

# Promotion of Milk Producer Companies: Experience of NDS



**Sriram Singh**



## **This presentation covers the following**

- Brief genesis of Producer Company legislation
- Current status of the MPCs formed with NDS support
- Design principles
- Steps followed in formation of MPCs
- Structure and business of the MPC
- Capacity building activities: a key focus of the MPCs

## A brief on Genesis of Producer Company

- Soon after liberalisation in nineties, the idea of a Producer Company type institution was mooted.
- In 1999 the Chairman of NDDB met the then Prime Minister **Shri Atal Bihari Vajpayee** and stressed upon the importance of Producer owned institutions and the likelihood of many cooperatives not being able to withstand competition from the private sector.
- The central Government then set up a Committee headed by Dr. Alagh, a noted economist and a former Cabinet Minister, to examine the matter.
- The Committee recommended setting up Producer Companies, under the Companies Act (a central legislation), which will combine the institutional strength of mutual assistance with the liberal framework of the Company law.

## **A brief genesis ..... contd..**

- The parliamentary process for amending the Companies Act to incorporate Producer companies was piloted by the Department of Companies Affairs and the amendment was notified in 2003.
- The Agriculture Ministry GOI wrote to the Principal Secretaries (Cooperation) of all the States in March 2012, “Producer Companies combine all the virtues of a cooperative enterprise coupled with the vibrancy and efficiency of a company. .... (therefore) the States may consider to extend the concessions/benefits to producer companies formed by farmers at par with the cooperative societies.”
- Directorate of Animal Husbandry, Dairying and Fisheries(DADF) has decided that in addition to cooperatives, Producer Companies shall also be eligible for assistance under National Dairy Plan (NDP).

# Extension of Benefits to Producer Company

No.L-12011/1/2012-I&P  
Government of India  
Ministry of Agriculture  
Department of Agriculture and Cooperation

Krishi Bhawan, New Delhi  
Dated the 23<sup>rd</sup> March, 2012

To,  
The Principal Secretaries/Secretaries (Cooperation),  
All States / UTs.

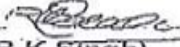
**Subject: Extension of Concessions/Benefits to Producer Company at par with Cooperatives by the States/UTs-regarding.**

Sir,

As you are aware, a 'producer company' is a business enterprise registered under the provisions of Part IX A of the Companies Act, and established on the principle of mutual assistance (listed in Section 581G(2) of the said Act), which are similar to "Cooperative Principle". Producer Company, under the Companies Act can be registered by producers or producer institutions engaged in any activity related to agriculture and allied sector and handloom, handicraft and other cottage industries. Producer Companies combine the institutional strengths of Cooperative principles with the flexibility, autonomy and transparency of company and a cooperative society. It combines all the virtues of a cooperative enterprise coupled with the vibrancy and efficiency of a company.

2. In view of the above, the States/UTs may consider to extend the concessions/benefits to Producer Companies formed by farmers at par with cooperative Societies.

Yours faithfully,

  
(R.K Singh)  
Director

T.No.23384309  
a/c

Copy to: All Divisional Heads in DOAC with the request that producer Companies may be considered at par with cooperative societies while revising the ongoing schemes for the 12<sup>th</sup> Five Year Plan.



