



Evaluation of Functioning of the Horticultural Producers Co-operative Marketing and Processing Society Ltd (HOPCOMS) Bengaluru

External
Evaluation



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STUDY CONDUCTED FOR

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AND

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Contents

1.	List of Abbreviations	3
2.	Executive Summary	5
3.	A Snapshot of Findings in Response to Evaluation Questions	19
4.	Introduction.....	23
5.	Log frame / Theory of Change / Program Theory	26
6.	Progress Review.....	28
7.	Problem Statement.....	33
8.	Scope, Objectives and Evaluation Questions.....	33
9.	Evaluation Design.....	36
10.	Evaluation Methodology.....	39
11.	Study Findings, Discussion, Reflection and Conclusions.....	42
	11.1 Membership	42
	11.2 Procurement, Storage and Processing.....	43
	11.3 Sales and Distribution.....	51
	11.4 Administration & Future plans	60
12.	Recommendations.....	63
13.	Appendices.....	73

1. List of Abbreviations

Abbreviation	Expanded Form
BBMP	Bruhat Bengaluru Mahanagara Palike
CAGR	Compounded Annual Growth Rate
F&V	Fruits and Vegetables
FDI	Foreign Direct Investment
FE	Final Estimates
GoI	Government of India
GoK	Government of Karnataka
HA	Hectare
HOPCOMS	Horticultural Producers' Co-operative Marketing and Processing Society Ltd.
IE	Initial Estimates
IMaCS	ICRA Management Consulting Services Limited
IMTS	Instant Money Transfer Service
KHF	Karnataka Horticulture Federation
KMF	Karnataka Milk Federation
NEFT	National Electronic Funds Transfer
RTGS	Real-time gross settlement systems

LIST OF EXHIBITS

Exhibit 1. Area and Production of Fruits- All India.....	23
Exhibit 2. Area and Production of Vegetables- All India	23
Exhibit 3. Area and Production of Fruits and Vegetables in Karnataka 2014-15(Final Estimates).....	23
Exhibit 4. Evolution of HOPCOMS	24
Exhibit 5. HOPCOMS category of membership.....	25
Exhibit 6. HOPCOMS Sales and distribution details 2010-11 to 2014-15	29
Exhibit 7. Segmental Share of HOPCOMS turnover in 2014-15 (Value in Rs. Lakh, percentage)	30
Exhibit 8: The turnover, profit and loss account for the last three years	30
Exhibit 9. Evaluation Approach.....	36
Exhibit 10: HOPCOMS category of membership.....	42
Exhibit 11. Number of farmers arrived at HOPCOMS and average quantity of their supplies	42
Exhibit 12: Area and Production of F&V in the Catchment Area between 2006-07 and 2013-14.....	43
Exhibit 13: Share of HOPCOMS procurement in total catchment production of F&V	44
Exhibit 14: Procurement of HOPCOMS from 2006-07 to 2015-16 (Quantity in thousand Tonnes) ..	45
Exhibit 15: Average commodity wise of F&V required per day for the key commodities (2015-16) .	45
Exhibit 16: Procurement from farmers and market purchases from 2006-07 to 2015-16	46
Exhibit 17: Commodity-wise discounting of weight done during procurement.....	47
Exhibit 18: Prices of commodities in competitor retail outlets as compared to HOPCOMS	49
Exhibit 19: List of HOPCOMS godowns	50
Exhibit 20: Sales of fruit juices from 2006-07 to 2015-16	51
Exhibit 21: Segmental Share of HOPCOMS turnover in 2015-16	52
Exhibit 22. Market for F&V in the catchment	52
Exhibit 23. HOPCOMS share in market.....	52
Exhibit 24: Sales of HOPCOMS from 2006-07 to 2015-16 (Quantity in thousand Tonnes)	53
Exhibit 25: The turnover, profit and loss account for the last five years	53
Exhibit 26: Categorisation of HOPCOMS retail outlets	53
Exhibit 27: Variation in the number of stalls under each category from 2012 to 2015	54
Exhibit 28: Comparison of HOPCOMS with competitor retail outlets	55
Exhibit 29. Sales incentive plan.....	56
Exhibit 30: Primary survey: Customer Profile.....	57
Exhibit 31: Customer perception of HOPCOMS produce in comparison with super markets.....	58
Exhibit 32: Sales of mobile vans : May 2016	59
Exhibit 33. HOPCOMS Organisation Structure	61
Exhibit 34: HOPCOMS Staff.....	61
Exhibit 35. HOPCOMS Operational coverage plan	63

2. Executive Summary

The Horticultural Producer's Co-operative Marketing and Processing Society Ltd. or HOPCOMS, was established in 1959 with the principal objective of having a proper system for the marketing of fruits and vegetables in Karnataka, where it is currently operating. Since the inception of HOPCOMS, there have been several changes in the availability of marketing options for farmers as well as buying options for consumers, thus affecting the performance of HOPCOMS. The operations of HOPCOMS, Bengaluru covers five districts; Bangalore Urban, Bangalore Rural, Kolar, Ramanagaram and Chikkaballapura. Presently, the Society has about 19,000 members, of which 5260 are verified and have voting rights. Members who have been given voting rights should attend the General Body Meeting for at least three years and should have supplied a minimum of 500 kilograms of fruits and vegetables per year. HOPCOMS is being run under the aegis of the State Department of Horticulture, managed by a Board consisting of 18 members. Among them, 14 members are elected from among the producers, and four are government representatives. At present HOPCOMS has 846 staff members.

The objectives of HOPCOMS are as follows:

- To ensure remunerative prices to producers of horticultural crops.
- To free both consumers and producers from the control of middleman.
- To ensure quality supply of fruits and vegetables at reasonable prices to consumers.
- To expand marketing and cold storage facilities progressively for the benefit of farmers.
- To promote development of horticulture on scientific lines by providing necessary inputs and technical advice.
- Training and technical advice to farmers and providing inputs and organize study tours to members.

The price at which HOPCOMS buys the produce from the farmers is based on the prevailing rates in the markets, which their staff visit and participate in the auction to observe qualities of commodities and prices at which they are sold. They compile these prices manually, average out, and based on the demand and supply of those commodities; Procurement and Marketing division sets the purchase prices.

HOPCOMS is having the following infrastructural facilities for marketing of Fruits and Vegetables:

1. No. of Retail outlets: 252
2. No. of Chemical & fertilizer retail outlets: 10
3. No. of Procurement Centres: 08
4. No. of Processing units: 1 (Bangalore)
6. No. of Vehicles: 25
7. No. of Walk in Cooler: 1
8. No. of Godowns: 19
9. Banana ripening chambers: 2

Summary of Study Findings

The number of farmers who have registered with HOPCOMS currently is about 19,000. Number of farmers who have renewed membership is 5260 for the current year. HOPCOMS have sent letters to the remaining farmers for ratification of their membership.

HOPCOMS does not maintain any land records of the farmers in terms of the quantum of land holdings, and also their income level. Therefore, profile of farmers cannot be ascertained with the available data. As per the analysis of data from HOPCOMS, the number of farmers who have arrived at HOPCOMS in 2015-16 has declined sharply by ~46% from 2012-13, while the average quantity supplied by a farmer has increased by ~73% in the same duration.

Members who have voting rights should attend the General Body Meeting for at least three years and should have supplied a minimum of 500 kilograms of fruits and vegetables during each year. Details of quantity of supply of fruits and vegetables by each member and their attendance in the General Body Meeting have been maintained to monitor if they are fulfilling the aforementioned criteria. Currently, only 5260 out of 19,000 members, who have renewed their membership, are given voting rights. Denial of voting rights for the remaining farmers is justified since they are not active by transacting supply of fruits and vegetables to the Society. However, since the procurement has reduced over the years, there is a possibility that some farmers have not been able to receive indents, and this leaves a gap where transactions could be tilted in favour of selected farmers.

Procurement, storage and processing

Total production of fruits and vegetables in the catchment area (Bengaluru Urban/Rural, Kolar, Ramanagara and Chikkaballapura) has increased by 13% from being 26.74 lakh tonnes in 2006-07 to 30.20 lakh tonnes in 2013-14. Area and production of fruits is higher in the catchment area contrary to the state trends. The catchment area has witnessed a stable production of F&V with increasing area for Fruit cultivation by 20% between 2006 and 2014. HOPCOMS' share of procurement from the total production in catchment area has been around 0.7%. There is a decreasing trend observed in the share from 2011-12 to 2013-14.

HOPCOMS does procurement of fruits and vegetables directly from farmers as well as from markets. In addition to procurement at procurement centres, procurement also happens through the central office at Lalbagh. Overall quantity of fruits and vegetables procured by procurement centres and godown, has reduced from 25.71 kilo tonnes to 20.27 kilo tonnes annually, a reduction of 21.2% from 2006-07 to 2015-16.

Volume of purchases for farmer members and non-members has not been monitored. Commodities procured from farmer members are recorded for the purpose of verifying criteria for membership, which is to supply a minimum of 500 kgs of fruits and vegetables during the year. Market purchases happen due to shortages in the quantity procured from farmers, variations of produce based on seasons, produce which is not available in the catchment area and imported products. Overall market purchase has increased from 15.23% in 2006-07 to 21.35% in 2015-16, while procurement from farmers has decreased from 84.77% in 2006-07 to 78.65% in 2015-16.

Procurement happens through several steps. Initially indenting is carried out on an ad-hoc basis including the selection of farmers. Farmers take or receive indents one day in advance, but sometimes it is done 2 to 3 days prior to the day the commodities are required. Indent receipts are given to the farmers if they go to central godown, else they are generally communicated verbally, directly from the godown keeper or through the supervisor at procurement centre. When there is a change in the demand, there are times when the quantity already indented is modified on same or previous day of procurement of those commodities. For example, due to rains on a particular evening, salesman decides to procure lesser quantity of commodities for the subsequent day. Godown supervisor predicts such changes in demand and communicate to the procurement centres accordingly. We couldn't

determine the exact quantity of commodities procured by indenting because formal indent related documents were inadequate. However, discussion through farmers and also HOPCOMS staff at godown, revealed that quantity bought by farmers is either in excess or in deficit up to 25% of the quantity indent is placed for.

When farmers bring their produce, while weighing, discounting of weight is done to compensate for the weight of gunny bag, box or stem of the fruits (Example: banana) and driage and wastage. In addition to the wastage allowance at godown level, 3% wastage (on sales value) allowance is provided at sales outlet level. At godown level, additional wastage is to the tune of 0.71% of the total procurement. Both godown staff and sales staff mentioned that the actual driage & wastage will be highest during the summer and lowest in winter.

Sometimes farmers bring the exact quantity of commodities, hence procured fully but many a times they bring extra and sometimes lesser than what is on the indent. If it is lesser, HOPCOMS looks for alternate option like market purchases, but when it is more than acceptable quantity, farmers either keep it with themselves and sell on the next day if the commodity can be kept without driage and wastage or sell the remainder to the local market on the same day.

Total requirement of F&V by HOPCOMS per day is about 65 tonnes. During discussions with staff at procurement centres, we have understood that about 15 to 20 tonnes of produce is procured through procurement centres, while rest is done at the central godown. Average market procurement is about 21%, which is around 15 tonnes per day, which happens at the central godown. Procurement from farmers at central godown is about 30 tonnes. Therefore, an estimated amount of 45 tonnes or 69% of procurement from farmers happens at headquarters itself. There is a need for broad basing of procurement across the catchment area, and necessary infrastructure in terms of procurement centres/ collection centres and logistics (including vehicles) needs to be expanded.

Farmers grade their commodities based on their experience as per the acceptance levels at HOPCOMS, overall rejection rate while procuring from farmers is about 10%-15% as mentioned by godown staff. But it can also happen sometimes that rejections at godown level are sent back to the procurement centre and hence back to framers. Based on discussions with HOPCOMS staff and the farmers, the rejected quantity is not procured by them at a lower price, however, few of the staff did mention that often salesmen purchases directly from farmers at a lower price. The same could not be verified if it is true and if yes, then to the extent of such purchase. Famers sell the rejected quantity to the nearby local vendors or to the market.

It was observed during our visits that standard grading rules, such as Fruits and Vegetables Grading and Marking Rules, 2004, were not followed during procurement and they grade based on their experience and acceptability from the salesmen. During visits to the all procurement centres, process of grading was not evident. On further discussions with the staff, two issues emerged. Firstly, there is lack of manpower to handle grading for all procured commodities and secondly, quality of the produce deteriorates when the number of stages at which they are handled increase for the reasons of grading or otherwise. Once the commodities arrive at godown, process of scientific grading is still absent. However, godown level rejections arise due to salesman selecting the commodities.

Total billing is done for the quantities accepted at godown. Procurement centres have not been effective in taking the final/spot decisions regarding quality and quantity, but they take on the role of transporting commodities to the godown. If rejections are found, it is communicated accordingly to the farmers. This online transfer is being done for both members as well as non-members.

The tracking mechanism for the quantity of products procured from each farmer member was not adequate. Total quantity of commodities procured from member farmers at an aggregate level is not tracked. Significant number of transactions from non members was also witnessed in the indent logbook. This is a systemic loophole where middlemen have the possibility of being involved in supplies to HOPCOMS. Procurement process lacks transparency and traceability, right from placing indent to receipt of products by both members and non-members of HOPCOMS. During interactions at the procurement centres, a few farmer members also indicated that they aggregate produce from other farms in addition to their own produce and supply to HOPCOMS, which indicates that some of the farmers route their products through middlemen. However, for HOPCOMS to validate production capacity of a farmer, total land-holding details would be required. But such data on extent of land-holding by each member is not being recorded. Procurement process lacks transparency and traceability, right from placing indent to receipt of products by both members and non-members of HOPCOMS.

During our discussions with HOPCOMS staff, it was found that a team from HOPCOMS visits four markets in Bangalore and observe qualities of commodities and prices at which they are sold. They compile these prices manually, average out, and based on the demand and supply of those commodities; Procurement and Marketing division sets the purchase prices. These prices are usually about 5% higher than the price for the best quality produce at the markets observed. The purchase price thus determined is common for both procurement from farmers and market purchases. All the farmers met have agreed that they get higher prices, hence better deal at HOPCOMS, than other markets.

Once purchase price is fixed, they decide the selling price with approximately 33% mark-up, which is the maximum allowed as per the Society regulations. Since the beginning of 2015-16 the payment to farmers is being made through NEFT/RTGS directly to the account of farmers. During our discussions with farmers it was understood that the payment is being made within 1-3 days. While medium and large farmers found this process to be good, small and marginal farmers finds it difficult as they would not have working capital and look for instant cash which in turn can be used for purchasing chemicals/fertilisers and equipment. So, on-spot grading, acceptance and same day payment would ideal for the farmers.

The key competing organised retailers have collection centres at Taluk/Hobli level, where the collection agents directly go to farmers to procure from them. During our discussions with the purchase team of the retailers, they said that they negotiate prices with farmers based on APMC and other market prices and often fix a price far lower than the market prices. There are several factors which play into pricing of commodities at APMC markets, for a farmer as well as a buyer. These factors include market commission, transportation charges, loading/unloading charges and waiting time risk. Hence, farmers are usually willing to sell at a lower price at the farm gates or collection centres itself. National retail chains are also equipped to do inter-state purchases based on the regional supply /demands and derive lower price, which is lacked by HOPCOMS.

With respect to fruits and vegetables, competitor retailers often follow ‘footfall-driven’ approach where margins on fruits and vegetables are often kept low as a tactic to attract more customers to their stores, while the profits are recovered through margins made in other products they stock (Example: private label products). Due to their reach to the farmers at farm gates and no obligation to contribute to their welfare, they are able to negotiate purchase prices for a better deal than HOPCOMS, which eventually are comparable to the lowest market rates that farmers are paid. HOPCOMS finds it challenging to follow this approach where few F&V are sold at lower margins which are recovered in

other products due to the cap on mark-up at 33%, where they may find it difficult to increase prices on few fruits.

We have observed prices at the APMC Market, retail outlets mentioned, as well as an online store, bigbasket.com, for 3 weeks. Average of the price was taken and compared with APMC average price for the same duration. Price of a competitor is considered similar to HOPCOMS if it lies in between (HOPCOMS price - 5% of APMC price) and (HOPCOMS price + 5% of APMC price) and higher or lower is determined accordingly. Other than Namdhari's Fresh, which is positioned as a premium store, price of HOPCOMS was higher than other competitor retail outlets.

The buildings of the godown built are very old, with inadequate flooring, racks, grading equipment. Material handling is primarily manual, so there is need for automation in material handling such as usage of forklifts. Similarly, transportation vehicle bays and material transportation routes need to be planned for efficient material handling. The organisation lacks cold storage facilities though establishment of cold storage facilities is one of the organisation's objectives. Availability of cold storage coupled with planned purchases of produce such as apples/berries, potato and other produce would help in reducing the overall cost of purchase as the cost of produce will be significantly lesser during the harvesting season and also buying in bulk quantities offer economies of scale in the form of bulk discounts, transportation saving, etc. There was no evidence on planning of bulk purchases found. However the organisation has purchased apples from China at bulk quantity by utilising outsourced cold chain facility.

HOPCOMS operates a fruit processing unit to extract pulp of mango and grapes. They extract about 400-450 *Cans* of pulp of mango and grapes per annum during its peak season, almost in the equal proportion between grapes and mangoes. Each *Can* contains approximately 50 kilograms of the pulp. There is pulp production machinery and reconstitution unit where they mix other ingredients to the pulp. Once the pulp is manufactured in bulk, it is stored in the cold storage, which is being outsourced. They have in-house cold storage facility which is not functioning for several years now. Every day or on alternate days, they take a can of the pulp out to distribute to the selected outlets where they are sold. Juice manufactured from the pulp is sold through dispensers provided with refrigeration, and their shelf life is 2 days.

From 2006-07 to 2015-16, value of sales of fruit juice has increased by around 2.65 times, and its contribution to the overall sales turnover has increased from 0.51% to 0.64% in the same duration, as shown in Exhibit 20. However, from the quantity perspective, the staff mentioned that it has been mostly stable and no growth has been observed. The shelf life of 48 hours is a constraint for the business, considering that there are substitutes available in tetra packs in the market which has shelf life of several months. The technology to process the juice which has longer shelf would help to scale up the business. Also processing of other produce such as tomato paste/puree, ginger, garlic would also help the farmers to sell their produce during price crash and produce is often wasted and pushing processed produce through institutions may also be explored, which can offer savings and at the same time reduce wastage. Considering that wide assortment of F&V is already being sourced from HOPCOMS, vegetable juices/other fruit juices/ blended juices, cold pressed juice manufacturing /outsourcing and distribution needs to be explored.

Sales and distribution

HOPCOMS has multiple sales channels to sell various fruits and vegetables. It supplies fruits and vegetables to its consumers through 252 retail outlets, including mobile sales vans (as of April 2015).

It supplies F&V for marriages and social functions at the spot with free transportation, offers bulk supply of fruits and vegetables to Institutions, Organizations, Hostels, Hospitals, and factories etc and sells fresh Grape, Orange, Mango fruits drinks as well. It also conducts seasonal fruits Melas, Fairs and festivals of Grapes, Mango, and other fruits.

HOPCOMS earns preponderant share of revenue from selling fruits and vegetables, which is about 85%, the other sources being sale of fertilizers/PP chemicals, fruit juice and ice creams. Quantity of sales of commodities for the year 2015-16 is 20.27 kilo tonnes. While the overall gross profit has increased from Rs. 9.76 crore in 2006-07 to Rs.22.91 crore in 2014-15 and sales turnover has almost doubled from Rs. 46 crores to Rs. 91 crores, it is observed that the quantity of sales in the same duration has reduced by 20.7%.

IMaCS has estimated the market size of F&V in the catchment area (5 Districts) at Rs. 5970 crore. And the share of HOPCOMS sales is about 1.47% of the total demand for fruits and vegetables in the market. While consumption of market is more of vegetables, HOPCOMS sells more of fruits than vegetables. So there is a need for increasing the sale of vegetables. About 85% of the sales happen through its retail outlets, while bulk supply comprises of 13% - 14%, and the remaining 1% is through supply for events. All the retail outlets and mobile vans are divided into categories from 'A' to 'H' based on daily sales.

During the review period for a random month, sales figures of the outlets across the categories were analysed. It was observed that 'C' category has highest number of sales outlets comprising 28.5% of the total sales outlets. Number of sales outlets have increased for 'A' and 'C' category while it is reduced for rest of the categories. However, the improvement of performance of the outlets or lack of it cannot be concluded from this data, since the criteria was fixed more than a decade ago. This hasn't been revised based on change in levels of pricing/inflation. Overall quantity sold has reduced over the years, so this has to be revised based on the current prices of the produce and the sales outlet level contribution to the profitability to the organisation. Based on the data available, our estimates show that currently, a sales outlet is profitable if it makes sales exceeding around Rs. 6,000 per day. Breakeven point of sales has been estimated based on the financial data, wherein fixed costs such as salary and other administrative costs have been apportioned to the retail sales units.

Key reasons for non performance of the stores which were brought out during primary survey and discussions are

- Location issues such as no parking space, high traffic routes, inconspicuous store
- Competition from nearby stores
- Lack of salesmanship
- Highly price sensitive consumer segments

During the visits for primary research of outlets, it was observed that an average area of the outlets is around 150 sft. Layout of most of the outlets is designed and built to suit over-the-counter transactions rather than facilitating customers to walk in and choose the commodities. However, modifications are being done to be more customer centric by helping them choose the commodities. Most of the sales outlets have one salesperson, but one or more assistants are present at the sales outlets clocking an average sales of more than Rs.10,000 per day. Cold storage facilities for F&V are unavailable at all the sales outlets, except for a walk-in cooler at an outlet in Bangalore Club. Timings of the sales outlets are from 9.30am to 1:30pm and 4:30pm to 8:30pm.

While 90% of the sales outlets visited in Bengaluru stocked both fruits and vegetables, 10% of them had only fruits, which they say was due to the customer buying behaviour in that area. The sales outlets outside Bengaluru, which includes Channapatna, Dommasandra and Kanakapura, were also selling only fruits as vegetables were available locally at cheaper prices. In addition to F&V around 80% of the outlets stocked other products such as pickles, water bottles, dry fruits, juices, ice-creams but in varying quantity. One sales outlet was found to keep non-HOPCOMS products like chips, milkshakes and chocolates, to attract kids to buy them. As for display of arrangement of these products, most of the sales outlets have rusted, unclean shelves, poor lighting inside the shop, very less assortment and some had shelved dried and damaged fruits and vegetables. Lacking modernisation there were ingenious arrangements found in some sales outlets such as inclined display crates, wet cloth to keep produce, inverted crate platform for display etc.

Only around 30% of the sales outlets displayed prices on the board, but most of the salesmen said they follow the prices as per the list. It was found during random cases of mystery shopping in several outlets the pricing was not followed as per the list.

Several customers were neither aware of the existence of price list nor availability of price list by SMS. They informed explicitly that pricing is not transparent and that salesmen might have charged them higher. Further bill is not mandatorily provided and even when the bill is provided the name of the commodities is not printed with manual pricing inputs. Though there is a system of online billing where the unit prices of the commodities are updated centrally, the same is not being followed. It was observed that sometimes when the commodities are about to get damaged, some of them sell at discounted prices to reduce losses.

To compensate for the loss due to driage and wastage of fruits and vegetables, HOPCOMS gives wastage allowance, by which a salesperson receives 3% on the amount of fruits and vegetables sold. On discussion with the salespersons on whether it would suffice, most of them highlighted that the driage and wastage of all commodities is usually higher, about 5% and sometimes more. During our discussions with private retailers the driage and wastage at sales outlet level is understood to be in the range of 10%. However considering the produce in case of HOPCOMS is graded by the salesman, 5% of the wastage may be assumed as relevant. Since there is higher actual wastage than permissible, 3% will also impact the behaviour of the sales person

- To buy conservatively, thus resulting in possible stock outs, which in turn would lead towards potential sales loss and lesser visible inventory in the sales outlets,
- Hard selling low grade produce which would result in customer *cognitive dissonance*.

Effectively these factors may impact the loyalty of the consumer towards HOPCOMS sales outlet. However providing higher allowance towards wastage would impact the profitability of the organisation.

In addition to the above factors, the amount of work and hours on work spent by sales persons has to be noted. During our discussion with the sales persons it was found out that several of the sales persons start for work at as early as 4:00AM and often work till 10:00PM.

Salesmen has the following roles:

- Grading, documentation related to purchasing, loading at the central godown, settlement of cash, etc.

