



**SFAC**  
लघु कृषक  
कृषि व्यापार संघ

 Grant Thornton

Agri Business Promotion Unit

# Energising Infant Farmer Producer Organisations

Initiative to demonstrate scope for promotion of  
infant and teething FPOs in India

Knowledge report



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**Small Farmers' Agri-Business Consortium**

NCUI Auditorium Building,

5th Floor, 3, Siri Institutional Area,

August Kranti Marg, Hauz Khas, New Delhi - 110016.

T : +91 11 41060075, 26966037

M: sfac@nic.in

www.sfacindia.com



# Foreword

**Whether the harvest is bad or good, the typical Indian farmer operating marginal and small holdings, invariably faces a loss. In the former case, the farm yields are low and so are net incomes, and in the latter circumstance, a glut in the market depresses commodity prices.**



In this paradoxical situation, a range of initiatives from crop advisory to optimising the cost of procuring inputs, facilitating credit and custom-hiring service access, developing alternate market channels, establishing primary and secondary common processing facilities through the agglomerated Farmer Producer Organisation (FPO) route, is the only recourse for his/her survival. The Small Farmers Agri-Business Consortium (SFAC) had been supporting FPO formation throughout the country, but many of the infant and teething FPOs were yet to be adequately promoted.

It is in this context that an Agri Business Promotion Unit (ABPU) was established and entrusted with the task to work alongside SFAC and demonstrate the options and potential for viably promoting FPOs. Grant Thornton Bharat LLP was accorded this onerous responsibility. This publication reports the successful intervention on 30 selected FPOs spread across the three states of West Bengal, Karnataka and Madhya Pradesh.

A gamut of interventions were undertaken by way of input, credit, common facilities and market linkages, in addition to capacity-building and training of the Board of Directors (BoDs) on business planning. Notably, almost all of the FPOs were credit-linked for either working capital or term loan. Further, 35 input shops, 48 sales outlets, 13 pack-houses or secondary processing common facilities were established. Strong alternate market linkages with large retailers and processors were established, and compliance of statutory and legal norms ensured. Also, policy advocacy at the state level was successfully accomplished.

Basically, at the FPO level, the simple average turnover of the 30 targeted FPOs increased from barely INR 44 lakh per annum to over INR 118 lakh per annum, demonstrating an increase of over 168% in a span of barely 2 years of intervention. Input operations increased from INR 24.5 lakh to over INR 47.4 lakh per annum. Market operations through FPOs increased from barely 14.6 lakh per annum per FPO to over INR 64.2 lakh. Evidently, the FPOs have displayed an almost 3-fold increase in turnover, a 2-fold increase in input operations, and a 4-fold increase in direct marketing through FPOs. The results are very heartening and validate the tools and techniques deployed, as well as our faith in the potential vibrancy of most, if not all, of the FPOs in the eco-system.

This publication is expected to serve as a definite value addition to the literature on FPOs and also serve to motivate more potential as well as existing FPOs, to undertake joint initiatives with single-minded devotion and contribute towards realising the GOI objective of doubling farmers' income in the near future.

## **Neelkamal Darbari, IAS**

Managing Director,  
Small Farmers' Agri-Business Consortium

# Preface

**India is the world's second largest producer of agricultural commodities, and agriculture provides livelihood incomes to much of the populace. Despite substantial growth in agriculture output over the years, the real growth in income of the typical marginal and small farmer has not been increasing in proportion to his efforts.**

In these circumstances, FPOs have been identified as the vehicle to effectively deliver a range of services to member farmers, so as to help them graduate from subsistence farming to sustainable farming activity.

However, while we may have 7,000 plus FPOs in the eco-system, many of them remain at the stage of relative infancy or teething. Direction, demonstrated options for growth and more role-models are required to encourage such FPOs to evolve into vibrant agri-business platforms. It is in this contextual setting that SFAC initiated a pilot project for the promotion of 30 FPOs that had been formed and been in operation for a period of minimum 3 years.

This publication summarily documents the interventions and seeks to validate the premise that FPOs can be promoted most effectively with guidance, and a capacity-built management team.

The introductory section of the publication provides a brief on the underpinnings of the Agri Business Promotion Unit (ABPU) operated by Grant Thornton Bharat LLP in the context of the mandate and role of SFAC. It also profiles the production and processing eco-system in the targeted 3 states of West Bengal, Karnataka and Madhya Pradesh.

The subsequent Section 2 presents the ABPU approach in terms of the basic guidelines and rating tool-based short-listing of 30 entities from the population of SFAC-supported FPOs. The rating tool was deployed to select the FPOs with potential from each state in terms of governance, regulatory compliance, legal compliance, net worth and financial strength, and more importantly, in terms of turnover-related performance, as well as the range of services offered to members. It also

summarises the preliminary two-day stakeholders' meet. The following section subsequently elaborates on capacity-building and training initiatives, drafting of a business plan, fostering alternate market connect, facilitating credit linkages, as well as other activities ranging from custom-hiring services, twinning crop advisory, seed production, establishment of common facilities and policy-related interventions.

Section 3 elaborates on the two-year journey of the ABPU in terms of output and activities. Section 4 details the achievements of the pilot programme, followed by the Way forward.

There is no reason why all existing infant, teething or even dormant FPOs cannot evolve into vibrant entities propelling the drive towards Doubling Farmer Incomes.

While a large team of GT and SFAC professionals were involved in the pilot project, some individuals deserve specific mention. They include Chirag Jain, Deepak Sinha, Debarati Ghatak, Rohit Nagpal and Prakhar Katiyar from Team GT. The contribution of Bhramar Jyoti Brahma and Pooja Tamta, Team SFAC was also significant. Finally, we must place on record our humble acknowledgement of the stellar leadership of Ms. Neelkamal Darbari, IAS, MD, SFAC, under whose guidance this pioneering initiative was implemented.

## V. Padmanand & Kunal Sood

Partners,  
Grant Thornton Bharat LLP

# 1.0 Introduction



Agriculture is the primary source of livelihood for about 58% of India's population. The GVA of agriculture, forestry and fishing was estimated at INR 19.05 lakh crore (USD 269.70 billion) in FY2020-21. However, agriculture, despite being pivotal to India's GDP growth, has always posed a conundrum through its varied linkages in our economy: how does the producer, that is the farmer, realise maximum benefit from his output? What are the best practices available to the farmer that will enable her/him to graduate from subsistence farming to one that is not only sustainable for her/him, but also propels India's agrarian economy onto a higher growth trajectory?



To address this conundrum, various initiatives have been launched by the stakeholders – the government, the private sector and the farmers themselves – but there have always been missing links, due to which the agricultural sector has not moved to the next level of sustainable growth. To reverse this trend of low growth, an agribusiness-based approach towards agriculture has been adopted, by embracing a business-like method of connecting farmers with end-users and service providers, with all the necessary interventions at various stages of the process with an FPO servicing as the vehicle for delivery. This exercise supported by an Agri Business Promotion Unit (ABPU), which was undertaken as a pilot project by the Small Farmers Agri-Business Consortium (SFAC) for the last two years in 2018-19 and 2019-20 in three states, is showing significant outputs.

This report and publication captures some of the tangible outputs and outcomes from the aforementioned pilot project and encapsulates nine caselets to corroborate the same. To put matters in perspective, this report commences with a brief on the role of the ABPU and SFAC in this context.

The SFAC is an autonomous body promoted by the Ministry of Agriculture Cooperation and Farmers' Welfare,

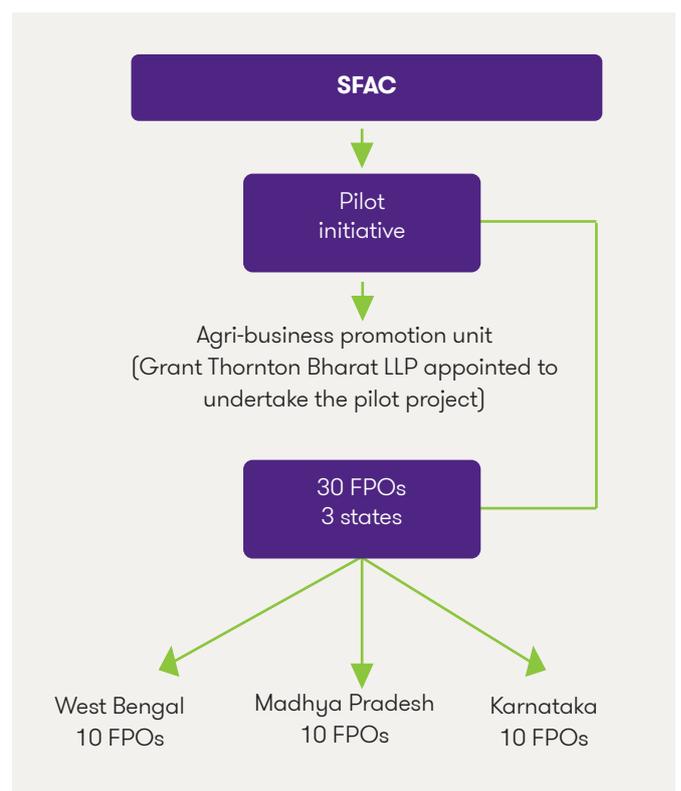
Government of India. It is an exclusive body focused on increasing the incomes of small and marginal farmers through the aggregation and development of agribusiness. SFAC has pioneered the formation and growth of Farmer Producer Organizations (FPOs) that is now being undertaken across the country. The SFAC is, today, rapidly progressing towards establishing an eco-system for FPOs, to make them sustainable and viable. The institution offers facilities such as an Equity Grant and a Credit Guarantee Fund Scheme to improve the availability of capital and enable the development of business activities of FPOs. It also promotes the development of small agribusinesses through its Venture Capital Assistance (VCA) scheme for value-added processing and marketing linkages. Further, it also implements the National Agriculture Market Electronic Trading (e-Nam) platform, the purpose of which is to provide a single unified market for agricultural commodities with a much higher degree of price discovery for farmers. Today, the Ministry of Agriculture and Farmers Welfare, Government of India, has launched a new Central Sector Scheme to promote 10,000 FPOs to ensure economies of scale for farmers. The SFAC serves as the nodal and as an implementing agency and also operates a National Project



Management Agency (NPMA) under this scheme.

In the last few years, the SFAC has mobilised more than 8.81 lakh farmers across the country. Small and marginal farmers have been identified, formed into Farmer Interest Groups, and further, into FPOs. As of March 2021, SFAC has promoted 910 FPOs across 29 states in the country. A majority of these FPOs are in Madhya Pradesh, Karnataka and West Bengal.

In April 2018, SFAC had launched the pilot initiative and appointed Grant Thornton Bharat LLP as the Agri-business Promotion Unit (ABPU) to undertake the promotion of FPOs for two years. The ABPU was mandated to assist 30 FPOs in the state of West Bengal, Madhya Pradesh and Karnataka. The underlying purpose of the project was to collectivise and energise FPOs operating at various levels across these states, develop alternate markets, facilitate access to credit, establish common facilities for processing and/or marketing, enable improved access to inputs and services and increase farmers' income, thereby sustainably strengthening their agriculture-based livelihoods.



## 1.1 Related profile of the targeted three states

### Madhya Pradesh



The state of Madhya Pradesh is the second-largest state in the country in terms of area. With over 75 million inhabitants, it is the fifth-largest state in India in terms of population. The state connects the River Narmada, which runs east and west between the Vindhya and Satpura ranges. The key enterprises in the state are in agriculture and food processing, biotechnology, pharmaceutical products, automobile and chemicals.

- Largest producer of soybean and pulses in the country
- Leading producer of vegetables and wheat in the country
- Availability of robust infrastructure - eight food parks including a Mega Food Park; five Agro export zones and 45 industrial units/zones
- Presence of leading food processor companies, including ITC, Adani Wilmar, Prestige Foods and Ruchi Soya
- Enjoys 11 agro-climatic zones
- Has 149 FPOs supported by the SFAC

### Karnataka



Karnataka is the sixth largest state in terms of area and the eighth largest in terms of population. It has a 320 km coastline and is surrounded by the states of Maharashtra, Telangana, Andhra Pradesh, Tamil Nadu and Kerala. The key enterprises in the state are in information technology, biotechnology, engineering, food processing, and aerospace.