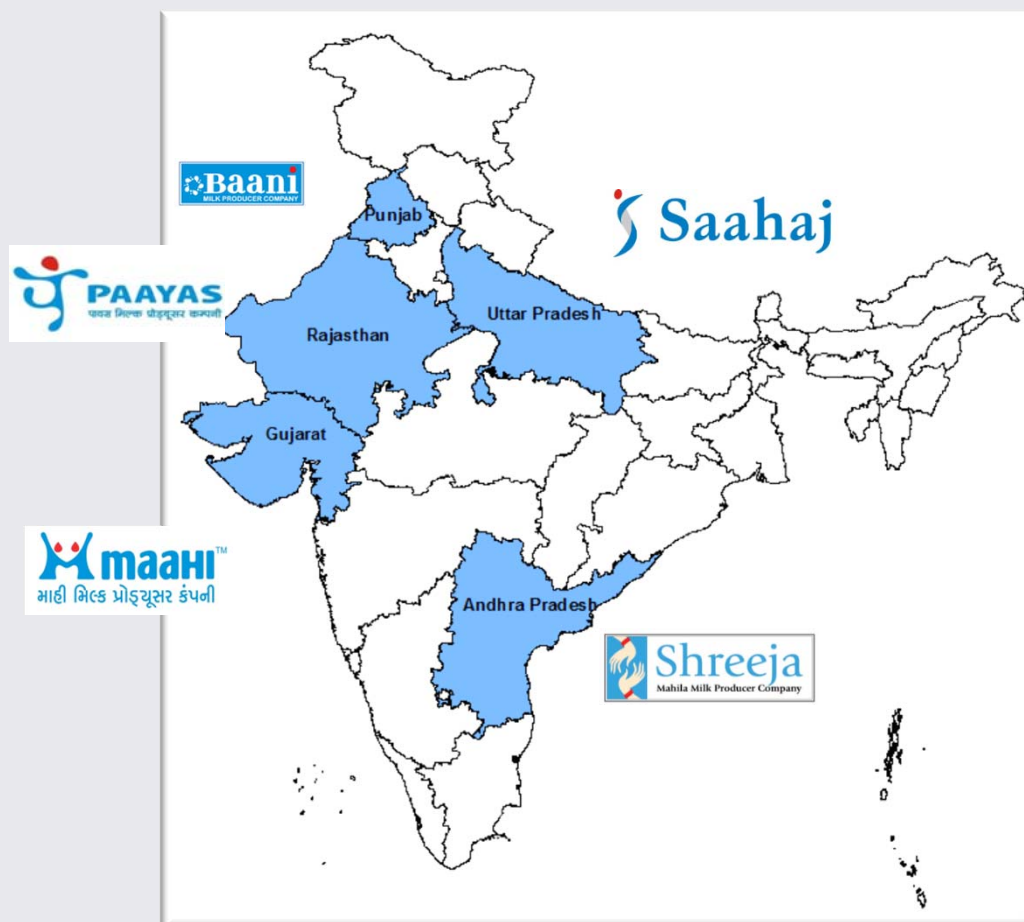
## **Producer Companies Registered**

- As of September 2015 there are 2090 Producer Companies registered in the country.
- Of these, about 65 Producer Companies are dealing in milk and milk products.





## Milk Producer Companies promoted by NDDB Dairy Services (NDS)








MPC Name	Incorporation	Operationalisation
Paayus	19/05/2012	01/12/2012
Maahi	07/06/2012	18/03/2013
Shreeja	03/07/2014	15/09/2014
Baani	11/08/2014	06/11/2014
Saahaj	17/10/2014	12/12/2014



## MPCs at a glance as of 31<sup>st</sup> March 2015



Parameters					
No of Members	<b>69647</b>	<b>86938</b>	<b>41292</b>	<b>22972</b>	<b>44999</b>
Women Members	<b>25025</b>	<b>17688</b>	<b>41292</b>	<b>2689</b>	<b>9695</b>
women membership as % of Total members	<b>37%</b>	<b>20%</b>	<b>100%</b>	<b>12%</b>	<b>22%</b>
Small holders\$ as % of total members	<b>47%</b>	<b>51%</b>	<b>75%</b>	<b>45%</b>	<b>43%</b>
Paid up Share Capital (Rs in Million)	<b>154.0</b>	<b>262.0</b>	<b>20.3</b>	<b>13.8</b>	<b>22.0</b>
Average Milk Procurement (‘000 Kg Per Day)	<b>412</b>	<b>536</b>	<b>236</b>	<b>170</b>	<b>425</b>
Turnover 2014-15 (Rs in Million)	<b>5968</b>	<b>9793</b>	<b>1381*</b>	<b>868*</b>	<b>1582*</b>

\$ . Holding up to three milch animals.

