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Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis for Farmer Companies to Re-emerge as Social Business Models in Sri Lanka: A Case Study in Ridebendiela Farmer Company

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Author's contribution

The sole author designed, analysed, interpreted and prepared the manuscript.

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ABSTRACT

The study objective was to carry-out strength, weaknesses, opportunities and threat (SWOT) analysis for one of the initial farmer company (FC) established in Sri Lanka. The study was conducted in *Ridebendiela* FC (RFC) in *Kurunegala* district in Sri Lanka between the periods of March, 2011 – March, 2012 (one year). Primary data was collected from 70 shareholders (SHs) by using a pre-tested questionnaire. And informal discussions were also held with FC personnel. The secondary data were collected from FC reports, books, journals and internet. The generated data were analysed using SPSS version 17. The results from the study identified specific strengths and weaknesses, which are generated within FC and opportunities and threats, which are originated externally. Certain strengths such as availability of pool of physical and human capital, and some opportunities such as already established business relationships will be helpful for the company's performance. On the other hand, certain weaknesses such as lack of entrepreneurial competencies of the management and threats such as government policy changes are hindering FC performance

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as a social business (SB) It is recommended that the establishment of external body equipped with good entrepreneurial skills in order to monitor, evaluate and take corrective measures with respective to negative attributes will help in the sustainability of the farmer's company. Also, a longitudinal study about the company will be important to learn lessons from the past, which could be used for future prospect.

Keywords: SWOT analysis; farmer companies; social business.

1. INTRODUCTION

Traditional capitalist approach had achieved tremendous success in the world economy in the past. But unfortunately, it has still failed to provide a sustainable solution for most of the economic, environmental and social problems faced by the mankind in the world [1] By asserting that businesses by their very nature must be of only one kind, profit maximisation kind, and by practising it as an axiom, we have created a world where social problems remain unaddressed [2].

Social Business (SB), a new concept in people centered capitalist approach was emerged in Bangladesh as an alternative strategy to address such issues. According to Yunus [2], the founder of the concept, SB is *'a new form of capitalism & a new kind of enterprise based on the selflessness of the people, which I called social business'.* It's a kind of business dedicated to solving social, economic & environmental problems that have long plugged humankind-hunger, homelessness, disease, pollution, ignorance [3]. He further noted that it is to address any social objective; poverty, environment, education etc. SB is a business and it must be self-sustaining i.e. it generates enough income to cover its costs [4]. Part of the economic surplus the SB creates is invested in expanding the business, and the rest is kept in reserve to cover uncertainties. Thus, a SB might be described as a "non-loss, non-dividend company", dedicated entirely to achieve a social goal [3].

There are two types of SBs; Type I, a business owned by the investors which reinvest all the profits in expanding and improving the business to achieve any social objective, Type II, a profit-making company owned by poor people, either directly or through a trust that is dedicated to a predefined social cause. In type II, however, SB investors can enjoy the financial benefits of the SB since the investors are the target group. Farmer Companies (FC) can be considered as type II SB in Sri Lanka.

Farmers' companies are investor-owned companies established under the companies act as Peoples' companies [5]. The formation of FC is a strategy adapted by the government to transform traditional small holder farming into commercialised business ventures [6]. Therefore, the main purpose of these companies was to commercialise village level small holder agriculture sector which had not properly connected with market [7]. FC is a farmer-owned business model which help farmers to get an assured income through profitable business activities started by the company itself. It improves farmer's socio-economic status while supporting them to lift up from poverty. There were 32 registered FCs at the end of March 2001 [8]. But, there was little information on their performance. As for March 2012, there were only 8 FCs found remaining Island wide, including RFC, which is one of the initial FC.

The study focus is to produce SWOT analysis of RFC in order to assess its capacity to re-emerge as SB model in Sri Lanka.

2. METHODOLOGY

The study was carried out in *Ridebendiela*, belongs to *Nikaweratiya* Divisional Secretariat (DS) division¹, which has an area of 181km² with a population of 53,166. Largely, the area is situated in *Kurunegala* district, the capital of the North-western province of Sri Lanka. Located 94km from *Colombo*, the capital, and 116m above sea level, *Kurunegala* itself is a busy commercial city and a transport hub connecting to other main commercial cities including *Colombo*. The area is considered as one of the granary areas² in the country with a high cereal production specially, Paddy. In addition, it

¹The 'districts' which are sub-divisions of provinces of Sri Lanka are divided into administrative sub-units known as 'divisional secretariats'. These were formally known as 'DRO Divisions' after the 'Divisional Revenue Officer', Later the DROs became 'Assistant Government Agents' and the divisions were known as 'AGA' Divisions. Currently the divisions are administered by a 'Divisional Secretary', and are known as 'DS divisions' [9].