- Largest producer of coffee, maize, sunflower and tur in the country
- Largest producer of sapota and green chilies in India
- Second-largest producer of grapes, pomegranate, marigold, jasmine and rose in the country
- Second-largest producer of jowar and gram in India
- Third-largest producer of tomato, onion, lemon, papaya, coconut, cardamom and tuberose in the country.
- Fourth-largest producer of mango, cashew nut, cocoa and gerbera in the country
- Fifth-largest producer of jackfruit, pineapple, sweet orange, ginger and turmeric in the country
- Fifth-largest producer of soybean and groundnut in the country
- Enjoys 10 agro-climatic zones
- Has 126 FPOs supported by SFAC

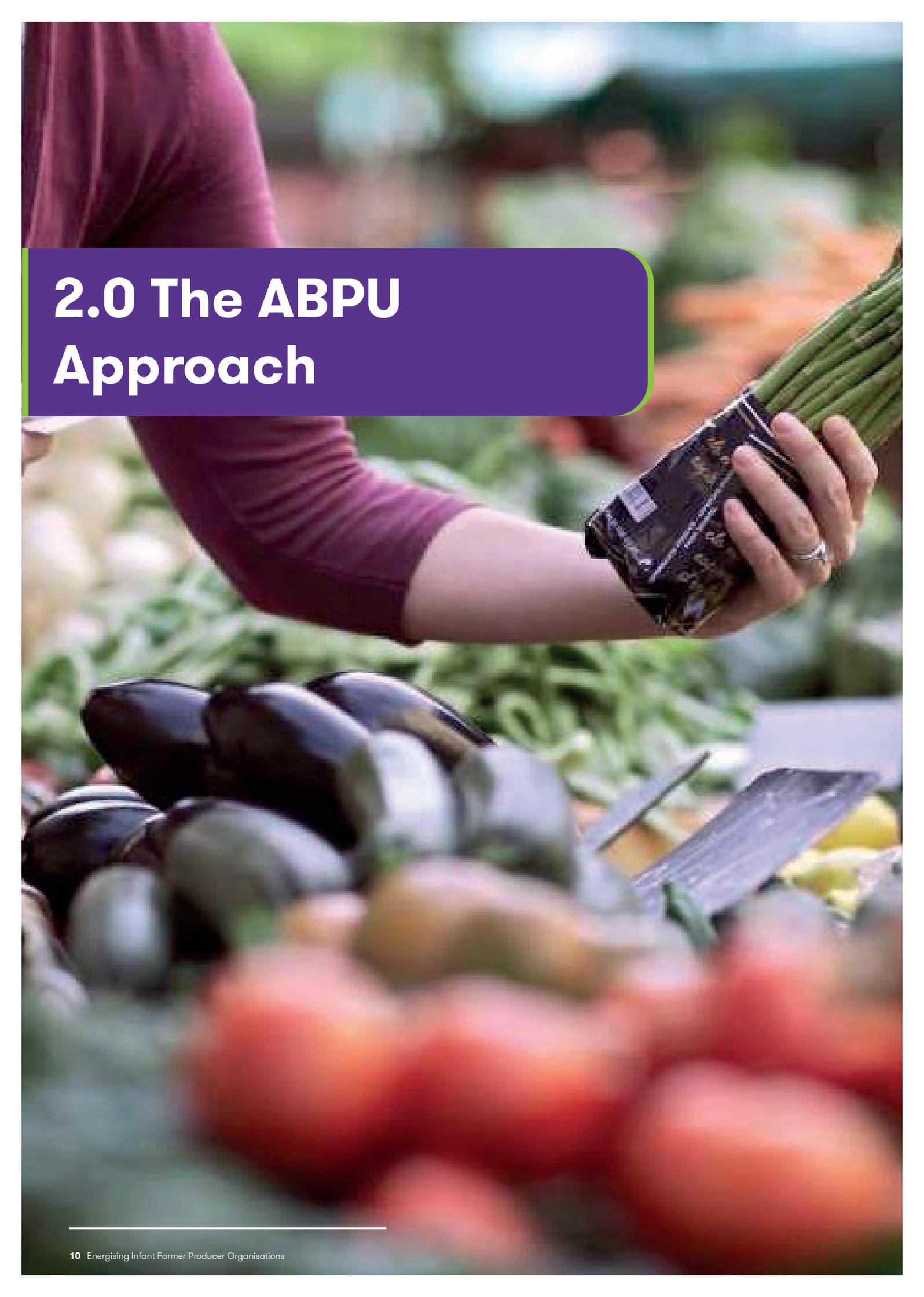


## West Bengal

West Bengal is surrounded by Bangladesh in the east, Nepal and Bhutan in the north and the Bay of Bengal in the south. It shares its borders with five Indian states - Odisha, Jharkhand, Bihar, Sikkim and Assam. The state is strategically located as it is the gateway to North-East India and a port of entry, not only to the land-locked states of central India but also the land-locked countries of Nepal and Bhutan. The key enterprises in the state are tea, petroleum & petrochemicals, leather, iron & steel, information technology, mineral, automobile & auto components, biotechnology, fisheries, jute products and textiles.

- Largest producer of paddy and vegetables in the country
- Largest producer of horticultural crops, accounting for 9.6% of the total horticultural production in the country
- Largest producer of jute, pineapple, brinjal and cabbage
- Endowed with six different agro-climatic zones
- Second-largest producer of potato in the country
- Has 89 SFAC-supported FPOs

**The FPOs in the state were formed also under different programmes including the National Vegetable Initiative for Urban Clusters, National Food Security Mission and Special Projects.**



## 2.0 The ABPU Approach

ABPU, as highlighted, was a pilot initiative of the SFAC, and Grant Thornton Bharat LLP was appointed to steer the programme. The programme was of a 2-year duration and sought to hand-hold 30 FPOs, distributed equally among the states of West Bengal, Karnataka and Madhya Pradesh.

As indicated, the programme had an objective to intensify and diversify market-led production, improve farmers' access to inputs, credit, infrastructure where feasible, and markets, and make them sustainable and financially viable. The project orientation was to also link FPOs directly with markets through a market-led business plan. The programme aimed to assess the preliminary circumstances of farmers and the agricultural output in the specific areas, as well as identify key cluster areas. The related business plan was market-led and catered to the requirement of buyers such as processors/retailers who are in the immediate catchment of FPOs. The plan considered market linkages and the integration of several

activities such as input facilitation, establishing common facilities, securing working capital and developing alternate markets.

At the outset, it was apparent that the majority of the FPOs promoted by various Resource Institutions under different schemes were registered mostly in the last five years. However, only few FPOs in three states were engaged in processing activities with limited access to market linkages. Team ABPU understood that there was a dire need to upgrade the FPOs by increasing their capacities through capacity-building workshops, assisting them in establishing market linkages, providing them with credit facility, etc. to make them self-sustainable. Despite their aggregation into FPOs, they had their challenges, which can be broadly classified as follows:



## Credit

- Limited access to finance for term loans and working capital
- High cost of capital from informal sources
- Frequently resorted to distress sale as inability to hold/stock commodities.

## Marketing

- Low remuneration due to the presence of intermediaries
- Lack of understanding of market and corporate buying behaviour and conformance requirements
- Limited market intelligence and avenues for price discovery

## Infrastructure

- Limited access to warehousing and cold chain facilities
- Limitation in availing benefits of e-Negotiable Warehouse Receipt Scheme (e-NWR)
- Limited information and access to supporting schemes related to storage
- Limited access to aggregation and primary processing facilities necessary for value addition and direct market access

## Capacity-building

- Limited awareness on statutory compliances
- Relatively limited understanding about various schemes that can be leveraged from the government
- Lack of entrepreneurial leadership and understanding of business planning and management
- Lack of understanding of book-keeping and accounting

## Procurement and inputs

- Limited ability to directly procure farm inputs and optimise production costs
- Limited resources to initiate farm mechanisation
- Limited access to quality crop advisory services

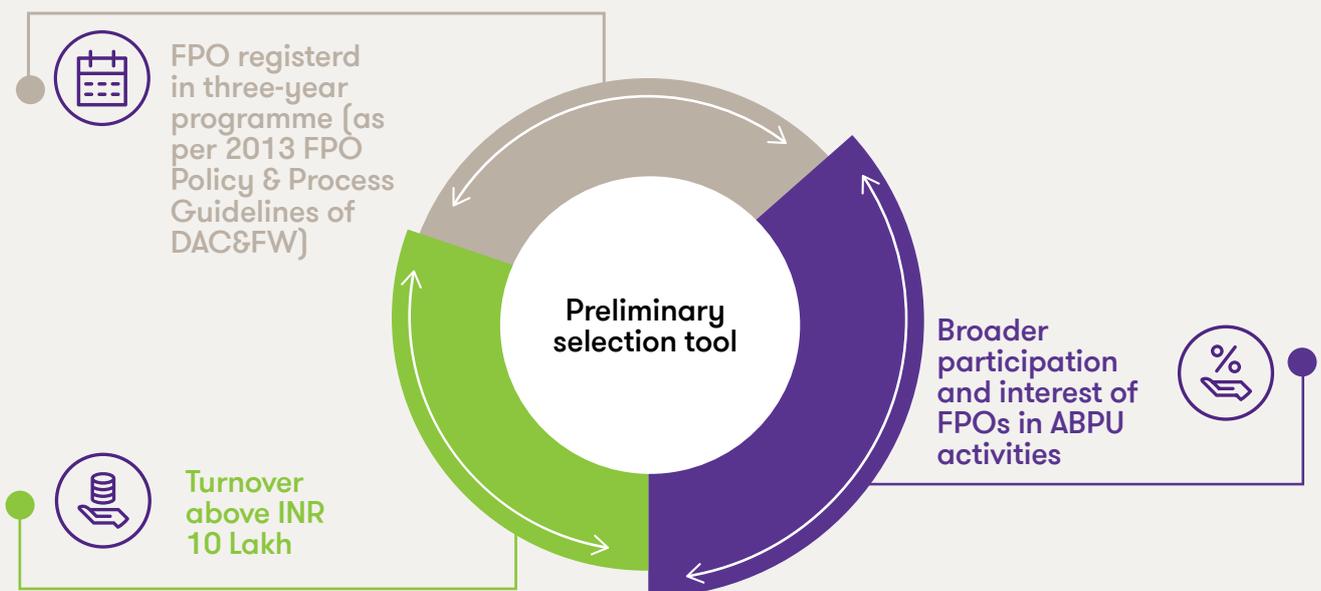
The challenges mentioned above reflect the scope for improving the sustainability of FPOs and agriculture. The development of various business activities that either support agriculture or are based on agriculture production, will add to the income of the farmers. It was, therefore, very important that a facilitator platform, namely, an Agri Business Promotion Unit (ABPU) be set up to improve the competitiveness of FPOs and in turn farmers and the agriculture sector.

Based on a selection criteria, SFAC and ABPU decided on promoting and working with 30 FPOs. SFAC also specified that a mix of value chains other than paddy and wheat should be selected, and the focus should be more on a range of possible interventions. Focus was also on credit linkages i.e., linking FPOs with the organised banking system.

## 2.1 Shortlisting of FPOs



The criterion for selection of FPOs at the preliminary and advanced level for the three states is illustrated in the following diagram and subsequent rating tool:



## 2.1.1 Rating Tool

The following rating tool was designed for the ranking and evaluation of FPOs in the beginning (and the end of the programme), based on various parameters such as governance, regulatory compliance, legal compliance, net worth & financial strength, and more importantly, in terms of turnover-related performance, as well as on the range of

services offered to members. Each parameter was assigned a maximum mark to be awarded, totalling up to a maximum of 100. As a matter of fact, with the intervention and intense handholding from ABPU, the ranking of the 30 FPOs improved remarkably from an average score of 58.50 to 77.53, i.e., an increase of more than 33%.