- At the retail outlet they have to unload arrange, interact with customers, billing, handle cash, etc.

So in addition to the physical work of loading and unloading, salesmen have to manage accounts and customer relationship amidst the sales risk. Considering that godowns open at 5:00AM it is imperative for salesman to reach the godown early and compete with salesmen of other outlets for the best quality F&V. And they will have to open till as late as 9-10PM, especially the profitable sales outlets as customers (working population) usually shop late in the evening. So salesmen, especially of the profitable stores, often work for 12 to 15 hours. As all the salesmen have expressed that the remuneration is not proportional to the risk and work hours involved. Also several salesmen complained that the management often treats shortage in collection which is mostly due to wastage as misuse and wrong-doing which demoralises the salesman's spirit. Older salesmen also disinclined to work in sales which they term as treacherous. So there is a need for positioning sales persons as the heart of the organisation and make sure their focus remain Customer Relationship Management.

Apart from driage and wastage allowance of 3%, sales incentives were not provided to salesman in spite of higher risks. The HOPCOMS management has rolled out a new incentive scheme on April 5, 2016 based on exceeding the set targets for various sales outlets.

Main strength for the current sales infrastructure is that most of them are located in commercially advantageous areas to provide accessibility of fruits and vegetables to consumers, such as residential areas, around parks, next to the milk dairy, high streets, clubs, hospitals. They pay a nominal rent to BBMP.

Since many sales outlets were constructed more than a decade back, they look old, require renovation and painting, interiors development, facade to match up to an average modern retail sales outlet. Many of the prime locations where sales outlets are situated have seen a declining trend in sales due to competitor retail units opening up nearby, local carts selling fruits and vegetables at the doorstep, and also increase in number of local shops.

It is observed that 54% of the customers were above 45 years of age and that it consisted of retired men and homemakers. Regarding the reasons for the customers to buy at HOPCOMS, 70% of them said that it was because it was conveniently located, 54% perceived that fruits and vegetables were of good quality. However the customers also told that often fresh and good quality produce is not available in the evening and a significant 42% of the customers expressed that the salespersons have maintained good customer relationship. When it comes to the selling price of fruits and vegetables, only 20% of the customers felt that it was reasonably priced.

It reveals that majority of the customers feel that HOPCOMS fare better in service and quality of the commodities, while it is worse compared to prices and cleanliness of the sales outlets. Packaging seemed irrelevant for most of them, while display of fruits and vegetables was considered almost similar to the supermarket, but some expressed inconvenience to walk inside the sales outlet to pick the products they wanted to buy.

Other problems they highlighted were lack of card payment facility, sightings of dried and rotten products were stocked along with the fresh ones, lack of cleanliness, no display of price list, inconvenient sales outlet timings since they sometimes want to buy before 9am and or after 9pm, and lack of variety in the stock.

Our assessment based on the survey and discussions with the sales staff is that currently home makers and the retired persons are the key consumer segments of HOPCOMS. However with the increasing literacy levels and higher aspirations trend of working couples is increasing and it is likely to sustain and grow in the future. Thus there is a need to target for young earning couples. Some of the salient features of this consumer segment are,

- Time constrained: They look for purchasing beyond working hours. i.e. early in the morning and late in the evening and even 24/7
- Reliable quality produce is essential, so package and brand conscious
- Solution oriented: Instead of visiting multiple stores for products they prefer everything under one roof
- Processed foods: Preference for ready to cook, ready to eat foods
- Highly mobile and internet savvy: Access multiple devices laptop, tabs, mobiles would feel convenient ordering online
- Uses card/online payment more than cash

While some of the strengths of HOPCOMS such as those mentioned below have to be leveraged further to boost sales, there is a need to align the strategies of HOPCOMS towards engaging the this new consumer.

- Strong procurement
- High penetration of the sales outlets
- Sales outlets located in convenient/prime locations of the city
- Salesmanship and customer relationship
- Low /reasonable rentals of the outlets

HOPCOMS utilises vehicles to transport commodities from Procurement centres to the central godown, and from central godown to all the retail outlets. Their current average quantity handled per day is about 65 Tonnes. It has 25 own vehicles, out of which 18 are used for transporting commodities, while the rest are used for mobile sales. Due to the Society facing inadequacy in the number of vehicles required for transport, they have 52 outsourced vehicles. To transport commodities, routes are fixed, as per which each vehicle serves the requirements of 3 to 5 sales outlets based on the locality.

Total capacity of in-house vehicles is around 50 tonnes. Quantity of commodities procured from the procurement centres varies as per season, indents and availability in the catchment area surrounding the centre. Due to this, capacities of the vehicles are not utilized fully. Each in-house vehicle runs only about 30 kilometres per day. However, procured quantities are combined from procurement centres which are nearby and transported. There is no formal system to optimise payload or route planning done to efficiently manage the vehicles and minimize loss of time and resources for the society. Transportation of commodities from central godown to the retail outlets takes place between 8am to 10am, which is a peak time for traffic. There is no cold chain transport available.

There are currently 17 mobile sales vans which have been classified from grade 'A' to 'H', based on their sales, similar to the sales outlets. They operate from 6:30am to 1:30pm. A driver and a salesman are involved in mobile sales, driver in addition to the driving activity, helps salesman in loading/unloading, organising the F&V and also home delivering the needy customers. Each of these vans stops at two or more residential catchments for the fixed interval of time on regular basis offering consumers the convenience of shopping next to the residences. When the performance for a

mobile van is observed to be low, they change its location and also experiment with the assortment of commodities made available under them. Incentive scheme is similar to the one applied for the sales outlets. As of May 2016, mobile vans are profitable, exceeded sales targets except 5 vans.

Based on the discussion with staff and farmers at chemical and fertilizer units in Sarjapur and Channapatna, it was revealed that farmers buy the products because they find them reasonably priced, available at a convenient location and with good service quality.

Administration

HOPCOMS is being run under the aegis of the State Department of Horticulture, managed by a Board consisting of 18 members. Among them, 14 members are elected from among the producers, and 4 are government representatives.

At present HOPCOMS has 846 staff members having different designations such as Managing Director, General Manager, Executives, Assistant Executives, Sales Assistants, Store Keeper, Superintendent, Stenographers, Receptionists, etc. Gross salary per month paid to the staff is Rs. 1.28 crore.

Salary structure followed currently is based on 5th Pay Commission of GoK, which came into effect for the state government employees in August 2008, which is almost 8 year old structure. Discussions with salespersons including assistants who form the significant proportion of the workforce revealed that they are unhappy with the salary, which is around Rs.10,000 to Rs.15,000 per month, despite working for more than 15-20 years at HOPCOMS. They also incur expenses due to driages and wastages of commodities, over and above the quantity covered through sales incentives. There is a demand from the staff to implement 6th Pay Commission. This would increase gross salary paid to staff by almost Rs. 8.16 crore per annum.

Job role description for each of the post in all the cadres is not defined, which makes career progression difficult to aim for by the employees. Some employees mentioned that they have to perform multiple job roles including adhoc works. Promotions are done on an ad-hoc basis, and sometimes there is a variation in the cadres when the employees are transferred to different departments. Staff members expressed that there would be higher motivation to work if the experience, qualification and job performance is assessed to promote them, thereby giving a career progression map. Based on the discussion, it also came to light that about 70% of the staff members are expected to retire by 2020. There has to be plan of Human resources in the medium and long term has to be made based on the vision of the organisation.

Future plans of HOPCOMS include upgradation of existing facilities including sales outlets, godowns, processing unit and building new infrastructure with respect to new sales units, automation etc which are covered in the report.

Recommendations

After analysing the quantity of procurement/sales by HOPCOMS between 2006-07 and 2014-15, it can be seen that there has been a 21.2 percent decline in the annual quantity of procurement during the period. At this rate a drop of over 12 percent may be expected further by 2020. The declining quantity of procurement affects the competitiveness of the organisation with increasing stress on the margins. So it is essential for the organisation to build competitiveness through higher sales- lower pricing-expanding the organisation. This would also help HOPCOMS to broaden their reach and include more farmers into their fold. HOPCOMS has relied on brick and mortar retail sales to improve the sales.

While externally the consumption through Institutions, Online retail and Cash and Carry formats is witnessing the increasing trend which HOPCOMS needs to look at. Recommendations are in the direction of improving the productivity at operational level and sales across multiple channels and markets.

A. Short term recommendations: These are implementable within a year without significant policy/budgetary interventions. This would include tactical improvements. The short term recommendations are as follows.

I. Improve sales of the organisation through short term measures

The immediate priority for the organisation is to build the sales volume. Though helping farmers is the prime objective of HOPCOMS. Increasing the sales is the way this can be achieved sustainably. The sales function is the heart of the HOPCOMS. The recommendations to boost sales in the short term are mentioned below:

- a. **Delinking Procurement and Marketing:** Despite of the importance of sales function, the managing of sales and procurement has been clubbed. General Manager (GM) for Procurement & Marketing is looking after both the functions. The roles are also having conflicts, so it is essential to separate the function accordingly as GM-Procurement and GM-Marketing roles may be created with both of them reporting to GM (Admin)/MD. And Entire functions of sales including Route supervisors/ salesmen/sales assistants can report to GM-Marketing.
- b. **Providing wastage allowance, reward and recognition for sales staff:** To push the sales productivity, it is essential to offer incentives, rewards and recognition in the organisation. Till recently 3 percent allowance was provided towards wastage and driage, which is not adequate. So the wastage incentive may be revised upward by 1-2 percent. Similarly best salesmen/store staff may be recognised periodically (Monthly/quarterly) based on the sales performance/ sales improvement/ housekeeping /visual display etc. During 2016-17 incentive system is introduced where, revenue sharing is done for clocking the sales beyond the target set by each store. The additional sales required are in terms of absolute value. The same may be changed as a percentage and incentives may be provided. This would help covering all the stores by setting up the improvement targets proportion to the current capacity.
- c. **Improve service levels with the below mentioned changes:**
 - Revise Store Timings from 7AM to 10PM
 - Introduce card payment system
 - Pricing to be displayed mandatorily
 - Online billing system to be implemented comprehensively
 - Dress code for salesmen may be made compulsory
 - Regular Housekeeping to be introduced
 - Non-performing sales outlet may be used as storage godowns or franchised for boosting sales
- d. **Multi channel Sales: online/institutional:** Store expansion while on the medium and long term may be carried with assistance from Government; expansion may also be carried on by deploying more mobile sales vans which can be hired initially. Also franchisee model may be followed to open retail stores, where deposits may be collected from the seller and rights to open franchise store with branding assistance from HOPCOMS. Tie-ups with online

retailers/aggregators such as Grofers, Amazon now, Zopnow has to be pursued. Similarly expansion of institutional sales with buyers including reputed hotels, caterers, manufacturing and service companies have to be pursued.

II. Decentralise Procurement of F&V:

The share of procurement through procurement centres is relatively lesser which is estimated at less than 40 percent and the procurement at central godown is estimated at over 60 percent of the total farmer purchases. There is a need for decentralisation in procurement to help marginal farmers, and to scale up procurement. While in the medium term the procurement from farm gates as followed by modern retailers may be followed, in the short term, minimum procurement targets based on the catchment production and HOPCOMS requirements across the varieties may be set up.

III. Introduce Crop Planning and procurement planning

The information on average daily consumption quantity estimates is available with HOPCOMS. However the advance planning aspect is missing. There is a scope for planning the crops with the member farmers. Federations such as Safal employ crop planning with farmer members based on the demand. This has been followed by developed countries effectively. Eg. in Israel the Crop planning is being done, where 80 percent of the produce purchase for the members is guaranteed. Similar model with 50-80% buy back guarantee may be employed with member farmers towards crop planning based on the daily minimum requirements of HOPCOMS.

Similarly procurement of produce such as apples/berries and other F&V during the season in bulk quantities would help HOPCOMS in procuring at lower prices. Cold storage facilities may be outsourced in the short term. Planning of procurement and storage may be done keeping demand and pricing throughout the year.

IV. Follow Corporate Planning for medium and long term performance

Despite declining quantity of sales/ procurement since several years, there was no evidence found on the vision being formulated for the growth and the plan of action and is highly dependent on incumbent personnel at the helm in steering towards growth path. There is need for setting up of a vision over short term (6 months-2 years), Medium term (3-4 years), and long term (5 years). Blue print of plan may be decided on actions to be executed to achieve the vision with various scenarios.

B. Medium and long term recommendations are as follows:

- Upgrade the existing sales outlets
- Align procurement to published market prices
- Sales and procurement through HOPCOMS of other districts/Co-operative grid
- Communication HOPCOMS to the younger generation:

During the primary survey we found 66 percent of the total sample to be homemakers and retired personnel. A rebranding exercise may be taken with the following indicative initiatives.

- Having a young brand ambassador/faces in HOPCOMS displays

- Social media connect
- Sub branded packaged product
- Recipes of traditional and local vegetables for time constrained consumers
- Communicating health benefits of F&V, especially the local produce
- Communicating the farmers' ownership and farmer benefits.

Considering the wide network of retail outlets, they can be leveraged for communication including, glow signs, posters, booklets, leaflets, etc.

- Procurement to shift from central godown to farm gate
- Supply to Government Schemes such as mid-day meal scheme and to other institutions
- Establishing of Cold chain facilities
- Setting up of new larger retail formats catering to daily needs of consumer
- Expand the foot print of processed foods through improved packaging and new products such as vegetable juices and processed/preserved foods in purees, pulp, concentrate, blend, frozen vegetable, Preserved Gherkins & fresh fruits & vegetables.
- To Focus on exports of Fruits and Vegetables

C. Recommendations requiring change in policy

These are those which will need a lot of time, resources and procedure to implement. In addition to strategic changes, the need for continuation of existence of HOPCOMS has been detailed.

I. Need for continuation of HOPCOMS

During the study the following were the observations

- Farmers are being paid higher than the market prices and during the price crash this is more crucial.
- Though the coverage of farmers has reduced over the years, still it is an alternative for the market especially in places where market is not efficient.
- The organisation is self sustaining for operations management, however timely interventions in upgradations are required to ensure higher productivity
- Increasing scale may help HOPCOMS to serve more farmers
- HOPCOMS among a segment of consumers is still a trusted brand for fresh F&V
- The presence of over 250 stores at key locations will provide consumers convenience for fresh produce.

So HOPCOMS may continue operations. However there is a need for a bigger vision, larger operations, and more farmer inclusiveness beyond being a convenience shop for customers. Since KMF and HOPCOMS offer complementary products, tie-ups may also be explored so that together they may fulfil daily needs to the consumer. Leveraging retail spaces of each other, merging opportunities with other co-operatives which have synergies with HOPCOMS business as KMF may also be explored.

II. Wholesale market operations

With procurement being the key metric for helping farmers, HOPCOMS may look at building scale in procurement. On long term HOPCOMS may become a trading platform for the farmers across different regions of the catchment and beyond with its own market place.

III. Broad basing the farmers' involvement through a Tiered approach to Governance

The governance model of HOPCOMS is highly centralised. The elections held at HOPCOMS for decision making is highly centralised. However the role of HOPCOMS in spirit is to assist farmers across the catchment area. By making the governance structure in to multiple tiers, where in at the lowest tier will be a cooperative body at Taluk/Hobli level and at tier 2, the electives from Tier 1 will choose a governing body. This will enable comprehensiveness in terms of representation from the entire catchment area. With increased procurement this may be subsequently expanded to village level.

3. A Snapshot of Findings in Response to Evaluation Questions

S. No	Question	Response
1	How is the registration of farmer's members done? Are there any checks and balances in place to verify the occupation of farmer members (lest middlemen register as farmers or some farmer registers himself/ herself on behalf of other farmers)? If not, why not?	A farmer fills out an application form, submits it, along with necessary documents as proofs, to HOPCOMS, where meetings are held every month to approve membership. Yes, there are checks and balances in place to verify the occupation of farmer members. Details are mentioned under Section 11.1
2	What is the profile of these farmers members i.e. small/marginal/large farmers?	HOPCOMS does not maintain any records on the extent of land holding of farmers, and also the income level. Hence, profile of farmers cannot be ascertained with the available data.
3	How many farmer members are registered and how many of them are active in HOPCOMS? Has the membership of farmers in HOPCOMS increased with time? If no, why so? If yes, does the increase in numbers evidence the claim that farmers are indeed given a better deal than usual markets to the farmers?	About 19,000 farmers are registered. Number of farmers who have renewed their membership is 5260. However, number of active members as of 2015-16 is 3248. Membership has increased with time, but the number of active members has reduced by 43.8% from 2010-11 to 2015-16 owing to reduction in procurement quantity and increase in average procurement from farmers. Details are mentioned under Section 11.1
4	Do all the farmer members have voting rights? If not, is the denial of voting rights justified?	No, all registered farmer members do not have voting rights. Only those who have renewed membership can vote. Yes, the denial of voting rights is justified. However, since the procurement has reduced over the years, there is a possibility that some farmers have not been able to receive tenders and unlikely to renew membership, and this leaves a gap where transactions could be tilted in favour of selected farmers.
5	Have the objectives set by the society been fulfilled? If so, to what extent? If not, why not? <ul style="list-style-type: none"> • To ensure remunerative prices to producers of horticultural crops. • To free both consumers and producers from the control of middleman. • To ensure quality supply of fruits and vegetables at reasonable prices to consumers. • To expand marketing and cold storage facilities progressively for the benefit of farmers. • To promote development of horticulture on scientific lines by providing necessary inputs and technical advice. • Training and technical advice to farmers and providing inputs and organize study tours to members. 	<ul style="list-style-type: none"> • Yes, farmer members supplying horticultural produce are receiving remunerative prices. However since HOPCOMS share of procurement in the catchment area is about 0.7%, number of farmers benefited is very low. • Role of middleman not entirely eliminated because market purchases which is about 15% of the procurement and non-member purchases happen which are not being captured at aggregate level leading to opening up of gaps for exploitation • Consumer perception of quality and prices are explained in section 11.3. About 57% of the customer felt that quality is good 36% felt as similar to super markets and 46% feel prices are reasonable(similar or better), so while quality has been perceived similar pricing was perceived higher • Marketing facilities: Number of stores has remained almost the same over the last 5 years,

S.	Question	Response
		<p>hence there is no concrete expansion. Similarly no expansion of cold storage facilities was undertaken during the review period</p> <p>Cold storage facilities are unavailable currently.</p> <ul style="list-style-type: none"> No evidence of technical advice, training or study tours was found. However inputs in the form of pre-plant chemical and fertilisers have been supplied at reasonable price through their chemical and fertiliser outlets
6	Whether the infrastructure provided for procurement, storage, transport and distribution is adequate? If not, elaborate its requirement in detail.	<p>Procurement: No, it is not adequate because there are only 8 procurement centres to procure from entire 6 catchment districts. To cover catchment area better, it is recommended to have procurement centre at a Taluk level, in line with the infrastructure of the retail competitors.</p> <p>Storage: Infrastructure for storage is inadequate and needs upgradation. Please refer to Section 11.2 for more details.</p> <p>Transport: It is adequate but also under-utilized. Details are mentioned under Section 11.3.</p>
7	What is the present system of grading of commodities followed in the society?	Details are provided under the section 11.2.
8	Have the Fruits and Vegetables Grading and Marking Rules 2004, and its amendments followed for grading and fixing the rate of the commodities? If not, why not?	No, the Fruits and Vegetables Grading and Marking Rules 2004, and its amendments are not followed for grading and fixing the rate of the commodities. There are two issues highlighted in grading. Firstly, there is lack of manpower and secondly it will result in handling leading to deterioration of the quality of commodities. Please refer to Section 10.2 for more details.
9	What is the basis on which prices of fruits and vegetables purchased and sold are fixed? Is the basis transparent, in accordance with best business practices and good? How does it compare with that of the private sector retailers? What are the regulatory constraints felt by HOPCOMS in fixing the prices of purchase and sale of fruits and vegetables?	<p>Purchase price is fixed after a team from HOPCOMS visit 4 markets and observe prices. The basis is not entirely transparent because there is subjectivity involved in identifying prices and fixing prices, after collecting market prices. Private sector retailers have collection centres, through which they reach out closer to the farmers and negotiate purchase prices. HOPCOMS has a Society regulation to fix a mark up of not greater than 33% of the purchase price, to sell commodities.</p> <p>Please refer to section 11.2 for more details.</p>
10	What is the procurement and selling price fixing system followed by Malls like Reliance, Safal, Total, More, Auchan, Bigbazar etc.? Which of these the HOPCOMS can adopt?	<p>During our discussions with the purchase team of the retailers, they said that they negotiate prices with farmers based on APMC and other market prices and often fix a price far lower than the market prices.</p> <p>Please refer to section 11.2 for more details.</p>

S.	Question	Response
11	What are the future plans to address the structural and operational problems faced by the society? Has any expansion plan thought of for computerized system for procurement and distribution of produce and scientific fixing of rates along with office automation? If so, what is the plan?	Please refer to section 11.4 for details.
12	Is the Society having adequate number of vehicles for transport of fruits & Vegetables) for procurement, for distribution to retail outlets/customer of HOPCOMS.	Yes, they have adequate number of vehicles for transport of fruits & Vegetables for procurement and distribution to retail outlets, considering the outsourcing of vehicles they have currently. For more details, refer to Section 11.3.
13	Is there any effective system to manage the vehicles to minimize the loss of time and resources of the society?	Based on the change in demand adhoc reallocations are made to minimise loss. However, no formal system to monitor and optimise the pay load and routes to minimize the loss of time and resources of the society was found. Please refer to Section 10.3 for more details.
14	What are the criteria of stationing of mobile vans? Has any demand survey been conducted?	HOPCOMS select areas on experimental basis. But sometimes, people from different localities or apartments demand for it by writing letters to them through their local residential unions. Also, there are instances where, retired people who are often seen walking in the parks write to them requesting for a mobile van. Considering the relocation cost being minimal the process is satisfactory.
15	Does the society actually charge the customers of HOPCOMS for transporting against bulk orders?	No, the society do not charge the customers of HOPCOMS for transporting against bulk orders
16	What are the criteria for establishing a procurement centre? Is it technically feasible?	Objective criteria for establishing a procurement centre has not been found.
17	What is the average commodity wise of fruits and vegetables required per day and against which for what quantity and when are indents sent to farmers?	Average commodity wise fruits and vegetables required per day vary as per commodity and it is shown in Exhibit 15. The indent information in booklets was not comprehensive so actual quantity could not be analysed. The details are mentioned under the section 10.3.
18	Do the farmers supply the fruits and vegetables as per quantity prescribed in the indent on time or not? If not, detailed reasons to be furnished.	Not always. Quantity will vary due to harvesting conditions and also changes from HOPCOMS due to reduced anticipated demand. However, reasons for not fulfilling quantity on time include not being able to harvest on time, or delay in transport due to rain or traffic.
19	Is the quantity of indent fully procured or not? If not, what is the average quantity of fruits and vegetables rejected and why?	Not always. Quantity will vary due to harvesting conditions and also changes from HOPCOMS due to reduced anticipated demand. Though records were not available for the quantity rejected, as per the discussion with HOPCOMS on an average, they reject 10%-15% of fruits and vegetables, which is due to lack of clear grading/transportation wastage.

