

STRATEGIC PLAN FOR GROWTH AND TURNAROUND

OF

WEST BENGAL STATE COOPERATIVE MARKETING FEDERATION (BENFED)



STRATEGIC PLAN FOR GORWTH AND TURNAROUND OF BENFED

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West Bengal State Cooperative Marketing Federation

Introduction

The Indian Institute of Management Calcutta (IIMC) was approached by the Cooperation Department, state government of West Bengal in 2006 to prepare a turnaround strategy for West Bengal State Cooperative Marketing Federation (BENFED). A team from IIMC visited BENFED and had a meeting with the Managing Director and senior officers of the BENFED. Based on the discussions, a proposal was submitted by IIM Calcutta to the BENFED (Annexure-I).

In late 2007, the new Managing Director of BENFED again initiated work on this project. A series of meetings were held between BENFED and the IIMC team. The team also made a number of field visits and a revised and developed the Terms of Reference (TOR) as an outcome of these activities (Annexure-II).

The TOR revision was based on the fact there was a long lapse between the submission of the IIMC proposal and commencement of the work. Secondly, a preliminary analysis of the financial and business situation in BENFED indicated that its accounts did not correctly reflect the viability of the current operations as well as the past liabilities. This encouraged the team to alter the scope of the study.

Scope of the Assignment

The focus of the study shifted from being a plan to “turnaround” of what was thought to be a sick organization to preparing a vision, a Strategic Growth and Turnaround Plan for sustained future growth for BENFED. This was based on the understanding that though BENFED was not a very prosperous organization, it had enormous strengths and capabilities that could be leveraged for future growth. This also complemented the efforts of the new management team to bring in initiatives for financial, operational and strategic

strengthening of BENFED along with the plan to strengthen the management information system through organization-wide computerization.

The revised TOR now includes:

- An analysis of the changing business environment of BENFED along with the strategic audit aimed at evaluating its financial and business situation, and also analyzing the organization's capabilities and weaknesses.
- Facilitating the development of a vision statement and a growth plan through strategic intervention.
- A road map for operationalizing the plan and developing a review and a monitoring mechanism.

The strategic intervention in BENFED requires us to define the scope of activities that need to be included in such a plan. As discussed below, besides the main task of supplying chemical fertilizers to farmers' cooperatives, BENFED has been asked by the state government to undertake procurement and price support operation in the case of jute and paddy on a need to intervene basis. The scope of the intervention varies from year to year depending on the market price and government efforts to support the farmers. But this vitiates long-term planning within BENFED and implies that it will either be short of resources or will have idle manpower and resources depending on the fluctuating nature of such an activity.

The aim of the strategic intervention was to help the management of BENFED exercise greater control over its activities through organizational-level planning and being able to define the scope of its activities, while meeting the stakeholders' expectations.

Methodology and Strategy Formulation Process:

The process of Strategic Intervention began with a familiarization study and meeting with the senior managers and few field visits to meet the staff, agents and the members of the primary credit societies on whose behalf the apex marketing society carries out its mandate.

To develop the strategy, the Indian Institute of Management Calcutta orchestrated four participatory workshops involving key functionaries of BENFED including some elected members of the Board. Three of these workshops were facilitated in person by the IIMC team.

The first workshop viz. Orientation Workshop was organized on 1st March, 2008. The participants of this workshop, selected from all the district branches and the head office, were expected to subsequently act as facilitators of follow-up workshops at district level.

This workshop ended with setting up four groups made up of the participating officials to work on different aspects of the business development strategy. These groups worked on their own for about a week to meet again in the second workshop, i.e. the Strategy workshop held on March 10 and 11, 2008. The workshop conducted an environmental scan for BENFED and a SWOT analysis. It also helped the participants underline the emerging path towards business development and finally helped them to develop the mission and vision of the organization.

After this, in each district a series of simultaneous workshops were held which involved consultation with different stakeholders to decide on a district-wise strategy. The participants of the second workshop on Strategy acted as facilitators of the district-level consultations. They benefited from the far-ranging views and feedback of the different stakeholders and firmed up a draft strategic plan for their own districts. These draft strategic plans includes:

- Plotting on a district map (rough sketch), the numbers and names of well-functioning Primary Agricultural Marketing Societies (PAMS) and Primary Agriculture Credit Societies (PACS).
- Plotting on a district map (rough sketch) the numbers and names of PAMS and PACS not functioning well - but having potential to do well - with a little help from the state government/BENFED.
- District-wise business record with special achievements and setbacks for the last three years.
- District profile with data on agricultural inputs consumption vs. supply from BENFED, marketing business in the district-paddy, jute, potato, fertilizer, bio-fertilizer, equipments etc. (including data on rice mill/cold storage/rural godowns), or any other relevant data that would help formulate the Business Plan for each district with specific interventions for :
 - expanding existing business
 - opening up new business opportunity

The outcome of these consultations was reported to the final workshop by the district-level facilitators.