| Personal Information                       |  | Details  |              |  |        |
|--|--|--|--------------|--|--------|
| Sr.No                                      | Particulars  |  |              |  |        |
| i  | Name of the FPC  | Rajaghatta HFPC  |              |  |        |
| ii   | Address  | Rajaghatta, Dodballapur Tq, Bangalore Rural Dist. Karnataka-561203 |              |  |        |
| iii  | Date of Evaluation   | 13-Jun-18  |              |  |        |
| iv   | NGO Partner  | ICCOA  |              |  |        |
| v  | Name of Key facilitator from FPC, His/her designation  | Poonima C B, CEO   |              |  |        |
| vi   | Contact no of person contacted   | 9880061651   |              |  |        |
| vii  | Method of interview ( Telephonic/ Personal interview or Both)  | PI   |              |  |        |
| viii                                       | Name of RI   | ICCOA  |              |  |        |
| ix   | Person contacted if from NGO/FPC   | Gopal Hegde  |              |  |        |
| x  | Product Mix grown by FPC   | Tomato, cucumber,Beans,Capsicum, maize                             |              |  |        |
| xi   | Key Value Chain (minimum 30%-40% farmers involved in production)                                     | Tomato, cucumber,Beans,Capsicum                                    |              |  |        |
| xii  | Quantity of produce of identified value chain (refer point xi)                                       | Tomato-2mt pday;Cucumber-0.5 mt pday;capsicum 1 mt pday            |              |  |        |
| Tool Analysis                              |  | Maximum Marks  | Marks of FPC | Details of Checklist/Supporting document   | Yes/No |
| <b>A Institutional compliances</b>         |  |  |              |  |        |
| 1  | Does the chairman actively take part in FPC activities   | 2  | 2            | Compliances of FPC-Met M V Byregowda, Director for discussion                        | Yes    |
| 2  | How many BoDs actively take part in the FPC activities   | 4  | 4            | Attendance register, Minutes of meeting-verified                                     | Yes    |
|  | Does the FPC have a full time CEO  | 1  | 1            | Attendance register, Minutes of meeting  | Yes    |
|  | Is the FPC connected with Farmer Interest Groups   | 1  | 1            | List of FIG connected  | No     |
| <b>Subtotal A</b>                          |  | <b>8</b>   | <b>8</b>     |  |        |
| <b>B Regulatory compliances (Licenses)</b> |  |  |              |  |        |
| 1  | Seed license taken   | 1  | 1            | Copy of License-verified   | Yes    |
| 2  | Fertilizer license taken   | 1  | 1            | Copy of License-verified   | Yes    |
| 3  | Insecticide license taken  | 1  | 1            | Copy of License-verified   | yes    |
| 4  | APMC license taken   | 1  | 1            | Copy of License-verified   | Yes    |
| 5  | FSSAI License taken  | 1  | 0            |  |        |
| 6  | GST Number allotted  | 1  | 1            | Copy of GST Document-verified  | Yes    |
| <b>Subtotal B</b>                          |  | <b>6</b>   | <b>5</b>     |  |        |
| <b>C Statutory compliances</b>             |  |  |              |  |        |
| 1  | Total no of shareholders in the FPC  | 5  | 5            | MCA Document, Latest Financial Statement-1000  | Yes    |
| 2  | Has the FPC availed Equity grant   | 2  | 1            | Sanction Letter or receipt of application-copy verified                              | Yes    |
| 3  | Total Paid up capital Rs   | 5  | 5            | RoC Filing document -10 lac verified with MCA website                                | Yes    |
| <b>Subtotal C</b>                          |  | <b>12</b>  | <b>11</b>    |  |        |
| <b>D Legal compliances</b>                 |  |  |              |  |        |
| 1  | RoC filed for all previous years in time   | 1  | 1            | RoC Filing document -verified with MCA website                                       | Yes    |
| 2  | GST return filed for all previous years in time  | 1  | 1            | GST Filing returns- soft copies verified   | Yes    |
| 3  | Income tax return filed for all previous years in time   | 1  | 1            | Income tax returns-confirmed with CEO  | No     |
| 4  | Whether share certificate issued to members (Y/N)  | 3  | 1            | Receipt of share certificate- issuing is in process                                  | No     |
| <b>Subtotal D</b>                          |  | <b>6</b>   | <b>4</b>     |  |        |
| <b>E Sales turnover</b>                    |  |  |              |  |        |
| 1  | Financial Turnover FY 2016-17  | 10   | 10           | Audited Balance Sheet 16-17 (61 lac)   | Yes    |
| 2  | Unaudited turnover FY 2017-18  | 10   | 10           | Unaudited Balance Sheet 17-18 (1,60 cr)  | No     |
| 3  | Net profit for FY 2016-17  | 4  | 1            | Audited Balance Sheet16-17 (62k profit)  | Yes    |
| 4  | Net estimated profit for FY 2017-18  | 4  | 4            | Unaudited Balance Sheet 17-18 (6 lac profit)   | No     |
| <b>Subtotal E</b>                          |  | <b>28</b>  | <b>25</b>    |  |        |
| <b>F Basic compliances</b>                 |  |  |              |  |        |
| 1  | Distance from proposed cluster center location   | 5  | 5            | Map - 55 km  | Yes    |
| 2  | Does the FPC have a running input shop   | 3  | 3            | Photograph   | Yes    |
| 3  | Does the FPC have a processing unit  | 5  | 0            | Photograph   | No     |
| 4  | Source of funds for establishing processing unit   | 3  | 2            | Grant document or other  | No     |
| 5  | Does the FPC have land   | 3  | 1            | Land Purchase or Land lease document- applied to Revenue Dept.                       | No     |
| 6  | Has the FPC possess experience of operating in trading platforms i.e. NCDEX                          | 2  | 0            | Letter form trading platform   | No     |
| 7  | Has the FPC tied up with any client for onward sale of produce                                       | 5  | 5            | FPO is supplying to MORE retail supermarket without any formal MoU- verified Invoice | Yes    |
| 8  | Does FPC grow a potential value chain commodity which is of interest for buyers (processor/retailer) | 10   | 10           | MORE Retail Supermarket and others   | Yes    |
| <b>Subtotal F</b>                          |  | <b>36</b>  | <b>26</b>    |  |        |
| <b>G Credit worthiness</b>                 |  |  |              |  |        |
| 1  | Has the FPC availed any loan from a financial institution  | 2  | 2            | Sanction Letter from HDFC Bank   | Yes    |
| 2  | Has the FPC started re paying the loan/completed repayment   | 2  | 2            | Tally Statement of accounts of EMI payment   | Yes    |
| <b>Subtotal G</b>                          |  | <b>4</b>   | <b>4</b>     |  |        |
| <b>Gross total</b>                         |  | <b>100</b>   | <b>83</b>    |  |        |

The FPO rating tool considered FPOs on the basis of governance, regulatory compliance, legal compliance, net worth and financial strength, turnover related performance, as well as the range of services offered to members.

## 2.1.2 Value chain identification

Based on the field visits and the shortlisted FPOs, the following commodity value chains were identified:

|    |    |   |
|---|---|--|
| <p><b>Karnataka</b></p> <ul style="list-style-type: none"> <li>• Tomato</li> <li>• Carrot</li> <li>• Chilli</li> <li>• Mango</li> <li>• Other vegetables</li> </ul> | <p><b>Madhya Pradesh</b></p> <ul style="list-style-type: none"> <li>• Pulses</li> <li>• Wheat</li> <li>• Bengal Gram</li> <li>• Soybean</li> <li>• Onion</li> </ul> | <p><b>West Bengal</b></p> <ul style="list-style-type: none"> <li>• Tomato</li> <li>• Potato</li> <li>• Oilseeds</li> <li>• Pulses</li> <li>• Flowers</li> <li>• Groundnut</li> </ul> |

## 2.2 Stakeholders' meet

At the outset, to kick-start the initiative, SFAC and Team ABPU organised a two-day stakeholder meet in July 2018 in all the three states. On the first day, all FPOs with whom ABPU conducted field visits over the advanced selection process attended the meet. The objective of the meet was to make the FPOs aware of the ABPU, its roles and responsibilities, and also to connect the FPOs with various stakeholders who would be directly or indirectly associated with the programme. There were sessions by various service providers in which the focus was to create awareness among the FPOs related to the current market scenario, compliances to be followed, better input procurement practices, market-led production, best

practices etc. Team ABPU announced the shortlisted FPOs at the end of the first day and invited them on the second day to hold individual consultations, and also to discuss the way forward. The meeting also intended to declare the selected FPOs with whom the ABPU team was going to work with closely on their promotion efforts for the next two years.

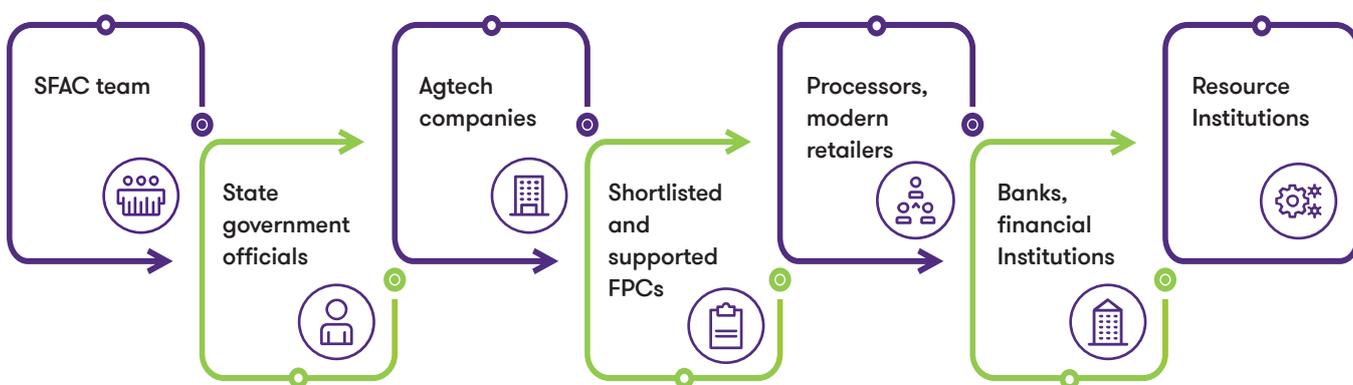
|                                 | Karnataka                       | Madhya Pradesh                  | West Bengal         |
|---------------------------------|---------------------------------|---------------------------------|---------------------|
| <b>Date of stakeholder meet</b> | 21-22 July 2018 and 21 May 2019 | 23-24 July 2018 and 7 June 2019 | 30 and 31 July 2018 |
| <b>Number of participants</b>   | 126                             | 198                             | 152                 |

Towards the end of the meet, the FPOs became more informed about the ABPU and its activities. They developed further clarity about potential service providers who may be beneficial for them in future. The other stakeholders and service providers who participated, such as bankers, gained an insight into the potential FPOs that they were likely to work with. This meet was equally beneficial for Team ABPU as it also served as a platform to connect with all the stakeholders under one roof.

After the successful completion of the first year of interventions, in 2019, the ABPU organised another

stakeholders' meet for all supported FPOs in May and June in Bengaluru and Bhopal, respectively. At this meeting, all supported FPOs were invited. Many corporates, linked with the FPOs either through marketing or credit connects, were also invited along with new companies, to further enhance market linkage capabilities. Some Agtech companies like Cropln, TCS, Olam tech and JFarms Services (a TAFE initiative) made their presentations and evinced a willingness to include FPO farmers on their respective agtech app platform.

## Key participants



### Key participants

|                |                  |                  |                   |                  |                         |                     |
|----------------|------------------|------------------|-------------------|------------------|-------------------------|---------------------|
| Cargill        | Waycool Foods    | NCDEX            | Zomato Hyperpure  | Mother Dairy     | Future Consumer Group   | Y Cook Foods        |
| Adani Wilmar   | Vippy Industries | Pepsico          | ITC               | Potato King      | Ondoon Retail           | Sufal Bangla        |
| ADM Agro       | Netafim          | Dhanuka Agritech | Bigbasket         | Spencers         | Haringhata Meat         | Reliance Fresh      |
| Bank of Baroda | SBI              | Canara Bank      | Samunnati Finance | NABKISAN Finance | Umeed Leasing & Finance | Mahindra & Mahindra |
| Seed Works     | Adani Capital    | Falca Solutions  | Licious           | IFFCO            | Nagarjuna Group         | TCS                 |
| PAN Seeds      | Coromandel       | Biofit           | Keventer          | Ujivan           | Cropln                  | TAFE                |

## Stakeholders' meet snapshots



## 2.3 Capacity-building training programme

Small and marginal agri-producers have been unable to realise optimal value for their produce and earn reasonable livelihood incomes from their farming activities. This was mainly due to key challenges like low levels of financial literacy and inadequate access to markets, as well as linkages to credit. They also generally lack the knowledge, information and resources to meet quality standards and formal market-required specifications. Their small holdings result in an uneconomic scale of operations.

Organising themselves into an FPO provides farmers with the opportunity of leveraging on economies of scale by gaining bargaining power, and engaging in value addition activities to increase their income. FPOs build farmers' capacity and aid in introducing new market connections, along with other linkages that can improve the overall quality of life and income of farmers.

Lower financial literacy and inadequate knowledge and access to information and resources to meet formal market requirements necessitate the need for capacity-building of FPOs and their members, in order to connect them to regulated markets. However, FPOs face significant operational and implementation challenges. Given the focus of the government and the growth of FPOs in India, it is important to address their capacity-building needs. This will help FPOs evolve into sustainable entities that can help farmers and their households in making sound economic decisions. The mentoring process needs to be focused in the initial

capacity development of the Board members, management and staff of the FPO, and in setting up related systems, processes and policies. This will also help them connect with large corporates, government schemes of assistance for infrastructure, credit and input suppliers, buyers, futures markets, quality and grading standards, and warehouses. They need proper training and handholding throughout the initial stages of the lifecycle of the FPO, till they become self-confident and self-enabled to manage business operations.

During the process of working with the FPOs, it was observed that farmers who are the primary members of the FPOs, generally, do not have the experience of running or managing business enterprises professionally. Since FPO promotion is a relatively new concept which is still taking roots, there was a lack of handholding and facilitating support extended to these infant, teething and young FPOs. As a result, several FPOs became dormant, faced losses or were indirectly taken over and run by non-members, which defeated the very purpose of forming an FPO.

The broader objective of Team ABPU was to provide a catalytic platform for the FPOs to nurture their objectives, to develop an eco-system for attaining operational efficiencies and enable these community-based organisations to become self-reliant. Hence, Team ABPU not only provided handholding support to FPOs but also organised various training cum capacity-building sessions on different topics over the period of intervention.



### Business Plan

- FPOs were made aware of the nuances of business plans and business management.
- They were made aware of the different types of business plans required for credit, infrastructure, input and market operations etc.



### Technology, credit access, market linkage and schemes

- FPOs were made aware of the technologies which can be proposed in their business plan.
- The credit requirements of FPOs were understood for term financing and working capital financing.
- Tie-ups with processors and modern retail companies was facilitated.
- FPOs were made aware of various central and state government schemes from where they could avail of assistance.



### Compliances

- Awareness about compliances related to Company Law, Taxation and GST Filing.
- Awareness about the compliances required to access institutional credit.



## GAP

- Good Agricultural Practices knowhow was imparted through conducting in-field training by agri experts from different companies like Keventer, Bayer, Biofit, Pan Seeds, Mother Dairy etc.
- Exposure visits for FPOs to different farms/ units like Keventer, ADM, CP Trading, Y-Cook Foods etc.



## Decision-making

- Capacity-building training for the Board of Directors as well as for CEOs of FPOs to develop business planning and management skills.

## Capacity building snapshots



## 2.4 Market linkages

For small and marginal farmers, apart from credit and farm-level extension services, the marketing of their products is another major concern. In recent years, there has been some form of informal or formal contractual arrangements in several crops such as tomato, potato, chilly, gherkin, baby corn, rose, onion, cotton, wheat, basmati rice, groundnut, flowers, and medicinal plants. Fluctuations in the output price are one of

the major concerns for small farmers, as there is a huge gap between producer prices and consumer prices. There are different models for collective marketing by small and marginal farmers to realise better access to output markets and greater share in the consumer rupee. The following categories of market linkages are how farmers connect to buyers:



These categories, however, do not represent the whole range of market opportunities available to farmers and are not always mutually exclusive. Exporters can also be agro-processors and agro-processors can run contract-farming operations. Retailers may buy from farmers through traders.