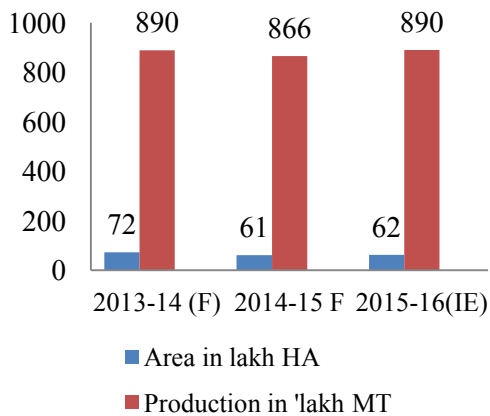
S.	Question	Response
20	What do the farmers do with the rejected quantity of fruits & vegetables? Is it again procured by HOPCOMS at lower price or sold by farmers to other purchasers in the premises?	All the farmers mentioned that the rejected quantity is sold to the nearby local vendors or to the market.
21	How is the quality of the fruits and vegetables decided by the officers of HOPCOMS? Is it scientific, subjective, legal or correct?	Quality of fruits and vegetables is decided subjectively, based on experience on salesmen acceptability
22	Are the grading rules and systems of HOPCOMS will published and known to farmers? Are these rules and systems transparent and objective?	No formal grading rules are followed by HOPCOMS but farmers are aware of the acceptance levels of quality based on the past experience and they bring their produce accordingly.
23	Does the Society procure the fruits and vegetables from market yards? If yes, why and what is the quantity procured from market yards and at what rate?	Yes, they procure about 21% of the fruits and vegetables from market yards, at the same rate as they procure from farmers.
24	Have the mobile vans been classified based on their marketing performance? If so, what is the classification done? What action has been taken on the low performing outlets/vans? Please elaborate.	Yes, mobile vans have been classified from grade 'A' to 'H', based on their sales, similar to the stores. When the performance for the mobile vans is observed to be low, they change its location and also experiment with the assortment of commodities made available under them.
25	Amongst the Grade 'A' to 'H' classification of retail outlets made on the basis of sales per day in 2014-15, how many outlets are making losses? What should be the strategy to deal with such outlets by the Corporation?	As per the Profit and Loss Statement 2014-15, amongst the Grade 'A' to 'H' classification of retail outlets made on the basis of sales per day, about 144 out of 252 stores are loss making. Please refer to Section 10.3 for more details. Strategy to deal with such outlets is explained under Section 12: Recommendations.
26	What is the driage and wastage permissible at present? Does it vary season wise? If not, is it correct to assume the same driage and wastage all the year around	The driage and wastage permissible at different stages is mentioned is under section 11.2. Additional driage and wastage is 0.71% on an average for the year 2014-15
27	What is the system of salary/incentives/other facilities provided to the sales staff working in HOPCOMS? Are there any demands put forth by the staff on payment/seniority/promotions etc? Have they been fulfilled?	Salary paid is in accordance with the 5 th Pay Commission recommendations of GoK. There are demands to implement 6 th Pay Commission in line with the Stage Government employees, which is yet to be fulfilled. Please refer to Section 11.4 for details.
28	General Matters: Should HOPCOMS continue to exist? If not, why not? If yes, elaborate in the light of its Mandate?	Yes. The details are mentioned under Section 12: Recommendations.

4. Introduction

Production Scenario

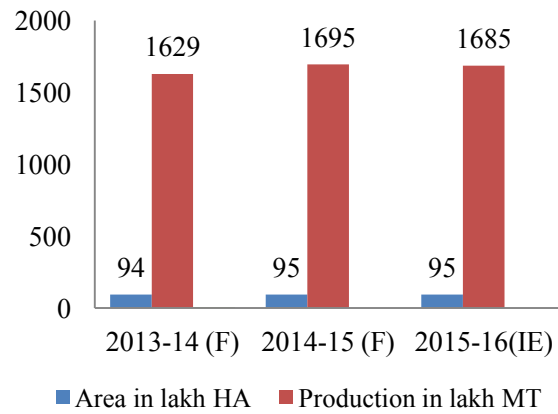
India has been endowed with wide range of climate and physio-geographical conditions which ensures production of most kind of fruits and vegetables. It ranks second in fruits and vegetables production in the world, after China. As per the data from National Horticulture Board, during 2014-15 India produced 866 lakh metric tonnes of fruits and 1695 lakh metric tonnes of vegetables. The area under cultivation of fruits stood at 61 lakh hectares while vegetables were cultivated in 95 lakh hectares as shown in Exhibit 1 and Exhibit 2.

Exhibit 1. Area and Production of Fruits- All India



Source: National Horticulture Board, IMaCS Analysis

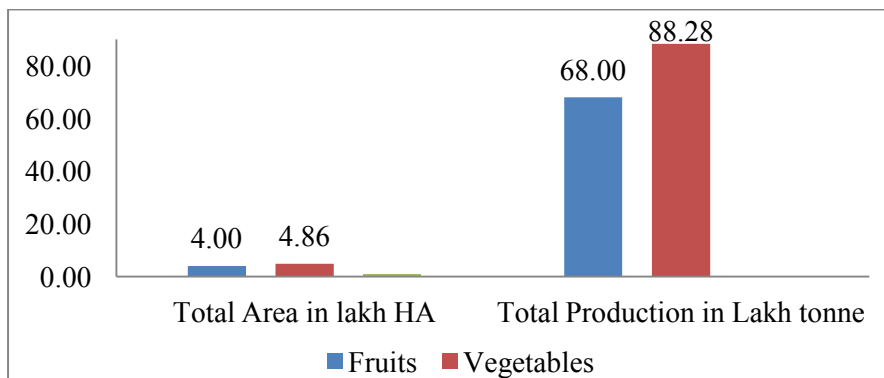
Exhibit 2. Area and Production of Vegetables- All India



F: Final Estimates IE- Initial Estimates

As of 2014-15, Karnataka had 4 lakh hectares area of land under fruit cultivation and 4.86 lakh hectares under vegetable cultivation. As per the data from National Horticulture board, Karnataka ranks 3rd and 7th in terms of acreage under cultivation for fruits and vegetables respectively. Horticulture plays an important role in the economic development of Karnataka. It contributes to the extent of about 30% of agricultural GDP. Karnataka is the first state in India to have a separate Horticulture Department.

Exhibit 3. Area and Production of Fruits and Vegetables in Karnataka 2014-15(Final Estimates)



Source: National Horticulture Board, IMaCS Analysis

Retail Scenario

Organized retailing in India slowly began in the 1980s and economic liberalization in 1991 facilitated integration forward and increasing investments into retailing. With rapid growth during the last decade, the retail market in India is expected to reach USD1.3 trillion by 2020 from USD 600 billion in 2015. The organised retail market which has a share of 10% in the overall retail is expected to grow from USD 60 billion in 2015-16 to USD180 billion in 2019-20. There are an estimated 8500 super markets in 2016 compared to 500 supermarkets in 2006.

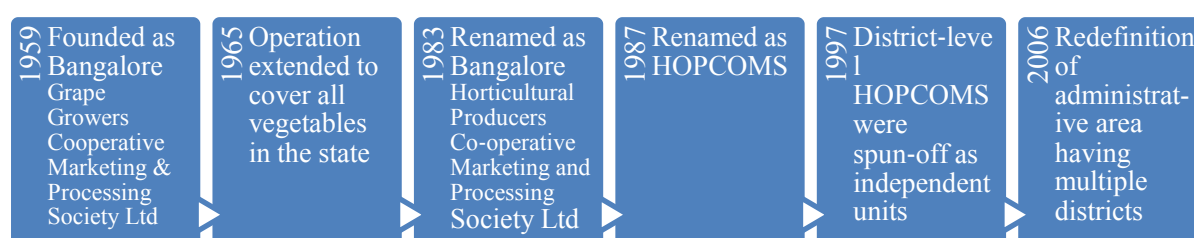
With the recent move by Government of India (GoI) to allow 100% FDI in retailing of food products manufactured or produced in India are significant investments expected in retailing of Fruits and vegetables in addition to other food products. In 2014, food & grocery accounted for nearly 69 per cent of total revenues in the retail sector, followed by apparel (8.0 per cent). The organised retail is being reinforced by increase in Mall retail space. Bangalore is expected to be second largest in upcoming mall space with 14% share, with NCR having 14% share. E-commerce is also witnessing growth with projected market of USD 100 billion in 2020 from USD 22 billion in 2015. Further Online grocery market is nascent in India with only USD 0.6 billion in 2015. However in China, which is ahead of India in economic growth curve, it is nearly USD 41 billion indicating a huge potential for growth in India¹. In this external context HOPCOMS is currently operational.

About HOPCOMS

The Horticultural Producer's Co-operative Marketing and Processing Society Ltd. or HOPCOMS, was established with the principal objective of having a proper system for the marketing of fruits and vegetables; one that benefits both the farming community and the consumers. Prior to the establishment of HOPCOMS, no proper system existed in Karnataka for the marketing of horticultural produce. Farmers were in the clutches of the middlemen, and the system benefited neither the farmer nor the consumer.

HOPCOMS, established in 1959, was initially started as the Bangalore Grape Grower's Marketing and Processing Co-operative Society. In 1965, the society started handling all fruits and vegetables and its name changed to HOPCOMS.

Exhibit 4. Evolution of HOPCOMS



By 1997, a network of procurement centres, retail units and godowns were developed in eight districts within Karnataka, out of which the largest and most important one was in Bengaluru. District level HOPCOMS were functioning as one unit until 2006, when the organization structure was decentralized into multiple units and handed over to the respective Horticultural Societies.

¹ India Brand Equity Foundation (IBEF) website

The operation of HOPCOMS, Bengaluru covers five districts; Bangalore Urban, Bangalore Rural, Kolar, Ramanagaram and Chikkaballapura. Presently, the Society has about 19,000 members. There are four categories of membership in HOPCOMS. They are as follows:

Exhibit 5.HOPCOMS category of membership

Category	Member category
A	Farmers
B	State Government
C	Associate Members
D	Category D

Members who have been voting rights should attend the General Body Meeting for at least three years and should have supplied a minimum of 500 kilograms of fruits and vegetables during each year. HOPCOMS is being run under the aegis of the State Department of Horticulture, managed by a Board consisting of 18 members. Among them, 14 members are elected from among the producers, and four are government representatives. At present HOPCOMS has 846 staff members having different designations such as Managing Director, General Manager, Assistant Engineer, Executives, Assistant Executives, Sales Assistants, Store Keeper, Superintendent, Stenographers, Receptionists, etc.

Objectives

The objectives of HOPCOMS are as follows:

- To ensure remunerative prices to producers of horticultural crops.
- To free both consumers and producers from the control of middleman.
- To ensure quality supply of fruits and vegetables at reasonable prices to consumers.
- To expand marketing and cold storage facilities progressively for the benefit of farmers.
- To promote development of horticulture on scientific lines by providing necessary inputs and technical advice.
- Training and technical advice to farmers and providing inputs and organize study tours to members.

The study context

In the context of the trends in both production and retails scenario, the Horticultural Producer’s Co-operative Marketing and Processing Society Ltd. or HOPCOMS, was established in 1959 with the principal objective of having a proper system for the marketing of fruits and vegetables in Karnataka is currently operating. Since the inception of HOPCOMS, there have been several changes in availability of marketing options for farmers as well as buying options for consumers, thus affecting the performance of HOPCOMS. In this scenario Karnataka Evaluation Authority (KEA), Planning, Programme Monitoring and Statistics Department, Government of Karnataka has selected IMACS to Evaluate the Functioning of the Horticultural Producer’s Co-operative Marketing and Processing Society Limited (HOPCOMS), Bangalore. IMACS personnel have conducted primary survey of HOPCOMS management and staff, customers and farmers and have visited facilities of HOPCOMS including procurement centres, retails stores, godowns and offices. The study findings along with recommendations have been detailed in this report.

5. Log frame / Theory of Change / Program Theory

Under this section, the basis for intervention has been analysed using Theory of Change, which is described below:

Issue:

The Horticultural Producer's Co-operative Marketing and Processing Society Ltd. or HOPCOMS, was established with the principal objective of having a proper system for the marketing of fruits and vegetables; one that benefits both the farming community and the consumers. Prior to the establishment of HOPCOMS, no proper system existed in Karnataka for the marketing of horticultural produce. Farmers were in the clutches of the middlemen, and the system benefited neither the farmer nor the consumer.

The objective of evaluation is to know the structural and operational problems faced by HOPCOM, how to make it function in a way as to fulfil the objectives set for it in a transparent way. Also intended to be known are what the loopholes are in the present working system, the transparency or otherwise in issuing indent to farmers, procurement and proper gradation of fruits and vegetables and fixing of prices for the produce. The develop suggestions for overall improvement of the Society, its modernisation, office automation, and transparent system of procurement, hassle free disbursement of produce value to farmers, storage and logistics.

Community Needs:

The needs of the stakeholders are summarised in the form of objectives of the society are mentioned below:

- To ensure remunerative prices to producers of horticultural crops.
- To free both consumers and producers from the control of middleman.
- To ensure quality supply of fruits and vegetables at reasonable prices to consumers.
- To expand marketing and cold storage facilities progressively for the benefit of farmers.
- To promote development of horticulture on scientific lines by providing necessary inputs and technical advice.
- Training and technical advice to farmers and providing inputs and organize study tours to members.

Desired result:

The desired result is the organisation successfully addresses objectives and run profitably on sustained basis.

Influential Factors:

The key influencing factors for the organisation to remain profitability are

- Procurement network in the catchment area
- Sales and distribution network of the society
- Competition from organised and unorganised players
- Organisations capability to procure and market the products efficiently and effectively
- Cost structure of the organisation including fixed costs

Strategies:

The strategies to be adopted would as mentioned below

- Sales and distribution network improvement
- Expand procurement network
- Operations improvement
- Focus on untapped markets
- Focus on new products
- Planning procurement

Further the data has been analysed findings have been mentioned, based on which recommendations are developed.

6. Progress Review

Under this section the infrastructure/facilities at HOPCOMS has been detailed along with the support received by government and government agencies and the outcomes from the organisation covering farmer membership, procurement, sales , profitability, etc.

Infrastructure Facilities available at HOPCOMS

HOPCOMS is having the following infrastructural facilities for marketing of Fruits and Vegetables:

1. No. of Retail outlets: 252

2. No. of Chemical & fertilizer retail outlets: 10 District wise details as follows:

Sl.No	District	Name of Outlets
1	Bangalore (4)	Bangalore Head Office, Sarjapura, Channapatna and Thippasandra
2	Chikkaballapura (3)	Chikkaballapura, Shidlaghatta and Vijayapura
3	Kolar (2)	Kolar and Mulbagal

3. No. of Procurement Center: 08

Sl. No	Procurement Centre	District
1	Doddaballapura	Bangalore Rural
2	Sarjapura	Bangalore Urban
3	Channapatna	Ramanagara
4	Hosakote	Bangalore Rural
5	Malur	Kolar
6	Kanakapura	Bangalore Rural
7	New Thippasandra	Bangalore Rural
8	Kolar	Kolar

4. No. of Processing units: 1 (Bangalore)

5. No. of Cold storages: 0

6. No. of Vehicles: 25

7. No. of Walk in Cooler: 1

8. No. of Godowns: 19

9. Banana ripening chambers: 2

Distribution outlets of HOPCOMS

HOPCOMS sells/sends various Fruits and Vegetables products through/to 252 Retail Outlets, and also some Hospitals, Factories and Hostels, Clubs and Institutions. In addition to this, there are 17 mobile vans for distributing fruits and vegetables on the request of residents associations in Bangalore. HOPCOMS undertakes supply of Fruits and Vegetables directly for marriages and other functions on demand.

Turn-Over of HOPCOMS

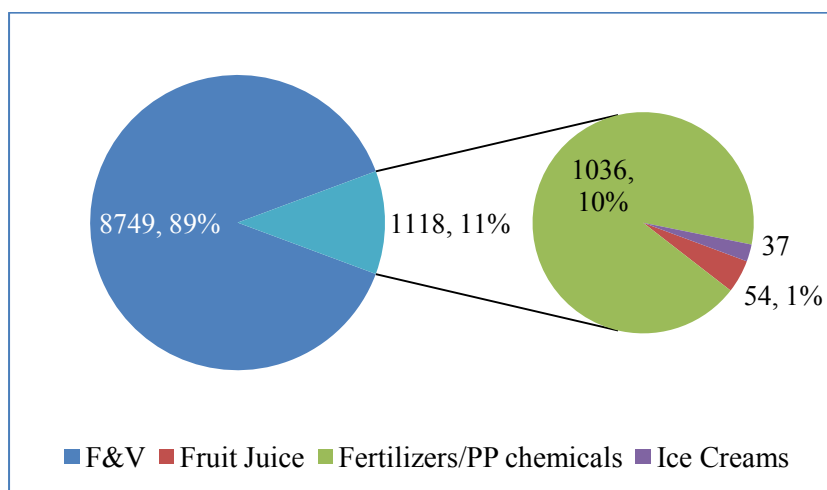
During the year 2014-15, the Society's total turnover was Rs. 98.67 crore. At present, HOPCOMS is handling about 65 metric Tonnes of fruits and vegetables every day.

Exhibit 6.HOPCOMS Sales and distribution details 2010-11 to 2014-15

S. No	Particulars		2010-11	2011-12	2012-13	2013-14	2014-15
1	Fruits	Qty	9289.24	10636.83	9831.579	9618.95	9026.15
		Value	2682.29	3058.14	3357.59	3462.95	3645.54
	Vegetables	Qty	12200.18	12162.14	11594.53	11107.62	11153.67
		Value	2150.32	2086.38	2322.12	2890.80	2957.17
	Total Procurement	Qty	21489.42	22798.97	21426.11	20726.57	20179.82
Value		4832.61	5144.52	5679.71	6353.75	6602.71	
2	Total Distribution	Qty	21253.08	22577.71	21180.99	20514.22	20056.03
		Value	6316.11	6790.48	7459.51	8326.13	8749.04
3	No of farmers arrived At HOPCOMS		5778	5749	6095	5586	4421
		Average per day	231	192	203	186	166
4	Procurement from farmers	Qty	17307.61	17290.45	17312.44	16219.93	15926
		Value	3091.99	3157.93	3904.33	4127.33	4470.79
		%	80.59	77.07	80.20	77.94	79.03
5	Procurement from Market	Qty	4181.80	5508.52	4248.64	4506.63	4253.80
		Value	1740.70	1986.85	1854.24	2226.45	2131.93
		%	19.45	22.93	19.81	22.06	20.97
6	Driage/wastage	Qty	220.16	265.13	244.68	213.61	87.61
		Value	52.66	61.49	78.87	80.67	36.89
		Avg %	0.99	1.48	1.12	1.11	0.71
7	Qty Handling Average per day		69	74	69	67	66
			(66.30+3.32)	(68.18+3.33)	(66.78+3.17)	(65.09-3.03)	(63.09+2.82)
8	Gross profit		1492.10	1639.03	1806.26	1987.48	2141.38
9	Margin %		23.61	24.05	24.27	23.88	24.63
10	Total turnover						
a	F&V		6316.11	6790.48	7459.51	8326.13	8749.04
b	Fruit Juice		37.12	35.83	59.31	65.05	54.42
c	Fertilizers/PP Chemicals		886.76	1159.03	1279.22	1156.89	1036.25
d	Ice Creams		12.41	27.01	29.03	36.95	27.66
	Total		7252.40	8012.35	8827.07	9585.02	9867.37

Source: HOPCOMS

Exhibit 7. Segmental Share of HOPCOMS turnover in 2014-15 (Value in Rs. Lakh, percentage)



Source: HOPCOMS, IMaCS Analysis

As we can see from the Exhibit 7, HOPCOMS gets the maximum revenue from selling fruits and vegetables. The other sources of revenue are selling fertilisers/ PP chemicals, fruit juice and ice creams.

During the year 2014-15, the Society's total turnover was Rs. 98.67 crore. The turnover of HOPCOMS has increased at a Compound Annual Growth Rate (CAGR) of 8% between 2010-11 and 2014-15 as shown in Exhibit 6. Quantity of sales of commodities for the year 2015-16 is 20273.91 tonnes. While the overall gross profit has increased from Rs. 976 lakh in 2006-07 to Rs.2291.55 lakhs in 2014-15 and sales turnover has almost doubled from Rs. 46 crore to Rs. 91 crore, it is observed that the quantity of sales in the same duration has reduced by 20.7%. Hence, the growth in turnover seems to be inflationary.

Exhibit 8: The turnover, profit and loss account for the last three years

Year	Turn Over (Rs. lakh)	Net profit (Rs. lakh)	Net margin (%)
2010-11	7129.71	61.14	0.84%
2011-12	8012.35	7.34	0.09%
2012-13	8827.07	10.96	0.12%
2013-14	9585.02	23.33	0.24%
2014-15	9867.37	15.65	0.16%

Source: HOPCOMS, IMaCS Analysis

Figures for 2010-11 are considered from RFP document, while the rest are from HOPCOMS annual financial reports

During the years of review i.e 2010-11 to 2014-15 the organisation has made marginal net profits of less than 0.25%.

Price determination

The price at which HOPCOMS buys the produce from the farmers is based on the rates and prices released by APMC, Bangalore markets such as Kalasipalya market, KR Market, Agara fruits market and APMC Yeshwantpur market, which they visit and participate in the auction to observe qualities of

commodities and prices at which they are sold. They compile these prices manually, average out, and based on the demand and supply of those commodities; Procurement and Marketing division sets the purchase prices.

Procurement & Payment Process at HOPCOMS

HOPCOMS enrolls farmers as its members. It issues purchase indent to these members specifying the quantity of Vegetables to be brought to the procurement centres at Bangalore or other districts centres. Produce brought is verified, weighed and payment is made to the farmers. Earlier the amounts to farmers were being paid through cash/cheques. Since the beginning of 2015-16 the payment is being made through NEFT/RTGS directly to the account of farmers. During our discussions with farmers it was understood that the payment is being made within 1-3 days.

Other Activities of HOPCOMS

The society has set up a unit for preparing fresh fruit drinks out of fruits like Bangalore Blue grapes, mango, oranges etc. It is selling the same to the general public at a price of Rs.15/- per 200 ml bottle through its retail outlets, and through dispensers located at important places.

Damages and wastage of Fruits and Vegetables at HOPCOMS

Fruits and Vegetables being highly perishable produce losses due to driage and wastage is obvious. To account for the driage and wastage at godown level, procurement of many commodities are done with an allowance in the quantity purchased, as shown in Exhibit 17. Incentive of 3% of the sales in fruits and vegetables is given to the storekeepers to compensate for the driage and wastage at store level, but based on the discussions with the salespersons, it was understood that they incur more around 5% damages.

Source of Financial assistance to HOPCOMS

For the development of HOPCOMS, the institutions are involved are -1) Zilla Panchayath, Bangalore urban / Rural Districts provided financial assistance of Rs.11.97 lakh. 2) N H B Provided Rs.28.18 lakh as grants and Rs.1.08 lakh as loan for construction of each retail stall, procurement centres and vehicles. The amount has been utilized for the purpose and the loan was also fully repaid. Considering the facilities rendered by HOPCOMS during 1990-91, the Karnataka Sate Govt. NCDC, sanctioned Rs.448 lakh for construction of 6 central godowns, 21 procurement centres, 165 retail stalls, purchased 24 vehicles and installed 1 processing unit. The entire loan amount Rs.215 lakh with interest amounting to Rs.225.54 lakh has been fully repaid by the HOPCOMS. In addition, funds from RKVY have also been provided for purchase of equipments and organising trade fairs and marketing promotion activities.

Facilities Extended by HOPCOMS to farmers

- HOPCOMS purchases the horticulture produces directly from farmers at remunerative prices, provides transport facilities from collection centres to HOPCOMS procurement centres at Rs. 50/quintal as transportation cost with correct weighments
- HOPCOMS arranges for essential inputs supply like fertilizers, plant protection chemicals, garden implements, seed etc., at reasonable prices, arranges subsidized supply of plastic crates to its farmer members for handling fruits and vegetables, supply of seeds at subsidized rates

- HOPCOMS provides canteen and banking facilities, guarantees a Minimum Support Price and during distress extends financial assistance for preliminary processing activities.

Facilities to Consumers

HOPCOMS supplies fresh and quality fruits and vegetables at reasonable price to its consumers through established retail outlets and mobile sales vans. It supplies fruits and vegetables for marriages and social functions at the spot with free transportation, offers bulk supply of fruits and vegetables to Institutions, Organizations, Hostels, Hospitals, & factories etc at competitive prices and sells fresh Grape, Orange, Mango fruits drinks at reasonable prices. It conducts seasonal fruits *Melas*, Fairs and festivals of Grapes, Mango, and other fruits.

Future Programmes: Future programmes being planned by HOPCOMS are as follows;

- Opening of 100 new modern retail outlets.
- Complete Computerization and Installation of Digital Scales in the outlets and godowns under R.K.V.Y Scheme.
- Upgradation of existing retail outlets.
- Construction of High Tech Walk-In Super Market.
- Opening of Procurement Centres around Bangalore Satellite Centres.
- Opening of Modern Processing Unit.

7. Problem Statement

During the year 2014-15, the Society's total turnover was Rs. 98.67 crore. The turnover of HOPCOMS has increased at a Compound Annual Growth Rate (CAGR) of 8% between 2010-11 and 2014-15 as shown in Exhibit 6. Quantity of sales of commodities for the year 2015-16 is 20273.91tonnes. While the overall gross profit has increased from Rs. 976 lakh in 2006-07 to Rs.2291.55 lakhs in 2014-15 and sales turnover has almost doubled from Rs. 46 crore to Rs. 91 crore, it is observed that the quantity of sales in the same duration has reduced by 20.7%. Hence, the growth in turnover seems to be inflationary and the continued reduction in quantity of sales is not sustainable. Thus there is a need to assess the reasons for the sales trend.