²The areas which gives the highest Paddy production in the country.

accounts for higher coconut production in the country, locating within the 'coconut triangle'³. Hence, paddy farming, rearing livestock (dairy, poultry) and coconut cultivation are the main sources of income for the people in the area. Paddy is cultivated mainly in small holdings in rural areas. The district bears 10.25 percent of cattle and 40.32 percent of the chicken population of the country [10,11], representing its significant contribution to the livestock sector. Poultry production is carried out mainly as backyard production.

The study was based on a field and a comprehensive literature survey. A random and purposive sampling methods was used to select the respondents. The field survey data were collected from 70 SHs in RFC through face to face interviews and a structured questionnaire was used to collect data. Additionally, informal discussions were done with SHs of other few FCs (located in *Bakamuna, Minneriya and Huruluwewa* areas) and with the government officers attached to Ministry of Irrigation and *Mahaweli* Authority of Sri Lanka. Data was also collected through the literary survey based on the financial and other reports of FCs, published and unpublished data including books, research journals and internet. Data were analysed using Statistical Package of Social Sciences (SPSS) version 17 and data were explained by using descriptive statistics.

3. RESULTS AND DISCUSSION

Being a farmer company established in 1998 (2 decades ago), it is important to review strengths, weaknesses, opportunities and threats to RBC to perform better as a SB.

Strengths and weaknesses are internally originated factors affecting to the performance of FC and opportunities and threats are externally generated factors. Strengths and opportunities will be helpful and, weaknesses and threats are harmful to the performance of the company.

For the convenience of analysis, helpful and harmful factors will be discussed separately.

3.1 Strengths and Opportunities of RFC

The following positive attributes will be helpful for the current and future performance of the company.

3.1.1 Human and physical resources

RFC is one of the initial FCs established in the country before 20 years ago. Farmers can buy the shares of the company and it is having 2800 shareholders (farmers) covering 2000 families in the area. It's a big source of human capital compared to the other FCs in Sri Lanka [12]. It consists of initial shareholders who were there at the beginning of the company. It's a big source of information and their current perception and comments regarding the company can be obtained for further improvement. And also RFC can utilise their knowledge and skills for the betterment of the company and the shareholders.

There are ample amount of underutilised assets in the company such as office space, computer, lorry, and sales centre. Those can be used for some productive business ventures.

3.1.2 Business relationships

RFC has developed good relationships with the private sector. At present, it has successful buy back system for poultry production with Bernard Company exhibiting proven results (Table 1).

The study identified two successful cases in this business, Mr. X (case 1) and Mr. Y (case 2). Their profile is as follows;

Mr. X (case 1) was a 36 years old, married male who had completed secondary level education. Paddy farming including seed paddy, rearing poultry and cattle were the main sources of income for his family. Supported by the buy-back system, he has been rearing birds totaling up to 4000, for 8 years. He had 7.5 acres of land (3.5acres - coconut and grass / 4 acres – has been rented out) and he has joined the FC in 2001 with 100 shares. His main relationship with the FC was for seed paddy and poultry.

Mr. Y (case 2) was 30 years old married male, and had 11 years of schooling. Paddy farming, rearing poultry and business collectively has made his livelihood and he had 3 acres of land. His mother has joined the FC in 1998 with 50 shares. But now, instead of his mother, he is the person who is activity engaged with the FC's commercial activities such as the buy-back system.

³ Main Coconut producing areas in the country.