The increased benefit to members (through technology and knowledge infusion, higher productivity, reduced cost of production, and business services such as credit links, direct output marketing, value addition) is the fundamental requirement/purpose of promoting FPOs.

Team ABPU understood that developing alternate market linkages is one of the major components in the programme that will result in increased revenue for the FPOs and associated farmers by selling produce at competitive market prices. It would also strengthen the bargaining power of farmers in the market. This will enable FPOs to foster alternate market channels. Hence, after the field visits, Team ABPU not only finalised the FPOs but also identified the value chains/ commodities grown by the majority of farmers in the respective FPO, on the basis of which, potential processor/ companies were twinned.

Assistance was provided for market linkages to the FPOs of the respective states by identifying the potential players (processors, modern retailers/ retail companies, agri-tech companies etc.), meeting them individually, briefing them about the ABPU programme, organising networking meetings with FPOs either at their office or at the farm level, getting MoUs signed/ vendor registration formalities undertaken and initiating transactions.



**Major input and market players with whom the FPOs were linked:**

| <b>Agri input enterprises</b>               | <b>Market linkages enterprises</b> |
|---|------------------------------------|
| Technico Agri Sciences Limited              | Waycool                            |
| UPL   | Leaf                               |
| Pan Seeds                                   | Zomato Hyperpure                   |
| Bayer Crop Science                          | NCDEX Platform                     |
| Ujivan                                      | Mother Dairy                       |
| Biofit                                      | Big Basket                         |
| Ganga Kaveri                                | Keventer Agro                      |
| IFFCO                                       | Adani Wilmar                       |
| Coromandel International Limited            | Haringhata meat                    |
| Nagarjuna Fertilizers and Chemicals Limited | Sufal Bangla                       |
| Yara Fertiliser                             | E-Nam                              |
| IFFDC                                       | I-Farm                             |

Subsequent to the ABPU intervention, there has been a significant increase in both input and output business due to the forward and backward linkages facilitated.

**Cumulative input and output linkages before and after ABPU intervention (in INR Lakh)**

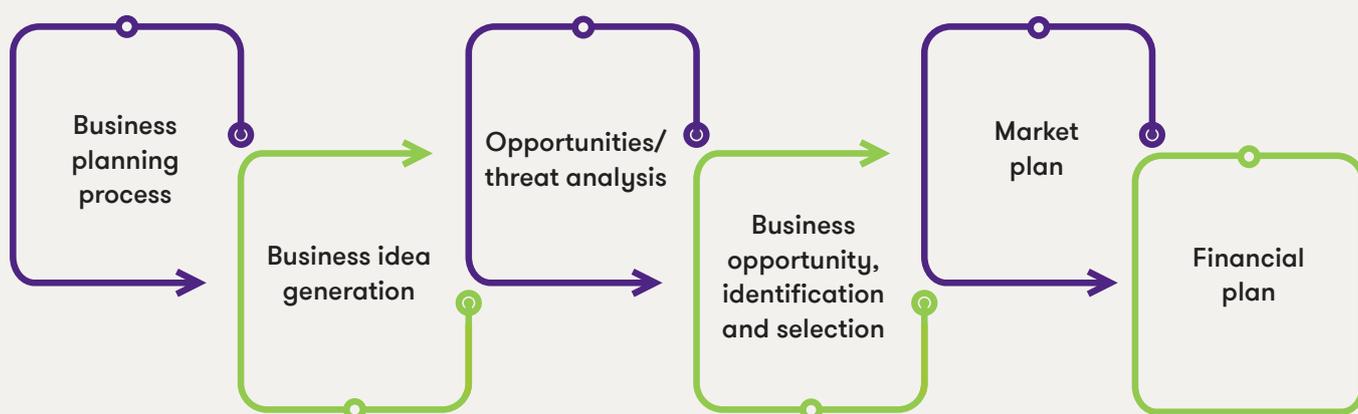


## 2.5 Preparation and finalisation of business plans

A business-plan oriented operation of an FPO is critical after registration. This mainly requires the preparation and finalisation of a business plan for FPOs in consultation with farmer members. While developing the business plan, an FPO has to understand the eco-system and other related service providers and stakeholders, the requirement of shareholders related to farming (supply of quality inputs such as fertilisers, seeds, pesticides, tools, implements, farm machinery, credit, technical services etc.), surrounding markets and competitors. It further needs to analyse the demand and supply of products to be sold and products required by shareholders. A business plan not only conveys the organisational structure, business goals and strategies to meet them, but also allows a company to assess the potential problems and the ways

to solve them. Business plans also help assess the capital required for the planned business, which is further required to be submitted to any financial agency (nationalised/private/cooperative banks etc.) to apply for loans.

Based on the initial field visits and subsequent analysis, Team ABPU observed that most of the FPOs were unaware of the concept of a business plan. Hence, the Team organised several training sessions, over two years, in all three states to orient the FPOs on the same. In the first training session, ABPU made the FPOs aware of the concept of a business plan, and its requirement and benefits.



Team ABPU also explained the process of a business plan, which commences with the generation of business ideas, followed by an analysis of opportunities and threats leading to the identification of suitable business opportunities. Once the business opportunities are narrowed down, a marketing and financial plan is drafted.

Post the first training session on business plans, ABPU further interacted with the concerned FPOs and held one-to-one consultations with each member to clarify their doubts and discuss the action plan for the way forward. In the second training session, the focus was on creating awareness about

technologies, various schemes of the central and state government, process and requisites for availing loans from banks or financial institutions, etc. During the training session, representatives from the state governments also participated to offer insights to the FPOs. Based on the above two training sessions and continuous follow up with the FPOs, the business plans were finalised. Thirty business proposals were prepared and submitted to the SFAC in the first year.

## 2.6 Credit linkages

A producer company usually requires a minimum of two to five years of handholding and capacity-building support to function independently. Some may require more time depending on the level of their capacities and access to available services. Timely support should be extended to develop capacities on governance, developing a business plan, building market and credit linkages, along with infrastructure support. Staff and BoDs from successful producer companies may be subsequently made available to build the capacity of new companies in the district, as well as the state.

During the last couple of years, there has been a growing interest in promoting an enabling environment for FPOs. The government, apex financial institutions such as NABARD, mutual organisations, private foundations and many other institutions have taken several initiatives to support the growth of FPOs and facilitate their emergence as successful business enterprises.

Typically, in the early stages, the support requirement of FPOs revolves around the resources for mobilising farmers, registration, training, exposure visits etc. Mostly, the need is met through grant support and fiscal assistance.



### Incubation and early stage

Grant support for training, exposure and systems development



### Emerging and growing stage

Equity infusion, working capital



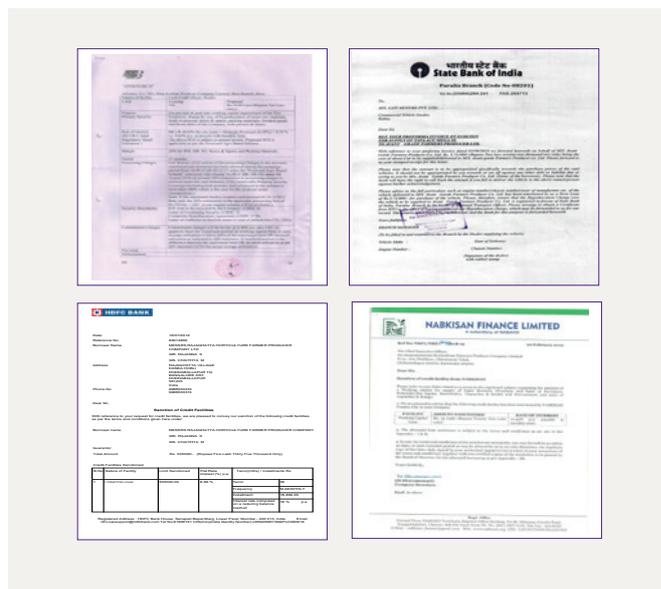
### Matured stage (Business expansion)

Debt capital, term loan



Later, in the growth stage, FPOs require working capital loans to run their businesses. As the FPOs move towards expanding their businesses further, they may require term loans to set up storage and primary processing units, cold storage, secondary processing facilities and procure transport facilities etc.

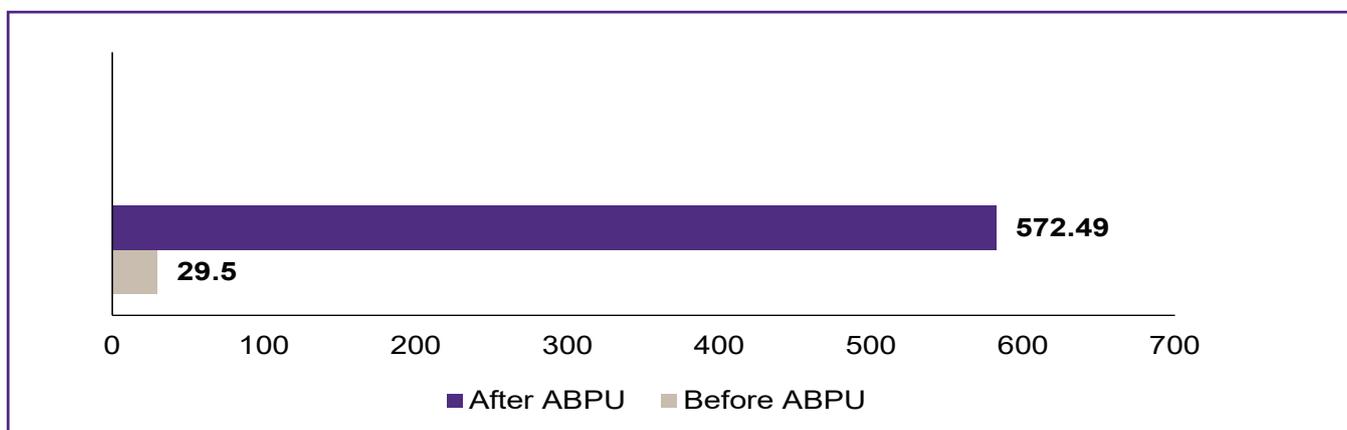
It was apparent, that most FPOs were facing difficulties in availing credit linkage facilities from financial institutions. Keeping with the need of FPOs to avail the credit facilities such as term loans and working capital loans, the ABPU mediated the requirement of FPOs by meeting financial institutions, inviting them to stakeholder meets, training sessions and by organising field visits to FPOs as and when required. The overall objective of carrying out this entire process was to make the FPOs aware of the facilities they could avail and also make the bankers understand the creditworthiness of FPOs.



This enabled the FPOs to develop insights into the norms and requisites for availing loans. The, ABPU closely worked with the Bank of Baroda, State Bank of India, Punjab National Bank, Bank of India, Dena Bank, Nabkisan Finance Limited etc. The ABPU was successful in getting loans worth INR 392.49 lakh sanctioned and disbursed to FPOs from banks/ NBFCs. Apart

from this, in West Bengal, INR 180 lakh worth of government grants under the SMSP scheme were sanctioned to support the FPOs’ seed production facility. Nonetheless, five FPOs declined credit linkages on the grounds of inadequate confidence to borrow at the present stage of development

### Cumulative Credit Linkages done before and after ABPU including state grants



## 2.7 Other activities

In tandem with ongoing activities, based on requirement, Team ABPU facilitated custom-hiring services, seed production activities and establishment of common facilities for processing and marketing. Team ABPU also worked on the preparation of various reports i.e., inception and diagnostic reports to be submitted. The purpose of an inception report was to highlight the evaluation tools deployed for selecting the FPOs. On the other hand, in the diagnostic report, the focus was on a detailed analysis of value chains identified during the assessment.

Team ABPU not only studied the value chains and prevailing eco-system for the betterment of the programme, but also surveyed all three states to analyse the progress of the FPOs post-intervention. Policy-related interventions were also undertaken at the state level, where required.

Additionally, Team ABPU also took the initiative to prepare and submit a progress report to SFAC every month, to keep the dynamic institution updated on the progress of the project.



## Inception report

In the inception report, Team ABPU broadly outlined parameters of the engagement, the agricultural scenario of the three states as well as the selection matrix for shortlisting FPOs, which included both primary selection criteria and advanced rating tool. Herein, Team ABPU described the parameters and tools deployed for rating and shortlisting FPOs. Based on the field visits and analysis through evaluation tools, the strengths and challenges of FPOs were identified. A case study was also prepared from each of the three states to help understand the overall evaluation process and to make all stakeholders aware of the prevailing situation of FPOs. An action plan for project implementation and the way forward was also detailed out. The report was submitted to the SFAC in June 2018. The report made the SFAC aware of the selection and evaluation tools used for shortlisting the FPOs, as well as the prevalent conditions of the FPOs in each of the three states.



## Diagnostic report

This report consisted of an analysis of the agricultural and agri-business scenario and eco-system of the three states, and challenges faced by FPOs, Team ABPU's interventions to address those challenges and provide requisite support to shortlisted FPOs in the three states were also highlighted. This report also included the baseline survey analysis for all the three states.

The analysis was undertaken based on the following parameters:

- Source of livelihood
- Landholding
- Annual income vs expenditure
- Available infrastructure at FPO level
- Market and input connectivity
- Credit availability

In this report, value chains were identified and shortlisted based on the FPOs selected from each state. A case study for each state was also prepared on a value chain basis, which compared the difference in the earnings of a farmer when he sells his output directly in the market versus when he sells his output through FPOs with the assistance of Team ABPU.

