Chemical, Juices etc have remained at a constant. While F&V form 91% of the total sales, chemicals came in second with 6%. Seeds and fertilizers form a very small component of the total sales.

4.3.2. Profits and losses

Status regarding the profit and losses over the past 10 years has been shown in the graph below.

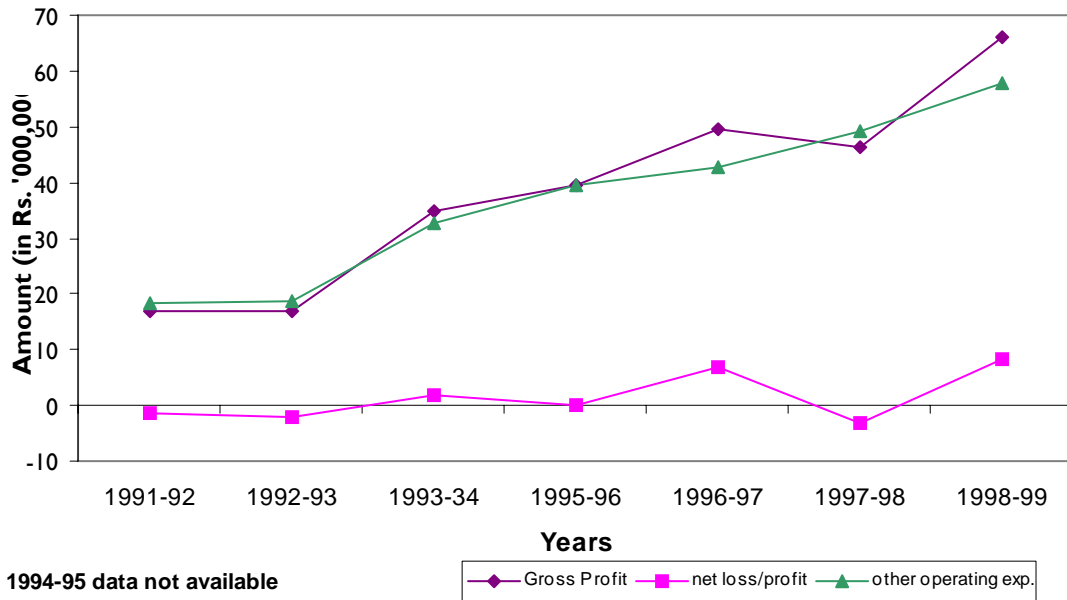


Fig: Profit, Gross Profit and Other Operating Expenses

A look at the data and the graph shows that the Society has earned a gross profit in each year of operations from 1991 to 1999. However, while the gross profits have grown, the net profits have show a variation from the trend of gross profits. This is because the operating expenses have been almost equal to gross profits for these years, leaving a very negligible net profit, which is negative for two years during this period. The net profit of the Society has varied over the period. In the year 1997-1998, there was a loss incurred, whereas a healthy profit was earned in the year 1998-1999.

This negligible profit has been attributed to the increase in the employee strength of HOPCOMS, where the number of employees per retail outlet is an average of about 4. Many of these employees have been working in the Society but not confirmed as permanent employees. During the current year, 150 people have been given confirmed employment. In order to sustain the increased costs of employees, HOPCOMS proposes to open more retail outlets, which are in turn expected to increase procurement, generate more revenue and therefore more profits.

4.3.3. Conclusions and observations

The total sales turnover, of HOPCOMS has increased over the years. Even though the procurement in terms of quantity has gone down during five of the ten years under study, the overall turnover has gone up. Fruits and vegetables account for most of this turnover. The operation has increased its efficiency over the years, with driage and wastage being reduced. While sales to bulk consumers like restaurants, and processing factories in the private sector form an important part of the strategy, the percentage sales to this segment of the market is limited. The largest market of HOPCOMS is among the city dwellers in Bangalore.

5. Benefits and Impact

This chapter explains the benefits that HOPCOMS provides to all its members. The major impact has been in terms of giving higher prices, and also influencing the structuring of horticultural co-operatives in the State. This section details various aspects of benefits and impact.