The final workshop was held on April 7 and 8, 2008 where the participants reported on the draft plans made by their respective districts. There was also a discussion to develop and critique these plans with the help of other participants. The participants examined the suitability of proposal to meet the goals identified in the Strategy, or second workshop. Some members of the Board also addressed the participants and gave them their advice. A consolidation was planned to be carried out by BENFED to finally arrive at the Corporate Plan.

As a result of the workshops, the participants were sensitized to the strategic concerns of BENFED. They collectively developed a vision for the organisation and identified its long-term goals.

The workshop analysed the increasing pace of environmental changes. In particular, efforts were made to identify new opportunities in the existing business and possible new business areas that could be undertaken. These were identified and evaluated.

New competitive pressures and threats were identified and possible changes in regulatory environment were discussed. An objective assessment of the internal capabilities and resources of BENFED was also conducted. The workshops identified areas in which long term plans and policies need to be formulated to harness organizational capabilities. All this will go a long way in strengthening long term viability and survival.

Thus, as a result of this process, BENFED came up with a draft strategy plan which would help it deploy its internal strengths to satisfy its long term vision in the emerging competitive and regulatory environment.

Strategic Audit of BENFED

The cooperative movement in West Bengal is generally thought to be weaker than in other states. Unlike, say Maharashtra, dependence on state patronage and support has played a major role. This has also resulted in several weaknesses in the cooperative movement in West Bengal. However, given the fragmented nature of agriculture in the state, where farmers with very small plots of land and poor resource base constitute the bulk of the farmers, support from cooperatives can play a major role in neutralizing the weak bargaining capacity of farmers and strengthen their marketing capacity as well as access to essential inputs.

. The Cooperative Marketing Sector in rural West Bengal is organised at three levels.

At the base are the **Primary Agriculture Credit Societies (PACS)** which work at the village level and typically have members from two or three contiguous villages. These societies give agricultural inputs as well as credit to their members.

At the second level are the **Primary Agricultural Marketing Societies (PAMS)**. These societies are supposed to have PACS as members and they are primarily supposed to market both agricultural inputs as well as outputs. PAMS constitute members of the state level cooperative marketing federation.

West Bengal State Cooperative Marketing Federation (BENFED) is the apex body to serve and assist the PAMS and has been primarily engaged in the following activities.

- Marketing and distribution of Fertilizer
- Procurement of paddy and jute
- Construction of coal storage and godowns for primary credit societies with assistance of National Cooperative Development Corporation
- Supply of various agricultural inputs to different government and quasi government departments (Agriculture Department, Zilla Parishad etc.).

In practice, however, the three tier structure does not function well in all the districts; though it is strong in some districts like Burdwan. The PAMS have no, or marginal, access to bank credit and therefore have no working capital to effectively conduct business in fertilizers and other agri inputs. As a result, BENFED has been forced to do business directly with the PACS where the PAMS were not working. In other places, some local level traders provide financing to the PAMS and are the real players, though the PAMS provide the façade.

The main business of BENFED is to market fertilizer from various sources and supply it to farmers through PAMS and PACS. BENFED has the sole distributorship of some fertilizer manufacturers, notable among them being the cooperative fertilizer

manufacturer IFFCO. For this service, BENFED and the other intermediaries like the PACS and the PAMS get service charge/ commission from IFFCO and other manufacturers. This is supposed to defray the cost of the distribution and managing the entire supply chain, which includes godowns, storage centres, financial accounting and collection offices, railway sidings etc.

Another major activity of BENFED is to procure paddy through the PACS from the farmers on behalf of the state government. After the paddy collection, it is first processed in the rice mills before it is sent to the district godowns of the state government's Food and Supplies Department (FSD) or to the godowns of the FCI. For this activity, BENFED and the PACS receive an administrative charge/commission from the FSD. However, the volume of activity varies from year to year, though a small base activity is always ensured.

BENFED has also been involved in procuring paddy from farmers and getting it processed in rice mills. For a while it also owned a rice mill, but losses and mismanagement forced it to lease it out.

Similarly, BENFED also collects jute from the farmers through the PACS and supplies it to the jute mills. The jute mills make payment to Jute Corporation of India (JCI), which pays service charge to BENFED; in turn BENFED shares the fees with the PACS apart from reimbursing it for the cost of jute. This activity is primarily done under the market support mechanism of the state government. During some period, however, BENFED also took up the task of procuring jute as a commercial activity.