The report was submitted to the SFAC in October 2018. As an outcome of the diagnostic report, the SFAC became aware of the challenges faced by the FPOs, identified value chains and how intervention of the ABPU in the identified value chains could benefit the FPOs in the long run.



## Monthly progress report

Over and above the inception and diagnostic report, regular monthly progress reports (MPRs) were also submitted to the SFAC to monitor the progress made by the ABPU, in each of the three states. The MPR broadly consisted of activities carried out by Team ABPU, in particular, for each of the states under five parameters mentioned below:

- Market linkage
- Credit linkage
- Input linkage
- Capacity building
- Other initiatives

## 3.0 The Two-Year Journey of the ABPU



FPOs have gained a significant standing within the country in the last few years, having been given a strong thrust from institutions like SFAC and NABARD as well as other service providers working in the agri and allied sector. Presently, the major activities undertaken by FPOs be they into horticulture production, food crop production, spices or other cultivation, include input shops and direct marketing, and in some cases, primary processing of the produce. While FPOs have witnessed significant growth in the last few years, several issues need to be addressed to provide sustainability to these FPOs and encourage the formation of more FPOs considering a range of services to their members.

ABPU's journey with 30 FPOs in three states in the last two years was fraught with challenges. The real goal was to bring the FPO management team on a level playing field with the organised and well-managed agricultural corporates. It was, at times, a daunting task to turn them from been forced to passionate entrepreneurs while carrying out their business. With the help of ABPU's qualified professionals, the FPOs were trained in various aspects of management to run their business on par with other more professionally

run start-ups. The ABPU closely worked with the FPO's BoDs and CEOs and organised various exposure visits, one-on-one stakeholder's meetings, multiple classroom training on business plans, marketing of produce, soft skills, RoC compliance, bookkeeping, role of credit in business etc. All these activities resulted in the boosting of the management and entrepreneurship skills, and confidence levels of FPO managers and leaders, which strengthened their business prowess and acumen.

The following table depicts the progress made through interventions across three states in two years. The ABPU journey has been outlined and categorised broadly under the five parameters, i.e., market linkage, credit linkage, infrastructure, input linkage, policy and capacity-building. Until July 2018, the focus was on conducting field visits, holding focused group discussions to understand their needs, shortlisting FPOs, and meeting with bankers, state government officials and various other stakeholders to make them aware of ABPU and inviting them for a stakeholder's meeting. Post July 2018, the ABPU intensely started working as per the initiatives listed below.

## Year One: 2018-2019

### Key highlights

| Activities  | Madhya Pradesh  | West Bengal  | Karnataka   |
|---|---|--|---|
| <b>Commodity Value chains identified</b>  | Soybean, wheat, pulses, potato, onion, garlic, custard apple  | Tomato, potato, pulses, oilseeds, flowers, paddy   | Fruits and vegetables, maize, soybeans  |
| <b>FPOs identified</b>  | 10  | 10   | 10  |
| <b>Market linkages</b><br>     | <ul style="list-style-type: none"> <li>7 MoUs signed with Vippy Soya</li> <li>7 vendor registrations completed with Adani Wilmar</li> <li>2 vendor registrations completed with AV group</li> <li>2 vendor registrations completed with NCDEX</li> <li>2 vendor registrations with ITC</li> <li>40 purchase orders executed with NCDEX</li> </ul> | <ul style="list-style-type: none"> <li>4 vendor registrations completed with ITC</li> <li>4 vendor registrations completed with Bigbasket</li> <li>2 MoUs signed with Keventers</li> </ul>                                     | <ul style="list-style-type: none"> <li>3 MoUs signed with Waycool4 vendor</li> <li>2 vendor registrations completed with Mother Dairy</li> <li>1 vendor registration with ADM</li> <li>1 vendor registration with Zomato Hyperpure</li> </ul>           |
| <b>Credit linkage</b><br>      | <ul style="list-style-type: none"> <li>Business plans submitted for 10 FPOs</li> <li>One working capital loan sanctioned for an amount of INR 25 lakh and the remaining under evaluation</li> </ul>   | <ul style="list-style-type: none"> <li>Business plans submitted for 7 FPOs</li> <li>One term loan proposal sanctioned and approved from SBI for an amount of INR 4.65 lakh for purchase of a motorised vending cart</li> </ul> | <ul style="list-style-type: none"> <li>Business plans submitted for 10 FPOs to SBI and Nabkisan Finance Limited</li> <li>A term loan of INR 40 lakh sanctioned from SBI and a working capital loan INR 25 lakh from Nabkisan Finance Limited</li> </ul> |
| <b>Capacity building</b><br>   | <ul style="list-style-type: none"> <li>Eight training programmes plus exposure visits conducted</li> </ul>  | <ul style="list-style-type: none"> <li>Ten training programmes plus exposure visits conducted</li> </ul>   | <ul style="list-style-type: none"> <li>Seven training programmes plus exposure visits conducted</li> </ul>  |
| <b>Policy reform in MP</b><br> | <ul style="list-style-type: none"> <li>Three FPOs were facilitated to secure mandi licence at a security deposit of only INR 1 lakh (which was earlier INR 3 lakh)</li> </ul>   |  |   |

Importantly, more than 35 MoUs and vendor registrations were signed with a gross transaction of approximately INR 14.39 crore (including new transactions of INR 3.3 crore).

The key buyers include companies like ITC, Adani Wilmar, NCDEX, Keventer, Zomato Hyperpure, Bigbasket, Waycool, Mother Dairy, ADM, etc.

## Year Two: 2019-2020

### Key highlights

| Activities   | Madhya Pradesh   | West Bengal   | Karnataka   |
|--|--|---|---|
| <b>Market linkages</b><br>  | <ul style="list-style-type: none"> <li>Seven MoUs signed with Vippy Industries for the supply of soybean</li> <li>Seven vendors registered with Adani Wilmar for the supply of soybean</li> <li>Two vendors registered with AV Group for the supply of soybean</li> <li>Four vendor registrations completed with NCDEX for sale of soybean and Bengal Gram</li> <li>Registration of six FPOs on eNAM for several commodities</li> <li>Four vendors registered with ITC for the supply of wheat, soybean</li> <li>Facilitated linkages with SFAC Delhi Kisan mandi and sold onion, garlic to Jubilant, Grofers, Atcost, etc.</li> <li>More than 100 purchase orders executed with NCDEX, ITC and other buyers</li> <li>Facilitated in promotion of seven IFFCO – IFFDC centres</li> </ul> | <ul style="list-style-type: none"> <li>Four vendor registrations completed with the ITC</li> <li>Four vendor registrations completed with the Big Basket</li> <li>Two MoUs signed with Keventers</li> <li>One MoU signed with I-Farm</li> <li>Six MoUs signed with Sufal Bangla</li> <li>Four transactions completed with e-Nam</li> <li>Transactions with Benfed</li> <li>Transaction done with Haringhata meat</li> <li>Transaction undertaken with Ram Krishna Mission</li> <li>Four MoUs signed with Biofit</li> </ul>  | <ul style="list-style-type: none"> <li>Three MoUs signed with Waycool</li> <li>Two vendors registered with Mother Dairy</li> <li>One vendor registered with ADM</li> <li>Two vendors registered with Zomato Hyperpure</li> <li>Two with Star Bazar</li> <li>Two with Future Group</li> <li>One with LEAF</li> </ul> |
| <b>Credit linkage including capital to avoid distress sale and Term Loans for fixed assets and infrastructure</b><br> | <ul style="list-style-type: none"> <li>Business plans prepared for 10 FPOs</li> <li>Six working capital loans sanctioned from PSU banks, i.e., Bank of Baroda and State Bank of India</li> <li>Three warehouse receipt financing options facilitated to avoid distress sale</li> </ul>   | <ul style="list-style-type: none"> <li>Business plans submitted for 11 FPOs</li> <li>One term loan proposal sanctioned and approved by SBI for INR 4.65 lakh for purchase of a motorised vending cart</li> <li>One term loan proposal sanctioned and approved from SBI for an amount of INR 4.65 lakh for the purchase of a motorised vending cart</li> <li>One term loan proposal sanctioned and approved from the UCO for INR 4.87 lakh for the purchase of a motorised vending cart</li> <li>One working capital loan proposal sanctioned by Umeed Leasing and Finance Limited for INR 2.10 lakh for poultry farming</li> <li>One working capital loan proposal sanctioned by Umeed Leasing and Finance Limited for an amount of INR 3.30 lakh for onion storage</li> <li>Three grant proposals of INR 60 lakh each submitted to the state government</li> </ul> | <ul style="list-style-type: none"> <li>Business plans submitted for 10 FPO to SBI and Nabkisan Finance Limited</li> <li>A TL and WL of INR 213.85 lakh sanctioned from SBI, HDFC, Nabkisan and Samunnati Finance Limited for 7 FPOs</li> </ul>  |
| <b>Capacity building</b><br>  | <ul style="list-style-type: none"> <li>Fourteen classroom-based training programmes cum exposure visits conducted</li> <li>More than twenty individual FPO- based training programmes conducted</li> </ul>   | Fifteen training programmes cum exposure visits conducted   | Eleven training programmes cum exposure visits conducted  |
| <b>Policy reform in MP</b><br>  | <ul style="list-style-type: none"> <li>Three FPOs were facilitated to secure mandi licence at a security deposit of only INR 1 lakh (which was earlier INR 3 lakh)</li> <li>Facilitated payment counter plus godown facility in mandi premises; 4 FPOs applied for this</li> </ul>   |   |   |

Basically, with respect to market linkages, MoUs were signed with a number of processors and retailers. These MoUs specify the volumes and specifications of supply and receipt vis-à-vis FPOs and the buyer. Prices are typically at spot market prices. Both parties to the agreement are free to either supply or source from another party and are not legally bound to each other as in the case of typical MoUs in the country. With

regard to credit linkages, NBFCs have been leveraged to offer credit in cases where nationalised banks have not been very responsive. Credit by NBFCs have notably been more towards meeting short-term working capital requirements. In addition, input shop operations were also expanded. Policy initiatives included facilitating mandi licenses with reduced security deposit.





## 4.0 Achievements of the Programme

The ABPU gauged that providing adequate input connectivity and alternate market linkages will boost the revenue of FPOs, ultimately resulting in better pay-outs to farmers. This step was aimed at strengthening the bargaining power of farmers in markets. Hence, ABPU's important task was to identify the value chain/ commodities grown by the majority of farmers of the respective FPO, based on which potential processor/ companies could be tapped. In the respective states, Team ABPU assisted FPOs for market linkages by identifying potential players, such as food processors, modern retailers, large B2B companies and agri-exporters, in their respective catchments. The team conducted several rounds of meetings with them, briefing them about the ABPU programme, emphasising on the need to connect directly with the farming community through an FPO, organising one-to-one meetings with the FPO at farm-level or exposure visits to the plant or their offices, facilitating the signing of MoU/ vendor registration and initiating commercial transactions. Input suppliers were also mapped in terms of seed, fertilizer and pesticide suppliers and direct procurement facilitated at competitive rates.

Team ABPU has successfully established linkages with various processors, modern retail companies, input suppliers, etc. The overall cumulative sales turnover value of the 30 FPOs stood at approximately INR 3,548 lakh in three states for FY 2020.

## Impact Assessment

### Turnover

All the 30 FPOs have now established input shops; only 22 FPOs had been operating input shops initially. Through these shops, most of the FPOs sell seeds, fertilisers and pesticides of various brands including IFFCO, Nagarjuna Fertilisers and Chemicals, Coromandel International (fertiliser), MP Markfed, Monsanto, Bayer CropScience, Sulphur Mills Limited, Syngenta, Kaveri seeds, Pan Seeds, ITC Technico Agro and Neshkala Crop Producer Company. Both, quality and cost concerns were addressed successfully by initiatives on this front. On an average, FPOs have witnessed a two-fold increase in related activity.

The FPOs of West Bengal and Karnataka are primarily engaged in aggregating and trading of horticulture produce such as fresh fruits, vegetables, onion and tomato. However, in Madhya Pradesh, most of the FPOs trade commodities such as pulses, wheat, Bengal gram and soybeans. Most of the FPOs either sell their produce directly in the mandi/ krishi bazaar or sell to the processors/ retail companies. A few of the FPOs in West Bengal and Karnataka are also in the custom-hiring business, and many in the latter operate their own retail outlets. Basically, at the FPO level, the simple average turnover of the FPOs increased from barely INR 44 lakh per annum to over INR 118 lakh per annum, demonstrating an increase of over 168 percent.

### Gross Profit

Prior to the intervention by the ABPU, it was observed that many FPOs were incurring losses, as they were unable to adopt sound business practices, establish adequate linkages with input suppliers, enter into MoUs with processors and retail companies. In addition, FPOs did not have access to the right support. The profit earned by the 30 FPOs cumulatively, increased from barely INR 4.34 lakh pre-intervention to INR 97.71 lakh post-intervention. Arguably, profit accrued is not really a benchmark for FPO performance, as typically, most FPOs operate in a service-providing model. The benefit of

various activities is passed on to members directly and only a minimal margin is retained to meet operating expenditures. Also, the need to contribute to a Minimum Alternate Tax (MAT) dissuades FPOs from accumulating high profits in the name of an FPO.



