

## Organic start, partnership and beyond

In 1992, the Fishermen's Cooperative Society of Irranaimathanagar (FCSI) was established by a group of local fishermen who saw the necessity to form a cooperative to collectively overcome common challenges that they had faced. After a period of interruption due to the civil conflict, the fishermen decided to reorganize the FCSI in 2010. Today the cooperative has 380 members and sells 350kg of blue swimmer crabs per day and 100 tons annually. Under the ILO LEED project, the cooperative partnered with Taprobane SeaFoods (Pvt) Ltd and established a crab processing factory in 2012. It was not an easy ride to reach these milestones.

## Major Challenge: Getting out of debt bondage

The fishermen preferred to sell their produce directly to the FCSI, as they could collectively negotiate and sell the produce to the wider consumer market at a better, fairer price. However, financial debt was a major hurdle for many of the fishermen to join the FCSI. Many of the fishermen owed substantial debt to the middlemen. As the catch had to be given to the middlemen to pay off their debt, the fishermen were not able to substantiate their financial base. Many of the existing members of the FCSI also owed debt to the middlemen, however, the cooperative had limited capacity to provide any financial assistance to them.

The FCSI approached the middlemen and held individual meetings to negotiate better terms of the loan agreement. With the help of the ILO, the FCSI introduced a '50-50 solution.' The FCSI negotiated for 50% of the produce to be sold to the middlemen while the rest would be directly purchased by the FCSI.

This 50-50 solution turned out to be a success. Within a months time, the FCSI was able to make LKR 164,000 (US\$1,080). By the second month, the profit further increased to LKR 700,000 (US\$ 4600) as fishermen were able to repay the loans and sell their entire produces to the FCSI directly. As the fishermen were able to sell their produce at a fair price to the FCSI and receive immediate cash, the FCSI was able to increase its membership base.

Additionally, the ILO introduced a "debt-buy-back scheme", by providing capital support to the FCSI, which enabled the FCSI to buy back the loans from the middlemen. This scheme enabled the FCSI to purchase the catch from the members at market prices with a portion of the sales transferred to savings accounts while a small percentage put in to a community welfare fund, and the rest to recover the debts.

## Intervention by the Poonakary Fishermen's Coop Society Union

However, not all middlemen were satisfied with the 50-50 solution. For the unsettled loans, the FCSI reached out to Poonakary Fishermen's Coop Society Union (PFCSU) for support. The PFCSU serves as a representative body of 16 cooperatives in the region and applied for a bank loan worth LKR 1 million (US\$ 6,590) on behalf of the FCSI and their members. The FCSI received loans from Taprobane Seafoods as well. Overall, the FCSI settled loans to middlemen worth LKR 3.5 million (US\$ 23,000), and the repayments to the bank and the Taprobane Seafoods were made within a year's time.

## Partnership with Taprobane SeaFoods (Pvt) Ltd

Facilitated by the ILO, the FCSI enjoyed comparative advantage because of the partnership with Taprobane SeaFoods (Pvt) Ltd. From FCSI's perspective, open dialogue with Taprobane SeaFoods has been fundamental to maintaining and improving the partnership. The FCSI openly discusses issues regarding finance and management and also negotiates prices with them whenever the market prices increase.

“Access to markets, better and fairer price, and their willingness to work with us are the key benefits we enjoy through our partnership with Taprobane.” - Mr. J.F. Kennedy, Secretary to President

## Compulsory savings schemes and other community services

From 2012 onwards, the FCSI started a compulsory saving scheme. For every kilo that is sold by the fishermen to the FCSI, LKR 20 is deducted from the sales. Half of this is diverted to the saving accounts of the fishermen while the other half goes to the account of the FCSI. Additionally, a bonus is paid to the FCSI by Taprobane – for every kilo sold LKR 10 is given to the FCSI. Furthermore, as an additional bonus, LKR 5 is given by Taprobane to the FCSI for every kilo of crab meat that is processed at the factory. With this pool of money, the FCSI provides interest-free loans and supports different community development activities. For example, the FCSI funds scholarships for local students, sports and cultural events at local schools, monthly gathering and events among the fishermen, donates LKR 2,500 per month for households with people with disabilities, and so forth. According to Mr. J.F. Kennedy, the financial prospects and incomes of the local community have improved. There is better housing, more children are attending schools, and household incomes have increased.