BENFED also constructs cold storages and rural godowns for the PACS and the PAMS with the assistance of the National Cooperative Development Corporation (NCDC). BENFED undertakes this work on turn-key basis and in turn it gets consultancy/service fee as a percentage of the total project cost.

In addition, BENFED also supplies various agri-inputs like bio-fertilizers, seeds, pesticides to buyers from the different government sectors for which it receives a commission above the procurement price.

Situational Analysis and Emerging Trends in Environment of BENFED

As part of the Strategic Audit, IIM Calcutta team along with the participants conducted a situation analysis of BENFED to discuss the emerging market scenario in agri-business. The findings are summarized below:

- The main activity of BENFED has been the distribution of chemical fertilizer manufactured by IIFCO. **As IIFCO is a farmers' cooperative, it prefers to market its products to the cooperatives** As the apex organization of the primary agriculture cooperative, BENFED has been getting about 500,000 mt for distribution in the state and has a turnover of about Rs. 200 crores.
- In addition to fertilizer sales, BENFED acts on behalf of the state government of West Bengal to procure paddy and jute and provide minimum support price to the farmers. However, this activity varies widely depending on the market price and the marketable surplus. The year the prices are low, BENFED is provided with the mandate and credit to procure paddy and jute which decline sharply in years when the market prices are high and the need to support is low.
- This results in large fluctuation in the turn over of the corporation and utilization of its manpower and other resources. Thus, the jute procurement in 2003-04 was Rs. 48 crores which declined to Rs. 13 crores in 2004-05. Similarly, the procurement of paddy has varied widely

The chain for procurement and marketing is shown below:

- a) Fertilizer marketing (IFFCO-BENFED-PAMS-PACS-Farmers): BENFED receives a commission from IFFCO

- b) Paddy procurement (Farmer-PACS- Food & Supplies Dept. godowns/FCI): the state government provides working capital as well as a commission to BENFED which is shared with the PACS

- c) Jute procurement (Farmer-PACS-jute mill): the jute mills make payment to the JCI, which in turn pays a service charge to BENFED; this it shares with PCS apart from reimbursing the cost of jute to the PCS.

- d) Construction of cold storages and rural godowns for the PACS with NCDC assistance: BENFED gets consultancy/service charge as a percentage of the total project cost.

- e) Supply of various agri-inputs to different buyers – Agriculture Department, Zilla Parishad, other government departments: BENFED procures from the market/other state cooperatives and societies, adds a service charge and supplies the products (bio-fertilizers, seeds, pesticides etc.) to the concerned department/agency.

Review of Activities and Problems

- The total turn over of BENFED has been fluctuating. In recent years it has been in the range of Rs. 300 - 500 crores.
- BENFED has been generating adequate surplus from its current operations during the last few years, if interest payment on advances received from the state government are ignored.
- The key weakness and threat to the survival of BENFED springs from the narrow business scope of the organization.
- Secondly, fertilizer industry has relied on subsidies and price control for decades. There is a danger that the pricing and other regulations may be superseded by the de-regulation sweeping the country, and that state may encourage entry of large retailers and farm input providers with better logistics and greater financial and political clout.
- The major internal weakness of the organization stems from the PACS and the PAMS. This is because these cooperatives are themselves either weak or absent in many districts and BENFED has been forced to rely on private traders to market the fertilizer to the farmers. There have been cases where some employees of BENFED have worked with private traders to the detriment of the Federation.
- BENFED has several well-trained engineers and managers with years of experience. Our travel in the districts and interaction with them at the several workshops lead us to the conclusion that the quality of manpower is superior to that available with the average government organization. However, it seems that the organization has been unable to fully utilize the skilled manpower.

- The salary structure has not been revised for more than a decade and the staff has been denied the pay revision granted to other government employees. This has led large-scale demoralization in the ranks and has lowered the commitment of the staff.
- The salary increase was denied based on the premise that BENFED is a loss-making entity. However, appropriate financial restructuring will show that BENFED is a profitable organization and is able to meet all its expenses and liabilities from the commission granted to it by the principals (IFFCO, FCI, West Bengal government).