5.1. Overall Benefits to Farmers

Several farmers were interviewed as part of the study. All farmers stated the same benefits from HOPCOMS. The most important benefit is that HOPCOMS purchases the produce directly from the farmers. This eliminates the middleman, and the commission payment to the agent. Consequently, a remunerative price is paid to the farmers, usually 10-15 % higher than the open market prices. Further, during

periods when there is excess supply of certain produce in the market, the open market price drops. HOPCOMS, however, assures a minimum support price for the produce at the time of distress sales.

Another major benefit is that cash is paid to farmers on the day of the transaction, there is no delay in payments. The discussion with private commission agents revealed that these agents extend advances to the buyer merchants and to the seller merchants. This system of extending credit is prevalent in the private businesses. HOPCOMS does all its transactions in cash, thereby eliminating the need for such credit.

HOPCOMS have weigh-bridges at each procurement centre, hence farmers are assured of correct weights. HOPCOMS also has infrastructure facilities like cold storage and godowns to store the produce. The procurement centres have places where farmers can keep their products and sell directly to consumers. This facility is provided for sale of watermelons

As farmers come to procurement centres to sell their produce, HOPCOMS also provides for sale of seeds and fertilisers at subsidised rates to them. They also sell plastic crates to transport the produce at subsidised rates.

As farmers travel long distances with large quantities of produce, HOPCOMS has provided lodging and boarding facilities. Farmers have found this very useful and have taken advantage of these facilities.

Benefits to members

- Direct purchase from the farmers
- Remunerative prices (MSP)
- On the spot cash payment
- Correct weights
- Storage facilities
- Subsidised inputs
- Place to sell directly
- canteen facilities

5.1.1. Purchase from members

One of the objectives of HOPCOMS, as of any co-operative, is to serve the interests of its members. An analysis of procurement, by category of suppliers, shows that members supply 85 to 90 percent of the produce in any given year. The purchases from private traders and companies, e.g. Rallis, is between 11 to 15 percent of the total procurement for the year.

HOPCOMS has an elaborate system of indenting and placing the orders with the farmers was explained in detail. However, the reality is that most members just bring their produce to the procurement center and the produce is picked up based on the quality and quantity as the officer desires. This creates the scope for rent seeking behaviour at this stage. HOPCOMS is sometimes referred to as a “50:50” organisation by some. This term is used to denote that fifty percent of the benefit goes to the staff and fifty to the organisation.

5.1.2. The Price Advantage and Certainty

The price per kg that is offered to the farmers has increased from Rs. 4.38 per Kg to Rs.9.45 per Kg. The one benefit that cannot be denied is that the members definitely get at least 10% more in price than they would find in the market place. (\$1= Rs. 48). this is shown in the table below

Year	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	2000-01	% change over 1992-01
Price per kg. paid to farmers	4.38	5.12	5.56	6.93	7.84	8.26	9.27	9.24	9.45	115.71

Source: HOPCOMS Information Reports: F&V Statistical Data from 1992-2001

The prices of horticultural produce vary from day to day and from hour to hour in private markets. HOPCOMS determines the price based on the previous day's prices in APMC yards, and adds an additional half rupee per kg. this is the price quoted on the indent given to members. The indents carry the price and the quantity that HOPCOMS will buy on a particular day from the farmer member. Thus it offers price

certainty to the farmers, even if the quantity it picks up from the farmer is not too high.

Year	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	2000-01
Gross Profit % of F&V	20.28	20.98	18.94	17.94	17.08	17.52	17.93	17.80	20.58

Source: HOPCOMS Information Reports: F&V Statistical Data from 1992-2001

The share of the F&V in the gross profits has decreased from 20.38% in 1992-93 to 17.8% in 1999-00 but has taken a turn for the positive in the previous year. The profits has increased to 20.58% in 2000-01.

Year	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	2000-01	% change over 1992-01
Year/Price per kg. realised in market	5.80	6.42	6.95	8.67	9.63	10.56	11.83	11.74	12.30	112.18
Profit per kg	1.41	1.30	1.39	1.74	1.80	2.30	2.56	2.50	2.84	101.23
Profit per kg, %	32.25	25.40	25.02	25.12	22.90	27.86	27.57	27.11	30.08	

Source: HOPCOMS Information Reports: F&V Statistical Data from 1992-2001

The price per kg realised in the market has gone up from Rs. 5.80 to Rs. 12.30 between the years 1992-2001. The profit per kg has also gone from Rs. 1.41 per kg to Rs. 2.84 per kg in the same period. Thus the profit passed on to the farmers has increased by 16 % during this period.