Taprobane SeaFoods (Pvt) Ltd



Mr. J.F. Kennedy, Secretary to President

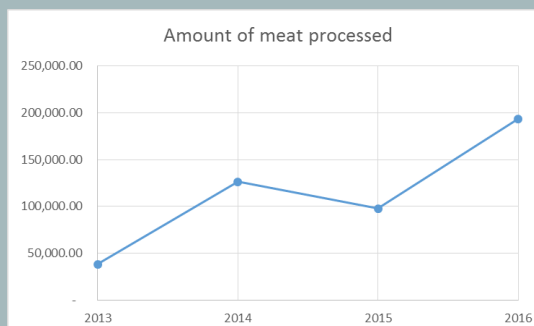


## Mutual learning among the fishermen cooperatives

The Poonakary Fishermen's Coop Society Union (PFCSU) is an umbrella organization of 16 fishermen cooperatives in the local area. At monthly meetings hosted by the PFCSU, the cooperatives share their progress on financial performance, discuss common issues and learn from each other's successes. St. Anne's Fishermen Cooperative Society in Valaipadu, which consists of 280 members, is such an example that replicated the model of the FCSI - sells their boiled crab meat to Taprobane, finances local community activities, provides loan schemes to the members and equips fishermen with boats and fishing gears.

## Protecting the ocean and producers from illegal poachers

Indian poaching has resulted in a significant loss for the local fishery, leading to a severe decline in the amount of crab meat processed at the factory in 2015. However, with the effort of collective action among PFCSU, and other fishery cooperatives in Jaffna and Mannar, the fishermen were able to convince the Prime Minister to take action. As a result, the government of Sri Lanka and India have consolidated their joint patrolling and prosecution. In 2016, the crab factory has seen significant rise in the amount of crab meat processed.



Note: Kg per year; Source ILO, 2017



## Women at the Crab Processing Factory

The floor of the crab processing factory is filled with women, who diligently crack the crab and carve out the meat.

Today, the factory employs more than 70 women and since 2013, the factory has processed 456,000 kg of crab meat. Women that process the meat receive a bonus depending on the amount of crab meat processed, in addition to their base salary. As of 2016, the factory has generated an overall worker income of LKR 31 million (US\$ 205,000). Furthermore, all employees contribute to the Employee's Provident Fund.

Most of the women come to work from local villages, however, transportation is provided for those who live further away. They are usually the sole breadwinner in their households and are balancing their work with household duties, and caring for their parents and children. To accommodate their needs, the factory offers flexible working hours.

High-performing employees are selected to undergo a 6-month training to become supervisors. Three supervisors rotate to familiarize themselves with different aspects of crab processing. One of the supervisors who is in charge of quality control stated that being a supervisor opens up opportunities to meet with external stakeholders and participate in the decision making processes. Knowing that women have opportunities to become supervisors, one of the employees who just joined in 2017 have mentioned she would also aim to become part of the management team one day.

## The way forward

The ILO LEED project has created employment opportunities for the vulnerable households, developed loan repayment and saving schemes, and built capacities of cooperatives to enhance their earnings through sale of blue swimmer crabs. Based on these successes and lessons learned, the LEED projects further aims to expand its field-level activities to other districts and divisions by implementing the following activities:

- Develop new value chains for mud crab and other fish species.
- As a part of the Fishery Improvement Plan, introduce and establish a mechanism to ensure the return of a share of the premiums back to the fishermen.
- Enhance the capacities of other cooperatives in other regions that are yet to be supported through the efforts of the ILO LEED project.



This publication was based on interviews of Mr. J.F. Kennedy, Secretary to President of FCSI, and other members of the Crab Processing Factory.

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