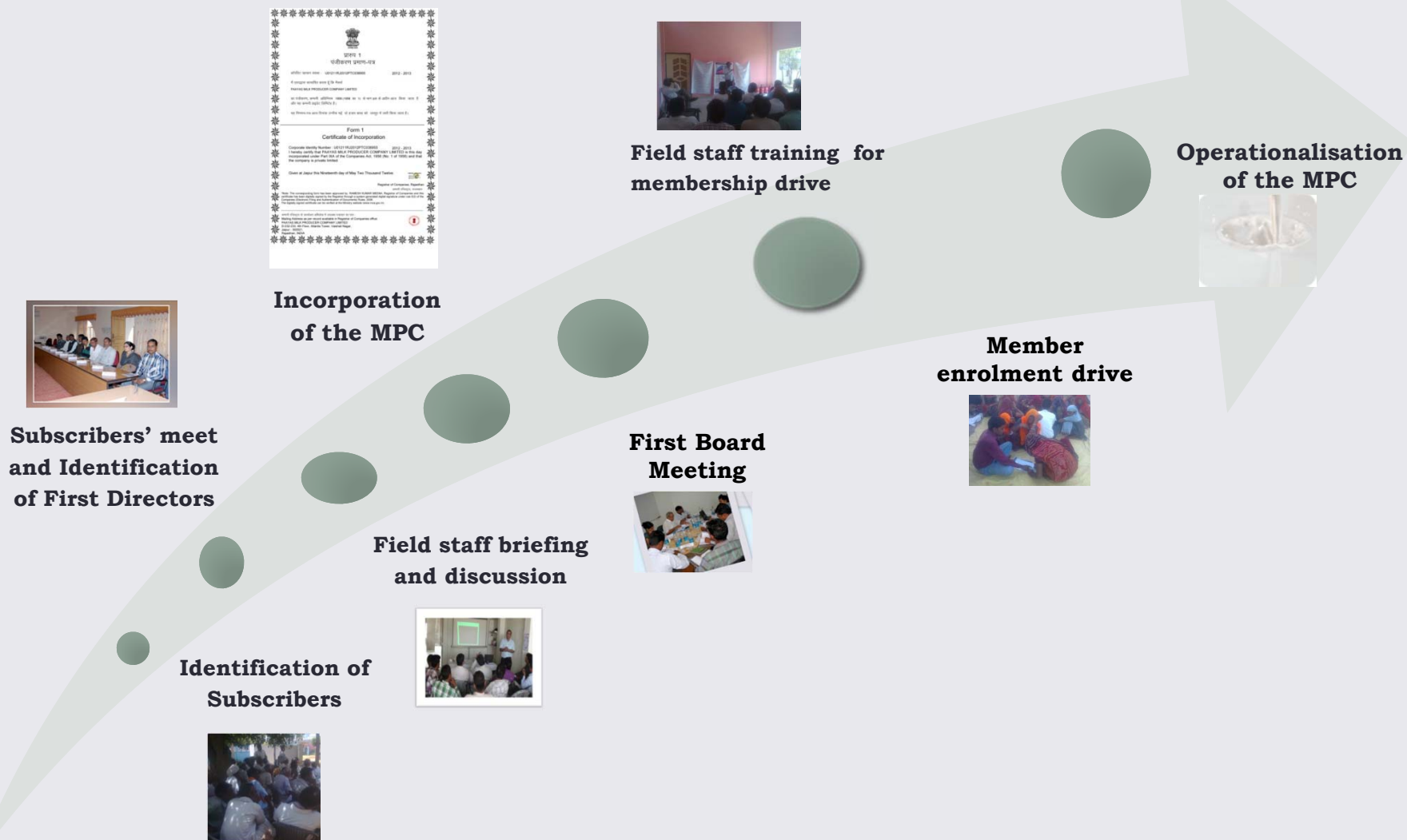
\* Operationalized during 2014-15 and turnover is for few months only.