5.1.3. Training

Training programmes for farmers are not a regular feature of HOPCOMS. These programs are held only when the government has financed it. The government has to give the financial aid and the cost of the training. When such funding is provided,

HOPCOMS organises the training programmes, through the Department of Horticulture or the University of Agricultural Sciences. The training programmes are usually on subjects related to the farming process, post harvest training or processing of the produce for the market.

“I bring my produce first to HOPCOMS. They select the best quality, weigh properly and pay me a higher price than the wholesale market. I can encash the payment from HOPCOMS the same day. I take only the produce not picked up by HOPCOMS to the wholesale market in the city. I first sell to HOPCOMS, as they select the best and offer a good price for it”.
- A farmer member

The Department of Horticulture has a mandate to conduct such training programmes, and also has a financial allocation from the government to facilitate these. However, HOPCOMS does not plan or conduct training programmes for members, but does so only at the instance of the government.

Another important factor about training programmes is that these do not guarantee successful production. For instance, the Department of Horticulture trained farmers in Bangalore on mushroom cultivation. However, the production did not sustain, and there is still a need to buy mushrooms from outside the State of Karnataka to meet the demand in Bangalore. This brings out not only the need for sustained technical training, but also follow up and problem solving with farmers.

5.1.4. Benefits to Consumers

Several customers were interviewed, who were regular visitors to HOPCOMS retail shops. They said that HOPCOMS assured good quality produce both to the individual as well as bulk consumers like the hostels, hospitals, public sector units (PSUs) etc. Moreover, vegetables and fruits are available at reasonable rates, which are normally less than the prevailing market rates. They also

Benefits to consumers

- Good quality produce
- Prices less than market rates
- Conveniently located retail outlets
- Sales through mobile vans
- Correct weights
- Prepackaged cut vegetables
- Sprouted produce like peas and gram
- Availability of seasonal produce throughout the year

felt that weights at HOPCOMS are regularly checked for their correctness. Another important factor is the location of the shops. The retail outlets are located in residential areas as well as a near office areas like the city civil court, the government. Secretariat.

HOPCOMS has also started mobile vans for sale of produce. In the recent years, pre-packed and cut vegetables are also available, which ease the burden on housewives. Sprouted produce like peas and gram, are available in the mornings at the stall, making life easier for the housewives.

5.1.5. Benefits to HOPCOMS

A great benefit of HOPCOMS is to its own organisation. The cooperative carries a staff of over 1400 employees who are not farmer members. These employees draw a salary from the organisation and are important stakeholders of HOPCOMS.

5.1.6. Conclusion

The overall characteristics and contributions of HOPCOMS are detailed in the following Table:

Case Analysis - Credit and Investment for Urban Agriculture Interventions

CASE	Actors	Type	Interest rate	Categories (Type of activities supported)	Scale of scheme	Strengths	Weaknesses	Policy Response	Recommendations
HOPCOMS, Bangalore, India 39 years (Coop) = 3 years (3 districts)	Farmers Horticulture groups (district) National Horticulture Board State Govt: horticulture, marketing and coop, agriculture APMC: agric producers marketing coop NCBC: nat coop development corporation Private companies	Investment (govt.) Members contribution (equity) Loan from NHB	8% on loan market rate =16%	Fruit and vegetable marketing (90%) Cold storage, processing, lodging and boarding facilities, subsidized input supply for production and crates	11.680 members, 250 outlets, 3 districts covered, 10.000 US\$/day in supply and 15000 US\$ day in sales	Equity support govt. Good quality control Uniform prices Good management of daily purchase, transport, cash Large chain of well located outlets	Uneven distribution of benefits to members Too much control of govt. officers who have short stays No information on poverty indicators Gender inequity (only) High overheads and low net profits Lack of member involvement No transparency Price setting based on previous data not on current (today's) data Vested interest of officers	Change in coop legislation towards greater transparency and accountability	Increase equity participation by members Increase management control by professionals and members Increase women membership, leadership and staff Chance mind set from govt. to business organisation Need to invest in mgmt staff and member training Need to do regular data collection and analysis

HOPCOMS does fulfil one characteristic of a co-operative. Most of its core business source is the farmers. HOPCOMS buys 85-90 percent of its F&V from the farmer members while the rest is out-sourced from the private parties and companies like Rallis India.