Scope and scale

- The total turnover of BENFED has fluctuated widely. There is a general feeling within the organization that it has no control over its business environment and its future is dependent on the whims and fancy of the state government.
- Over the years, there has been no increase in the turnover or scale of operations. The business scope of the organization has remained confined to the selling of chemical fertilizer from one supplier and procurement of paddy and jute.
- As far as fertilizer business is concerned, its vulnerability and risk should not be underestimated. BENFED's main activity is the distribution of fertilizer only from one manufacturer. In other words, should something happen to the main supplier (IFFCO) BENFED too will find its supplies drying up. What is more this dependence on one product and one supplier has lowered the bargaining capacity of the organization vis a vis IFFCO. It has no say in the amount allotted to BENFED, the delivery period or even point of delivery. This is not to suggest that IFFCO is out to kill BENFED. The point merely is that BENFED, other than cajoling or persuasion, has little leeway in matters that affect its business and margins.

- The changes in the rural areas and entry of many new private and public players in the distribution and marketing of agri-inputs and procurement of a large range of agri-produce has made the environment dynamic with many new opportunities and threats. Several inputs needed by the farmers (pesticides, seeds etc.) are exclusively supplied by private traders or other state agencies. BENFED has not explored the possibility of being a single window supplier of all the inputs.

Financials

- The financial reporting in BENFED has been very weak. For several years, the accounts had not been finalized. Given the dispersed nature of activities where financial transactions need to be carried out at the district and block levels, weak financial controls have resulted in inefficiencies and at times in the misappropriation of funds. At other times, it has taken several months before these irregularities are identified and corrective actions are taken.
- The treatment of the assistance or loan received from the state government has been a contentious issue. It is clear that the current operating expenses of BENFED are substantially lower than the commission it earns on its operations. BENFED has been providing for interest against the old borrowings amounting to Rs. 116 crores (of which Rs. 95 crores is from the state government). The losses shown in the accounts stem from the provision of Rs. 1.15 crores as interest towards the old jute advance (**NOT CLEAR> LANGUAGE**). If these liabilities are taken off the balance-sheet, BENFED generates adequate surplus after meeting its operating expenses.
- What is more important, the financial reporting has followed ad hoc assumptions and methods. Thus, large provisions for interest on money received or borrowed from the state government have been provided, while no actual payment has ever been made.

- The total share capital of BENFED is about Rs. 14.52 crores. The organization has several different classes of shares (A, B & C etc.). While A & B shares are held by the Marketing and Processing Societies, the bulk of the shares belongs to category C and are held by the state government. In addition, the balance sheet shows a small reserve of Rs. 51 lakhs.
- This means that the net worth of BENFED is merely Rs. 15 crores. If the losses carried on the balance sheet are taken into account, the organization has a negative net worth of Rs. 35 crores.
- The bulk of the liabilities on the balance sheet comprise provisions (for doubtful debts and old receivable etc.) and Rs. 51 crores of loans bulk of which are from the state government. To carry out the operations, BENFED receives large advances from customers (Rs. 100-150 crores). It has short-term borrowings and liabilities of about Rs. 50 crores. In other words, BENFED is a highly leveraged organization and works with entirely borrowed funds as its own share capital has been wiped out by past losses.
- The interesting part of the balance sheet is that it shows an investment of about Rs. 58 crores, of which investment in LIC Mutual Fund amounts to Rs. 36 crores, while Fixed Deposits with banks exceed Rs. 3 crores. In addition, the organization has stocks of more than Rs. 200 crores along with loans, advances and receivables of about Rs. 72 crores. The asset side of the balance sheet also shows a loss of about Rs. 56 crores. (discussed above).

Key problems and issues

To summarize:

1. BENFED turnover has been in the region of Rs. 250-400 crores during 1998-2004 and has recently gone up to Rs. 630 crores. However, there has been some confusion about the actual level of profitability due to interest provisioning on government loans, and large interest claimed by BENFED on old advances given for jute.

2. On the whole, the Federation presents a picture of stagnant activity level with fertilizer distribution being the main stable activity and occasional spikes due to higher level of food grain procurement. The surplus (shown as trading profit) has also remained stagnant and fluctuates between Rs. 2-3 crores per year.

3. The narrow scope and stagnant level of activity presents a challenge. Without growth and diversification, BENFED's capacity to meet the stakeholder expectations and rising costs cast a shadow over its future. The very long term survival of the federation and its capacity to strengthen the cooperative movement amongst the small and marginal farmers hinges on its growth and organisational renewal.

4. The past losses exceed the very small share capital base of the federation. It has negative net worth and has to rely entirely on the borrowing and advances from suppliers or state government to meet its working capital needs.

5. The organization has been occasionally hit by small financial irregularities which led to the Board ordering withdrawal from those activities. It also has large advances outstanding which are still shown on the balance sheet.

6. Provision of interest on loans from government shows a large loss exceeding Rs. 56 crores. However, as no interest was actually paid out to the state government against these loans, the Federation has large cash surpluses which are invested in bank deposits etc.