Table 1. Income received from poultry buy back system

Business	Organisation involved	Annual Income (from every means) (LKR)		Monthly Income (LKR)	
		Case 1	Case 2	Case 1	Case 2
Seed paddy	FC	328,000	NA	27,333	NA
Commercial paddy	Wholesalers	NA	184,800		15,400
Poultry	Bernard company(through FC)	745,308	540,000	62,109	45,000
Milk	Richlife company	180,000		15,000	NA
Business			180,000	NA	15,000
Total				104,442	75,400
Contribution from FC to monthly income				86%	60%

Source: Field data survey, March 2012

Table 2. Types of businesses of RFC

Type of Business	Year started	No. of farmers involved*	Partner organisation**	Is still continuing by March 2012	Current Profit (2011) LKR/yr
Seed Paddy	1998	10 (123)	-	Yes	932,510
Poultry-Buy Back system	1998	5(10)	Maxies Pvt.Ltd. (Bernard Pvt. Ltd.)	Yes	700,000
Group Loan programme	1998	142	-	No	-
Fertiliser supply	1998	-	Fertiliser Corporation	Yes	200,000
Cultivation loan programme	1998	64	Seylan Commercial Bank	No	-
Vegetable cultivation Programme	1998	12	-	No	-

*The current number of farmers involved is mentioned within parenthesis where applicable

** The current organisation is mentioned within parenthesis where applicable

Source: Account Reports of RBE-FC: 1999 and Field Data Survey

According to Table 1, the FC contributes 86% of monthly income of Mr. X while it was 60% for Mr. Y.

In addition to these financial returns, farmers receive one day old chicks, feeds, vaccines and also extension services via FC. It has reduced farmer's transaction costs.

RFC has future business plans as well. According to the manager, FC has future plans to have business relationships with CIC Company for Maize and broiler feed. And it is planned to restart the rice Millar again.

On the other hand, RFC received a profit of Rs.700, 000 for the year 2011 through poultry buy back system. By experiencing this type of fruitful business venture, RFC can build more business relationships with the private sector. It will not be difficult since it has already developed some relationships with the private sector. FC, as a SB type II model, should be able to find profits and sustain its financial stability via this type of business relationships.

The company has involved with good seed paddy marketing business and there is high demand for good quality seed paddy. Seventy six percent of farmers have sold seed paddy to RFC with the average of 6367.74kg per year and RFC has earned a profit of Rs.932, 510 in the year 2011 (Table 2). This capacity could be improved by having more farmers engaged with seed paddy production and selling their products to the FC. These types of farm products-related businesses will help the FC to survive economically while giving benefits to the shareholders.

RFC is the only FC having authority of fertiliser subsidy distribution within the country and it has given the company an opportunity to build its reputation. The program is still continuing and the company has received Rs.200, 000 of yearly profit for 2011 through this program. It is a good opportunity for the economic stability of the company.

3.2 Weaknesses and Threats of RFC

The following factors will be harmful to the company and will hinder its performance.

The management and entrepreneurial skills of RFC is not in satisfied level. It has been associated with deviations, mal-practices and

lack of transparency as well. Due to lack of satisfaction towards weak management and administration, the relationship between shareholders and the company has become weaken. As a result, farmers are moving away from the company. Their sense of ownership towards RFC is degrading and ultimately it has affected all the business activities and other opportunities of the company.

FC had a group loan program to its shareholders and currently low loan recovery rate can be observed. It has affected to the financial stability of the company.

There are attitudinal issues that matters a lot to company' performance. For example, most of the shareholders are Buddhists so that their preference towards poultry buy back system is quite low despite having lots of benefits.

In 1996, RFC had been given the water resource management responsibility in the area [13]. During that period, there was a tremendous success in terms of shareholder participation in FC's activities and FC's financial stability. But, later on, that responsibility was withdrawn from the company and the company performance had been severely affected by such government policy changes.

4. CONCLUSION

Farmer companies in Sri Lanka had been established to commercialise smallholder agriculture and this study identifies it as a type II social business where the investors (shareholders i.e. farmers) receive all the benefits. FC should operate as a normal profit maximising company within this turbulent economy. It has certain strengths, weaknesses, opportunities and threats on which further analysis is required. These factors should be carefully studied by the management of the company. There should be an external pool of experts who can support the FC management to identify, monitor, evaluate and take necessary corrective actions with regard to their positive and negative attributes. On the other hand, properly planned wide extension program is needed for shareholders to get their participation and build their sense of ownership of the company. One of the limitations of this study is that it investigated the FC related information within one year period of time. RFC has a long history as a farmer company in Sri Lanka and it has undergone various chronological changes in

the past. Therefore, a longitudinal study assessing its past, current and future prospects will be very important to assess its possibility to emerge as a leading SB in Sri Lanka.

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COMPETING INTERESTS

Author has declared that no competing interests exist.

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