A decline in sales quantity reflects the decline in quantity procured by HOPCOMS. Further the number of farmers arrived has also declined over the years. So there is a need to look at the operations covering membership, indenting, grading, procurement and payment process to assess the transparency of process and to identify need gaps.

There have been changes in the external environment due to changes in FDI in retail, growth in organised retailing. However the retail stores of HOPCOMS does not seem to be in line with the other competing retailers and emerging retail channels such as online retailing is not being explored. So the distribution of HOPCOMs has to be assessed covering the transportation, pricing, point of sales, customer servicing, etc. A comparison of infrastructure and services if compared with other competing retail stores would also held HOPCOMS to make necessary changes in sales infrastructure.

8. Scope, Objectives and Evaluation Questions

Scope of Work

The Scope of the study is confined to five districts namely Bangalore Urban, Bangalore Rural, Kolar, Ramanagaram and Chikkaballapura where the retail outlets, procurement and processing centres of HOPCOMS are functioning.

The objective of evaluation is to know the structural and operational problems faced by the Society, how to make it function in a way as to fulfil the objectives set for it in a transparent way. Also intended to be known are what the loopholes are in the present working system, the transparency or otherwise in issuing indent to farmers, procurement and proper gradation of fruits and vegetables and fixing of prices for the produce. The develop suggestions for overall improvement of the Society, its modernisation, office automation, and transparent system of procurement, hassle free disbursement of produce value to farmers, storage and logistics. For this, personal interviews and Focus Group Discussions (FGDs) with farmer members, officers and officials and retail outlets to elicit their views on the present problems faced and to suggest for improvement in efficient functioning of the Society may be done.

Evaluation questions

Evaluation questions as derived from the request for proposal are as follows:

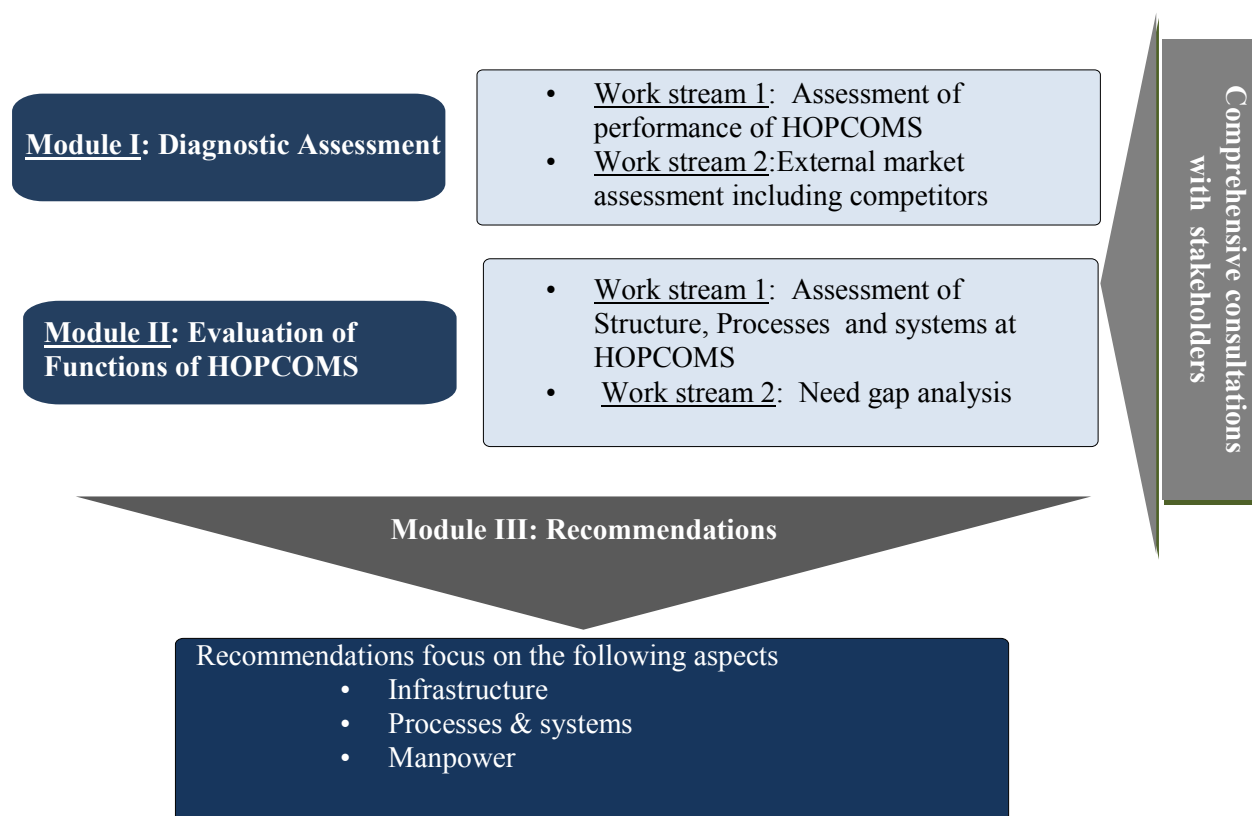
1. How is the registration of farmer's members done? Are there any checks and balances in place to verify the occupation of farmer members (lest middlemen register as farmers or some farmer registers himself/herself on behalf of other farmers)? If not, why not?
2. What is the profile of these farmers members i.e. small/marginal/large farmers?
3. How many farmer members are registered and how many of them are active in HOPCOMS? Has the membership of farmers in HOPCOMS increased with time? If no, why so? If yes, does the increase in numbers evidence the claim that farmers are indeed given a better deal than usual markets to the farmers?
4. Do all the farmer members have voting rights? If not, is the denial of voting rights justified?
5. Have the objectives set by the society been fulfilled? If so, to what extent? If not, why not?
6. Whether the infrastructure provided for procurement, storage, transport and distribution is adequate? If not, elaborate its requirement in detail.
7. What is the present system of grading of commodities followed in the society?
8. Have the Fruits and Vegetables Grading and Marking Rules 2004, and its amendments followed for grading and fixing the rate of the commodities? If not, why not?
9. What is the basis on which prices of fruits and vegetables purchased and sold are fixed? Is the basis transparent, in accordance with best business practices and good? How does it compare with that of the private sector retailers? What are the regulatory constraints felt by HOPCOMS in fixing the prices of purchase and sale of fruits and vegetables?
10. What is the procurement and selling price fixing system followed by Malls like Reliance, Safal, Total, More, Auchan, Big bazaar etc.? Which of these the HOPCOMS can adopt?
11. What are the future plans to address the structural and operational problems faced by the society? Has any expansion plan thought of for computerized system for procurement and distribution of produce and scientific fixing of rates along with office automation? If so, what is the plan?
12. Is the Society having adequate number of vehicles for transport of fruits & vegetables
13. Is there any effective system to manage the vehicles to minimize the loss of time and resources of the society?
14. What are the criteria of stationing of mobile vans? Has any demand survey been conducted?
15. Does the society actually charge the customers of HOPCOMS for transporting against bulk orders?
16. What are the criteria for establishing a procurement centre? Is it technically feasible?
17. What is the average commodity wise of fruits and vegetables required per day and against which for what quantity and when are indents sent to farmers?
18. Do the farmers supply the fruits and vegetables as per quantity prescribed in the indent on time or not? If not, detailed reasons to be furnished.
19. Is the quantity of indent fully procured or not? If not, what is the average quantity of fruits and vegetables rejected and why?
20. What do the farmers do with the rejected quantity of fruits & vegetables? Is it again procured by HOPCOMS at lower price or sold by farmers to other purchasers in the premises?
21. How is the quality of the fruits and vegetables decided by the officers of HOPCOMS? Is it scientific, subjective, legal or correct?
22. Are the grading rules and systems of HOPCOMS will published and known to farmers? Are these rules and systems transparent and objective?
23. Does the Society procure the fruits and vegetables from market yards? If yes, why and what is the quantity procured from market yards and at what rate?
24. Have the mobile vans been classified based on their marketing performance? If so, what is the classification done? What action has been taken on the low performing outlets/vans?

25. Amongst the Grade 'A' to 'H' classification of retail outlets made on the basis of sales per day in 2014-15, how many outlets are making losses? What should be the strategy to deal with such outlets by the Corporation?
26. What is the driage and wastage permissible at present? Does it vary season wise? If not, is it correct to assume the same driage and wastage all the year round?
27. What is the system of salary/incentives/other facilities provided to the sales staff working in HOPCOMS? Are there any demands put forth by the staff on payment/seniority/promotions etc? Have they been fulfilled?
28. Should HOPCOMS continue to exist? If not, why not?

9. Evaluation Design

The evaluation is designed towards comprehensively addressing all the aspects as spelt out in the Terms of reference shall be structured under three distinct modules, as pictorially represented in Exhibit 9 and detailed subsequently.

Exhibit 9. Evaluation Approach



Module 1: Diagnostic Assessment of HOPCOMS performance

Under this module, a diagnosis of the performance of HOPCOMS procurement centres, retail units, chemical & fertilizer unit and fruit drink processing centre was made.

Work stream 1: Assessment of performance of HOPCOMS

The performance of HOPCOMS was assessed considering both operational and financial parameters over the last 5 years (2010-11 to 2014-15). The parameters considered for assessment were:

- a. Financial performance,
 - Sales turnover
 - Gross Profit
 - Net Profit
 - Sales per store
 - Segment(Fruits & Vegetables) wise sales
- b. Operational performance
 - Membership Change

- Procurement quantity
- Vehicles
- Sales Points
- Sales quantity
- Wastage/ Driage
- Manpower changes

Work stream 2: External market assessment including competitors

Under the work stream external market was assessed covering the below mentioned areas:

- Overview of the market for fruits & vegetables, ice-cream, fruit juice in which HOPCOMS is present was highlighted covering major players, formats
- At least four retail competitors for HOPCOMS were mapped covering the following
 - Pricing of selected fruits and vegetables in comparison with HOPCOMS
 - Infrastructure assessment covering sales and backend , transportation infrastructure was conducted
 - Service levels were assessed covering presentation, accessibility, availability, packaging and presentation

Module 2: Evaluation of functions of HOPCOMS

Considering the inputs from Module 1, under this module, an evaluation of various functions of HOPCOMS was made covering the following work streams.

Work stream 1: Assessment of Organization Structure, Processes: The assessment was conducted across the areas of procurement, transportation, distribution & sales, fruit processing and storage and systems at HOPCOMS

- *Membership:* The process of membership, coverage and types of farmers, active members, voting rights and transparency in the process were assessed
- *Procurement & storage:* The activities involving establishing a procurement centre and its feasibility, quantity of indenting and procured, pricing, grading, wastage calculation were evaluated and relative benefits to the farmers were assessed in addition to assessing the procurement from market yards. The adequacy of infrastructure for procurement/storage was assessed.
- *Transportation:* Evaluation was carried out on adequacy of vehicles, transportation charges to customers, criteria for stationing mobile vans and their effectiveness
- *Marketing:* The performance of sales outlets and mobile sales units was assessed and corrective action taken on non-performing units was detailed and the wastage/driage at sales was assessed. The sales incentives were also analyzed
- *Fruit Processing:* The profitability and relevancy of the fruit processing unit were assessed

Work stream 2: Need gap analysis across various areas

Based on the inputs from Module 1 and Work stream 1 of Module 2, the need gap analysis across different areas was conducted covering the following

1. Assessment of fulfillment of objectives of the society
2. SWOT(Strength-Weakness-Opportunities- Threats) Analysis for the organisation

3. Need Gap Assessment was conducted considering the SWOT of the organization covering
 - a. Administration
 - b. Infrastructure
 - c. People
 - d. Processes

Module 3: Recommendations

Based on the Need gap analysis in the Module 3 the recommendations were derived.

The recommendations two tiered as mentioned below

- *Short term recommendations:* These are implementable within a year without significant policy/budgetary interventions. This may include tactical improvements.
- *Long term recommendations:* These are implementable in a Horizon of 4- 5 years which may be need significant budgetary support. These would include strategic improvements.
- *Recommendations requiring change in policy:* These are those which will need a lot of time, resources and procedure to implement. In addition to strategic changes, the need for continuation of existence of HOPCOMS has been detailed.

Key areas around which the recommendations were derived are as mentioned below.

- Infrastructure to be scaled up
- Deployment of Staff
- Processes or systems to be upgraded

10. Evaluation Methodology

The engagement has been executed through a mix of primary and secondary research. A mixed method approach was adopted, wherein information was collected from key stakeholders using both qualitative and quantitative tools.

Primary Research

Discussion with HOPCOMS Management and Staff: IMaCS personnel met up with select senior executives and staff to understand about the functioning of HOPCOMS. The following people were met for the discussion:

Name	Designation/Department
Mr. Bommanahalli	Director, Department of Horticulture
Ms. Lakshmi Raju	Managing Director, Karnataka Horticulture Federation
Mr. Parashivamurthy	Additional Director, Department of Horticulture
Dr. B Krishna	Managing Director, HOPCOMS
Mr. N. B. Dayanand	General Manager (Development) , HOPCOMS
Mr. R. Prashant	General Manager (Administration) , HOPCOMS
Mr. Keshava	Procurement and Marketing Manager, HOPCOMS
Mr. R. Suresh	Statistics, HOPCOMS
Mr. Rajanna	Mobile van sales, HOPCOMS
Mr. B Suresh	Share Section, HOPCOMS
Mr. D. P. Krishne Gowda	Share Section, HOPCOMS
Mr. Shrihari	Accounts Section, HOPCOMS
Mr. Shivanna	Administration , HOPCOMS

In addition, godown keepers/staff of various godowns were met.

The following were visited during the primary research:

1. **Procurement centres:** IMaCS personnel visited six procurement centres of HOPCOMS to hold discussions with the Farmers and Staff.
 1. Doddaballapura, Bangalore Rural
 2. Sarjapura, Bangalore Urban
 3. Channapatna, Ramanagara
 4. Hosakote, Bangalore Rural
 5. Malur, Kolar
 6. Kanakapura, Bangalore Rural

The operations in procurement centres were visually assessed which includes grading along with the discussion with the HOPCOMS staff. Farmers were interviewed with a structured questionnaire which is presented under APPENDIX.

2. **Retail Units:** IMaCS personnel visited 26 retail units in Bangalore and a store each in Channapatna, Kanakapura and Dommasandra, a total of 29 retail units, to survey the

salesman/staff and consumers. Documents available at these units were also analysed. Stratified sampling procedure was followed for retail units based on the grades (A to H) as well as geographies.

Based on the percentage of stores under each grade, the following stores were surveyed:

Category	Stores	Category	Stores
A	HAL 3rd Stage(119) Vidyaranya Pura(145) Bangalore Club(59) Kumara Park(97)	E	GKW Vijayanagar(123) Yelahanka satellite(165)
B	CV Ramannagar(106) Jivan Bhimanagar(120)	F	Mahalakshmi Layout(267) Ganganagar(63)
C	BM Sri Indiranagar(39) Koramangala(150) Anandnagar(128) Frazer Town(122) Basavanagudi Bugal rock(176)	G	Indiranagar 1st phase(99) Rajajinagar(91) Sheshadripuram(87) 3rd Block jayanagar(56) Hanumanthanagar(90)
D	Indiranagar 1st Stage(64) Rajajinagar 6th phase(67)	H	Rajajinagar 4th Block(213) Ulsoor BDA complex(181) RT Nagar (240) Bowring Hospital (15)

Visual assessment including signage, product display, billing, service etc. was carried out in the stores along with the discussions with the sales staff. A total of 50 customers at various sales outlets in the above mentioned list were interviewed with a structured questionnaire which is presented under APPENDIX.

3. **Private retailers:** IMAcS personnel visited three private retailers, Reliance Fresh, Namdhari's Fresh and More Megastore, and also one online store, Bigbasket.com, to compare pricing of various commodities. A visual assessment of the stores was done covering, allocated space, product basket, signage, product display, billing, service, etc. Discussions were held with the staff covering operations, wastage, pricing, etc.
4. **Focused Group Discussions (FGDs):** Four FGDs were conducted at procurement centres/ distribution/HQ level for comprehensive discussions.
 - One discussion conducted at HQ level having representatives from sales unit, procurement, farmers and management of HOPCOMS.
 - Two discussions conducted at Procurement Centre having HOPCOMS officials and Farmers.
 - One discussion conducted with sales personnel and customers.

The FGDs were moderated by the IMAcS personnel.

5. **Chemical and fertilizer outlet:** Two units in Sarjapur and Channapatna were visited and discussions with farmers and the staff were held.
6. **Fruit drink processing centre:** We visited fruit drink processing centre to understand their process & systems by interacting with the staff.

Secondary Research / Literature Review

We conducted extensive secondary research and analysis for the engagement.

Key sources of information are documents provided by HOPCOMS such as Annual Reports, Government orders, Bye laws etc. In addition we have also reviewed information available on public domain from various associations of user industries, research reports of reliable agencies, databases and other sources we considers reliable, which are related to horticulture/retail/ private retailers or any other aspect of the study.

As for similar models in other states, Safal, the F&V business initiative of Mother Dairy Fruit & Vegetable Pvt. Ltd, which is engaged in procurement, processing and marketing fresh F&V, processed products, pulp and concentrates, frozen food, neem based Agri products, with operations spread over in National Capital Region, Gujarat, Maharashtra and Karnataka, was looked into. Review of literature also included understanding the working of Karnataka Cooperative Milk Producers' Federation Limited (KMF).

Other Sources are:

- Production data from Department of Horticulture
- Production reports from National Horticulture Board
- NSSO Survey 2010
- Census of India website (<http://censusindia.gov.in/>)
- India Brand Equity Foundation(IBEF)
- India - Marketing cooperatives in a new retail context: A case study of HOPCOMS
By Deepthi Kolady, Sujana Krishnamoorthy and Sudha Narayanan
- WPI inflation data from Office of the Economic Advisor

11. Study Findings, Discussion, Reflection and Conclusions

The study findings have been addressed under the sections which include Membership, Procurement, Storage and processing, Sales and distribution and Administration/future plans. Each of these sections is detailed below with discussion, reflection and conclusions.

11.1 Membership

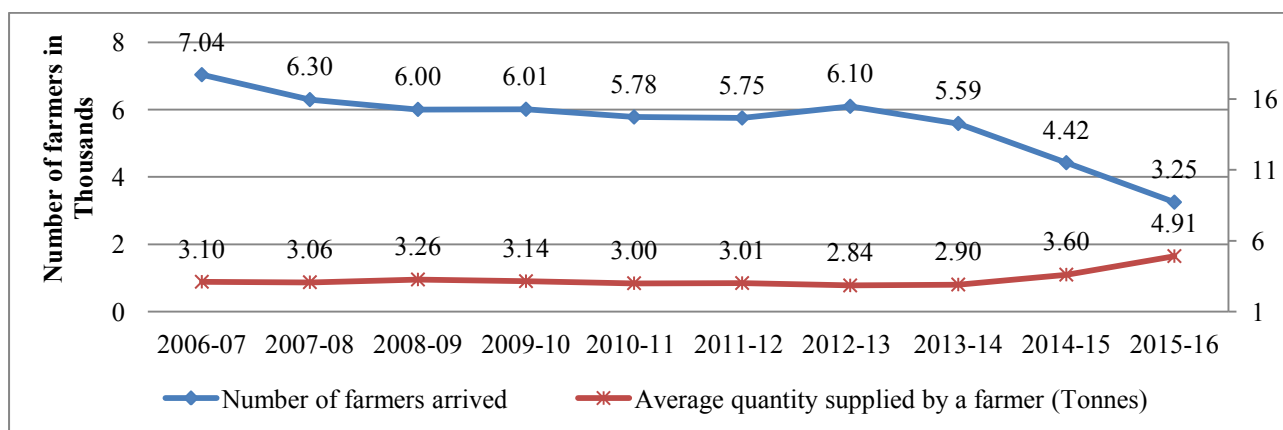
HOPCOMS has 4 categories of members, as shown in Exhibit 10. The number of farmers who have registered with HOPCOMS currently is about 19,000. The process to become a member starts when a farmer fills out an application form that HOPCOMS issues and submits it along with documents which would include land deed, crop verification, and identity documents etc as proofs. At HOPCOMS, two meetings are held in a month, one for the sub-committee where they bring together all new applications, compile and estimate the number farmers requiring approval, which gets forwarded to the next meeting (held with a 15 day gap) where the Board discusses every application form and gives approval at the individual level, for the farmer to become a member. 25 to 30 applications are discussed every month. The same process is followed for renewal of membership. Number of farmers who have renewed membership is 5260 for the current year. HOPCOMS have sent letters to the remaining farmers for ratification of their membership.

Exhibit 10: HOPCOMS category of membership

Category	Member category
A	Farmers
B	State Government
C	Associate Members
D	Category D

HOPCOMS does not maintain any land records of the farmers in terms of the quantum of land holdings, and also their income level. Therefore, profile of farmers cannot be ascertained with the available data. As observed from Exhibit 14, there is 21.2% reduction in the quantity of fruits and vegetables procured during 2006-07 to 2015-16. Number of farmers who arrived at HOPCOMS has also decreased by 53.8% in this duration as shown in Exhibit 11. This shows that number of farmers who are benefitted by HOPCOMS has reduced. However, the average quantity supplied by each farmer has increased by 58.4% in the past 10 years, as shown in Exhibit 11.

Exhibit 11. Number of farmers arrived at HOPCOMS and average quantity of their supplies



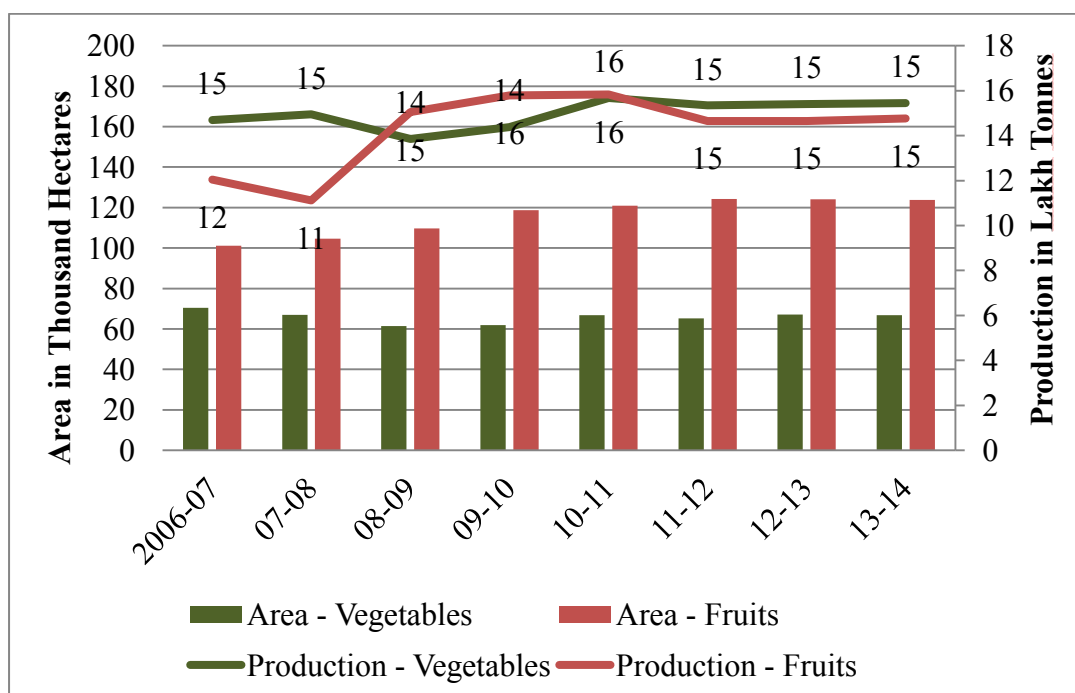
Source: HOPCOMS, IMaCS Analysis

Members who have voting rights should attend the General Body Meeting for at least three years and should have supplied a minimum of 500 kilograms of fruits and vegetables during each year. Details of quantity of supply of fruits and vegetables by each member and their attendance in the General Body Meeting have been maintained to monitor if they are fulfilling the aforementioned criteria. Currently, only the 5260 out of 19,000 members, who have renewed their membership, are given voting rights. Denial of voting rights for the remaining farmers is justified since they are not active by transacting supply of fruits and vegetables to the Society. However, since the procurement has reduced over the years, there is a possibility that some farmers have not been able to receive indents, and this leaves a gap where transactions could be tilted in favour of selected farmers.