7. The financial management and reporting and control systems need to be overhauled. The Federation has recently appointed consultants and has begun a process of computerizing the accounts.

8. The entire balance sheet needs financial restructuring with the old loans written off or converted into equity capital. This may require the permission of the registrar of

cooperatives and the state government. However, the point to note is that despite so-called losses on its books of accounts, the Federation has a healthy cash position. The Federation has large amounts of investments and deposits which could be used for enlarging the scope and scale of operations.

9. The organization is asked to undertake some activities on ad hoc basis. Thus, one year they may be asked to procure jute or food grain and next year it may not be required to do so. This undermines building of competence within the organization. Similarly, the building of cold storages by the engineering division has stopped, leaving fairly skilled manpower idle.

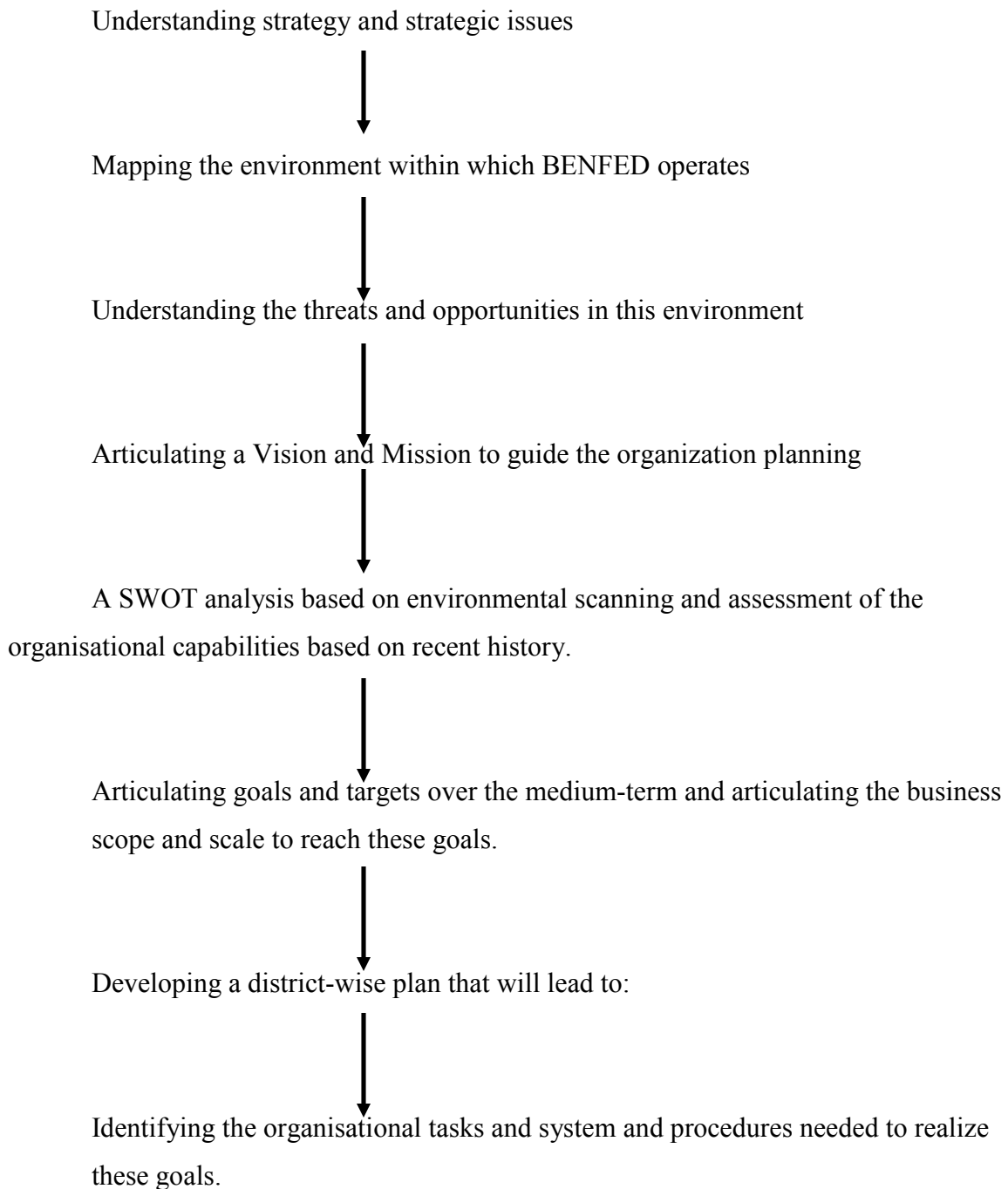
10. The organization is largely dependent on the fertilizer business and on one supplier. Supplies are ad hoc and unpredictable. There are no clear policies to stock the fertilizer during off season and sell it during peak period. This has undermined their bargaining capacity vis-a-vis customers and cooperatives and has led to dependence on private traders.

