

HOPCOMS: a Success Story of Horticultural Co-operative Marketing



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HOPCOMS has made a major investment in the infrastructure

The city of Bangalore in India covers an area of about 650 square kilometers with a population of over 6 million. There has been a 600% growth in population during the last four decades, which has resulted in an increase in poverty.

The state government has been unable to meet the needs of the people and the growing city. Civil society organisations, including NGOs like Janaagraha and Public Affairs Centre, are already beginning to take on the added responsibility of informing the public and advocating for change. However, there remains a particular need for credit and investment in urban agriculture in. One of the ways in which the many problems can be addressed is to encourage investments in people-owned institutions. One such daily need is fruit and vegetables, by people of all classes. HOPCOMS offers an example of an organisation that provides benefits of collective marketing to both producers as well as consumers.

HOPCOMS

The Horticulture Producer and Cooperative Marketing Society (HOPCOMS) was established in 1959.

Currently, it is a primary cooperative society covering three districts of Karnataka state - namely the Bangalore Rural, Bangalore Urban, and Kolar Districts. The stated objective of this society is to promote and encourage the development of horticultural produce. This is achieved by selling horticultural produce and providing training, technical advice and agricultural inputs as well as cold storage and marketing facilities to its members.

Since then, the total membership has increased to 11,680 farmers, with 100 tonnes of horticultural produce being traded per day in eight districts. These societies were managed by HOPCOMS until 1998, at which point each cooperative society was made independent, sixteen of which were subsequently federated at the state level, as members of the Karnataka Horticulture Federation.

The society has 231 outlets in Bangalore, 650 permanent employees and 790 temporary staff. A committee formed according to the provisions of the Cooperative Societies by-law manages HOPCOMS. The committee consists 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.

Farmers are members of HOPCOMS. The members are divided into the following categories: **Class A** is comprised of farmers and producer members (11,680 in 2002) who own under 10 percent of the total shares; **Class B** consists of the NGO sector, other cooperatives and banks, who have a stake accounting for less than 1 percent; and **Class C** is the state government of Karnataka which holds 91 percent of the total shareholding.

HOPCOMS has made a major investment in the infrastructure for marketing and processing of horticultural produce.

There has been a steady increase in the sales over eight years, from around Rs. 10 million in 1992-1993 to over Rs. 40 million in 2000-2001. Fruit and vegetables formed 91% of the total sales, chemicals formed 6%, and seeds and fertilisers remained a very small component of the total sales. Because fruit and vegetables are highly perishable products, the control of wastage directly affects the amount of profits made.

HOPCOMS earned a gross profit in each year of operations, from 1991 to 1999. However, while the gross profits have grown, the net profits have shown a variation from the trend of gross profits. This is due to the high operating expenses, which have almost been equal to the gross profits made for these years, leaving a very negligible net profit. This negligible profit has been attributed to the increase in the employees at HOPCOMS, with the number of employees per retail outlet being an average of about four. The society plans to increase the number of outlets to increase its sales and profits.

BENEFITS AND IMPACT

The most significant benefit arises from the fact that HOPCOMS purchases its produce directly from the *farmers*. This eliminates the intermediaries, and consequently, a remunerative price is paid to the farmers - usually 10-15% higher than the open market prices. Furthermore, during periods when there is an excess supply of certain produce in the market, the open market price drops. HOPCOMS, however, assures a minimum price for produce during times of poor sales. Another major benefit is that cash is paid to farmers on the day of the transaction, thereby eliminating the need for extending credit, which is prevalent in private business.

HOPCOMS has weighbridges at each procurement centre, hence assuring farmers of correct weights. HOPCOMS also has infrastructure facilities like cold storage and godowns to store produce, as well

procurement centres where farmers can sell directly to consumers. At the procurement centres, HOPCOMS also sells seeds and fertilisers at subsidised rates, as well as plastic crates for transport. In addition, because farmers travel long distances with large quantities of produce, HOPCOMS provides lodging and boarding facilities.

The largest market of HOPCOMS is among the city dwellers in Bangalore. HOPCOMS assures good quality produce that is pre-packaged and sometimes cut, and sold at reasonable rates that are normally less than prevailing market rates. The weights used at HOPCOMS are also reputed to be correct. Another important factor is the convenient location of the retail outlets, in residential areas and near office areas. The existence of HOPCOMS is also of great benefit to its own employees. The cooperative carries a staff of over 1,400 employees who are not farmer members. These employees draw a salary from the organisation and are important stakeholders of HOPCOMS.

LESSONS LEARNED AND RECOMMENDATIONS

HOPCOMS is a profit-making enterprise, thereby making it financially sustainable. However, it is important to note that much of the gross profits are eliminated by high overhead costs - mainly the

The main advantage is the contribution to equity

salaries of its employees. HOPCOMS has decided to expand its operations by establishing more retail outlets and introducing new products. With this growth in turnover and increased cost control, it will be possible for HOPCOMS to not only be financially sustainable, but to also expand its business and profits. However, it does not report a high return to investment, as HOPCOMS still works more as a government-promoted cooperative society than a business concern.

In terms of managerial sustainability, however, the organisation does not perform well. The organisation is and remains government managed. The management team, although paid by the organisation, usually consider themselves as government employees rather than staff of a competitive business unit, and

members do not demand accountability from them, as their capital contribution is only 8 percent of the share capital.

Members need to take an active interest in the affairs and management of the society and demand greater transparency in its operations. For this to happen, the organisation must make a concerted effort to build the capacities of its members and elected members must take greater control of the management of the organisation.

The first and foremost condition for 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 be present in all those people who want to come together and form a co-operative, and not just at the higher levels. The second most important consideration is the viability of the business undertaking. For a business to be truly viable, member involvement must be much higher.

In a vibrant democracy such as India, there has always been space for cooperatives, and several large and successful cooperative sector enterprises have emerged over the years, including the famous example of milk cooperatives. The legal and regulatory environment in India encourages the establishment of cooperatives. Cooperative law has been amended in different states of India during the last decade, to bring in greater autonomy, control by members, and greater transparency in their operation.

HOPCOMS experiences several advantages and disadvantages because of its origins as a government organisation. The main advantage to being government-sponsored is the equity contribution made, which helped to create a vast organisational infrastructure, including several procurement centres, storage centres, processing centres and retail outlets. Linkages with cooperative banks have also enabled it to smooth out cash transactions with members. The main disadvantage has been the lack of active involvement from its farmer members, who constitute the organisation's main clients. In spite of their large numbers, they do not even own 10 percent of the total shares of HOPCOMS. Care needs to be taken to include members from among the more marginalised groups, and those who need the support from an external initiative. There

should also be a large investment made in member education and training.

HOPCOMS is a good example of collective marketing of horticultural produce and tapping of the urban market for the benefit of farmers. It is an outstanding example of the benefit of successful marketing, rather than a case of the successful provision of credit. The organisation extended credit to farmers for some years, but as it could not recover the money, the credit scheme was discontinued. Marketing and credit activities are better done by separate specialised organisations, and not by one organisation. HOPCOMS must be clear about the clients that it wants to reach. Creating an organisation of the urban poor, to market horticultural produce would also be a good idea, as there is a growing demand for these products. However, such an organisation must add some features and be quite different in some ways from HOPCOMS.



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HOPCOMS purchases its produce directly from farmers

It is better to place an organisation at the facilitating end if the objective is to reach the poor. 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.

Ultimately, the most important investment that can be made is to consult with clients. An effort to build people's organisations must be made and the people themselves must be aware of the functioning of their institutions.

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