11.2 Procurement, Storage and Processing

Total production of fruits and vegetables in the catchment area (Bengaluru Urban/Rural, Kolar, Ramanagara and Chikkaballapura) has increased by 13% from being 26,74,253 tonnes in 2006-07 to 30,20,806 tonnes in 2013-14. Area and production of fruits is higher in the catchment area contrary to the state trends. The catchment area has witnessed a stable production of F&V with increasing area for Fruit cultivation by 20% between 2006 and 2014, as shown in Exhibit 12.

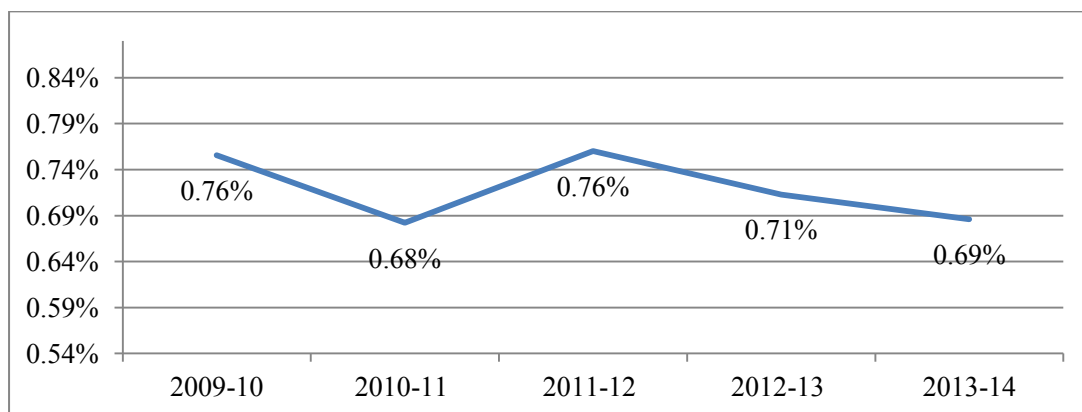
Exhibit 12: Area and Production of F&V in the Catchment Area between 2006-07 and 2013-14



Source: Department of Horticulture (Karnataka), IMaCS Analysis

HOPCOMS' share of procurement from the total production in catchment area has been around 0.7%. There is a decreasing trend observed in the share from 2011-12 to 2013-14, as shown in Exhibit 13.

Exhibit 13: Share of HOPCOMS procurement in total catchment production of F&V



Source: Department of Horticulture (Karnataka), IMaCS Analysis

HOPCOMS does procurement of fruits and vegetables directly from farmers as well as from markets. They have 8 procurement centres, at the following locations:

Sl. No	Procurement Centre	District
1	Doddaballapura	Bangalore Rural
2	Sarjapura	Bangalore Urban
3	Channapatna	Ramanagara
4	Hosakote	Bangalore Rural
5	Malur	Kolar
6	Kanakapura	Bangalore Rural
7	New Thippasandra	Bangalore Rural
8	Kolar	Kolar

No procurement centre operates in Chickkabalapura district. So the formers in the fringe may have to travel nearly 75 kilometers to reach the nearest procurement centre at Doddaballapur.

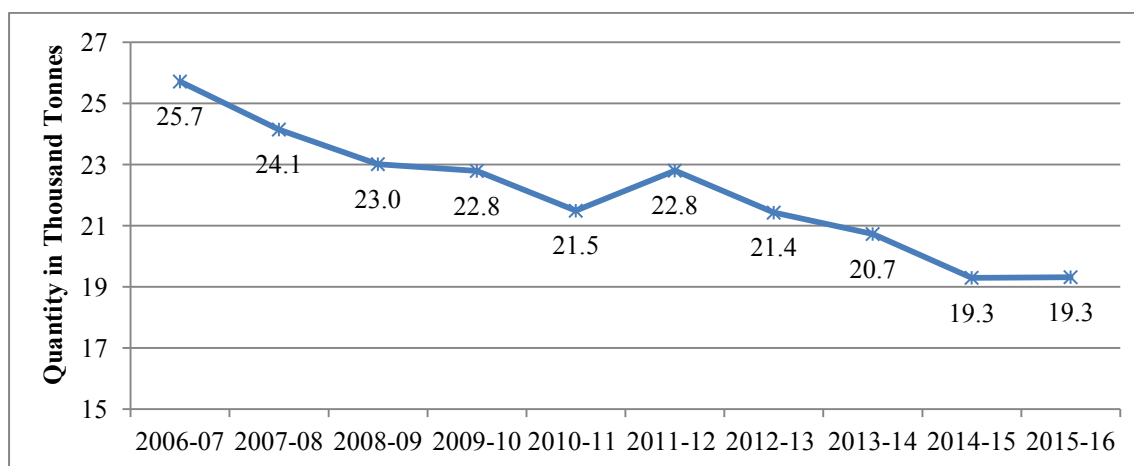
Figure 1: Location of HOPCOMS procurement centres



Source: HOPCOMS, IMaCS Analysis

Procurement infrastructure primarily consists of building, weighing machines and storage crates. However, there is no infrastructure was found available at Kanakapura except an empty plot. In addition to procurement at these centres, procurement also happens through the central office at Lalbagh. Overall quantity of fruits and vegetables procured by procurement centres and godown, has reduced from 25,712.54 tonnes to 20,273.91 tonnes annually, a reduction of 21.2% from 2006-07 to 2015-16 as observed in Exhibit 14.

Exhibit 14: Procurement of HOPCOMS from 2006-07 to 2015-16 (Quantity in thousand Tonnes)



Source: HOPCOMS, IMAcS Analysis

Procurement of commodities is done through farmers (both members and non-members) and market purchases. Average commodity-wise requirement and hence its procurement per day during the year 2015-16 is shown in Exhibit 15.

Exhibit 15: Average commodity wise of F&V required per day for the key commodities (2015-16)

SL No.	Commodity (Vegetables)	Quantity (Metric Tonnes)
1	Tomato	4.44
2	Onion	4.00
3	Potato	2.15
4	Cucumber	2.85
5	Beans	0.85
6	Carrot	1.31
7	Greens	2.39
8	Cabbage	0.90
9	Pumpkin	1.45
10	Coconut	1.62

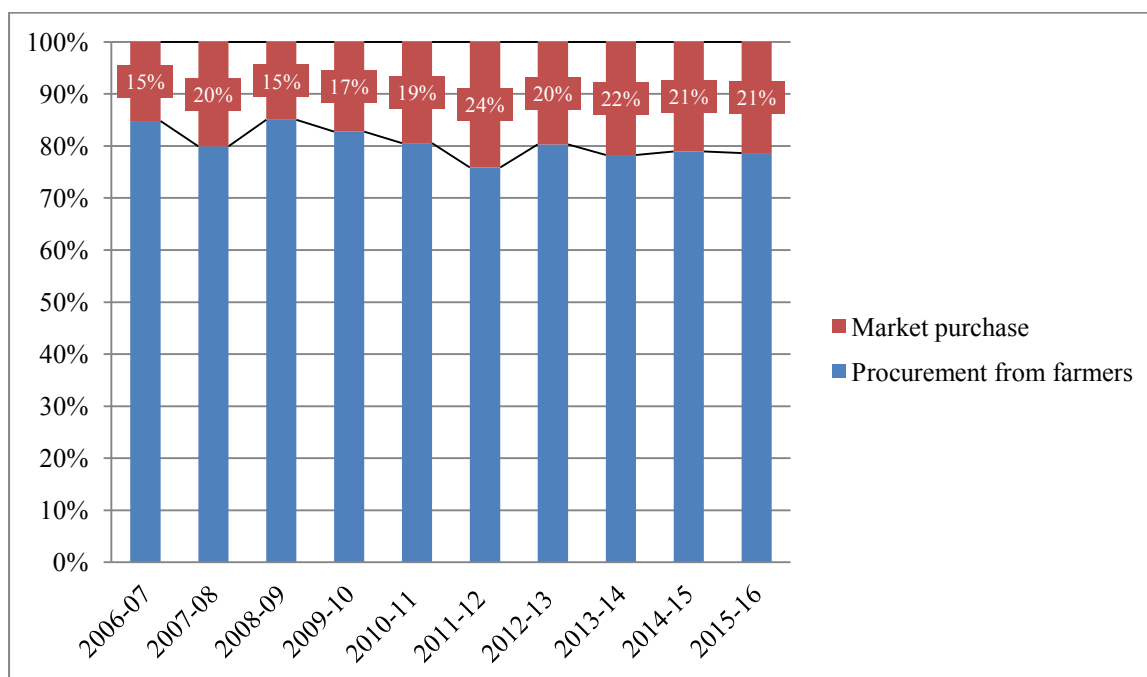
SL No.	Commodity (Fruits)	Quantity (Metric Tonnes)
1	Banana P & Y	9.37
2	Papaya	3.49
3	Watermelon	3.20
4	Grapes	1.13
5	Mangoes	1.93
6	Apple	1.50
7	Mosambi	0.78
8	Orange	1.41
9	Pomegranate	0.93
10	Sapota	0.27

Source: HOPCOMS, IMAcS Analysis

Volume of purchases for farmer members and non-members has not been monitored. Commodities procured from farmer members are recorded for the purpose of verifying criteria for membership, which is to supply a minimum of 500 kgs of fruits and vegetables during the year. Market purchases happen due to shortages procured from farmers, variations of produce based on seasons, produce which is not available in the catchment area and imported product. Overall market purchases has

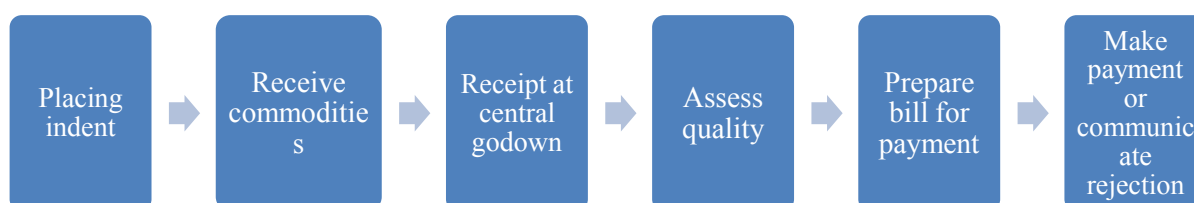
increased from 15.23% in 2006-07 to 21.35% in 2015-16, while procurement from farmers has decreased from 84.77% in 2006-07 to 78.65% in 2015-16, as shown in Exhibit 16.

Exhibit 16: Procurement from farmers and market purchases from 2006-07 to 2015-16



Source: HOPCOMS, IMaCS Analysis

Procurement process: Procurement happens through the steps shown below:



Placing indent: Indenting is done on an ad-hoc basis. Farmers take or receive indents one day in advance, but sometimes it is done 2 to 3 days prior to the day required. Indent receipts are given to the farmers if they go to central godown, else they are generally communicated verbally directly from the godown keeper or through the supervisor at procurement centre. When there is a change in the demand, there are times when the quantity already indented is modified on same or previous day of procurement of those commodities. For example, due to rains on a particular evening, salesman decides to procure lesser quantity of commodities for the subsequent day. Godown supervisor predicts such changes in demand and communicate to the procurement centres accordingly. We couldn't determine the exact quantity of commodities procured by indenting because formal indent related documents were inadequate. However, discussion through farmers and also HOPCOMS staff at godown, revealed that quantity bought by farmers is either in excess or in deficit up to 25% of the quantity indent is placed for.

Receive commodities/ Driage Wastage: When they bring their produce, while weighing, discounting of weight is done to compensate for the weight of gunny bag, box or stem of the fruits (Example:

banana) and driage and wastage. Commodity-wise driage and wastage allowance details are shown in Exhibit 17.

Exhibit 17: Commodity-wise discounting of weight done during procurement

Commodity	For weight (kg)	Discounting of weight (kg)	Percentage
Beans	50	3	6%
Brinjal	50	3	6%
Round brinjal	50	3	6%
Safal brinjal	50	3	6%
Cluster beans	50	2	4%
Cucumber	50	3	6%
Double beans	50	2	4%
Peas	50	2	4%
Raddish	50	5	10%
Mangalore cucumber	50	3	6%
Apple	16	3	19%
China Apple	20	2	10%
Washington Apple	20	2	10%
Australia Apple	20	2	10%
Orange	10	1	10%
Nagpur Orange	22	2.5	11%

Source: HOPCOMS

In addition to the wastage allowance at godown level, 3% wastage (on sales value) allowance is provided at sales outlet level. At godown level additional wastage is to the tune of 0.71% of the total procurement. Both godown staff and sales staff mentioned that the actual driage & wastage will be higher during the summer and lowest in winter.

Sometimes farmers bring the exact quantity, hence procured fully but many a times they bring extra and sometimes lesser than what is on the indent. If it is lesser, HOPCOMS looks for alternate option like market purchases, but when it is more than acceptable quantity, farmers either keep it with themselves and sell on the next day if the commodity can be kept without driage and wastage or sell the remainder to the local market on the same day.

Total requirement of commodities by HOPCOMS per day is about 65 tonnes. During discussions with staff at procurement centres, we have understood that about 15 to 20 tonnes of produce is procured through procurement centres, while rest is done at the central godown. Average market procurement is about 21%, which is around 15 tonnes per day, which happens at the central godown. Procurement from farmers at central godown is about 30 tonnes. Therefore, an estimated amount of 45 tonnes or 69% of procurement from farmers happens at headquarters itself. There is a need for broad basing of procurement across the catchment area, and necessary infrastructure in terms of procurement centres/ collection centres and logistics (including vehicles) needs to be expanded.

Assess quality: Farmers grade their commodities based on their experience as per the acceptance levels at HOPCOMS, overall rejection rate while procuring from farmers is about 10%-15% as mentioned by godown staff. But it can also happen sometimes that rejections at godown level are sent back to the procurement centre and hence back to framers. Based on discussions with HOPCOMS

staff and the farmers, the rejected quantity is not procured by them at a lower price, however, few of the staff did mention that often salesmen purchases directly from farmers at a lower price. The same could not be verified if it is true and if yes then to the extent of such purchase. Farmers sell the rejected quantity to the nearby local vendors or to the market. It was found during our visits that HOPCOMS staff are not following standard grading rules such as Fruits and Vegetables Grading and Marking Rules, 2004 during procurement and they grade based on their experience and acceptability from the salesmen. During visits to the procurement centres, process of grading was not evident. On further discussions with the staff, two issues emerged. Firstly, there is lack of manpower to handle grading for all procured commodities and secondly, quality of the produce deteriorates when the number of stages at which they are handled increase for the reasons of grading or otherwise. Once the commodities arrive at godown, process of scientific grading is still absent. However, godown level rejections arise due to salesman selecting the commodities.

Billing: Total billing is done for the quantities accepted at godown. Procurement centres have not been effective in taking decisions regarding quality and quantity, but they take on the role of transporting commodities to the godown. If rejections are found, it is communicated accordingly to the farmers. This online transfer is being done for both members as well as non-members.

Setting purchase prices: During our discussions with HOPCOMS staff, it was found that a team from HOPCOMS visits 4 Bangalore markets which are Kalasipalya market, KR Market, Agara fruits market and APMC Yeshwantpur market, participate in the auction to observe qualities of commodities and prices at which they are sold. They compile these prices manually, average out, and based on the demand and supply of those commodities, Procurement and Marketing division sets the purchase prices. These prices are usually about 5% higher than the price for the best quality produce at the markets observed. The purchase price thus determined is common for both procurement from farmers and market purchases. All the farmers met have agreed that they get higher prices, hence better deal at HOPCOMS, than other markets.

Once purchase price is fixed, they set the selling price with 25% margin. However, as per the Society regulations, they cannot keep a margin which is more than 33% of their purchase price. The margin percentage as of 2015-16, on an average for fruits and vegetables, was 26.3%.

Payment to Farmers: Based on the accepted quantity, bill is prepared and submitted to accounts for processing payment. Earlier the amounts to farmers were being paid through cash/cheques. Since the beginning of 2015-16, the payment is being made through NEFT/RTGS directly to the account of farmers. During our discussions with farmers, it was understood that the payment is being made within 1-3 days. While medium and large farmers found this process to be good, small and marginal farmers find it difficult as they would not have working capital and look for instant cash which in turn can be used for purchasing chemicals/fertilisers and equipment. So on spot grading, acceptance and same day payment would be ideal for the farmers.

Procurement by competitors: They have collection centres at Taluk/Hobli level, where the collection agents directly go to farmers to procure from them. During our discussions with the purchase team of the retailers, they said that they negotiate prices with farmers based on APMC and other market prices and often fix a price far lower than the market prices. There are several factors which play into pricing of commodities at APMC markets, for a farmer as well as a buyer. These factors include market commission, transportation charges, loading/unloading charges and waiting time risk. Hence, farmers are usually willing to sell at a lower price at the farm gates or collection centres itself. National retail chains are also equipped to do inter-state purchases based on the regional

supply /demands and derive lower price, which is lacking at HOPCOMS. Through the efficient procurement process, More retail chain claims to source vegetables from farmers and supply to the store within 18 hours and within 6 hours at a few cities.

With respect to fruits and vegetables, competitor retailers often follow ‘footfall-driven’ approach where margins on fruits and vegetables are often kept low as a tactic to attract more customers to their stores, while the profits are recovered through margins made in other products they stock (Example: private label products). Due to their reach to the farmers at farm gates and no obligation to contribute to their welfare, they are able to negotiate purchase prices for a better deal than HOPCOMS, which eventually are comparable to the lowest market rates that farmers are paid.

The following table (Exhibit 18) was made after observing prices at the APMC Market, retail outlets mentioned, as well as an online store, bigbasket.com, for 3 weeks in May and June 2016. Average of the price was taken and compared with APMC average price for the same duration. Price of a competitor is considered similar to HOPCOMS if it lies in between (HOPCOMS price - 5% of APMC price) and (HOPCOMS price + 5% of APMC price) and higher or lower is determined accordingly. Other than Namdhari’s Fresh, which is positioned as a premium store, price of HOPCOMS was higher than other competitor retail outlets, for most of the commodities.

Exhibit 18: Prices of commodities in competitor retail outlets as compared to HOPCOMS

	More Megastore (Hypermarket)	Namdhari’s Fresh (Convenience food store)	Reliance Fresh (Supermarket)	Bigbasket.com (Online store)
Higher priced than HOPCOMS	Banana pachbale Chickoo	Banana pachbale Chickoo Watermelon Onion Potato Tomato Ladies finger Brinjal	Banana pachbale Chickoo Green chilly	Banana yelakki Banana pachbale Chickoo Watermelon Cauliflower
Similar priced to HOPCOMS	Green chilly	Banana yelakki Green chilly Cauliflower	Banana yelakki Potato Ladies finger	Potato Tomato Brinjal
Lower priced than HOPCOMS	Banana yelakki Watermelon Onion Potato Tomato Ladies finger Cauliflower Cabbage Brinjal	Cabbage	Watermelon Onion Tomato Cauliflower Cabbage Brinjal	Onion Green chilly Ladies finger Cabbage

Source: IMaCS Analysis

Storage:

The buildings of the godown built are very old, with inadequate flooring, racks, grading equipment. Material handling is primarily manual, so there is need for automation in material handling such as usage of forklifts. Similarly transportation vehicle bays and material transportation routes need to be

planned for efficient material handling. The organisation lacks cold storage facilities though establishment of cold storage facilities is one of the organisation's objective. Availability of cold storage coupled with planned purchases of produce such as apples/berries, potato and other produce would help in reducing the overall cost of purchase as the cost of produce will be significantly lesser during the harvesting season and also buying in bulk quantities offer economies of scale in the form of bulk discounts, transportation saving, etc. There was no evidence for planning of bulk purchases found. However the organisation has purchased apples from China at bulk quantity by utilising and outsourced cold chain facility.

HOPCOMS has 19 godowns (listed in Exhibit 19), 1 cooler for Apples and 2 banana ripening chambers.

Exhibit 19: List of HOPCOMS godowns

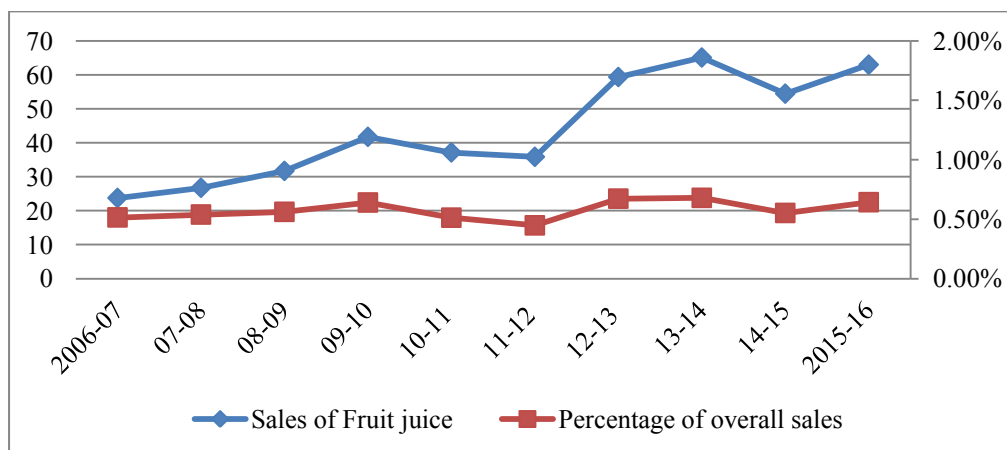
Sl. No	Vegetable godown
1	Veg 1st Godown
2	Veg 2nd Godown
3	Veg 3rd Godown
4	Tomato Godown
5	Onion & Potato
6	Cabbage godown
7	Greens godown
8	Coconut godown
9	Safal Oil Godown
10	Pumpkin godown

Sl. No	Fruit godown
11	Fruits 1st Godown
12	Fruits 2nd Godown
13	Fruits 3rd Godown
14	Mango Godown
15	P.Banana Godown
16	Y.Banana Godown
17	Banana Godown(B.M)
18	Processing Product
19	Watermelon

Fruit processing: They have a fruit processing unit to extract pulp of mango and grapes. They extract about 400-450 Cans of pulp of mango and grapes per annum during its peak season, almost in the equal proportion. Each Can approximately contains 50 kilograms of the pulp. There is pulp production machinery and reconstitution unit where they mix other ingredients to the pulp. Once the pulp is manufactured in bulk, it is stored in the cold storage, which is being outsourced. They have in-house cold storage facility which is not functioning for several years now. Everyday or on alternate days, they take a can of the pulp out to distribute to the selected outlets where they are sold. Juice manufactured from the pulp is sold through dispensers provided with refrigeration, and their shelf life is 2 days.

From 2006-07 to 2015-16, value of sales of fruit juice has increased by around 2.65 times, and its contribution to the overall sales turnover has increased 0.51% to 0.64% in the same duration, as shown in Exhibit 20. However, from the quantity perspective the staff mentioned that it has been mostly stable and no growth has been observed. The shelf life of 48 hours is a constraint for the business, considering that there are substitutes available in tetra packs in the market which has shelf life of several months. The technology to process the juice which has longer shelf would help to scale up the business. Also processing of other produce such as tomato paste/puree, ginger, garlic would also help the farmers to sell their produce during prices crash and produce is often wasted and pushing processed produce through institutions may also be explored which can offer savings at the same time reduce wastage. Considering that wide assortment of F&V is already being sourced from HOPCOMS, vegetable juices/other fruit juices/ blended juices, cold pressed juice manufacturing /outsourcing and distribution needs to be explored.