11. As the apex cooperative society, BENFED has failed to revitalize the PAMS.

12. The challenge before the organization is to evolve a strategy that strengthens the cooperative movement as well as the organization itself.

Strategic Plan for BENFED.

As explained above, the strategic plan for BENFED was developed through a series of workshops. The process followed was as given below.



Environmental Analysis

- The first trend seems to be the increasing relative importance of the private sector and multinational corporations in the rural agri-market. This broadly mirrors the trend in the overall Indian economy. This could also lead to the emergence of the retail chains specifically catered to agricultural inputs. This also could lead to increasing contract farming by the farmers.
- As fertilizer distribution is the main business, any changes in the practices by private manufacturers and their agents could change the competitive situation in the field. Though the price structure is fixed by the government of India, many private manufacturers try to make their product more competitive with better transport and logistic management.
- Tight financial management is the key factor in ensuring profitability. IFFCO provides BENFED with a cash rebate for early payment and credit for a total of 45 days. Any delay in payment to IFFCO results in penal interest charges that undermine profitability.
- The farmers also require many other inputs like pesticides, seeds, and organic fertilizer. However, BENFED has largely confined itself to its historical goals for acting as an agent of IFFCO and has bypassed these opportunities.
- The general reduction in subsidy and deregulation in the agri-inputs market has become a major threat to the very viability of the business model adopted by BENFED so far. Even the customers and base-level cooperatives have more information and are able to bargain with BENFED and other suppliers of agri-inputs.
- Several new opportunities are there before the organization. But the Federation has been focused on internal issues and problems, suffering from low morale. The

leadership has also shunned opportunities fearing financial losses or weak internal controls.

Strategy Workshops : Visioning BENFED

The senior managers of BENFED who participated in the first workshop could forward four different vision statements. These are:

1. To achieve a reasonable rate of growth and to sustain it by deriving profit by serving the interest of farmers; in the process minimize the exploitation of farmers by middle-men.
2. To develop the socio economic conditions of the farming community by way of providing their requirement and marketing their produces; play key a role in balancing the market price and providing the credit facilities, insurance coverage, loan against their produces.
3. To serve small and marginal farmers of the state of West Bengal through its network of cooperatives by providing quality inputs, procuring agri-produces and giving guidance, and participate in different scheme for backward classes.
4. To grow amidst competition and challenges for the benefit of the ultimate users by excelling in performance through adoption of appropriate strategy having market potential and incorporating technology suited to the need for the growth of members as well.

Consensus Vision Statement

We pledge to fulfill the need of farmers of the State through cooperative network through actions based on equity and justice with right degree of competitiveness by adoption of modern technology with the positive values of quality service for growth in turn over and for ensuring a reasonable return to our stake holders.

SWOT Analysis

The workshop assessed the major strengths, weaknesses threats and opportunities in the marketing of agri-products.

Strengths

1. BENFED is the apex cooperative supported by nearly 300 constituents who have linkage with nearly 3500 grass root level cooperative societies dispensing agriculture credit. The Federation also has an extensive network of branches in all districts of the state. This constitutes a formidable marketing and distribution network which can be leveraged to distribute other products.
2. Close relationship with the state government which has often used the federation to meet its need specially in procurement and price support operation.
3. BENFED has the storage capacity of nearly 1 lakh M.T., few cold storages, and buildings and land in several towns and districts. These can be used to generate resources and to augment the current income. However under utilization of the assets has been the major problem.
4. Skilled and capable managers familiar with the rural market and demand in the West Bengal countryside.

Weaknesses

1. Poor financial controls and reporting structures. Without speed financial reporting the federation has been landed with some non-performing advances and small misappropriations by lower functionaries.
2. It is not clear if the balance-sheet correctly reflects the assets and the liabilities. The balance-sheet also shows large interest payments due to the state government and hence shows complete erosion share capital and negative network. Because of these the federation has been unable to borrow from banks and has been forced to rely on advance from customers and the state government for meeting its working capital requirement.
3. The limitations imposed on cooperative sector also reduce the degree of freedom and wherever private traders are used it is camouflaged with the primary cooperative acting as a front.
4. The BENFED has been dependent mainly on IFFCO and has been unable to bargain business terms with the supplier.
5. The organization is characterized by risk adverse culture and lack of professionalism. It has been used to a culture of cost plus tariff and subsidies from the government. Managers also talk of imbalanced manning, poor communication within the organization, aging work force as there has been no recruitment for several years and poor technological infrastructure. Trust between the managing board and the employees have been low.
6. The Federation has never prepared a growth plan for its activities and has ignored opportunities for diversification and new activities unless pushed by the state government.