## Market and Input linkages

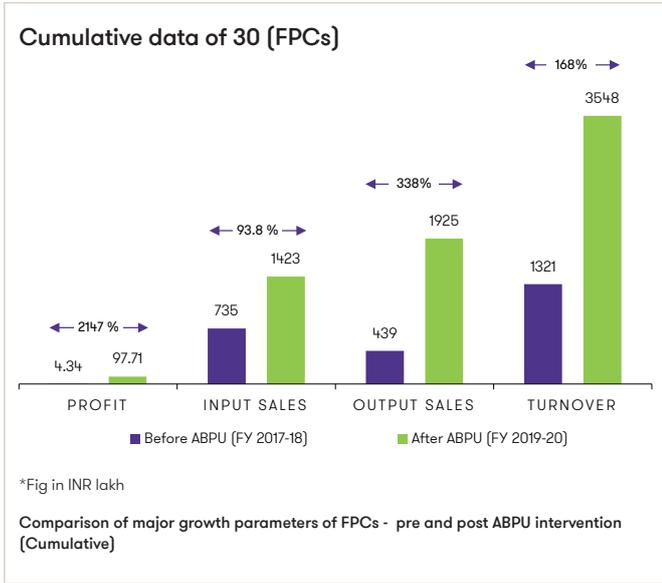
Prior to intervention of the ABPU, it was observed that only a few FPOs were directly linked with processors or input suppliers. Most of the FPOs that were engaged in trading used to sell their produce either in the local mandi or to the village-level intermediaries directly. Notably, in West Bengal, most of the FPOs set up Sufal Bangla outlets through the state government's support, where they could sell their farm produce directly to consumers.

The ABPU also assisted the FPOs by identifying and linking them to new processors and organised retailers such as Keventer Agro, Zomato Hyperpure, WayCool Foods, ADM Agro Industries India Pvt. Ltd, Big Bazaar, Star Bazaar, Mother Dairy, Safal, Adani Wilmar Ltd., Vippy Industries Ltd. ITC and Bigbasket. Team ABPU also linked FPOs with various input players such as IFFCO, PAN Seeds, Nagarjuna Fertilizers and Chemicals, MP Markfed, Monsanto, Bayer Crop Science, Sulphur Mills Limited, ITC Technico Agri and Neshkala Crop Producer Company.

Essentially, in two years of interventions, turnovers from input operations increased from barely INR 24.5 lakh per annum to over INR 47.43 lakh for the 30 FPOs. So also, market operations of the FPOs increased from a simple average sum of barely 14.6 lakh per annum to over 64.16 lakh. Basically, input operations have doubled, while market operations have increased 4-fold.

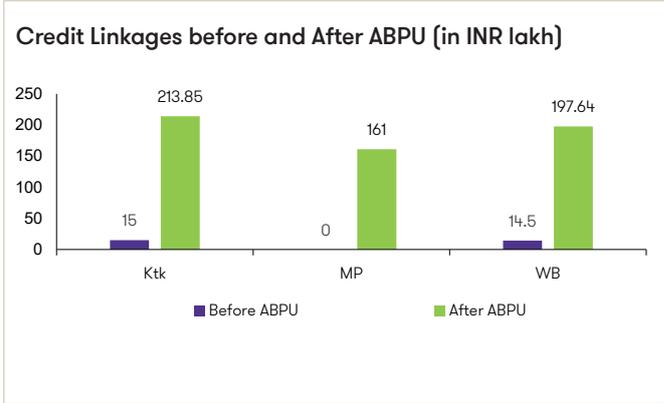
- Gross Profit of FPO increased by 2147 % from FY 18 to FY 20
- Turnover increased by almost 168% from FY-18 to FY-20
- Output Sales revenue increased by 338% from FY-18 to FY-20
- Input Sales revenue increased by 93.8% from FY-18 to FY-20





### Credit Linkage

Prior to intervention by the ABPU, it was observed that only a few FPOs had availed credit facilities from banks or any other financial institutions like Nabkisan Finance Limited or NBFCs. Post-intervention by the ABPU, the FPOs were linked with various banks/ financial institutions like SBI, BoB, UCO, UBI, Canara Bank, Samunnati Finance etc. The following graph shows the status of credit linkages state-wise, before and after the ABPU intervention.



**118.27 lakh**

Average turnover per FPO

**64.16 lakh**

Average output sales per FPO

**47.43 lakh**

Average input sales per FPO



## Quadrant Analysis

The model presented in the graphic explains the graduation of FPOs from the incubation stage to high potential and stability through the four quadrants in two years of ABPU interventions. Initially, as per the FPO Evaluation Tool, 11 of 30 FPOs occupied places in Quadrant A, which represents the low growth and low performance stage. However, over the period of two years of extensive support, 20 FPOs jumped to a high performance trajectory of growth i.e., into the expansion stage in Quadrant C. Subsequently, it could be inferred further that four FPOs performed exceptionally well and are now placed in Quadrant D, i.e., in the maturity stage. These are now ready to venture into diversification or may opt for establishing their own processing units.

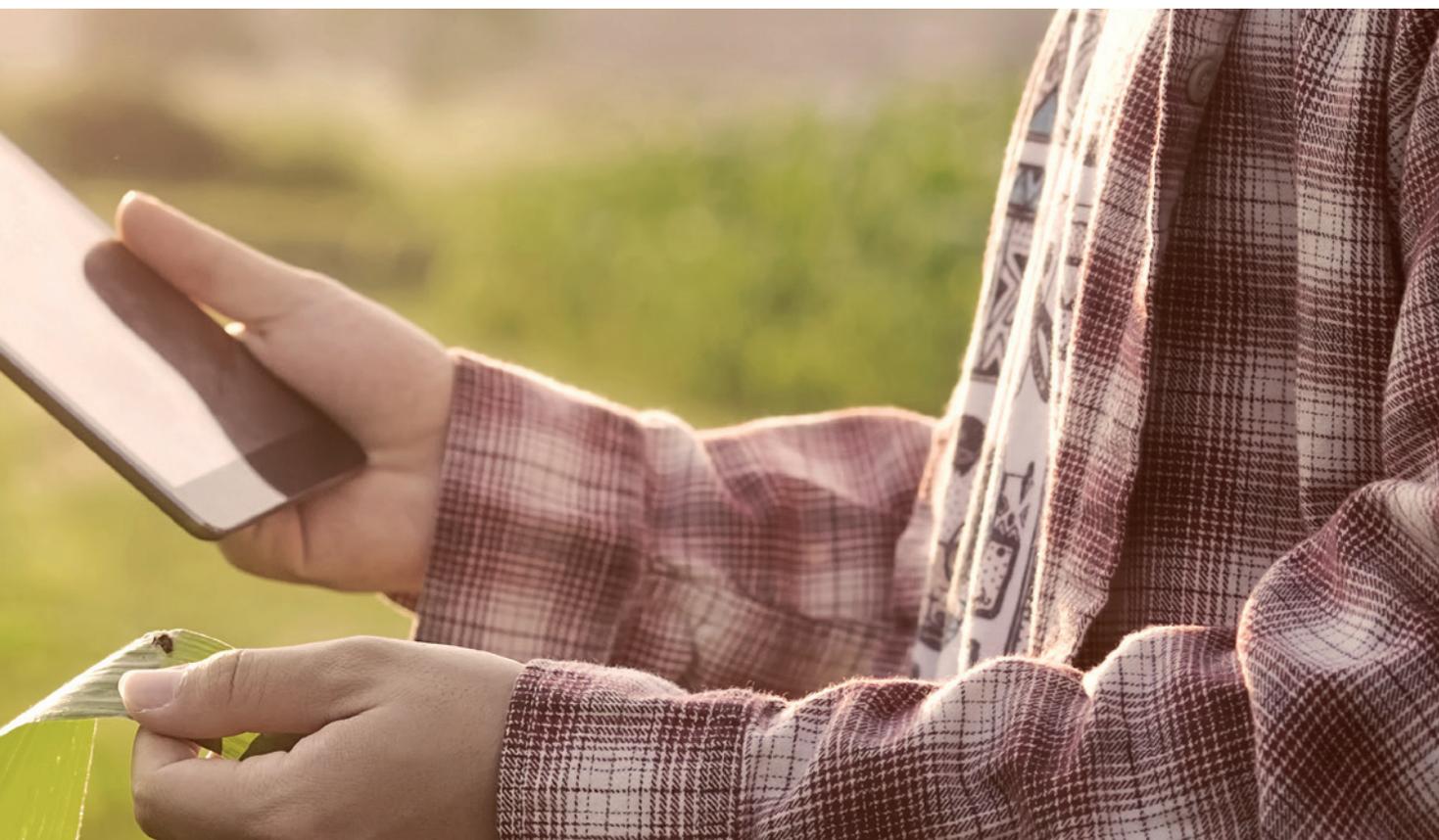
|  |       |   |        |       |  |   |    |        |       |
|--|-------|---|--------|-------|--|---|----|--------|-------|
| <p><b>Quadrant B</b></p> <p>FPC in Growth stage</p> <table border="1"> <tr> <td>14</td> <td>6</td> </tr> <tr> <td>Before</td> <td>After</td> </tr> </table> <p>Low- Moderate Growth</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">FPO Scoring 50 - &lt; 69</p>                | 14    | 6 | Before | After | <p><b>Quadrant D</b></p> <p>FPC in Maturity Stage</p> <table border="1"> <tr> <td>0</td> <td>4</td> </tr> <tr> <td>Before</td> <td>After</td> </tr> </table> <p>High Potential - Stability Stage</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">FPO Scoring 86 - 100</p> | 0 | 4  | Before | After |
| 14   | 6     |   |        |       |  |   |    |        |       |
| Before   | After |   |        |       |  |   |    |        |       |
| 0  | 4     |   |        |       |  |   |    |        |       |
| Before   | After |   |        |       |  |   |    |        |       |
| <p><b>Quadrant A</b></p> <p>FPC in Incubation Stage</p> <table border="1"> <tr> <td>11</td> <td>0</td> </tr> <tr> <td>Before</td> <td>After</td> </tr> </table> <p>Low Potential - Incubation Stage</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">FPO Scoring 0 - &lt; 49</p> | 11    | 0 | Before | After | <p><b>Quadrant C</b></p> <p>FPC in Expansion stage</p> <table border="1"> <tr> <td>5</td> <td>20</td> </tr> <tr> <td>Before</td> <td>After</td> </tr> </table> <p>Moderate – High Growth</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">FPO Scoring 70 - &lt; 85</p>     | 5 | 20 | Before | After |
| 11   | 0     |   |        |       |  |   |    |        |       |
| Before   | After |   |        |       |  |   |    |        |       |
| 5  | 20    |   |        |       |  |   |    |        |       |
| Before   | After |   |        |       |  |   |    |        |       |



### Enhancement of Per Farmer Income through the FPO route

It is evident from the following table that there is a substantial increase in the number of farmers contributing to the business of FPOs. Today, these large numbers of farmers have been involved, along with the FPOs, in terms of selling output produce, buying inputs, hiring CHC implements, etc. to / from them. This is also one of the factors that have contributed to the sales turnover increase of FPOs.

| States         | Farmers involved |               | Turnover (in INR lakh) |              | Per farmer contribution in the incremental increase of Turnover (in INR) |               |               |
|----------------|------------------|---------------|------------------------|--------------|--|---------------|---------------|
|                | Before           | After         | Before                 | After        | Before   | After         | % increase    |
| Karnataka      | 10,000           | 10,000        | 710                    | 1,758        | 7,100  | 17,580        | 147           |
| Madhya Pradesh | 2,645            | 8,022         | 128                    | 291          | 4,800  | 11,001        | 129.18        |
| West Bengal    | 7,969            | 10,544        | 484                    | 1498         | 6,000  | 14,207        | 136.78        |
| <b>Total</b>   | <b>20,614</b>    | <b>28,566</b> | <b>1,322</b>           | <b>3,547</b> | <b>17,900</b>  | <b>42,788</b> | <b>139.03</b> |



It is important to bring out the individual FPO's performance through several interventions over the programme. The FPO-wise progress in each state is as follows

