



Bitter neem harvest turned into sweetest pill for fertilizer sector; here's how

Decades after Operation Flood in Gujarat gifted the country a nationwide milk grid, the state is today milking the bittersweet harvest of the ubiquitous neem tree to script another rural revolution.

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Decades after Operation Flood in Gujarat gifted the country a nationwide milk grid, the state is today milking the bittersweet harvest of the ubiquitous neem tree to script another rural revolution. Seldom does a public sector company achieve a perfect harmony between policy requirements of the government, its own business needs and the socio-economic needs of the rural poor. Gujarat Narmada Valley Fertilisers & Chemicals (GNFC), a state-owned fertiliser major of the Gujarat government has not only managed to achieve this seemingly impossible feat but has, in the process, created a game-changer of epic proportions.

Responding with alacrity to PM [Narendra Modi](#)'s clarion call for 100% neem coating of urea in a bid to prevent diversion of subsidised urea for non-agricultural purposes, the Bharuch-based GNFC embarked on its neem project two years ago, as a backward integration exercise to manufacture neem oil and organic neem cake fertiliser. Rajiv Kumar Gupta, MD of the company as also

the architect of the ingenious indigenous neem project exults, “We are the first company which has implemented the objective of neem coating in totality.”

“Prior to the Government of India mandating 100% neem coating of urea from 2014-15, though some portion of urea produced by us was produced as neem urea, this was discretionary and not mandatory and for this, we used to tenderise our requirement of neem oil and buy it from the open market,” recalls the GNFC MD.

A largely unorganised market, the neem oil trade was dominated by unscrupulous traders who sold cheap oils like palm oil, cotton-seed oil, rice bran oil and even cutting oil available for Rs 25-30 per litre as neem oil with impunity by adding to them neem leaf powder and selling this spurious oil for Rs 100 a litre. Incidentally, neem coating of urea, apart from preventing pilferage, also reduces the application of urea by 10%, protects crops from several diseases and is instrumental in controlling deterioration of soil fertility in the longer term.

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“I studied the market closely and realised that the only way to fulfil the goal of neem coating our production of urea was to produce the neem oil by extraction from neem seeds ourselves,” Gupta reminisces. It is these humble neem seeds littering roads, side walks and dirt tracks surrounding neem trees which are either swept away into garbage bins or are left unattended which became the resource GNFC tapped into, effectively recycling a waste product to raw material for a viable industry.

And, thus began the journey of backward integration of GNFC which has, in a span of two years, not only emerged as the largest manufacturer of branded neem oil in the country, but has simultaneously created shared value through empowering marginalised communities and the rural poor especially women.

To begin with, GNFC undertook neem mapping of Gujarat. Pertinently, neem is the second most abundant tree found in Gujarat which according to the latest tree census report, has around 45 million neem trees. Each neem tree yields between 10 to 25 kg of neem seeds in a season.

Realising that collection of neem seeds was the biggest logistical challenge, a decision was taken “to leverage community structures for collection, in the 4,000 villages where the density of neem leaves was very high” Gupta elucidates.

Keeping this in mind, GNFC has shrewdly tapped into the existing rural community structures run mostly by women including self-help groups, sakhi mandals, milk cooperative societies, pani samities and forest department collection centres. This novel economics of neem seed collection has been a win-win both for GNFC which has been able to milk the network to optimise neem seed collection and for the rural poor who have been able to improve their livelihood prospects. In its very first year, the project led to the collection of 10,000 metric tonnes of seeds and a production of 850 tonnes of neem oil in the first year itself, creating an impressive Rs 10-12 crore of supplementary income for approximately one lakh rural women and landless labourers across Gujarat. This increased to 11,500 tonnes of seed collection in the second year while neem oil production increased to 1,700 tonnes.

“The aim is to scale this up significantly by increasing the collection footprint to other parts of the country since we are still a long way off from becoming self-sufficient in our neem oil requirement which is around 26,000 metric tonnes annually given the fact that total estimated urea consumption for the coming year is pegged at 31 million MT,” the GNFC MD concedes.

In recognition of its sterling efforts, GNFC has recently received the Porter Prize for its Neem Project which has already provided direct employment to 2.25 lakh rural women with an income generation of over Rs 25 crore and indirect employment to around 75,000 in two years. The Porter Prize is instituted and administered by the Institute for Competitiveness, India, which works in affiliation with Harvard Business School, USA.

At present, there are about 2,200 neem seed collection centres across 4,000 villages in Gujarat and now the project is all set to expand to six other states in the country. The project will have 7,000 centres in the state and 11,000 in the country with this expansion.

A survey done by United Nations Development Programme (UNDP) in November 2016 also gauged the success of the project by observing increase of about 56% in women's income and reduction in domestic violence cases. Each woman earns Rs 1,000 to Rs 8,000, depending on her contribution in the neem collection process.

Inspired by the GNFC story, another fertiliser major IFFCO too is planning a foray into the neem oil business. "We are mentoring several states and companies desirous of replicating our neem project model," states Gupta. For the moment, GNFC is supplying its neem oil to at least five of the 26 fertiliser manufacturers in the country for their neem-coating requirements.

But what is clearly the icing on GNFC's neem cake is the company's forward integration into the FMCG space. Capitalising on neem's well-known curative properties and also riding the current wave of a spurt in demand for back-to-nature remedies, GNFC has forayed into production of an array of neem oil-based consumer products including neem soap, personal care and domestic use neem oil, face wash, shampoo, hair oil and handwash under the brand name Narmada.

Gupta proudly reveals that the Narmada products are already briskly selling at over a thousand outlets of Big Bazaar and Kendriya Bhandars on a pilot basis and have even raked in a modest revenue of Rs 50 crore within a year of their launch. "We propose to increase this to Rs 500 crore in the next few years," he declares with quiet confidence. Given the fact that GNFC has managed a remarkable turnaround in its fortunes during the year ended March 2017 with an impressive PBT year on year growth of 58% and a four-fold increase in market capitalisation to Rs 4,356 crore, Gupta has every reason to be smug about the company which has stood out as the best performer in the chemicals and fertiliser space. Clearly, the bitter neem harvest has turned out to be the sweetest pill for the Indian fertiliser sector.

More information:
<http://gnfcneem.in/>