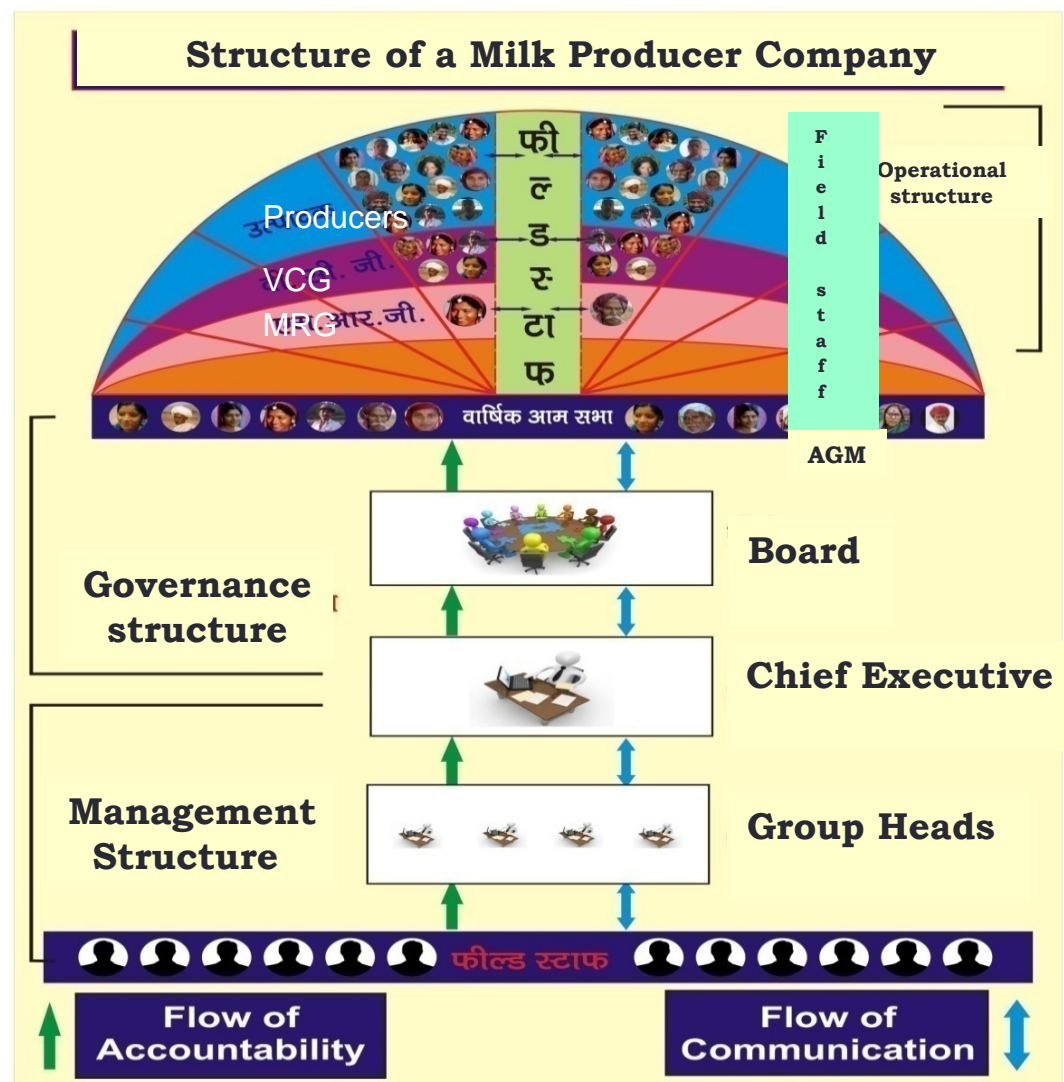
## **Some Important Design Principles adopted by the Milk Producer Companies**

- Business only with members
- Active user membership and their participation in business and governance - No Free Riders
- Member equity in proportion to patronage – ‘building skin in the game’.
- Patronage based member classes and member class representation on the Board to ensure inclusiveness in governance
- Appropriate mechanism for member communication and grievance redressal.
- Professionally managed business operations and economy of a scale sufficient to ensure viability and self-sustenance at the earliest.
- Building an efficient value chain management for maximizing returns to members
- Leveraging technology for information and data management to ensure transparency and deliver need based services.