The price offered to farmer members is higher than that offered by the market. Even when adjusted for inflation, the price given to farmers has registered an increase over the past ten years. HOPCOMS has also passed on an increasing portion of the profits to the members, which is reflected in the fact that price given to farmers has increased at a higher rate than the profits of HOPCOMS have increased. However the system of procurement can raise a lot of questions since the whole system is now based totally on the discretion of the procurement officer. The quantity to be procured from each individual farmer is now his discretion, therefore transparency has gone for a toss. Also the quality of the produce, on which grading and therefore final price to be paid to the member is again the sole discretion of the procurement officer.

The customers have benefited too, in terms of availability of good quality produce at reasonable prices, at convenient locations spread over the city of Bangalore. A greater impact has been the awareness created among consumers about both price and quality. The transparent system of announcing prices on the boards at each retail outlet of HOPCOMS every day has become the most important feature that consumers use to check fair pricing of vegetables and fruits they purchase.

Through HOPCOMS, the government has invested large amount of resources in marketing of horticultural produce in the city of Bangalore and in several other cities of Karnataka. While the proportion of total produce that HOPCOMS picks up is small compared to the total amount used in Bangalore city, HOPCOMS sets a good example, both in terms of the prices that it offers farmers, as well as the quality and prices that it offers to customers. Even though it deals with only a small part of the total horticultural produce in the city of Bangalore, HOPCOMS sets the prices in the market. Both farmers and customers have come to accept the price set by HOPCOMS as fair. This model of a government-initiated cooperative society is quite common in India.

6. Mechanism for Up scaling

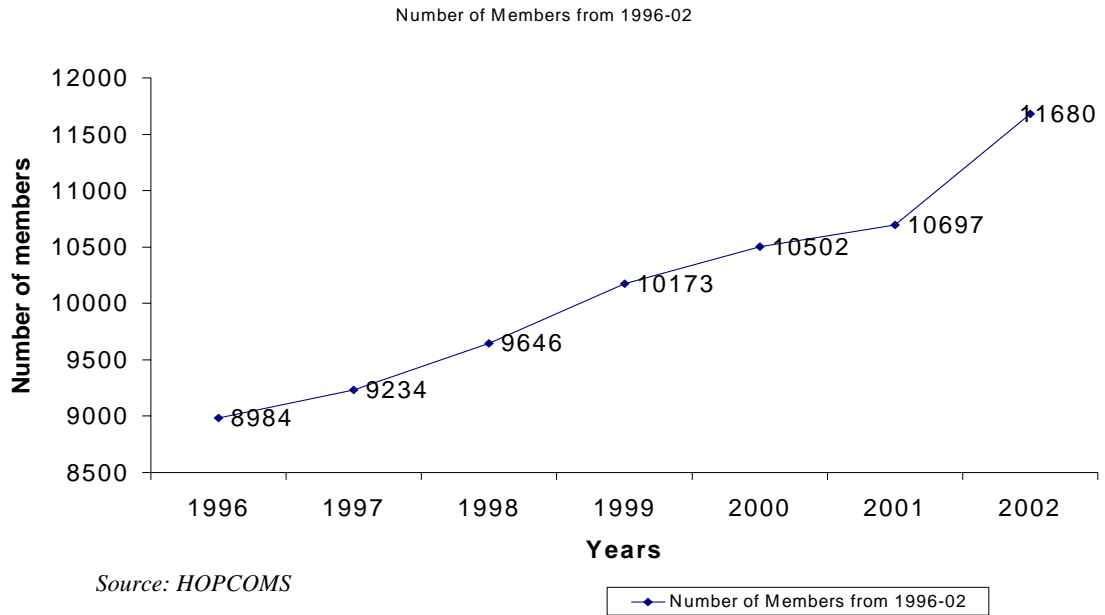
The two major aspects of up scaling are growth in membership and in territory of operations. In the case of HOPCOMS, there is another aspect of up scaling, increasing coverage of the city of Bangalore, i.e. through having more retail outlets.