Exhibit 20: Sales of fruit juices from 2006-07 to 2015-16



Source: HOPCOMS, IMaCS Analysis

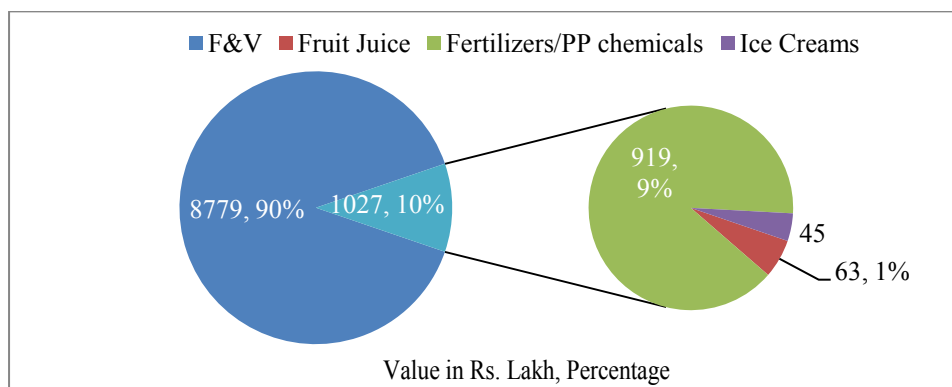
It is observed from Exhibit 11 that the number of farmers who have arrived at HOPCOMS in 2015-16 has declined sharply by ~46% from 2012-13, while the average quantity supplied by a farmer has increased by ~73% in the same duration. This highlights that average purchase from a farmer has increased. During our visits and interviews at the godowns and procurement centres, it was observed that tracing mechanism for the quantity of products procured from each farmer was not adequate. Total quantity of commodities procured from member farmers at an aggregate level is not tracked. Significant number of transactions from non members was also witnessed in the indent logbook. This is a systemic loophole where middlemen have the possibility of being involved in supplies to HOPCOMS. During interactions at the procurement centres, a few farmer members also indicated that they aggregate produce from other farms in addition to their own produce and supply to HOPCOMS, which indicates that some of the farmers route their products through middlemen. However, for HOPCOMS to validate production capacity of a farmer, total land-holding details would be required. But such data on extent of land-holding by each member is not being recorded. Procurement process lacks transparency and traceability, right from placing indent to receipt of products by both members and non-members of HOPCOMS.

11.3 Sales and Distribution

HOPCOMS has multiple sales channels to sell various fruits and vegetables products. It supplies fruits and vegetables to its consumers through 252 retail outlets, including mobile sales vans (as of April 2015). It supplies fruits and vegetables for marriages and social functions at the spot with free transportation, offers bulk supply of fruits and vegetables to Institutions, Organizations, Hostels, Hospitals, and factories etc and sells fresh Grape, Orange, Mango fruits drinks as well. It also conducts seasonal fruits Melas, Fairs and festivals of Grapes, Mango, and other fruits.

HOPCOMS earns preponderant share of revenue from selling fruits and vegetables, which is about 85%, the other sources being sale of fertilizers/PP chemicals, fruit juice and ice creams. Segmental share of HOPCOMS turnover in 2015-16 is shown in Exhibit 21.

Exhibit 21: Segmental Share of HOPCOMS turnover in 2015-16

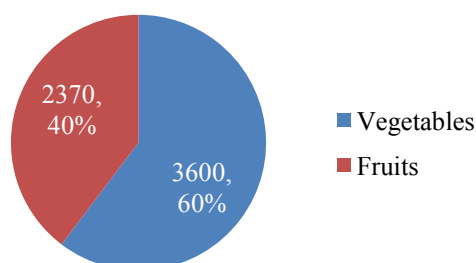


Source: HOPCOMS, IMAcS Analysis

Quantity of sales of commodities for the year 2015-16 is 20273.91tonnes. While the overall gross profit has increased from Rs. 9.76 crore in 2006-07 to Rs.22.91 crore in 2014-15 and sales turnover has almost doubled from Rs. 46 crore to Rs. 91 crore, it is observed that the quantity of sales in the same duration has reduced by 20.7% as shown in the Exhibit 24.

Exhibit 22. Market for F&V in the catchment

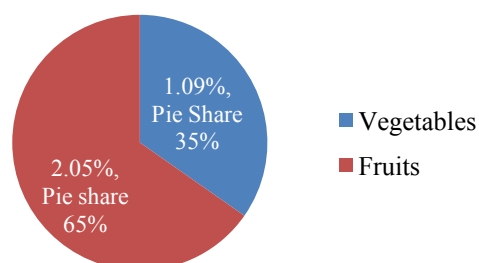
Market size in 2014-15 (Rs. Crore)



Source: Census 2011, NSSO survey 2011, IMAcS Analysis

Exhibit 23. HOPCOMS share in market

HOPCOMS share of market in 2014-15

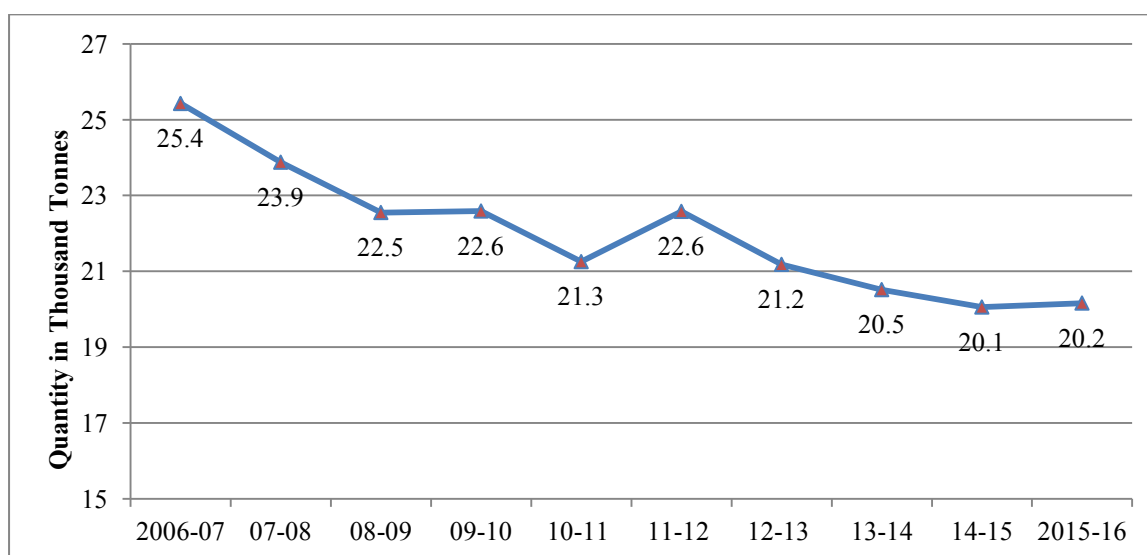


Source: IMAcS Analysis

IMAcs has estimated the market size of F&V in the catchment area (5 Districts) at Rs. 5970 crore as shown in Exhibit 22*. And the share of HOPCOMS Sales is about 1.47% of the total demand for fruits and vegetables in the market. While consumption of market is more of vegetables, HOPCOMS sells more of fruits than vegetables. So there is a need for increasing the sale of vegetables.

* Demand estimation for fruits and vegetables based on NSSO data is relevant for households. However, fruits and vegetables are demanded by both commercial institutions and private caterers for social functions, such as , hotels and restaurants and caterers and decorators for convention and marriage halls, which is not included in the market sizing.

Exhibit 24: Sales of HOPCOMS from 2006-07 to 2015-16 (Quantity in thousand Tonnes)



Source: HOPCOMS, IMAcS Analysis

This shows that the increase in sales and gross profit is due to increase in prices than the sales quantity. The turnover, profit and loss for the last five years are shown in Exhibit 25.

Exhibit 25: The turnover, profit and loss account for the last five years

Year	Turn Over (Rs. lakh)	Net profit/loss (Rs. lakh)
2010-11	7129.71	(+) 61.14
2011-12	8012.35	(+) 7.34
2012-13	8827.07	(+)10.96
2013-14	9585.02	(+)23.33
2014-15	9867.37	(+)15.65

Source: HOPCOMS

About 85% of the sales happen through its retail outlets, while bulk supply comprises of 13% - 14%, and the remaining 1% is through supply for events. All the retail outlets and mobile vans are divided into categories from 'A' to 'H' based on daily sales, as shown in Exhibit 26.

Exhibit 26: Categorisation of HOPCOMS retail outlets

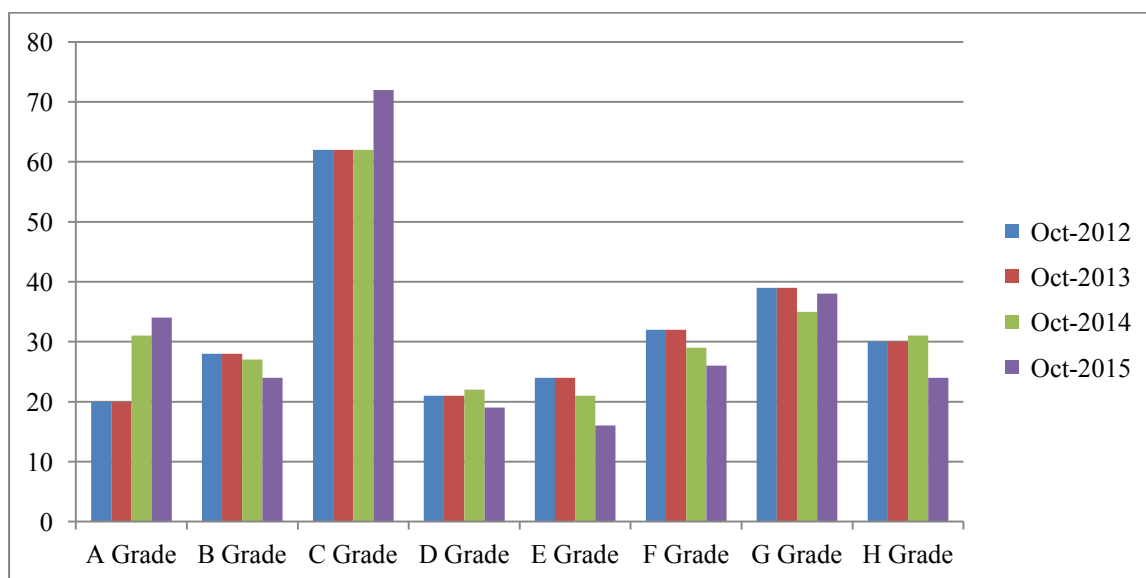
Sales outlet Category	Sales per day (in Rs.)
A Grade	15000 Above
B Grade	10000-15000
C Grade	5000-10000
D Grade	4000-5000
E Grade	3000-4000
F Grade	2000-3000
G Grade	1000-2000
H Grade	Below 1000

Source: HOPCOMS

During the review period for a random month, sales of the outlets across the categories were analysed. It was observed that 'C' category has highest number of sales outlets comprising 28.5% of the total

sales outlets. Number of sales outlets have increased for ‘A’ and ‘C’ category while it is reduced for rest of the categories, as shown in Exhibit 27.

Exhibit 27: Variation in the number of stalls under each category from 2012 to 2015



Source: HOPCOMS, IMaCS Analysis

However, the improvement of performance of the outlets or lack of it cannot be concluded from this data, since the criteria was fixed more than a decade ago. This hasn't been revised based on change in levels of pricing/inflation. Overall quantity sold has reduced over the years, so this has to be revised based on the current prices of the produce and the sales outlet level contribution to the profitability to the organisation. Based on the data available, our estimates show that currently, a sales outlet is profitable if it makes sales exceeding around Rs. 6,000 per day. Breakeven point of sales have been estimated based on the financial data, wherein fixed costs such as salary and other administrative costs have been apportioned to the retail sales units. As per the calculation, about 144 out of 252 sales outlets are loss making.

Key reasons for non performance of the stores during primary survey and discussions are

- Location issues such as no parking space, high traffic routes, inconspicuous store
- Competition from nearby stores
- Lack of salesmanship
- Highly price sensitive consumer segments

Sales infrastructure: During the visits for primary research of outlets, it was observed that an average area of the outlets is around 150 sft. Layout of most of the outlets is designed and built to suit over-the-counter transactions rather than facilitating customers to walk in and choose the commodities. However, modifications are being done to be more customer-centric to help them choose the commodities. Most of the sales outlets have 1 salesperson, but one or more assistants are present at the sales outlets clocking an average sales of more than Rs.10,000 per day. Cold storage facilities for F&V are unavailable at all the sales outlets, except for a walk-in cooler at an outlet in Bangalore Club. Timings of the sales outlets are from 9.30am to 1:30pm and 4:30pm to 8:30pm.

While 90% of the sales outlets visited in Bengaluru stocked both fruits and vegetables, 10% of them had only fruits, which they say was due to the customer buying behaviour in that area. The sales outlets outside Bengaluru, which includes Channapatna, Dommasandra and Kanakapura, were also selling only fruits as vegetables were available locally at cheaper prices. In addition to F&V around 80% of the outlets stocked other products such as pickles, water bottles, dry fruits, juices, ice-creams but in varying quantity. One sales outlet was found to keep non-HOPCOMS products like chips, milkshakes and chocolates, to attract kids to buy them. As for display of arrangement of these products, most of the sales outlets have rusted, unclean shelves, poor lighting inside the shop, very less assortment and some had shelved dried and damaged fruits and vegetables. Lacking modernisation there were ingenious arrangements found in some sales outlets such as inclined display crates, wet cloth to keep produce, inverted crate platform for display etc.

Exhibit 28: Comparison of HOPCOMS with competitor retail outlets

Parameter	Reliance Fresh	More Megastore	Namdhari's Fresh	HOPCOMS
Store size	2000 sft	10,000 sft	500 sft	Around 150 sft
Timings	7am to 10pm	8:30am to 10pm	6:30am to 9:30pm	9:30am to 1:30pm 4:30pm to 8:30pm
Look and feel	Air-conditioned	Air-conditioned	Air-conditioned	Non-air conditioned
Assortment	F&V, groceries and other daily needs	F&V, groceries, other daily needs, fashion, home needs, electronics, bakery, meat, alcoholic beverages	F&V, exotic F&V, groceries, ice-creams and gourmet foods	F&V, ice-creams, dry fruits, pickles
Pre-packaging	Not done	Few F&V were packaged	Most of the F&V are packaged beforehand	Not done
Display coolers	Available	Available	Available	Not available
Inventory	About 70%-80%	About 80%	About 80%-90%	About 30%-60%
Relative grade	Similar/lower grade than HOPCOMS	Lower grade than HOPCOMS	Higher grade than HOPCOMS	

Source: Primary research

Only around 30% of the sales outlets displayed prices on the board, but most of the salesmen said they follow the prices as per the list. It was found during random cases of mystery shopping in several outlets the pricing was not followed as per the list.

Several customers were neither aware of the existence of price list nor availability of price list by SMS. They informed explicitly that pricing is not transparent and that salesmen might have charged them higher. Further bill is not mandatorily provided and even when the bill is provided the name of the commodities is not printed with manual pricing inputs. Though there is a system of online billing where the unit prices of the commodities are updated centrally, the same is not being followed. It was observed that sometimes when the commodities are about to get damaged, some of them sell at discounted prices to reduce losses.

To compensate for the loss due to driage and wastage of fruits and vegetables, HOPCOMS gives wastage allowance, by which a salesperson receives 3% on the amount of fruits and vegetables sold. On discussion with the salespersons on whether it would suffice, most of them highlighted that the driage and wastage of all commodities is usually higher, about 5% and sometimes more. During our

discussions with private retailers the driage and wastage at sales outlet level is understood to be in the range of 10%. However considering the produce in case of HOPCOMS is graded by the salesman 5% of the wastage may be assumed as relevant. Since there is higher actual wastage than permissible, 3% will also impact the behaviour of the sales person

- To buy conservatively, thus resulting in possible stock outs, which in turn would lead towards potential sales loss and lesser visible inventory in the sales outlets,
- Hard selling low grade produce which would result in customer *cognitive dissonance*.

Effectively these factors may impact the loyalty of the consumer towards HOPCOMS sales outlet. However providing higher allowance towards wastage would impact the profitability of the organisation.

In addition to the above factors, the amount of work and hours on work spent by sales persons have to be noted. During our discussion with the sales persons it was found out that several of the sales persons start for work at as early as 4:00AM and often work till 10:00PM.

Salesmen has the following roles

- Grading, documentation related to purchasing, loading at the central godown, settlement of cash, etc.
- At the retail outlet they have to unload arrange, interact with customers, billing, handle cash,etc.

So in addition to the physical work of loading and unloading, salesmen have to manage accounts and customer relationship amidst the sales risk. Considering that Godowns open at 5:00AM it is imperative for salesman to reach the godown early and compete with salesmen of other outlets for the best quality F&V. And they will have to open till as late as 9-10PM, especially the profitable sales outlets as customers (working population) usually shop late in the evening. So salesmen, especially of the profitable stores, often work for 12 to15 hours. As all the salesmen have expressed that the remuneration is not proportional to the risk and work hours involved. Also several salesmen complained that the management often treats shortage in collection which is mostly due to wastage is misuse and wrong-doing which demoralises the salesman’s spirit and not incline to work in sales. Older salesmen also disinclined to work in sales which they term as treacherous. So there is a need for positioning sales persons as the heart of the organisation and make sure their focus remain Customer Relationship Management.

Apart from driage and wastage allowance of 3%, sales incentives were not provided to salesman in spite of higher risks. The HOPCOMS management has rolled out a new incentive scheme on April 5, 2016 based on exceeding the set targets for various sales outlets. The incentive is provided as percentage share of the total sales which is mentioned in Exhibit 29. Sales incentive plan

Exhibit 29. Sales incentive plan

Sales target exceeds by	Incentive
Rs.10,000 to Rs.25,000	3%
Rs.25,000 to Rs.1,00,000	4%
Above Rs.1,00,000	5%

Sales target exceeds by	Incentive
Receiving indents for bulk supply to events or institutions	2%

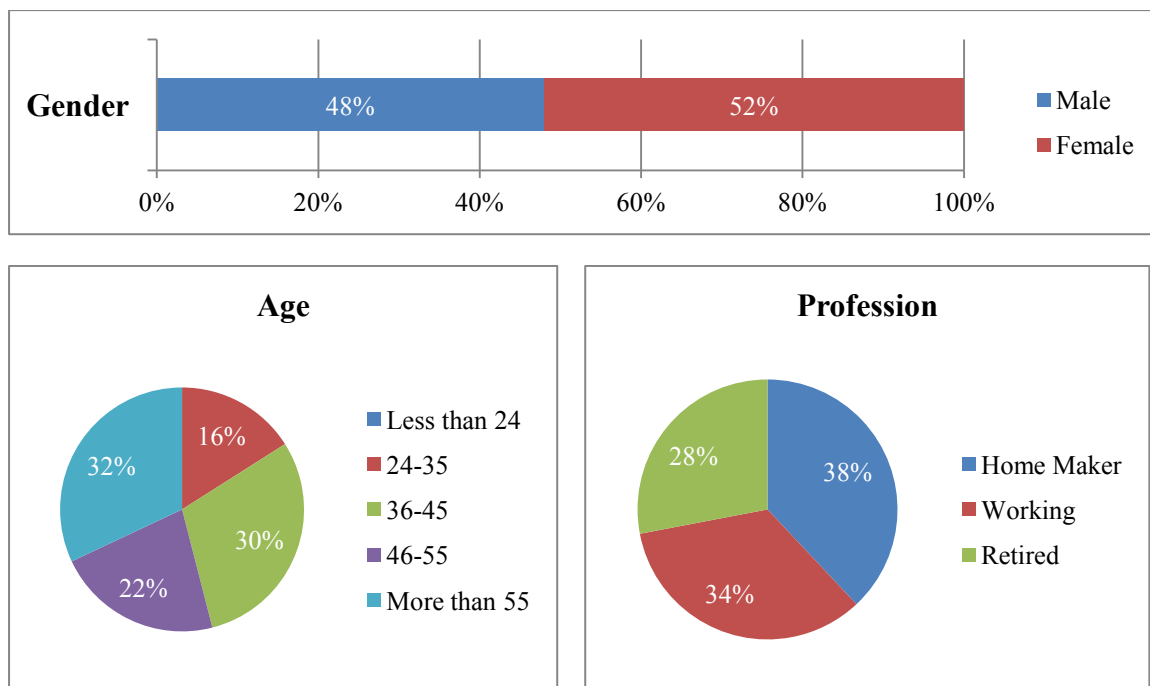
Source: HOPCOMS

Key strength of the current sales infrastructure is that most of them are located in commercially advantageous areas to provide accessibility of fruits and vegetables to consumers, such as residential areas, around parks, next to the milk dairy, high streets, clubs, hospitals. They pay a nominal rent to BBMP.

Since many sales outlets were constructed more than a decade back, they look old, require renovation and painting, interiors development, facade to match up to an average modern retail sales outlet. HOPCOMS retail outlets have remained in the same historical locations. This may not have relevance for the current special accessibility and convenience for both new and old customers. Many of the prime locations where sales outlets are situated have seen a declining trend in sales due to competitor retail units opening up nearby, local carts selling fruits and vegetables at the doorstep, and also increase in number of local shops.

During the survey of the sales outlets, customer interactions were made to understand their perception of HOPCOMS. Of the 50 people surveyed, 52% were women. Customer profile is shown in Exhibit 30.

Exhibit 30: Primary survey: Customer Profile.



Source: Primary survey

It is observed that 54% of the customers were above 45 years of age and that it consisted of retired men and homemakers. Regarding the reasons for the customers to buy at HOPCOMS, 70% of them said that it was because it was conveniently located, 54% perceived that fruits and vegetables were of good quality. However the customers also told that often fresh and good quality produce is not available in the evening. while a significant 42% of the customers expressed that the salespersons

have maintained good customer relationship. When it comes to the selling price of fruits and vegetables, only 20% of the customers felt that it was reasonably priced.

When asked about comparison of HOPCOMS with supermarket, regarding 7 parameters – namely prices, quality, availability, service, cleanliness, packaging, storage and display, their perceptions were recorded and highlighted in Exhibit 31.

Exhibit 31: Customer perception of HOPCOMS produce in comparison with super markets

Parameter	Similar	Better	Worse
Prices	43%	11%	46%
Quality	36%	57%	7%
Availability	40%	29%	31%
Service	34%	61%	5%
Cleanliness	36%	4%	60%

Source: Primary survey

It reveals that majority of the customers feel that HOPCOMS fare better in service and quality of the commodities, while it is worse compared to prices and cleanliness of the sales outlets. Packaging seemed irrelevant for most of them, while display of fruits and vegetables was considered almost similar to the supermarket, but some expressed inconvenience to walk inside the sales outlet to pick the products they wanted to buy.

Other problems they highlighted were lack of card payment facility, sightings of dried and rotten products along with the fresh ones, lack of cleanliness, no display of price list, inconvenient sales outlet timings since they sometimes want to buy before 9am and or after 9pm, and lack of variety in the stock.

Our assessment based on the survey and discussions with the sales staff is that currently home makers and the retired persons are the key consumer segments of HOPCOMS. However with the increasing literacy levels and higher aspirations trend of working couples is increasing and it is likely to sustain and grow in the future. Thus there is a need to target for young earning couples. Some of the salient features of this consumer segment are,

- Time constrained: They look for purchasing beyond working hours. i.e. early in the morning and late in the evening and even 24/7
- Reliable quality produce is essential, so package and brand conscious
- Solution oriented: Instead of visiting multiple stores for products they prefer everything under one roof
- Processed foods: Preference for ready to cook, ready to eat foods
- Highly mobile and internet savvy: Access multiple devices laptop, tabs, mobiles would feel convenient ordering online
- Uses card/online payment more than cash

While some of the strengths of HOPCOMS such as those mentioned below have to be leveraged further to boost sales, there is a need to align the strategies of HOPCOMS towards engaging this new consumer.

- Strong procurement
- High penetration of the sales outlets
- Sales outlets located in convenient/prime locations of the city
- Salesmanship and customer relationship
- Low /reasonable rentals of the outlets

Transportation: HOPCOMS need vehicles to transport commodities from 6 Procurement centres to the central godown, and from central godown to all the retail outlets. Their current average quantity handled per day is about 65 Tonnes. It has 25 own vehicles, out of which 18 are used for transporting commodities, while the rest are used for mobile sales. Due to the Society facing inadequacy in the number of vehicles required for transport, they have 52 outsourced vehicles. To transport commodities, routes are fixed, as per which each vehicle serves the requirements of 3 to 5 sales outlets based on the locality.

Total capacity of in-house vehicles is around 50 tonnes. Quantity of commodities procured from the procurement centres varies as per season, indents and availability in the catchment area surrounding the centre. Due to this, capacities of the vehicles are not utilized fully. Each in-house vehicle runs only about 30 kilometres per day. However, procured quantities are combined from procurement centres which are nearby and transported. There is no formal system to optimise payload or route planning done to efficiently manage the vehicles and minimize loss of time and resources for the society.

Effectiveness: Transportation of commodities from central godown to the retail outlets takes place between 8am to 10am, which is a peak time for traffic. There is no cold chain transport available.