# Making of a Milk Producer Company: The process



# Structure of a Milk Producer Company

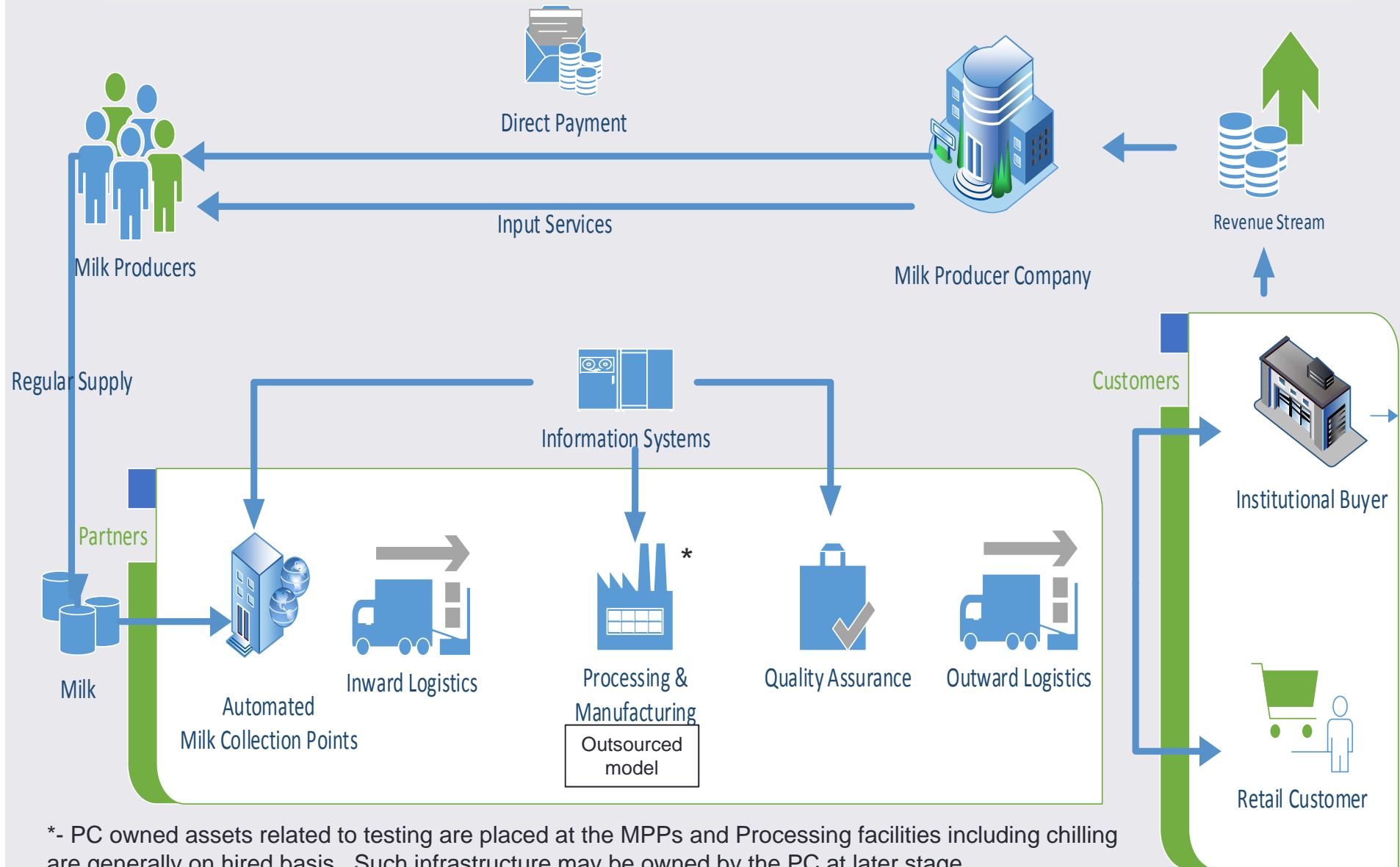


## Board composition

Member Class	Patronage (milk supply)	% Positions on Board of the Total
A	X%	X%
B	Y%	Y%
C	Z%	Z%