6.1. Membership

The membership of HOPCOMS has increased by an organic process. HOPCOMS supplies the application forms to those people who want to become members of the Society. On payment of the subscription amount, the person is added to the members' list of HOPCOMS. The name is also added to the list of fruits and vegetable sellers, to whom the indent orders are sent.

The accompanying graph clearly shows that there has been a steady increase in the number of members, over the period 1996 to March 2002. The number of the membership saw a sharp increase in numbers, of 3 to 5 percent every year over the past six years. During the previous year, 2001 to 2002, the membership increased by 9 percent. According to the Chairman, the membership of HOPCOMS tends to increase during periods of distress sales of produce, because market price of these products falls when the supply is high. HOPCOMS is known to buy them at rates that are remunerative and compensate the farmers to some extent of the expenses incurred by them. When the farmers begin to feel the difference, they tend to become members.

However the ratio of the membership to the total number of farmers around Bangalore is very less, being to the tune of 1:7. Many farmers opt not to join the organization since they feel that is very government friendly and they prefer to sell their produce in the market and be open to the vagaries of the price and profits rather than selling it in HOPCOMS, a notable point.



6.2. Territory

The Department of Horticulture set up a total number of 16 co-operative societies. Till 1998, HOPCOMS Bangalore managed 8 of these co-operatives, while the others were called District Horticultural Co-operatives, and were supervised directly by the Department of Horticulture. The accompanying chart explains the structure as it existed till 1998. A senior officer deputed from the Department of Horticulture headed HOPCOMS. In 1998, there was a restructuring and a federation of horticulture co-operatives was formed in the State of Karnataka. After the restructuring, all district horticultural co-operative societies, which are primary co-operatives, carry the name of HOPCOMS, and are headed by ‘Managing Directors’. These co-operatives are federated through Karnataka (State) Horticulture Federation (KHF), which is also headed by a Managing Director, currently a deputy from the Department of Horticulture. HOPCOMS Bangalore now works in Bangalore and Kolar, and the other districts have become independent HOPCOMS. Thus the territorial coverage of HOPCOMS Bangalore has in fact reduced since 1998. However, this is a good separation, as it enables separate accounting and independent managed of the HOPCOMS in different districts.

The coverage of HOPCOMS can also be measured by the acreage it covers through its members, of which there is not data available with the society.

6.3. Retail Outlets

HOPCOMS sells its produce mostly through retail outlets that are situated on main roads in most localities of Bangalore. The number of outlets, through which HOPCOMS sells, has increased over the years, currently being over 200. Each outlet usually has two employees, who sell the produce. The sites are usually given by the Bangalore Development Authority (BDA), which provides a small place for civic amenities in every locality. The production cost of the shed is Rs. 89,000. HOPCOMS has raised this money from the state government in the initial years, and later taken loans from organisations like National Co-operative Development Corporation (NCDC). The cost of loans is a major consideration, as high costs would reduce the viability of the operation. NCDC has provided soft loans to HOPCOMS to expand the chain of retail outlets.

The membership has increased significantly, at the rate of 3 to 5 percent per year, an increase of 30 percent over the six-year period from 1996 to 2002. However, the growth of HOPCOMS is linked to the growth in turnover. This has increased over the years. The number of retail outlets has increased, and the location of these in prime areas of Bangalore ensures that sales are good. The quantity of horticultural produce handled, however, has decreased over the six years from 1994 to 2000, registering an increase only in 2000-02. The financial results and growth of turnover and profits are described in the following section.

7. Sustainability and Replicability

HOPCOMS offers several lessons for the development community, which seeks to look for success stories in urban marketing for agricultural and horticultural produce. The sections above describe the success of HOPCOMS, and we now proceed to examine the sustainability and replicability of the experience.

7.1. Sustainability

The sustainability of HOPCOMS can be evaluated based on different aspects of sustainability, both financial, managerial and environmental.

7.1.1. Financial Sustainability

As seen from the analysis of financial results, HOPCOMS makes profits, though these are low. The gross profit made is reasonable, but most of it is wiped out by high overhead costs, comprising largely of salaries of employees. The organisation is placed in a growing market, and has the opportunity to grow. It has decided to expand its business, start more retail outlets, introduce new products. With growth in turnover and cost control, it is possible for HOPCOMS not only to be financially sustainable, but also expand its business and profits. The organisation does not report return on investment, as it works more in the mould of a government promoted cooperative society than a business concern. As long as the profits are positive, the organisation has a reason to exist.