## Karnataka

| FPO Name  | District        | Market linkages   | Credit Linkages for input, output business & FCSC (INR lakh)  | Financial Indicators FY 19-20 (INR lakh)  | Increase in % from pre to post ABPU                      | FPO Rating |       |
|---|-----------------|---|---|---|--|------------|-------|
|   |                 |   |   |   |  | Before     | After |
| Shri Amarnarayana Horticulture Farmer Producer Co. Ltd.       | Chickballapur   | Mother Dairy and Waycool Foods, Falca, Farm Link, Inter state Traders | SBI- 40 (TL)<br>NABKISAN- 25 (TL & WL)<br>Samunnati - 25 (WL) | Turn Over- 387.58<br>Output Sales - 243.32<br>PBT - 14.744                            | Turn Over- 714%<br>PBT - 4,897%                          | 63         | 94    |
| Rajaghatta Horticulture Farmer Producer Co. Ltd.              | Bangalore Rural | Mother Dairy, Zomato, FALCA, Future Group, Star Bazar                 | HDFC - 5.35 (WL)  | Turn Over- 321.18<br>Output Sales - 44.28<br>PBT - 6.80                               | Turn Over- 117%<br>Output Sales - 1,309%<br>PBT - 390    | 83         | 91    |
| Shri Venugopala Swamy Horticultural Farmers Producer Co. Ltd. | Bangalore Rura  | Waycool (Contract Farming), Star Bazar                                | NABKISAN- 21.5 (TL & WL)                                      | Turn Over- 88.07<br>Output Sales - 17.44<br>PBT - 12.83                               | Turn Over- 44%<br>Output Sales - 28,979%<br>PBT - 1,465% | 63         | 86    |
| Shri Vinayaka Horticulture Farmers Producer Co. Ltd.          | Kolar           | Mother Dairy and Waycool Foods  | Declined to avail   | Turn Over- 153.37<br>Output Sales - 25.29<br>PBT - 12.83                              | Turn Over- (3)%<br>Output Sales - 130%<br>PBT - 3350%    | 61         | 79    |
| Bhootaji Horticulture Farmers Producer Co. Ltd.               | Haveri          | Mother Dairy, LEAF, Farmlink  | SBI - 23 (WL)   | Turn Over- 396.74<br>Output Sales - 248.63<br>PBT - 0.60                              | Turn Over- 682%<br>Output Sales - 1,915%<br>PBT - (31)%  | 62         | 84    |
| Tubugere Horticulture Farmer Producer Co. Ltd.                | Bangalore Rural | Zomato Hyperpure, Waycool Foods, Falca, Star Bazar and other traders  | Declined to avail   | Turn Over- 109.29<br>Output Sales - 83.31<br>PBT - NIL                                | Turn Over- 244%<br>PBT - NA                              | 61         | 78    |
| Kayaka Yogi Horticulture Farmers Producer Co. Ltd.            | Dharwad         | ADM and local traders, Farmlink                                       | NABKISAN- 19 (WL)   | Turn Over- 19.54<br>Output Sales - 114.57   | Turn Over- 44%<br>Output Sales - 130%                    | 60         | 77    |
| Srigere Horticulture Farmers Producer Co. Ltd.                | Chitradurga     | Farmlink, FALCA, HOPCOMS  | NABKISAN- 30 (WL)   | Turn Over- 58.49<br>Output Sales - 15.57<br>PBT - (0.79) due to high operational cost | Turn Over- 16%<br>Output Sales - (77)%                   | 56         | 78    |
| Kondukuri Horticulture Farmers Producer Co. Ltd.              | Davangere       | Farm Link, Inter state Traders, Retail Sales                          | Samunnati - 25 (WL)   | Turn Over- 38.93<br>Output Sales - 0<br>PBT - 1.2                                     | Turn Over- 56%   | 50         | 86    |
| Sangama Horticulture Farmer Producer Co Ltd.                  | Ramanagara      | SAFAL, Banana traders   | Declined to avail   | Turn Over- 90.30<br>Output Sales - 4.48<br>PBT - 4.74                                 | Turn Over- 57%   | 71         | 79    |



## Case study I

# Shri Amaranarayana Horticulture Farmers Producer Co. Ltd., Karnataka

## Profile

Shri Amaranarayana Horticulture Farmer Producer Company Ltd (SAHFPCL) formally initiated operations in Feb 2016 with 1000 shareholder farmers. It has its registered office at Maddikeri, Chintamani Taluk, Chikkaballapur Dist., Karnataka. The SAHFPCL comprises farmers from a group of 18 villages spread over an area of 14 Sq Kms. FIGs (Farmer Interest Groups) have been formed in all the villages as village-level basic groups. These FIGs consist of 20 farmers each and 50 such FIGs have been federated from the 1000 members of SAHFPCL. Currently, these member farmers cultivate an area of 4560 acres and are mainly involved in the production of fruits, vegetables and cereals.

The company has obtained seed, fertilizer, pesticide and requisite licences like APMC from the concerned jurisdictional authorities. This company has its main revenue generating business activities in the collective purchase of inputs (seeds & fertilizers), equipment hiring services, product aggregation and marketing of produce, as well as in the basic primary processing of agricultural produce i.e., cleaning, sorting and grading of the produce. In the last 2 years, the company has developed a few marketing linkages with processors and retailers like Mother Dairy, Waycool Foods and Farmlink to supply fruits and vegetables aggregated through its member farmers.

To undertake day-to-day operations of the FPC, various committees have been formed -marketing, finance, and operational committee, comprising of FPC Board members and other elected representative member farmers, besides a fulltime CEO.

## Constraints and Interventions

The FPC management team experienced several capacity constraints. Accordingly, with the formation of the FPC and support from the SFAC, the ABPU trained the BoDs and the CEO on statutory and legal compliances, business planning, market planning & management, accounting & book-keeping, credit and supply of F&V produce as per quality requirement of buyers. Multiple capacity-building sessions were organized. A stakeholders' meeting was also organized to have one-to-one discussions between buyers and FPC officials. Direct marketing

of their produce was another major concern. The ABPU Team therefore introduced the FPCs to many modern retailers and processors through stakeholders' meetings, exposure visits, one-to-one meetings etc. to connect with them and supply its produce directly. The initiative was a great success as the benefits of direct selling was ultimately passed on to member farmers who earned a higher price for their produce, even while enhancing their market mix. Access to working capital at competitive rates was also a major hurdle that was overcome due to the professional inputs from SFAC and ABPU. With it, through the Business Plan prepared by ABPU, the FPC secured working capital loans from SBI and Nabkisan. They also received bridge loans from Samunnati Finance for output-related business transactions.

## Outcomes and the Road Ahead

A market-led Business Plan was prepared for five years. Under this plan, the FPC is also developing a primary processing centre for vegetables to augment their output business vertical. They have acquired 3600 sq.ft. of leased land along the Bengaluru-Kadappa Highway to construct a Vegetable Pack House. This facility will be used as a collection centre for fresh vegetables from farmers and will consist of washing, sorting & grading, and packing of vegetables. This will also have a solar-based mobile cold storage unit of 5 MT capacity to preserve vegetables for a few days. The FPC is also considering a foray into the Retailing business to sell produce directly to consumers in apartments and societies in Bengaluru. Hence, they have a plan to buy a minitruck which will be modified into a mobile-shop cum transport vehicle. Direct market linkages have been established with a range of alternate processors and retailers. These include large modern retailers, B2B marketing corporates, agritech companies and processors of mango and tomato to smaller traders.

The outcomes of the interventions may be viewed in terms of

- The turnover of the FPC increased from INR 47.60 lakh in FY 18 to INR 78.48 lakh and INR 387.58 lakh over FY 19 and FY 20, respectively
- Gross profit increased from INR 0.29 lakh in FY 18 to INR 7.10 lakh and INR 14.74 lakh in FY 19 and FY 20 respectively
- Loans were sanctioned to the FPC from SBI, Nabkisan and Samunnati Finance for the setting up of a Vegetable Pack

House and for working capital requirements

- The FPC has successfully benefited from collective selling and collective procurement, which helps the farmers in reducing the cost of production and receiving optimum sale price for their produce

## Before

- Share Certificate issued: 1,000
- Paid up Capital: INR 1,000,000
- Turnover: INR 4,760,000
- Profit : INR 29,500
- Convergence Grant: Nil
- FCSC: Nil

## ABPU intervention

- Guided the FPC to develop a business plan for a Vegetable Pack House
- Guided the FPC in getting a bank loan sanctioned from SBI as per the Business plan
- Market linkages with large corporates
- Supported expansion of input operations

## After

- Share Certificate issued: 2,000
- Paid up Capital: INR 2,000,000
- Turnover: INR 38,758,026
- Profit : INR 1,474,361
- Bank loans sanctioned(INR)
  - SBI - 40 lakh
  - Nabkisan - 25 lakh
  - Samunnati - 25 lakh
- FCSC-under process of implementation



## Case study II

# Rajaghatta Horticulture Farmers Producer Co. Ltd., Karnataka

## Profile

Rajaghatta Horticulture Farmer Producer Co. Ltd. (RHFPC) had been established in March 2016 at the Rajaghatta village in Bengaluru Rural district, approx. 70 km from Bengaluru city. It has 1000 shareholder farmers within 50 FIGs, and covers 32 villages within a radius of 20 kilometres. The cluster is predominantly into fruit and vegetable cultivation. Due to the proximity to a metropolis like Bengaluru, most of the commodities produced here are marketed in Bengaluru, apart from the local market.

## Constraints and intervention

Despite close proximity to Bengaluru, the farmers used to traditionally sell their fresh vegetable produce either in the local APMC or to village-level traders. This was resulting in paltry realisation for their produce, owing to an inefficient and long value-chain. The sale of aggregated produce was a major problem. There was also a need for logistics support, as well as financial assistance for the FPC, along with skill upgradation training that would help them manage their crops and operations well.

The FPC had initiated its business activities with a small Input Shop and Custom Hiring Centre (CHC), leveraging on subsidy from the Horticulture Department of the Government of Karnataka. It achieved a turnover of INR 147.61 lakh in the first financial year i.e., FY 2017-18. Progressively, in the following FY with the intervention of ABPU, the FPC was tied up with Waycool Foods Pvt. Ltd., Falca Solutions, Future Group, Star Bazar etc. and it started supplying fresh vegetables aggregated from its member farmers on a daily basis.

With a little investment in sorting & grading tables and on manpower, there was a boost to FPC income in their output business. The company started generating steady income every month from aggregated fresh vegetable sales. The member farmers' income multiplied on two counts. Firstly, they started saving on logistics which was required earlier to transport their produce either to the local mandi or company collection centres. Secondly, they started saving on unscrupulous deductions in the mandi by commission agents which was up to 10% in the form of weight loss, quality issues etc. As a result of interventions by the ABPU, the turnover of

the FPC increased from INR 147.61 lakh in FY 2017-18, to INR 292.74 lakh and INR 321.18 lakh in FY 2018-19 and FY 2019-20 respectively. This exponential growth was possible through increasing the output transactions directly with large modern retail corporates. With the subsequent intervention by the ABPU, companies like Zomato Hyperpure, NinjaCart have also been brought into the fold to start Farm Pick-up services from the FPC's doorstep in the near future.

## Outcomes and the Road Ahead

The ABPU team had prepared a Business Plan for the FPC, specific to their needs and requirements, in which the construction of a Vegetable Pack House has been also proposed.

### The major outcomes may be viewed in terms of

- The turnover of the FPC increased from INR 147.61 lakh in FY 18 to INR 321.18 lakh in FY 20
- Gross profit increased from INR 1.38 lakh in FY 18 to INR 33.01 lakh in FY 20
- Loan was sanctioned to the FPC from HDFC Bank for procuring a tractor and for working capital requirements

## Before

- Share Certificate issued: 1,000
- Paid up Capital: INR 1,000,000
- Turnover: INR 14,761,232
- Profit : INR 138,906
- Grant: Nil
- FCSC: Nil

## ABPU intervention

- Guided the FPC to develop a business plan for a Vegetable Pack House
- Guided FPC in securing a bank loan from HDFC as per the Business plan
- Market linkages with large corporates
- Supported expansion of input operations

## After

- Share Certificate issued: 2,000
- Paid up Capital: INR 2,000,000
- Turnover: INR 32,118,205
- Profit : INR 680,425
- Bank loans sanctioned INR 5.35 lakh from HDFC
- FCSC-under process of land acquisition



## Case study III

# Shri Venugopaldaswamy Horticulture Farmers Producer Co. Ltd., Karnataka

### Profile

The FPC is located in Doddadenahalli of Hoskote taluk. The Farmer Producer Organisation (FPO) consists of four Gram Panchayats embracing 17 villages, with an area of 5304.34 acres. The producer company consists of 50 Farmer Interest Groups (FIGs) of the registered 1000 farmers, comprising small farmers/ marginal farmers (SF/MF) and SC/ST whose socioeconomic conditions are poor.

The FPC acts as a catalyst and as an interface between the registered farmers and potential markets without the intervention of agents/ middlemen. The FPC helps in constant knowledge upgradation by providing relevant market information and other useful information for the farmers about procuring seeds, fertilizers, biofertilizers, growth hormones, pesticides, biofriendly pesticides, high tech agricultural machinery/ implements and also provides consultancy service and latest innovative technology for increased crop production. It also provides access to post-harvest technologies like processing, grading, packing, improving shelf-life and also assists in providing information on value addition of the produce. It also helps in identifying and creating potential market access. Providing significant information on the importance of sustainable organic farming which includes Integrated Nutrient Management (INM) and Integrated Pest Management (IPM), and assisting in linking with infrastructure like cold storages available in closer proximity to the FIGs, are also activities that the FPC undertakes.



#### Vegetable crops

- Tomato
- Cauliflower
- Capsicum
- Beans
- Carrot
- Radish
- Knol khol
- Cluster beans
- Karamani
- Chow chow



#### Food crops

- Ragi
- Tur
- Cowpea



#### Plantation crop

- Mango

### Constraints and Interventions

The FPC was facing myriad challenges like the unavailability of quality inputs, high rates, non-availability at the right time of neem organic manure etc. on the backward linkages area. They were being exploited by local traders in the mandi to pay an illegal commission of 10%, as well as a deduction in weight. They were forced to pay commissions in the mandi to commission agents. Even though they were very close to Bengaluru geographically, the member farmers were not able to reap the benefit of better margins from their sale. The FPC initiated its business activities with a small Input Shop and CHC, leveraging on subsidy from the Horticulture Department of the Government of Karnataka. It achieved a turnover of INR 60.75 lakh in the first financial year i.e. FY 2017-18. However, the intervention of ABPU helped them sign an MoU with Waycool Foods for contract farming with member farmers of the FPC in the beginning of FY 2019, besides linking them with Star Bazar etc. With this regular and assured procurement by Waycool Foods, the member farmers' income multiplied on two counts. First, they started saving on logistics which was required earlier to transport their produce either to the local mandi or company collection centres. Secondly, they started saving on unscrupulous deductions in the mandi by commission agents, which was up to 10% in the form of weight loss, quality issues etc. As a result of interventions by the ABPU, the turnover of the FPC increased to INR 106.13 lakh in FY 2019-20. In FY 2019-20, the FPC farmers sold fresh vegetables worth INR 20 lakh directly to corporates. With subsequent intervention by the ABPU, companies like SAFAL and NinjaCart have also been brought into the fold to start Farm Pick-up services from the FPC's doorstep in the near future.