1. Expert Directors up to one fifth of the total board strength
2. Chief Executive - Ex officio

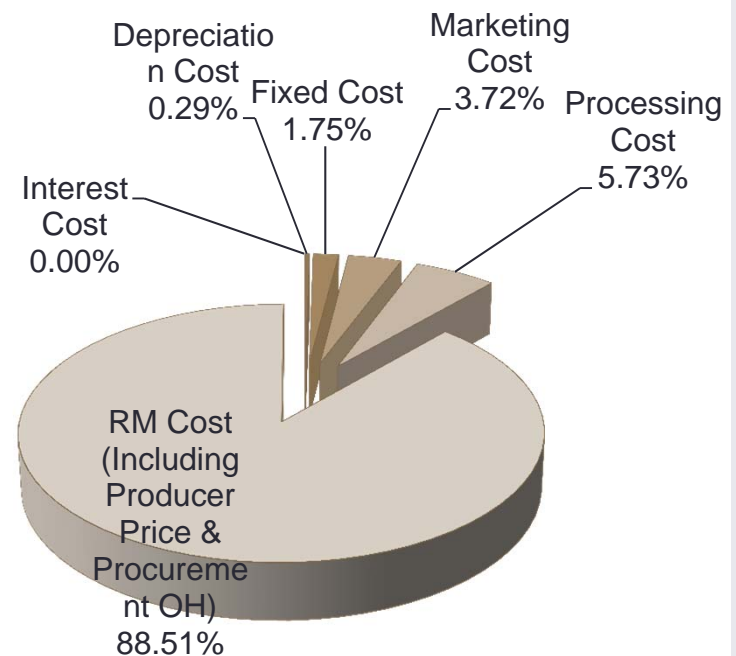
# Business Model: Flow diagram



## Business Model .....

- The Milk Producer Companies have a low asset base with a high asset turnover – asset light strategy
- Capital is primarily equity based and cash flow is sufficient to cover the interest on account of debt – low debt obligation/nearly debt free
- Negative Cash conversion cycle ensures positive working capital – Continuous Cash generation
- Cost structure neutralizes the business risk of sales slow down – Variable cost model
- Healthy retention rate drives the future growth – building of healthy reserves & net worth will give strength to Balance Sheet leading to higher creditworthiness

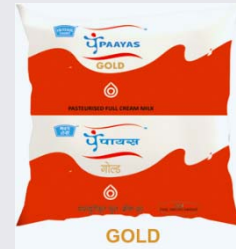
### Paayas MPC (2014-15)







## Milk and Milk Products of Milk Producer Companies



## Capacity Building

- Board of Directors
- Senior Professionals
- Field staff
- Field functionaries – Sahayak, Local Resource Persons etc.
- Village Contact Group/ Member Relations Group
- Members and potential members (emphasis on Women)
- Youth
- School Children

## **Glimpse of Various Training Activities**

## Business Orientation Programme for Board of Directors

Programme at Tirupati for Shreeja MMPC



- During the programme the participants draft the Values, Vision, Mission of the Paayas MPC and key priority areas for five years for the company.
- Discussions will also be held on the roles and responsibilities of Board and the Chief Executive of the MPC, and common errors during board meetings.

Programme at Aligarh for Saahaj MPC





## **Inter-face Workshop for the Board and Senior Professionals**

- As a sequel to the Board orientation programme, the Senior professionals and Board come together for the interface workshop.
- This inter-face workshop helps participant to re-visit the Values, Vision and Mission of the MPC and also the key priority areas for five years and one year for the company.
- Experiential games used during the programme helps participants to understand the importance of having team efforts, planning, cooperation, sharing of responsibilities, coordination, optimum use of resources, collaboration etc.



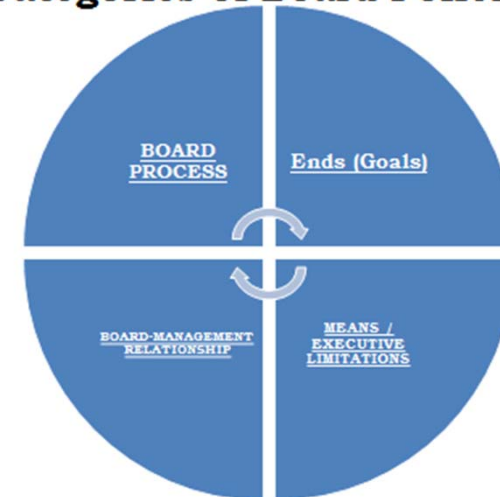


## Policy Governance workshop for BODs of MPCs

**This is a 3 days workshop for Producer-member Directors and Chief Executive of the MPCs.**

- The participants will be taken through the concept of “Policy Governance” emphasising its rationale, importance and utility
- They will also be apprised about the process followed for formulating policies. They also get practice for drafting policies.
- They will also be taken through policy calendar and importance of monitoring of the same.
- Group Heads will also be invited on the third day to develop a common understanding on the concept.