7.1.2. Managerial Sustainability and Governance

In terms of managerial sustainability, however, the organisation does not perform well. The management is drawn from different departments and does not have an interest in the long-term sustainability of the organisation. The employees are paid by the organisation, but consider themselves employees of a government organisation rather than that of a competitive business unit. The membership base of the organisation is weak. Although the number of members has grown over the years, members do not participate in decision making or development of strategies. They do not have ownership of HOPCOMS. Their contribution to the shareholding has been low, Rs. 100 per farmer, which adds up to 8.3 percent of the total share capital of HOPCOMS. They too relate to the organisation more as a facility given by the government. Member involvement needs to be increased, professionals employed directly by HOPCOMS, and greater accountability and transparency is needed before managerial sustainability of the organisation can be attained.

The members of the society are currently not active participants in its management, which is controlled by staff of the government. Members need to take an active interest in the affairs of the society. At present they have use the society as just another place to sell their produce. Members do not demand accountability from the management, as the capital contribution by the members is only 4 percent of the share capital. Government has contributed 95 percent of the capital and government officers manage the entire operation.

A lot more needs to be done by way of member education, and greater control of elected members on the management of the organisation. More transparency in the day to day operations of the cooperative will most likely result in better operational performance and higher profits.

7.1.3. Environmental Sustainability

HOPCOMS engages in wholesale purchase and sale of fruits and vegetables and eliminates the need for plastic packing of vegetables. However, it could contribute more if it collected all the spoilt vegetables and processed it for production of bio-gas. This was planned at some time, but it did not come through partly because of the lack of funds and partly because it needs an organisational effort and new roles and processes to be introduced for this additional activity. As the organisation currently focuses all its efforts on just breaking even, this aspect is neglected.

7.2. Replicability

The replicability of an experience in one country in another country depends on several factors. In India, which is a vibrant democracy, there has always been space for co-operatives. Several large and successful co-operatives sector enterprises have emerged. The experience of milk co-operatives is the most well known experience. Other

The New laws governing Co-operatives in India are:

- The Andhra Pradesh Mutually Aided Co-Operative Act, 1995
- The Bihar Self-Supporting Co-Operative Societies Act, 1996
- The Jammu and Kashmir Self-Reliant Co-Operatives Act, 1997
- The Karnataka Souharda Co-Operatives Societies Act, 1997
- The Madhya Pradesh Autonomous Co-Operatives Act, 1999
- The Multi-State Co-Operative Societies Bill, 2000

(Co-operative Initiative Panel, "State of Co-operation in India", (2001)

sectors in which the co-operative movement has flourished are sugar, cotton and silk weaving, edible oils, land development, agricultural inputs, credit and other multi-purpose co-operatives.

The legal and regulatory environment in India encourages the establishment of co-operatives. The co-operative law in different States of India has been amended during the last decade to bring in greater autonomy, control of members, and greater transparency in the operation of co-operatives.

1. The first and foremost condition for the replication is that of a favourable legal and regulatory environment and a polity that is positively oriented towards the basic principles of co-operation. This awareness should not be at the highest level of the society but should be present in all those people who want to come together and form a co-operative.
2. The second most important consideration is the viability of the business undertaking. HOPCOMS is in a growing market. While HOPCOMS, is a co-operative in a large city like Bangalore, a study of other co-operatives in this field

There are several advantages and disadvantages that HOPCOMS has had because of its origin as a government organisation. The advantages have been equity contribution by the government, which helped to create a vast infrastructure, including several procurement centres, storage centres, processing centres and retail outlets. Linkages with co-operative banks have enabled it to smoothen the cash transactions with members. Access to resources to set up such infrastructure (either through loans or equity) must be ensured for any replication.

A replication project must guard against some of the problems faced in HOPCOMS. Member involvement needs to be much higher to ensure better business focus, higher profits, and a more vibrant co-operative. For this, care needs to be taken to include members from among the more marginalized groups, and those who need the support from an external initiative. There needs to be a large investment made in member education and training, and this is the role that international donors can play in providing technical assistance.