Mobile vans: There are currently 17 mobile vans which have been classified from grade 'A' to 'H', based on their sales, similar to the sales outlets. They operate from 6:30am to 1:30pm. A driver and a salesman are involved in mobile sales, driver in addition to the driving activity, helps salesman in loading/unloading, organising the F&V and also home delivering the needy customers. Each of these vans stops at two or more residential catchments for the fixed interval of time on regular basis offering consumers the convenience of shopping next to the residences. When the performance for a mobile van is observed to be low, they change its location and also experiment with the assortment of commodities made available under them. Incentive scheme is similar to the one applied for the sales outlets. As of May 2016, mobile vans are profitable, exceeded sales targets except 5 vans, and the figures are shown in Exhibit 32.

Exhibit 32: Sales of mobile vans : May 2016

Sl no.	Mobile Van Stall Number	May '16 Target (Rs.)	May'16 Actual(Rs.)	Exceeds (Rs.)
1	14	1,61,000	3,24,800	1,63,800
2	23	2,20,000	1,98,700	-21,300
3	27	3,22,000	4,15,000	93,000
4	36	2,58,000	3,88,000	1,30,000
5	37	2,10,000	2,37,000	27,000
6	111	2,12,000	3,04,000	92,000
7	113	1,53,000	4,01,000	2,48,000

Sl no.	Mobile Van Stall Number	May '16 Target (Rs.)	May'16 Actual(Rs.)	Exceeds (Rs.)
8	117	2,60,000	2,79,000	19,000
9	161	2,82,000	2,53,500	-28,500
10	227	1,59,000	1,15,600	-43,400
11	231	96,000	94,540	-1,460
12	232	2,68,000	3,02,000	34,000
13	282	4,16,000	10,91,000	6,75,000
14	283	2,36,000	2,12,000	-24,000
15	290	3,20,000	3,33,000	13,000
16	KB-1	1,16,000	1,93,000	77,000
17	KB-2	1,49,000	1,66,480	17,480

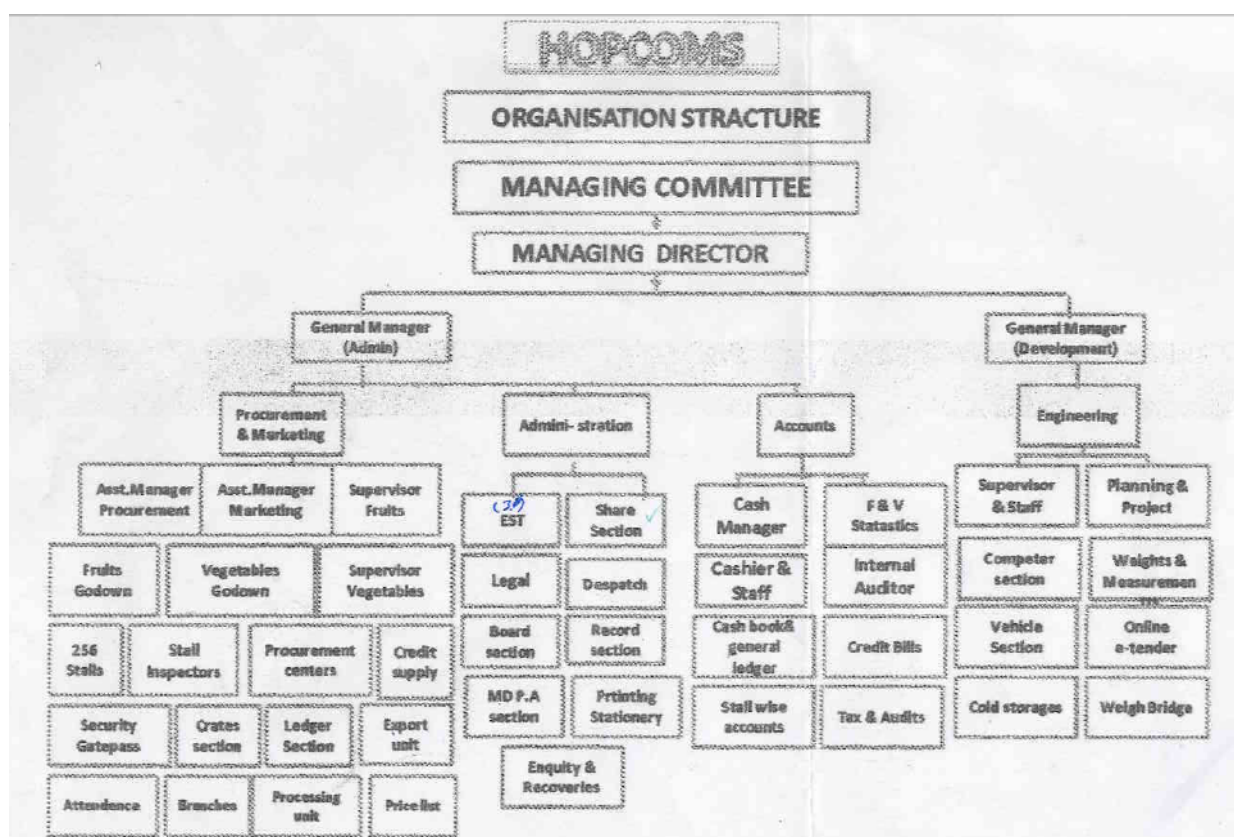
Source: HOPCOMS

Chemical and fertilizer retail outlets: Based on the discussion with staff and farmers at chemical and fertilizer units in Sarjapur and Channapatna, it was revealed that farmers buy the products because they find them reasonably priced, available at a convenient location and with good service quality.

11.4 Administration & Future plans

HOPCOMS is being run under the aegis of the State Department of Horticulture, managed by a Board consisting of 18 members. Among them, 14 members are elected from among the producers, and 4 are government representatives. The organizational structure is shown in Exhibit 33. At present HOPCOMS has 846 staff members having different designations such as Managing Director, General Manager, Executives, Assistant Executives, Sales Assistants, Store Keeper, Superintendent, Stenographers, Receptionists, etc. Gross salary per month paid to the staff is Rs. 1.24 crore.

Exhibit 33. HOPCOMS Organisation Structure



Source: HOPCOMS

Exhibit 34: HOPCOMS Staff

Sl no	Designation	Post sanctioned (As on 01.01.16)	Post filled up	Vacancy	Salary range – Basic (per month)
1	Managing Director	1	1	0	Rs. 48,900
2	General Manager (Administration)	1	1	0	Rs. 27,400
3	General Manager (Development)	1	1	0	Rs. 21,075
4	Assistant Engineer	-	-	-	-
5	Executives (On deputation)	1	1	0	Rs. 34,500
6	Executives	3	3	0	Rs. 21,500
7	Asst. Executives	6	6	6	Rs. 13,700 to Rs. 16,400
8	Superintendent	1	1	1	-
9	FDC/Head Clerk/Clerk/Store Keeper/Supervisor	28	19	9	Rs. 10,500 to Rs. 11,100
10	Stenographer	1	1	0	-
11	Receptionist	1	1	0	-
12	SDC/Sales Assts./Supervisor-2	176	150	26	-

13	Senior Drivers	5	3	2	
14	Drivers	24	22	2	Rs.9275
15	Senior Typist	3		3	
16	Typist	2	2	0	Rs. 9,750 to Rs. 10,500
17	Assistants	706	640	66	Rs. 4,800 to Rs. 8,200
18	Security	4	1	3	
TOTAL		964	846	118	

Source: HOPCOMS

Salary structure followed currently is based on 5th Pay Commission, which came into effect for the effect in August 2008, which is almost 8 year old structure. Discussions with salespersons including assistants who form the significant proportion of the workforce revealed that they are unhappy with the salary, which is around Rs.10,000 to Rs.15,000 per month, despite working for more than 15-20 years at HOPCOMS. They also incur expenses due to driages and wastages of commodities, over and above the quantity covered through sales incentives. There is a demand from the staff to implement 6th Pay Commission. This would increase gross salary paid to staff by almost Rs. 8.16 crore per annum.

Job role description for each of the post in all the cadres is not defined, which makes career progression difficult to aim for by the employees. There are a few employees who are given multiple job roles. Promotions are done on an ad-hoc basis, and sometimes there is a variation in the cadres when the employees are transferred to different departments. Staff members expressed that there would be higher motivation to work if the experience, qualification and job performance is assessed to promote them, thereby giving a career progression map. Based on the discussion, it also came to light that about 70% of the staff members are expected to retire by 2020. There has to be plan of Human resources in the medium and long term based on the vision of the organisation.

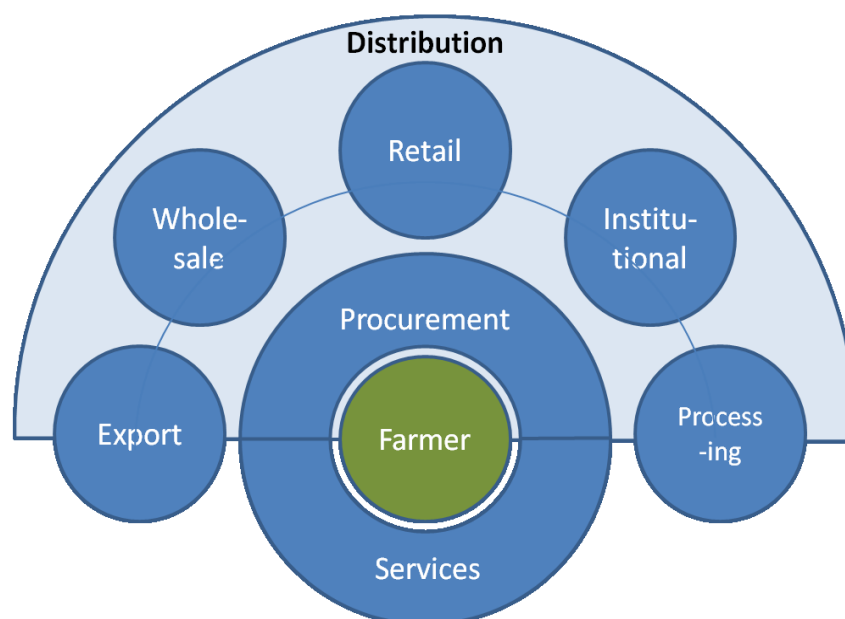
Future plans of HOPCOMS are mentioned below:

S.No	Plan	Estimated Budget(Rs. Lakh)
1	Modernisation of over 150 outlets which are yet to be modernised	375
2	Upgradation of sales outlet at Central office	180
3	Establishing of 100 new sales outlets	650
4	Setting up of 20 super markets	600
5	Setting up of an export house	100
6	Upgradation of fruit processing unit	150
7	Godown upgradation(Flooring, racks, mesh,etc)	100
8	Establishment of walking cooler to preserve F&V@30Tonnes	36
9	Purchase of Mobile sales vans (30 No.s)	150
10	Establishment of F&V kiosks(15 No.s)	60
11	Foldable Tents for Melas/special sales events(30 No.s)	6
12	Purchase of 30 computers for comprehensive computerisation	15
13	Purchase of Spot billing machines 275 No.s towards	96
Total planned capital expenditure		2518

12. Recommendations

After analysing the quantity of procurement/sales by HOPCOMS between 2006-07 and 2014-15, it can be seen that there has been a 21.2 percent decline in the annual quantity of procurement during the period. At this rate by a drop of over 12 percent may be expected further by 2020. The declining quantity of procurement affects the competitiveness of the organisation with and increased stress on the margins. With the decline in the quantity procured and raising administrative costs, it will be imperative to increase the selling prices/margins to sustain operations in the short term. This would reduce the competitiveness of the organisation eventually leading the two vicious cycle of high price - low sales - shrinking of organisation. So it is essential for the organisation to build competitiveness through higher sales- lower pricing- expanding the organisation. This would also help HOPCOMS to broaden their reach and include more farmers into their fold. HOPCOMS has relied on brick and mortar retail sales to improve the sales. While externally the consumption through Institutions, Online retail and Cash and Carry formats is witnessing the increasing trend which HOPCOMS needs to look at. Recommendations are in the direction of improving the productivity at operational level and sales across multiple channels and markets as shown in the Exhibit 35.

Exhibit 35. HOPCOMS Operational coverage plan



A. Short term recommendations: These are implementable within a year without significant policy/budgetary interventions. This would include tactical improvements. The short term recommendations are as follows.

I. HOPCOMS should explore diversification in their business

In order to improve sales by catering to new market, HOPCOMS should explore diversification in the products they are selling. Apart from fruits, vegetables, pickles, water bottles, dry fruits, juices and ice-creams which the stores are selling, the Corporation may explore market for selling other products like sprouts, cereals, processed food, daily consumables like milk, bread and also products which promote Horticulture like seeds, saplings and manure. They have recently tied-up with MTR to sell their products at various stores of HOPCOMS. Many of the customers, from both old and young generation, can associate with the MTR brand and hence draw them to the stores. Similar tie-ups can

be explored alongside diversification of products they sell directly. In addition to the diversification, even businesses needs to be diversified into different markets through exports, multichannel retail, and wholesale market operations which are explained subsequently under Recommendations.

II. Improve sales of the organisation through short term measures

The immediate priority for the organisation is to build the sales volume. Though helping farmers is the prime objective of HOPCOMS. Increasing the sales is the way this can be achieved sustainably. The sales function is the heart of the HOPCOMS. The recommendations to boost sales in the short term are mentioned below:

- e. **Delinking Procurement and Marketing:** Despite of the importance of sales function, the managing of sales and procurement has been clubbed. General Manager (GM) for Procurement & Marketing is looking after both the functions. The roles are also having conflicts, so it is essential to separate the function accordingly as GM-Procurement and GM-Marketing roles may be created with both of them reporting to GM (Admin)/MD. And Entire functions of sales including Route supervisors/ salesmen/sales assistants can report to GM-Marketing. Person having experience in marketing/retail/sales/distribution may be hired for the role of GM-Marketing.

As mentioned under the sales sections, the salesmen often spend 12-18 hours every day and have multiple roles of Grading, loading, unloading, display arrangement, customer relationship, billing, cash management, housekeeping etc. There is a need for delinking some of the roles. Salesman role may be limited to stores on daily basis. Graded goods from the godowns may be directly supplied to the stores. This mechanism in addition to reducing the time and drudgery would also enable him to open the store as early as 7am the morning which is a norm followed by the competing super markets.

- f. **Providing wastage allowance, reward and recognition for sales staff:** Sales function is highly subjective which is based on the salesmanship including customer relationship management and service levels. To push the sales productivity it is essential to offer incentives, rewards and cognition in the organisation. Till recently 3 percent allowance was provided, which is not adequate. So the wastage incentive may be revised by 1-2 percent. Similarly best salesmen/store staff may be recognised periodically (Monthly/quarterly) based on the sales performance/ sales improvement/ housekeeping /visual display etc. Their details may be published in head office, godowns and stores as well as may be rewarded with cash/gift items by senior management in an event. These measures may boost their morale and assist in purchasing/selling more.

In the past the sales incentives were not being provided. However during 2016-17 incentive system is introduce where revenue sharing is done for clocking the sales beyond the target set by each store. The additional sales required are in terms of absolute value. The same may be changed as a percentage and incentives may be provided. This would help covering all the stores by setting up the improvement targets proportionate to the current capacity.

- g. **Improve service levels:** As explained under the sales section as the organised retail has witnessed tremendous growth across the country, HOPCOMS has suffered due to the competition resulting in reduced sales volume over the years. Modern retails stores across different formats provide value, convenience, choices. However it was noticed that HOPCOMS during the review period has either witnessed growth of outlets or the quantity of

sales during the review period, nor able to match the value proposition of the modern retail stores. To improve the service levels the following are our recommendations:

- *Revise Store Timings:* As witnessed during our visits currently most of the stores are being opened at 9:30am and being closed at 8:30 PM with 3 hour break in the afternoon. Though it was also witnessed several of the profitable stores open early and close late. However it is suggested that initially stores may be open from 7am to 10pm with break afternoon. This would be possible if graded goods are delivered directly to the store.
- *Introduce card payment systems:* With every competing super market/online store offering card payment facilities, it has become a hygiene factor to have card payment system. Card payment systems may be introduced initially in the profit making stores and subsequently across all of them.
- *Pricing Information/Display:* Updated price list was not found in more than 70% of the stores we have visited during the survey. In supermarkets the prices are displayed and billed transparently. So there is a need for ensuring the price display. While salesmen receive the price list every morning, the salesmen gave the reason as lack of time in the morning for not updating on the boards. So a large size printed list(A3/A2) which can be displayed on the notice board may be provided till a permanent system of online display is deployed. SMS facility to receive latest retail price list may be popularized. In this regard, a notification may be displayed across all the HOPCOMS retail stores as well as mobile vans. Further, a free subscription facility may be provided wherein a consumer can subscribe to receive price list everyday by registering once through an SMS. This would also help HOPCOMS maintain connect with the consumers.
- *Online billing system:* Billing for all the produce may be made mandatory along with online pricing for each of the produce. Though such system exists in some stores, it is found that the process is not followed for the reasons of connectivity issues. Such a system would eliminate issues of incorrect billing to the customers.
- *Dress code for salesmen may be made compulsory:* While HOPCOMS aprons exist, it was not found being in used in the stores we have visited. This same may be enforced as this the system followed across the competing retailers.
- *Regular Housekeeping:* Several stores we have visited were found to be unclean including the presence of rotten produce in the display area, unclean floor/display space, sacks/paper waste. House keeping plan may be provided with daily/ and weekly comprehensive cleaning using the combination of in house and outsourced staff.
- *Non-performing sales outlets:* While non-performing sales outlets due to the location issues may be identified and these stores may be sublet on franchise mode to run business with minimum purchase guarantee of F&V and franchisee may keep other assortment foods and daily needs and provide other services with prior permission from HOPCOMS. They may also be used as godowns to keep documents/other produce.

- h. **Multi channel Sales: online/institutional:** Traditionally HOPCOMS has focused on the retail outlet sales with over 85 percent of the F&V sales being generated by the sales outlets. Access to land from BBMP has become a challenge to expand the network of sales outlets further. Thus no such expansion was witnessed during the review period. With this situation there is a need to look at multi channel sales both in the short and long term.

Store expansion while on the medium and long term may be carried with assistance from Government; expansion may also be carried on by deploying more mobile sales vans which can be hired initially. Also franchisee model may be followed to open retail stores, where deposits may be collected from the seller and rights to open franchise store with branding assistance from HOPCOMS. MoU may be signed with Minimum Daily purchase agreement and profit sharing arrangement can be made. In addition to new entrepreneurs existing stand alone grocery retailers/supermarkets with of F&V section may be explored for franchising.

Currently the booming online businesses provide low entry barriers. So tie-up with online retailers/aggregators has to be pursued. Grading and packaging capability/expertise have to be developed. *Mother Dairy* on similar arrangement has tied up with *askmegrocery* in Delhi. Even in Bangalore similar arrangement may be explored even with other aggregators/retailers such as Grofers, Amazon now, Zopnow etc.

Similarly expansion of institutional sales with buyers including reputed hotels, caterers, manufacturing and service companies have to be pursued with the assistance of external or internal resources for business development. Competitive product/pricing model may be developed based on the specific needs of the segment.

III. Decentralise Procurement of F&V:

Procurement from farmers is currently being done through the procurement centres as well as central godown. However the share of procurement from procurement centres is relatively lesser which is estimated at less than 40 percent and the procurement at central godown is estimated at over 60 percent of the total farmer purchases. HOPCOMS charges only Rs 0.50/kg towards transportation in comparison with the cost farmer would incur which is Rs.1.5 to 2.5 /Kg to transport to godown depending on the distance. Farmers during the discussions mentioned that that by selling directly at central godown product acceptance, billing happens on the same day as the godown keeper is the decision maker. The procurement centre staff mentioned that though there is supply capacity from the procurement centres, the quantity has been declining gradually over the years. There is a need for decentralisation to help marginal farmers, and to scale up procurement. Accordingly process may be amended such that grading and billing should be done on the spot and payment at least for the small amounts (less than Rs. 5000) be transferred on the same day/moment(using IMTS) to farmers. While in the medium term the procurement from farm gates as followed by modern retailers may be followed, in the short term, minimum procurement targets based on the catchment production and HOPCOMS requirements across the varieties may be set up.

IV. Introduce Crop Planning and procurement planning

The information on average daily consumption quantity estimates is available with HOPCOMS. However the advance planning aspect is missing. There is a scope for planning

the crops with the member farmers. Federations such as Safal employ crop planning with farmer members based on the demand. This has been followed by developed countries effectively. Eg. in Israel the Crop planning is being done, where 80 percent of the produce purchase for the members is guaranteed. Similar model with 50-80% buy back guarantee may be employed with member farmers towards crop planning based on the daily minimum requirements of HOPCOMS.

Similarly procurement of produce such as apples/berries and other F&V during the season in bulk quantities would help HOPCOMS in procuring at lower prices. Cold storage facilities may be outsourced in the short term. Planning of procurement and storage may be done keeping demand and pricing throughout the year.

V. Viability of each outlet may be established

As explained in Section 10.3, grading system of HOPCOMS retail outlets based on sales figures is outdated, because it is not changed for over a decade, despite price fluctuations and inflation. Hence breakeven sales figure they have fixed needs revision. Based on financial data available, it can be estimated that breakeven point of sales is around Rs. 6,000 per day per store. As per this, close to 144 out of 252 retail outlets are loss making. Accordingly, grading system of stores needs to be changed and upgraded biennially.

Cluster of profit or loss making outlets may be determined by cluster analysis, which is useful to explore what could be good or what could be wrong with them by clusters. Cluster specific issues can be identified to take corrective actions related to inventory or any aspect of operations.

Store level analysis has to be done in terms of factors driving operations and suitable corrections have to be taken. If a store is found to be unviable, loss making and continues to be so despite corrective actions, then it needs to be closed down.

VI. Strengthen procurement tracking system

A comprehensive procurement tracking system has to be deployed which would cover indenting, procurement, grading and payment to the members, to eliminate the involvement of middlemen. Also, extent of land-holding by members has to be captured to ensure that the farmer supplies are in line with the extent of their land-holding. While this can start off as a paper based system, it needs to be computerized / integrated with other software interventions for easier and efficient tracking.

VII. Follow Corporate Planning for medium and long term performance

Despite of declining quantity of sales/ procurement since several years there was no evidence found on the vision being set up for the growth and plan of action and is highly dependent on incumbent personnel at the helm in steering towards growth path. There is need for setting up of a vision over short term (6 months-2 years), Medium term (3-4 years), and long term (5 years). Blue print of plan may be decided on actions to be executed to achieve the vision with various scenarios. Annual and quarterly review may be done to see deviations and take necessary corrective actions to stick to the vision. This will enable direction despite the changes in management and adhoc plans. Inputs from experts in horticulture/ marketing may be taken and external trends have to be mapped regularly to identify risks and opportunities for the organisation.

B. Medium and long term recommendations:

I. Upgrade the existing sales outlets

The existing stores are built on smaller spaces (~150sft) in comparison with the modern retail super markets (1000-3000 sft) and witness inconsistency in display, storage often ingeniously modified. About 100 of the stores have been modified. But even these store does not match the look and feel of the modern retail stores. Some of the visuals of the store in comparison with other supermarkets are being mentioned in Appendix E. So there is a need for modernising the existing stores with certain level of standardisation in display, process of entry to billing, visual merchandising, salesmen looks, lighting, refrigerator/cooler, flooring and interiors, branding, sign boards. This may initially be started for the stores with higher grade. Periodic maintenance has to be an integral part of the modernisation plans.

II. Redesign of location policy for sales outlets:

Several of the HOPCOMS retail outlets have remained in the same historical locations, some of which may not have relevance for the current spatial accessibility and convenience for both old and new customers. Hence, location policy for sales outlets may be redesigned, such that new locations can incorporate new criteria such as availability of parking, demographic features, characteristics of the households in the area, trade potential of the area, traffic, pedestrian flow, visibility of the store, size of the store, walk-in facility, revenue potential of a location, local regulations regarding quality of power available and structural constraints, and competitor analysis in the proximity of the sales outlets.

III. Align procurement to published market prices

All the farmers we met during the study have agreed that the prices paid by HOPCOMS are higher than market prices. For determining the purchase price the market rates of key markets in Bangalore is determined manually through daily visits. As per the discussions with HOPCOMS staff, and based on the prices collected, a marginally higher purchase price is set by a committee. Procurement price is one of the most important factor of competitiveness in the relatively low margin fruits and vegetables. So there is a need for more diligence in determining procurement price. Procurement prices have to be in line with market prices of the locality from a sustainability view and additional price support may be limited during price crashes. On the other hand support may be extended to farmer in terms of providing transportation, provision of seeds, chemicals and fertilisers, technical advice etc.