### Categories of Board Policies



## Leadership Development Programme

**Participants:** Potential MRG/ VCG / members of the MPC

### Leadership Development programme includes....

- Importance of the Values, Vision and Mission of the MPC
- importance of Communication and Team work in their efforts at the village level
- Role of Leaders and Leadership qualities
- Addressing issues pertaining to membership, Milk Pooling point, input services etc



## Trainers Training Programme



**Participants:** PIB executives of the MPC/  
Facilitators of the outsourced  
agency

- Special emphasis is given on Trainer's Training methodology (Criterion Referenced Instruction - CRI) and importance of establishing two way communication between members and MPC.
- Discussion will also be held on the lesson plan of Member Awareness Programme, Women Awareness Programme, Clean Milk Production, Rural Youth Programme and Children Awareness Programme
- PIB Executives and NGO personnel will be taken through a process for conducting these programmes.





## Producer Awareness Programme



**Participants:** Individuals who are either the members of the MPC or potential milk producers in the village

**This programme broadly aims at spreading awareness about the.....**

- Concept of MPC,
- Benefits on becoming members of the MPC,
- Membership criteria and
- process of becoming members of the Milk Producer Company.
- Roles and Responsibilities of Members



# Women Awareness Programme



**Participants:** Women who are either members or from members' families or from potential members in the village.

This program mainly stresses on women's contribution in dairying.

**During the programme the participants will be explained mainly about....**

- ❖ Important role of women in animal husbandry
- ❖ Importance of women getting enrolled as members of the MPC
- ❖ Need for their involvement in operation and governance of the MPC.
- ❖ Importance of self-care, health, hygiene and mutual support.



## Clean Milk Production Programme

**Participants :** Members and potential members of MPC including women

**The programme underlines the following aspects:**

- ☐ Importance of quality and clean milk production
- ☐ Factors affecting quality of milk (including breeding and feeding practices)
- ☐ Livestock health management, basic human health and hygiene practice
- ☐ Disadvantages of adding water, mixing carry over milk in fresh milk and colostrum with good milk etc



## Orientation programme for Member Relations Group (MRG)



**Participants:** 20-25 MRG members

**During the programme the participants will be explained about the .....**

- ❖ Importance of values, Vision and Mission of the MPC;
- ❖ Benefits of the MPC;
- ❖ Structure of the MPC
- ❖ Importance of communicating clearly with others
- ❖ Roles and Responsibilities of MRG.



## Rural Youth Programme

**Participants:** Youth residing in the villages where MPC has got functional MPPs

This programme encourages rural youth to understand the importance of dairying as a major source of livelihood and also sensitises them to accept this as a profession.

### The programme covers the following....

- Importance of dairying as a source of regular income;
- Importance of proper animal management, feeding and breeding to increase milk production.
- Benefits of becoming members of the MPC
- Role of MPC in helping them to undertake dairying as a profession.



## Rural School Children Programme



**Participants :** Primary / middle / High School preferably located in the MPP village.

This programme encourages children to realize importance of the dairy sector in rural lives.

**The programme includes ....**

- Importance of milk in diet;
- Cleanliness and proper hygiene in day-to-day life;
- Importance of cooperation in life;
- Activities of the MPC and
- Benefit to the members.





## Other Training Programs conducted in MPCs



**Training of Area Managers & Facilitator in Paayas**



**Motivation Prog. 18 – 20 March, Rajkot, Maahi**



**Sahayak Training – Session at Shahpura in Paayas**



**Team Building Prog. 11 – 15 March, Rajkot, Maahi**



## Challenges Faced

- Identifying the first producer directors
- Getting competent professionals who are committed to the purpose of the Producer Company
- Building initial capital
- Increasing value addition – moving from bulk marketing to branded retail marketing
- Strengthening ties between the members and Company by undertaking continuous awareness building and interaction activities
- Keeping only active membership i.e. weeding out uninterested one
- Robust ERP system

THANK YOU