8. Recommendations for Credit and Investment

HOPCOMS is a good example of collective marketing of horticultural produce and tapping of the urban market for the benefit of farmers. There are several aspects of the working of HOPCOMS that can be emulated, for instance the size and scale of operations, the high quality of produce and the assurance of fair prices to producers.

However, there are aspects that need to be taken care of, that HOPCOMS does not attend to. The organisation needs to be clear about the clients that it wants to reach. If the intention is to run a viable organisation at a large scale, the promoters may choose to include the non-poor. However, if the intention is to primarily provide higher incomes to the poor, poverty targeting becomes necessary. The organisation must keep data on income and asset profile of its members and monitor this regularly for change and impact, as this would be the main objective of establishing the organisation.

HOPCOMS is a case more of marketing success than success of credit. The organisation extended credit to farmers for some years, but as it could not recover the money, the credit scheme was discontinued. The author is also of the opinion that an organisation must only take up an activity that it can specialise in and can provide professional service in. Credit institutions have become highly specialised and only those organisations capable of performing credit tasks should take up the activity. Other organisations can make strategic links with credit organisations to extend credit facilities to their members.

An important consideration in promoting business organisations relates to ownership and management. If members contribute only a small percentage of the share capital, they tend to take less interest in the operations and make fewer demands on the management. The financial sustainability of such an organisation is at stake when it is dependent on a management that is not accountable to its primary beneficiaries, to an authority that is different from the primary members of a cooperative.

A development organisation may want to consider what type of business organisation to encourage. This question is difficult to answer fully within the scope of this paper. However, some precepts are outlined.

The first question that is important is the type of activity in which investment should be made. Should a promoting agency invest in marketing, credit or other activities. If we spread the activities across a broad spectrum from capacity building at one end to provision of services at the other, then we can discuss the issue better. At the lower end of the spectrum would be provision of services, like credit, production, marketing. At the middle of the spectrum can be placed activities like legal support, technical linkages and technology development. Activities that lie at the higher end of the spectrum are those that are of the nature of capacity building, like support for forming of organisations, training in managing organisations, leadership development, etc.

My own experience in the sector is that it is better to place an organisation at the facilitating end. The basic precept is for facilitators and promoters to do as little as possible by way of provision of services, and as much as possible by way of capacity building, networking, linking and mainstreaming. When externally promoted organisations take on service provision, the target clients do not take over the ownership and the management does not stay accountable to its target clients, even though the form of organisation is a cooperative. This is borne out by the HOPCOMS case as by other cases where such support has been given (CASP-PLAN case study in Premchander 2000).

The precept applies to credit too. A facilitating organisation is best advised to help clients save and then access mainstream credit rather than provide credit directly to the clients. Its main task then changes from facilitation to provision of the service, tasks that require different mindsets and different set of activities.

The issue of whether to promote individual or group businesses is often discussed by promoting agencies. This depends on the preferences of the clients and the technical

feasibility and financial viability of the proposed business as also its managerial aspects. The issues needs to be decided on a case to case basis.

If the intention is to reach the poorer people, an organisation of urban poor to market horticultural produce would be a good idea, as there is a growing demand for these products in a growing city. However, such an organisation needs to take some features and be quite different in some ways from HOPCOMS. HOPCOMS focuses more on the marketing of produce rather than on the benefits to clients.

There are millions of urban poor who trade in fruits and vegetables in cities. They work either individually or as a family enterprise. Their needs may be small, e.g. some credit to augment their working capital, or to buy an asset like a mobile cart. They may need a sheltered place to sell their produce from. Or they may need toilet facilities or child care facilities, which are especially important for women. When investments are targeted at the poor, especially women, it is important to identify their poor women and hold consultations with them about their needs.

It is my belief that we need to design each credit and investment scheme to suit the needs of a specific group of people. Some general principles may be used, and experiences of other projects can be drawn upon. However, we must recognise that every specific group of people need a special project design, and has to be done at a specific scale to be successful. In this sense, every project taken up is a separate pilot. The investment in consultations with clients is the most important investment to be made.

No project is fully replicable, nor is any project design totally new. In each case it is the process and not the product that determines the impact of a project. If the process involves good client identification, consultation and capacity building, and investments are made in these three activities, then the chances that a project for productive investment would be successful are very high.

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