IV. Sales and procurement through HOPCOMS/Co-operative grid

HOPCOMS in addition to the procurement from farmer members who are from the catchment area also does open market procurement. When supply is not available in the catchment in the produce is imported, sourced from other states or from other districts within Karnataka. It may be efficient for HOPCOMS to procure from the other district co-operatives. In the line of national milk grid, district co-operatives and HOPCOMS' may be linked to purchase from each other and do combined purchases together towards achieving the economies of scale. This will be win-win situations for all the district co-operatives. Karnataka Horticulture Federation (KHF) may play an anchor role in achieving this and drafting at terms of purchasing. Bangalore being a largest consumption market, HOPCOMS will be the biggest beneficiary of the arrangement. If not all the districts HOPCOMS may work with key district co-operatives based on the internal demand.

V. Communication of HOPCOMS to the younger generation

Publicity drive should be intensified to survive and grow in today's competitive world. During the primary survey we found 66 percent of the total sample to be homemakers and retired personnel. The salesmen seconded the finding that the largest segments HOPCOMS caters are homemakers and retired personnel. The retired personnel during the discussions expressed that they trust HOPCOMS, so the loyalty is present, as they have been purchasing there for many years. Even timings, assortment, billing, payment systems are traditional and suited for home makers and retired personnel. However with the increasing trend of working individuals and couples, there is need for operational realignment to facilitate younger working individuals to shop from HOPCOMS. However more importantly this generation does not have brand connect with HOPCOMS, considering that they have shopping alternatives such as super markets/malls for shopping. So there is a need to communicate to the younger generation about how HOPCOMS is connected to the farmers and farmer's welfare is at the core of HOPCOMS business model. A rebranding exercise may be taken with the following indicative initiatives.

- Having a young brand ambassador/faces in HOPCOMS displays
- Social media connect
- Sub branded packaged product
- Recipes of traditional and local vegetables for time constrained consumers
- Communicating health benefits of F&V, especially the local produce
- Communicating to the customers on the the farmers ownership of the organisaion and farmer benefits.

Considering the wide network of retail outlets, they can be leveraged for communication including, glowsigns, posters, booklets, leaflets, etc.

VI. Procurement from farm gate

The competitors of HOPCOMS such as Reliance, More, Bigbazaar have developed collection centres at Taluk/Hobli levels. So the procurement happens at collection centres and even at farm gates. This will not only help farmers from pain of going to market but also the time, which can be utilised on the field. Currently some of the places in the catchment area are as farther as 75 kilometres from the nearest procurement centre but has available nearer markets. Thus it's difficult for marginal farmers to trade with HOPCOMS. In the medium term the number of procurement centres may be increased and but in the long term HOPCOMS may deepen its procurement system through *farmgate procurement*. Necessary logistics facilities including vehicles and collection centres need to be established to make this possible. Buying capacity should also be increased to make such arrangement viable.

VII. Supply to Government Schemes/institutions

Further, HOPCOMS management expressed keenness on supplying to the schemes run by government. HOPCOMS with its capability to source may be able to add value by supplying quality produce.

One such large scheme is Mid-day meal scheme, under which a total of over 65.27 lakh students studying between 1st standard and 7th standard are beneficiaries with a total of ~400

tonnes of vegetables required per day. This would translate to ~89 kilo tonnes per year.²This is equivalent to eight times of quantity of vegetables being procured currently. By supplying to this initiative HOPCOMS would be able to increase membership and procurement. With the right price agreement even government may stand beneficiary due to economies of scale, grade guarantee, where HOPCOMS can work with lower margins due to reduced administration cost.

Similarly HOPCOMS can be partnered for the hostels, canteens being run by government. Government may recommend such Government Departments / Institutions to use the services of HOPCOMS as a first option by providing necessary exemptions like 4G etc. The key challenge in such an arrangement would be to determine right pricing for the products. So pricing can be pegged to the wholesale markets (such as APMC) in the relevant locations, with fixed value or percentage margin to HOPCOMS towards distribution expenses. Transparent process has to be followed in identifying the grade of the products being supplied, and timely verification/monitoring has to be done by an independent agency.

VIII. Cold chain Facilities

One of the objectives of the HOPCOMS is to expand cold storage facilities progressively for the benefit of farmers. However there is no evidence of cold storage facilities being expanded. While cooler is being used for temporary storage of apples, the cold storage facilities required to store processed pulp is being outsourced. Cold chain facilities such as pre-cooling, reefer vehicles, cold storage, and retail display coolers have not been set up. Procurement of produce such as apples/berries and other F&V during the season in bulk quantities would help HOPCOMS in procuring at lower prices. Planning of procurement and storage may be done keeping demand and pricing throughout the year. Estimated 30 Tonne capacity would be required for apples alone. Cold chain is an essential part for the exports. So firm needs to move towards developing export competency/ certifications may initially outsource the facilities, but in long term in-house cold chain facilities will help reduce wastage and increase the share of exports.

IX. Setting up of new retail formats

Most of the retail outlets of HOPCOMS have been built are prior to the emergence of modern retail formats on the premise of standalone, convenient F&V store. However with the emergence of several modern retail formats including supermarket, hypermarket, and cash and carry have emerged which looks at overall needs of the consumer. There is a need for HOPCOMS to reposition from a specialised F&V to Solution (Food/daily needs) stores. So expansion may be taken to set up Food Retail format- 500-2000 SFT. New categories of Foods including grocery, dairy, baked food, canned and packaged food, horticulture products, and flowers may be added. Depending on the funding these may be setup on own, franchise basis or Revenue sharing basis where place will be owned by the partner and HOPCOMS will run the store and revenue will be shared together. Franchise model is scalable option considering that operations/administratively it's efficient for HOPCOMS. HOPCOMS in the case of franchise model may look at development of branding store, developing an operation manual, developing a franchising. Brand names for own stores and franchise stores may be kept different under the HOPCOMS Brand. Needless to say the franchise will expect the buying price at competitive prices.

² Source: HOPCOMS calculations

X. Expanding the foot print of processed foods

In addition to marketing fruits and vegetables HOPCOMS operate a fruit processing unit where Mango and Grape juice is manufactured. However the shelf life of juice is only 48 hours and needs to be stored and served cold. So the manufacturing and distribution is limited. So the packaging technology needs to be improved. The processing may also be expanded to other vegetable juices and processed/preserved foods in purees, pulp, concentrate, blend, frozen vegetable, Preserved Gherkins & fresh fruits & vegetables. Even export opportunity exists for these products.

XI. Focus on exports of produce

During 2014-15, India exported fruits and vegetables worth Rs. 7474.14 crore which comprised of fruits worth Rs. 2771.32 crore and vegetables worth Rs. 4702.78 crore. Mangoes, Walnuts, Grapes, Bananas, Pomegranates account for larger portion of fruits exported from the country while Onions, Okra, Bitter Gourd, Green Chillies, Mushrooms and Potatoes contribute largely to the vegetable export basket. The major destinations for Indian fruits and vegetables are UAE, Bangladesh, Malaysia, UK, Netherland, Pakistan, Saudi Arabia, Sri Lanka and Nepal.³

Though India's share in the global market is only about 1 percent, there is an opportunity to increase exports. HOPCOMS with its scale may focus on building export business in addition to the domestic market operations. Necessary support from The Agricultural and Processed Food Products Export Development Authority (APEDA) may be taken. The operations for exports have to be carried out at a different levels considering the below mentioned factors

- Quality level/grading to be done based on target markets
- Development of cold value chain from pre-cooling , transportation(reefer vans) and cold storage facilities to be developed
- International markets often require certification of facilities and produce ISO 9002, ISO 22000, FDA, FPO, Kosher, Halal, Global GAP, Ecocert, SGF and HACCP
- Tie up with farmer members may be pursued to produce in confirmation with the norms of the target countries.

C. Recommendations requiring change in policy

These are those which will need a lot of time, resources and procedure to implement. In addition to strategic changes, the need for continuation of existence of HOPCOMS has detailed.

IV. Need for continuation of HOPCOMS

During the study the following were the observations

- Farmers are being paid higher than the market prices and during the price crash this is more crucial.
- Though the coverage of farmers has reduced over the years, still it is an alternative for the market especially in places where market is not efficient.

³ Source: APEDA

- The organisation is self sustaining for operations management, however timely interventions in upgradations are required to ensure higher productivity
- Increasing scale may help HOPCOMS to serve more farmers
- HOPCOMS among a segment of consumers is still a trusted brand for fresh F&V
- Considering the presence of over 250 stores at key locations will provide consumers convenience for fresh produce.

So HOPCOMS may continue operations. However there is a need for a bigger vision, larger operations, and more farmer inclusiveness beyond being a convenience shop for customers. Since KMF and HOPCOMS offer complementary products, tie-ups may also be explored so that together they may fulfil daily needs to the consumer. Leveraging retail spaces of each other, merging opportunities with other co-operatives which have synergies with HOPCOMS business such as KMF may also be explored.

V. Wholesale market operations

With procurement being the key metric for helping farmers, HOPCOMS may look at building scale in procurement. To create necessary demand there is a need to look beyond consumer facing retail businesses and become a key market player. On long term HOPCOMS may become a trading platform for the farmers across different regions of the catchment and beyond with its own market place.

VI. Broad basing the farmers' involvement through a Tiered approach to Governance

The governance model of HOPCOMS is highly centralised. The elections are held centrally at HOPCOMS to decision making is highly centralised. However the role of HOPCOMS in spirit is to assist farmers across the catchment area. By making the governance structure in to multiple tiers, where in at the lowest tier will be a cooperative body at Taluk/Hobli level and at tier 2 the electives from Tier 1 will choose a governing body. This will enable comprehensiveness in terms of representation from the entire catchment area. With increased procurement this may be expanded to village level.

13. Appendices

A. Questionnaire guideline for HOPCOMS (Management & Departments)

I. SOCIETY/MEMBERSHIP

1. How many farmer members are currently registered and how many of them are active in HOPCOMS?

2. Are there any checks and balances in place to verify the occupation of farmer members (what if middlemen register as farmers or some farmer registers himself/ herself on behalf of other farmers)?

3. If no, why?

4. Please submit trends in membership in the format mentioned below:

Description	2010-11	2011-12	2012-13	2013-14	2014-15
Total Members					
Active Members					

5. Please provide the list of farmer members with the extent of land holding/annual transaction with HOPCOMS.

6. Has any expansion plan thought of for computerized system for procurement and distribution of produce?

Yes No

7. If yes, what is the plan?

II. PROCUREMENT

8. Please provide details of procurement centres in the format given below:

Location of procurement centre	Total area (in sq. ft.)	Built up area (in sq. ft.)	Storage capacity	Number of staff

--	--	--	--	--

9. What are HOPCOMS criteria for establishing a procurement centre?

10. On what basis does HOPCOMS fix prices of fruits and vegetables purchased and sold?

11. What are the regulatory constraints felt by HOPCOMS while fixing the purchase and sale prices?

12. Whether the infrastructure provided for procurement, storage, transport and distribution is adequate? If not, elaborate its requirement in detail.

13. Do the farmers supply the fruits and vegetables as per quantity prescribed in the indent on time or not?

Yes No

14. Is the quantity of indent fully procured or not?

Yes No

15. Please provide produce-wise additional quantity sought from farmers during procurement (towards wastage/driage).

16. Please provide Product-wise wastage/driage allowed at Procurement centre and Godown level.

17. What is the present system of grading of commodities followed in the society? Have the Fruits and Vegetables Grading and Marking Rules 2004, and its amendments followed for grading and fixing the rate of commodities?

18. If No, why?

19. What is the average quantity of fruits and vegetables rejected and why?

20. What do farmers do with the rejected quantity of fruits and vegetables? Is it again procured by HOPCOMS at lower price or sold by farmers to other purchasers in the premises?

21. How is the quality of the fruits and vegetables decided by the officers of HOPCOMS?

22. What is the average commodity wise of fruits and vegetables required per day?

23. How many days in advance is the indent sent to farmers based on the produce? _____

24. Do the farmers supply fruits and vegetables as per the quantity prescribed in the indent on time or not?

25. If no, please furnish the reasons.

26. What do the farmers do with the rejected quantity of fruits & vegetables? Is it again procured by HOPCOMS at lower price or sold by farmers to other purchasers in the premises?

TRANSPORTATION

27. Is the society having adequate number of vehicles for transporting fruits & vegetables from districts to retail outlets/customers?

Yes No

28. If No, why? Are there plans to get more vehicles?

29. Is there any system to manage the vehicles to minimize the loss of time and resources of the society?

30. What are the criteria for stationing of mobile vans?

31. Has any demand survey been conducted for stationed mobile vans?

Yes No

32. Does the society actually charge HOPCOMS customers for transporting bulk orders?

Yes No

33. If yes, what are the charges?

34. Have the mobile vans been classified based on their marketing performance? If so, what is the classification done? What action has been taken on the low performing outlets/vans? Please elaborate.

35. Please provide details about HOPCOMS Sales Mobile Vans. Please fill details in format given below:

Description of Mobile Van	Location of stationing	Quantity Sold (Tonnes)					Value of Produce Sold (in Rs. lakh)				
		2010-11	2011-12	2012-13	2013-14	2014-15	2010-11	2011-12	2012-13	2013-14	2014-15

SALES AND MARKETING

36. Please mention number of stores across different years in the below mentioned format?

Year	2010-11	2011-12	2012-13	2013-14	2014-15
Total number of stores					
Total number of stores operational					

37. What is the HOPCOMS criterion for grading retail outlets? Please fill details in the format given below:

S. No	Location of retail outlet	Store dimension (in sq.ft.)	No. of staff working	Grade (A to H)	Quantity Sold (Tonnes)					Value of Produce Sold (in Rs. lakh)				
					2010-11	11-12	12-13	13-14	14-15	2010-11	11-12	12-13	13-14	14-15

38. Details about the top five institutions/companies to which HOPCOMS sells. Please share details in the format given below:

S. No	Top five institutions	Quantity Sold (Tonnes)					Value of Produce Sold (in Rs. lakh)				
		2010-11	2011-12	2012-13	2013-14	2014-15	2010-11	2011-12	2012-13	2013-14	2014-15
1											
2											
3											
4											
5											

39. Please provide the production and sale details from the following sources. Please fill details in the format given below:

Channel	Quantity of sales(Tonnes)					Value of sales(in Rs. Lakh)				
	2010-11	2011-12	2012-13	2013-14	2014-15	2010-11	2011-12	2012-13	2013-14	2014-15
Retail Outlet										
Mobile Vans										
Institutions										
Social Events										
Others										

40. How many of the HOPCOMS outlets have computerised billing systems?

III. OTHERS

41. Please provide soft or hard copies of HOPCOMS Annual Report for the years, 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15.

42. Please provide production and sales details of processing unit as per the format given below:

S. No	Name of produce	Volume Produced					Value Sold (In quantity and in value)				
		2010-11	2011-12	2012-13	2013-14	2014-15	2010-11	2011-12	2012-13	2013-14	2014-15

43. Please specify the adequacy of the following facilities, and any need for addition or modification with justification

- a. Storage facilities
- b. Vehicles
- c. Manpower
- d. IT Infrastructure

44. What are the future plans to address the structural and operational problems faced by the society?

45. Does HOPCOMS require more cold storage facilities?

Yes No

46. If yes specify the capacity/tonnage. _____

47. Please mention if you have any other suggestions.

B. Questionnaire for HOPCOMS' Customers

Store Location:	
Gender:	Male <input type="checkbox"/> Female <input type="checkbox"/>
Age in years:	Less than 24 <input type="checkbox"/> 24-35 <input type="checkbox"/> 36-45 <input type="checkbox"/> 46 -55 <input type="checkbox"/> More than 55 <input type="checkbox"/>
Profession:	Student <input type="checkbox"/> Home Maker <input type="checkbox"/> Working Professional <input type="checkbox"/> Retired <input type="checkbox"/>

1. How frequently do you purchase at HOPCOMS?

Daily/Almost daily Weekly Monthly Rarely

2. How do you rate the quality at HOPCOMS?

Poor Average Good Very Good

3. How do you compare HOPCOMS prices to supermarkets like Namdhari's Fresh, Big Bazaar, More, Auchaan, Safal, Reliance Fresh etc.

Lower Similar A little higher Very High

4. How do you compare HOPCOMS prices to local vegetable and fruit shops

Lower Similar A little Higher Very High

5. Why do shop at HOPCOMS?(You can select more than one option)

Good quality Reasonable prices Conveniently located

Trusted brand Others Please specify _____

6. How do you rate HOPCOMS with other organized retailers like Namdhari's, Big Bazaar, More, Auchaan, Safal, Reliance Fresh etc.

a. Pricing: Similar: Better Worse

b. Quality: Similar: Better Worse

c. Availability: Similar: Better Worse

d. Service : Similar: Better Worse

e. Cleanliness: Similar: Better Worse

f. Packaging: Similar: Better Worse

g. Storage and display: Similar Better Worse

7. Please mentioned about problems you faced with HOPCOMS or suggestions for improvement

C. Questionnaire for Farmers

Location:	
Name of the farmer:	
Land holding in acres:	
Key produce:	

1. Are you a member of HOPCOMS? Yes No
2. If yes, then since how many years you are a member? _____ years
3. On an average how much do you supply to HOPCOMS in an Year(in Kgs) Vs other market yards?

Produce	To HOPCOMS Quantity(in Kg)	To other market yards Quantity(in Kg)

4. Do you get better price at HOPCOMS in comparison with other market? Yes No
5. If yes to what extent HOPCOMS price is higher than price in other market (in percentage)? _____%(Can check for actual values of a specific produce)
6. How far is the nearest market other than HOPOMS? _____(in KM)
7. What is the cost of transportation to nearest market other than HOPCOMS per quintal? _____(in Rs.)
8. Do you have voting rights in case of HOPCOMS elections? Yes No
9. If no, Why? _____
10. Have you come across middle men selling to HOPCOMS? Yes No
11. How many days in advance do you receive indent from HOPCOMS? _____ days
12. Are you aware of grading rules? Yes No
13. What is the rejection percentage at HOPCOMS for your produce? _____(%)
14. What do you do with rejected second quality produce?
 Sell to HOPCOMS at lower price Sell to others in same premise Other _____

15. What is the additional quantity to be supplied as wastage to HOPCOMS? _____(%)

16. Do you receive payment from HOPCOMS on time? Yes No

17. If No, what is the extent of delay in days? _____ days

18. Do you avail the following services of HOPCOMS?

a. Chemical & Fertiliser supply : Yes No

b. Training: Yes No Not Aware

If yes, was it useful? Yes No

c. Banking facility Yes No

19. Do you face any problems in dealing with HOPCOMS? Yes No

20. Do you have any suggestions for HOPCOMS development?

D. Focused Group Discussion Guidelines

Selection of Participants: Based on the location of FGD the participants will be finalised. Internal participants included the participants from IMaCS and HOPCOMS, whereas external participants would include farmers and customers. Personnel from IMaCS moderated the discussions. Each FGD was conducted for approximately 30-45 mins.

Each session would comprise of the following steps.

- a. Agenda
- b. Introduction of participants
- c. Questionnaire Guideline
- d. Conclusion

I. Guidelines for the Sales and distribution FGD

- a. Produce quality levels
- b. Pricing
- c. Competition
- d. Service levels
- e. Staffing at store level
- f. Service levels
- g. Need for Modernisation

II. Guidelines for the Procurement & Storage FGD

- a. Membership & Voting
- b. Transparency and efficiency of Indenting & Procurement
- c. Grading of produce
- d. Rejection levels
- e. Transportation
- f. Storage facilities
- g. Payment
- h. Additional services
- i. Market procurement

III. Guidelines for the FGD on Overall Management

- a. Membership & Voting powers
- b. Procurement options
- c. Expansion of sales
- d. Modernisation
- e. Infrastructure need
- f. Manpower need
- g. Processes and systems upgrade

E. Images of retail outlets :HOPCOMS and Other super markets



Figure 2. Improper storage in HOPCOMS store



Figure 3. Improper storage in HOPCOMS store



Figure 4. Irrelevant storage/ display of rotten produce in the store



Figure 5. Inbuilt shelves, inefficient



Figure 6. Improper storage in sacks



Figure 7. Improper lighting in the store



Figure 8. Places not conducive for customer walk in,



Figure 9. Price list not updated



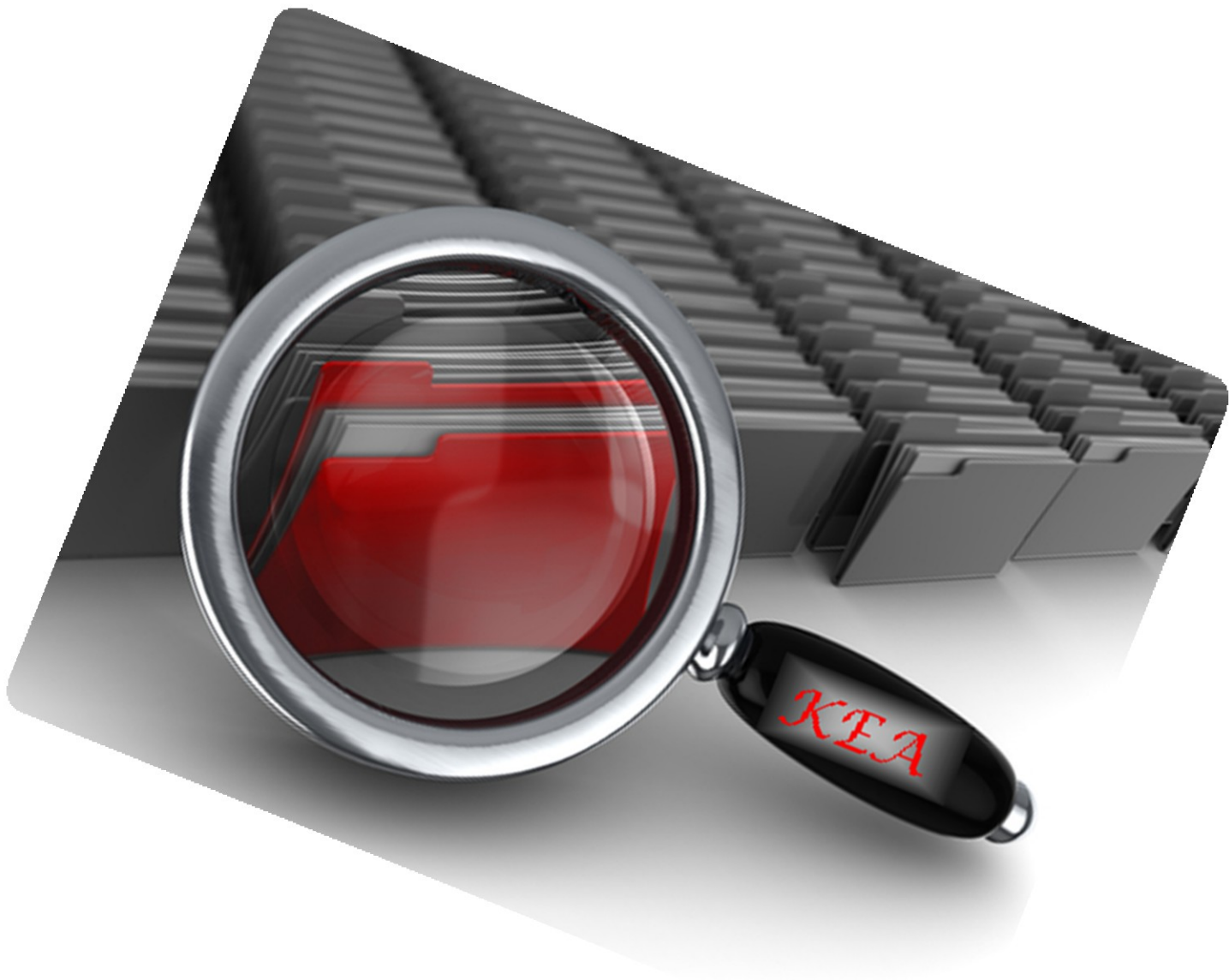
Figure 10. Utilising space for branding in a super market



Figure 11. Display convenience and consistency in super market



Figure 12. Trays being cleaned in a super market



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ಕರ್ನಾಟಕ ಮೌಲ್ಯಮಾಪನ ಪ್ರಾಧಿಕಾರ
Karnataka Evaluation Authority

Evaluation Study on Functioning of the Horticultural
Producers Co-operative Marketing and Processing
Society Ltd (HOPCOMS) Bengaluru