Threats and Opportunities

1. The major threats facing the federation have been the deregulation of the entire economy and shift to market dictated norms and activities. Many areas that were earlier closed to private sector have been opened up. Large private players are slowly moving into both wholesale and retail trade in agri-inputs in the Indian country side.
2. Withdrawal of government to support to cooperative sector and to end price support operations are reducing the business options before the federation.
3. Weaknesses of the primary member societies has been a continuous problem and constitutes a major threat to the very survival of BENFED. Unless the cooperative movement can be strengthened BENFED will find its scope gradually declining.
4. Declining use of chemical fertilizers and pesticides has seen some decline in some very attractive markets. The increasing trend of contract farming where a large buyer takes over the entire output and also provides major inputs can cut off the federation from its market.
5. On the other hand the deregulation also provides many opportunities for growth and providing new inputs through primary cooperatives.
6. The increased demand for hybrid and G.M.seeds along with demand for organic fertilizer provides new growth opportunities.
7. Possibility of using under utilized resources for generating new stream of income to subsidize the operating expenses of the federation.
8. The federation can also act as a partner with primary agriculture societies and strengthen their bargaining and marketing capacity.
9. With emphasis on agri-processing, the federation can help farmers by processing fruits, potatoes and oil seeds.

10. The possibility of experimenting with retail outlets either alone or in association with other cooperatives.
11. Marketing of engineering services and projects to other government departments and even private sector.
12. Revival of the mineral water plant and supplying to government or quasi government institutions like railways etc.

Mission

Strengthening the 3-tier [BENFED ↔ PAMS ↔ PACS] network with direct linkage with farmers, with BENFED playing the role of mother cooperative body.

BENFED's long term survival and its role in the cooperative movement in West Bengal hinges on growth and diversification. The BENFED managers set a target of Rs. 600 to 800 crores over the next 5 years, of which a substantial amount (greater than Rs. 150 crores) should come from new products and services.

The dependence on one supplier for fertilizer must be reduced, not by reducing off-take from IFFCO, but by using new suppliers to capture new markets available to the cooperatives.

Growth Strategy

The main growth strategy for BENFED hinges on :

- Expanding the fertilizer distribution business by tying up other suppliers,
- catering new products and services to the primary stakeholders (that is PACs and PAMs)

- and strengthening BENFED's own organisational capability and viability through

a) financial re-structuring,

b) strengthening financial and management information system through technology.

c) training and development

. With greater through put, the entire cooperative movement can be strengthened and become more viable. In addition, the need to depend on private traders and large private retailers will be balanced by BENFED.

Expanding and diversifying the business base of the 3-tier cooperative network over a period of next five years that would be capable of addressing the needs—both for input supply and output marketing - of farmers in a holistic way.

Thrust Areas

- BENFED's fertilizer business has remained below 500,000 tones for the last two decades. The strategy will be to substantially increase the marketing of fertilizer from about Rs. 220 crores to about Rs. 400 crores.

This will require greater sourcing of chemical fertilizer either from IFFCO or from other manufacturers. The West Bengal Government may assist in this Endeavour.

- Marketing of seeds was identified as a major thrust area. BENFED will try to procure seeds from government agencies and from national level seeds corporations, farms etc. West Bengal imports large amount of potatoes and paddy seeds. Many of these are of dubious quality. BENFED can use its brand to supply quality seeds to farmers.

- Production manufacturing of bio-fertilizers or organic manures and pesticides was identified as major possibility. This will require production of these bio manures etc. at the local level for marketing within the district.
- BENFED decided to carry on procurement and marketing of some minimum quantity of jute and paddy on a regular basis. Marketing these will require stable and long term relationship with some customers. These could be nationalized jute mills, or cooperative consumer stores etc.
- BENFED will undertake some amount of warehousing business by developing new rural godowns and cold storages with its own resources.
- Entry into food processing business like semi processed food items or oil extraction and sale of branded mustered oil.
- Leverage the large real estate and land to generate new sources of income as well as generate investment income from better fund and treasury management.

Strategic intervention to enhance implementation capacity

1. The key initiative has to begin with financial restructuring of the federation, and enlarging its equity base so that the corporation can borrow money as a commercial entity from commercial banks.
2. Developing financial control systems and IT based infrastructure to carry out commercial activities in a speedy and transparent manner.
3. BENFED has engaged a consultancy organization to implement an organization wide IT infrastructure to link every branch with the head office and with their bankers. This

should provide for better management information system and operational and financial controls.

4. Along with improving the management information system, accounting from engaged by BENFED as financial consultants is carrying out an organisational business process re-engineering study. A new organization structure and process are expected to be implemented soon.

5. Develop a business policy manual for organizations to guide business practices and commercial decisions. This will also help strengthen supervision and monitoring with the aid of modern management information system.

6. District will be encouraged to develop business and product in services based on local needs and demands.

BENFED-The Human Resource Strategy

BENFED has embarked on a new Growth Strategy and plan for organisational renewal. From an organisation limited to fertilizer marketing with stagnant sales and occasional forays into procurement of rice and jute for West Bengal Govt. it hope to tap new markets, and increase its turnover to Rs. 600 crores in the next three years.

Renewal of BENFED hinges around a vigorous intervention to strengthen and upgrade the human resources. The organization has not had new manpower for more than two decades and as senior people have retired they have been replaced by less trained manpower through a process of internal promotion, often without any effort at enhancing the skills of providing them with training.

- a) However years of stagnation have taken their toll on the organisation. There has been no recruitment in the organisation for almost two decades though there has

been some transfers on deputation from other organisations. In addition some of the skilled personnel like civil engineers who were entrusted with the task of building cold storages have been shifted to general administration as such activities have declined. In some cases, as senior people have retired they have been replaced by less trained manpower through a process of internal promotion, often without any effort at enhancing the skills of providing them with training.

- b) The renewal strategy should be based on attracting fresh and young blood to take on the task on the marketing new product and services and understanding and managing modern logistic network.

- c) BENFED has so far no clear strategy to attract, train and develop commercially skilled manpower. It has relied largely on the recruitment through Public Service Commission. It has made no serious efforts to attract commercially trained manpower which could be able to professionally carry out the task of procurement, marketing and business development. (However over the years many senior officers have developed capability to successfully carry out the commercial operations in a efficient manner)

- d) It is now imperative that if BENFED is to substantially expand its operations and double its turn over during the next few years, it will need young and energetic professionals to shoulder the responsibility of developing new business opportunities as well as expand current business of fertilizer distribution in a entrepreneurial manner.

We strongly recommend the following :

- a) Renewal of BENFED hinges around a vigorous intervention to strengthen and upgrade the human resources. Existing staff needs a vigorous development programme. Training and development to enhance organisational capability is absolutely essential. All current managers need to be provided with 4-8 weeks of training during the next two years. Exposure visit to well functioning and successful marketing cooperative in other states will be arranged.

- e) The organisational renewal strategy should be based on attractive fresh and young blood to take on the task on the marketing new product and services and understanding and managing modern logistic network. Hence it is suggested that BENFED take immediate steps to recruit young professional with business management skills and training. The estimate that the organisation will need at least a dozen young professionals immediately and a similar number in the next two years.

- f) BENFED may take immediate steps to contact several new business schools in West Bengal affiliated to West Bengal Technical University and other Universities like the Kalyani University. Given the slump in the job market BENFED is likely to attract good students which specialisation in a) marketing management (b) logistic management.

- g) It should be possible to quickly induct these young professionals with a two year contract with gross emoluments between Rs. 12000-15000/- per month. Subsequently they could be encouraged to appear before the state Public Service Commission for absorption in the organisation.

Training and Management Development

The existing staff needs a vigorous development programme. Training and development to enhance organisational capability is absolutely essential. All current managers need to be provided with 4-8 weeks of training during the next two years. Exposure visit to well functioning and successful marketing cooperative in other states will be arranged.

In order to be able to carry out the new task of attracting new talent and renewing the skill level of existing staff on a continuous basis, BENFED needs to create a position of General Manager-Human Resources entrusted with a task of recruitment, training, performance evaluation and career development of its personnel.

Skilled personnel like civil engineers were currently under utilised need to be deployed in more challenging technical and managerial assignment and entrusted with the task of developing new business opportunities. All these is premised on the assumption that the employees who have denied higher pay scales for about a decade will be immediately adequately compensated and their motivation restored.

In Conclusion :

The success of the turn around strategy of BENFED will depends on the ultimate success and turn around of the 3-tier cooperative marketing network. Without a strong base of PAMS and PACS and a modern logistic and marketing organization to support their growth, no turn around of BENFED is possible.

BENFED has to play a key role in enhancing the capacity of the entire cooperative sector in West Bengal.