### Outcomes and the Road Ahead

The ABPU team has prepared a Business Plan for the FPC, specific to their needs and requirements, for setting up of a manufacturing unit of disposable plates & bowls made from arecanut leaves. SVHFPCL requires financial assistance from banks or NBFCs for a Term Loan.

#### The outcomes of the intervention are

- The turnover of the FPC increased from INR 60 lakh in FY 18 to INR 106.13 lakh in FY 20

- The Gross profit was INR 0.80 lakh in FY 20
- Term Loan and Working Capital loan of INR 21.5 lakh has been processed with Nabkisan for setting up a manufacturing unit of disposable plates & bowls made from arecanut leaves

## Before

- Share Certificate issued: 1,000
- Paid up Capital: INR 1,000,000
- Turnover: INR 6,075,000
- Profit : INR 82,000
- Grant: Nil
- FCSC: Nil

## ABPU intervention

- Guided the FPC to develop a business plan for setting up a manufacturing unit of disposable cups & plates
- Guided the FPC in securing bank loans from Nabkisan as per the business plan
- Contract Farming by Waycool Foods and member farmers for procurement of F & V directly from fields under their outreach programme
- Supported expansion of input operations

## After

- Share Certificate issued: 2,000
- Paid up Capital: INR 2,000,000
- Turnover: INR 88.07 lakh\*
- Profit : INR 80,000
- Bank loan INR 21.5 lakh sanctioned from Nabkisan
- Setting up a manufacturing unit of disposable plates & bowls

\*Note- The output transaction sales proceeds of Waycool for F&V have directly gone to the farmers' bank account through a contract farming MoU with the FPO.



## West Bengal

| FPO Name                                  | District       | Market linkages  | Credit Linkages for input, output business & FCSC (INR lakh)           | Financial Indicators FY 19-20 (INR lakh)                | Increase in % from pre to post ABPU                         | FPO Rating |       |
|---|----------------|--|--|---|---|------------|-------|
|   |                |  |  |   |   | Before     | After |
| Dubrajpur Krishi Vikash Producer Co. Ltd. | Birbhum        | Sufal Bangla, Biofit, ITC, Keventers, PAN  | UCO Bank Term Loan-4.87 L (Motorized vending cart)                     | Turn Over-48.7<br>Output Sales - 41.28<br>PBT - 4.21    | Turn Over -436.34%<br>Output sales- 889.66%<br>PBT- 1416%   | 50         | 86    |
| Avantgarde Farmer Producer Co. Ltd.       | East Burdwan   | Sufal Bangla, Haringhata, Krishak Bazar  | SBI Term Loan-2.72L (Motorized vending cart)                           | Turn Over-348.15<br>Output Sales - 324.93<br>PBT - 2.87 | Turn Over - 248.38%<br>Output sales- 292.90%<br>PBT-223.15% | 76         | 91    |
| Nakashipara Agro Producer Co. Ltd.        | Nadia          | Krishak Bazar, Mandi, Barabazar Flower market, Siliguri market                           | SBI Term Loan-4.65L (Motorized vending cart)                           | Turn Over- 375<br>Output Sales - 187.50<br>PBT - 6.50   | Turn Over -246.47%<br>Output sales- 86.84%<br>PBT-591%      | 56         | 79    |
| Chhatna Agro Producer Co. Ltd.            | Bankura        | Sufal Bangla, Mandi, Bayer, Biofit, IFFDC  | Grant-60 L (For Seed Production)                                       | Turn Over-436.83<br>Output Sales-413.03<br>PBT - 9.31   | Turn Over - 347.92%<br>Output sales-393.21%<br>PBT-208.31%  | 66         | 88    |
| Damodar Agro Producer Company Ltd         | Bankura        | Sufal Bangla, I-Farm, Maa Kali F&V, Tiyanani Rice Mill, Mahabir Oil mill, Keventers eNAM | Grant-60 L (For Seed Production); Bank of Baroda Term Loan-64000 (CHC) | Turn Over-48.87<br>Output Sales - 31.73<br>PBT - 1.04   | Turn Over -64.80%<br>Output sales-265%<br>PBT- 342.85%      | 82         | 89    |
| Debra Agri-Business Producer Co. Ltd.     | West Medinipur | Keshtopur(Kolkata) Organic Shop, Kharagpur IIT, Krishak Bazar, Kisan Yard, Biofit, PAN   | Grant-60 L (For Seed Production); PNB Term Loan - 21 L (CHC)           | Turn Over-86.16<br>Output Sales - 54.16<br>PBT - 2.5    | Turn Over - 121.04%<br>Output sales- 161.26%<br>PBT-122.78% | 84         | 83    |
| Inchura Agro Producer Co. Ltd.            | East Burdwan   | eNAM, Sufal Bangla, Biofit, Haringhata, Krishak Bazar, RKM                               | Umeed L&F Ltd. WC Loan-3.30L (Onion storage)                           | Turn Over-57<br>Output Sales - 47<br>PBT - 1.02         | Turn Over - 358.78%<br>Output sales- 808.8%<br>PBT- 166.97% | 61         | 73    |
| Dhaniakhali Farmer Producer Co. Ltd.      | Hooghly        | eNAM, Big Basket, Biofit   | Umeed L&F Ltd. WC Loan-2.10L (Poultry Farming)                         | Turn Over-5.87<br>Output Sales - 5.07<br>PBT - 0.23     | Turn Over - 73%<br>Output sales-360%<br>PBT- 31.07%         | 66         | 79    |
| Birbhum Famers Agro Producer Co. Ltd.     | Birbhum        | ITC, Benfed, Keventers   | Declined to avail  | Turn Over-39.45<br>Output Sales - 30.06<br>PBT - 1.85   | Turn Over - 574%<br>Output sales-43.85%<br>PBT- 442%        | 64         | 74    |
| Shantiniketan Farmers Producer Co. Ltd.   | Birbhum        | ITC, Netsurf-Biofit, IFFCO   | Declined to avail  | Turn Over-52.00<br>Output Sales - 26.05<br>PBT - 1.22   | Turn Over - 2057%<br>Output sales-1001%<br>PBT- 128%        | 58         | 73    |



## Case study IV

# Caselet Illustration: Chhatna Agro Producer Co. Ltd., West Bengal

### Profile

Chhatna Agro Farmer Producer Company Ltd. was registered in January 2015 under the Companies Act, 2013. It has its registered office at Village Chamkora, Chhatna district Bankura, West Bengal-722132. The producer company currently has 68 FIGs (Farmer Interest Groups) comprising 1014 farmers across the Chhatna block of Bankura. It has 9 Members in the Board of Directors, representing various Gram Panchayat and Farmer Interest Groups (FIGs). Since its inception the Farmer Producer Company (FPC) has been very active and shares a good bond and understanding amongst the farming community.

### Constraints and intervention

The FPC member farmers have an abundant production of paddy, vegetables and oilseeds. Most of the farmers of the FPC are mainly into the production of paddy, vegetables and oilseeds, along with pulses. Due to the unavailability of good quality seeds and a dearth of seed production units, most of the farmers growing horticulture crops and paddy had to depend on the local retailer or seed distributor. The seeds they had been buying were often loose and contaminated, resulting in poor quantity and quality of production of the crop. Therefore, the rate they used to get for oilseeds and paddy was minimal and they used to sell their vegetable produce either in a stall of the Sufal Bangla outlet in Kisan Mandi or to village-level traders. Production costs were high and the net value of produce was low.

As part of intervention of the ABPU, the FPC applied for a Seed Production unit with godown facility under the Sub-Mission of Seed and Planting material (SMSP) scheme of the Government of India. Discussions with IFFCO and Bayer Food Supply Partnership were initiated as the FPC had been struggling to secure a good variety of inputs in the past. Following these efforts, the FPC got empaneled with IFFCO and the ABPU could get IFFDC (Indian Farm Forestry Development Cooperative Limited) to procure and sell fertilizers from IFFCO to its FPC farmers. ABPU also linked the FPC with Netsurf Biofit. The FPC has successfully produced organic fertilizers namely, AmritPani, AmritKhad, Tricodarma Viridi etc. Initially, field demonstrations of the products were carried out on 17 fields of progressive farmers. Today the FPC is buying back

the vermicompost produced and selling it to other vendors at an average price of INR 260 per 50 kg bag. The use of vermicompost is promoting the organic farming concept. A lot of farmers have now adopted complete organic cultivation practices as it offers multiple outputs and high returns.

### Outcomes and the Road Ahead

The plan of the FPC was converged with various Government schemes like Parampara Krishi Vikash Yojana by the ABPU. Under this scheme, 80 vermicompost units are in the process of construction with a 100% subsidy from the Government. 10 training programmes on different advanced cultivation techniques have been provided to more than 450 farmers in convergence with the ATMA scheme. In addition to the above, ABPU expanded and renewed two Sufal Bangla outlets in the Kisan Mandi of Bankura with Chhatna FPC as the only operator. The outcomes of the initiative may be viewed in terms of:

- The turnover of the FPC increased from INR 85.50 lakh to INR 436.83 lakh in the past two years
- Profit increased from INR 2 lakh to INR 9.31 lakh and paid-up capital increased from INR 10 lakh to INR 13.36 lakh
- The FPC successfully received the 2nd tranche of Equity Grant Facility of INR 6.64 lakhs from SFAC
- Converged the FPC with SMSP scheme for setting up of a Seed Production unit with godown facility for which they will get a grant of INR 60 lakh
- Production of organic Gobindo bhog rice under the PKVY scheme in 300 acres of land
- Manufacture of organic pesticides and fertilizer namely, Tricodarma Biridi to prevent pest attack and Amrit Pani to enhance soil fertility
- Successfully popularised the concept of organic cultivation by promoting bio-fertilizers and bio-pesticides

## Before

- Share Certificate issued: 835
- Paid up Capital: INR 1,000,000
- Turnover: INR 8,550,000
- Profit : INR 200,000
- EGF received : INR 400,000
- Sales per day: INR 24,000



## ABPU intervention

- Guided the FPC to mobilise share capital
- Expanded Sufal Bangla outlets
- Applied for the 2nd tranche of EGF
- Supported input shop operations
- Supported organic farming and promoted bio-fertilizers and pesticides



## After

- Share Certificate issued: 1014
- Paid up Capital: INR 1,336,000
- Turnover: INR 436.83 lakh
- Profit : INR 9,31
- EGF received : INR 640,000
- Sales per day: INR 55,000



## Case study V

# Debra Agri Business Producer Co. Ltd., West Bengal

## Profile

Debra Agribusiness Farmer Producer Company Ltd. was registered on 19th January, 2015 under the Companies Act, 2013 and has its registered office at village Pandat of Debra block of Paschim Medinipur district, West Bengal. The producer company currently has 77 FIGs (Farmer Interest Groups) comprising 1007 farmers across Debra block of Paschim Mednipur. It has 11 Members in the Board of Directors representing various blocks and FIGs.

## Constraints and intervention

The catchment cluster in the consultation has an abundant production of paddy, pulses and vegetables. Most of the farmers of the FPC are mainly into the production of pulses, oilseeds and paddy along with vegetables and potato in the region. Due to the unavailability of good quality seeds and the absence of seed production units, most farmers had been growing pulses and paddy and were largely dependent on the local retailer or seed distributors. The seeds they buy were often loose and contaminated, resulting in lower production. Therefore, the rate they got for pulses and paddy was minimal. The FPC also did not have any outlet to sell the vegetables that they produced.

## Outcomes and the Road Ahead

Through the intervention of the ABPU, the FPC secured assistance under Paramparagat Krishi Vikash Yojana (PKVY) scheme and constructed 100 vermicompost pits. The farmers of this FPC practise organic farming in more than 200 acres of land. The FPC was in dire need of selling the organic produce, and the ABPU guided the FPC and applied to the Government of West Bengal, Ministry of Agriculture to allot them a stall in the Keshtopur PKVY outlet. The FPC is presently running the outlet successfully. The FPC also applied for a Seed Production unit with godown facility under the Sub-Mission of Seed and Planting material (SMSP) scheme of the Government of India. After regular follow up with both the State Seed Certification Agency and the Government of India, the FPC has secured their sanction order and an INR 60 lakh grant for setting up their Seed Production Unit.

The ABPU converged the plans of the FPC with various

Government schemes related to Agri Marketing of the Government of West Bengal and enrolled them under the Amar Fasal Amar Gola scheme for which 10 FIGs have received full subsidy. In addition to it, ABPU guided the FPC to apply for the fund under the PMFBY and 405 farmer members of the FPC have received it. Discussions with IFFCO and Bayer Food Supply Partnership were initiated as the FPC had been struggling to secure a good variety of inputs in the past. The ABPU also linked the FPC with Netsurf Biofit. In addition, the ABPU facilitated crop advisory-related training to 580 farmers under the ATMA scheme and have undertaken 700 soil testing initiatives for better understanding of soil health parameters.

### In terms of outcomes:

- The turnover of the FPC increased from INR 54 lakh to INR 86.16 lakh in the past two years
- Paid-up capital increased from INR 10 lakh to INR 20 lakh
- The FPC's plans were converged with the SMSP scheme for setting up of a Seed Production unit with godown facility for which a grant of INR 60 lakh has been leveraged
- Received and regulated the PKVY outlet for selling of organic produce
- 10 FIGs received a subsidy amount of INR 30,000 under the Amar Fasal Amar Gola
- 405 farmers of the FPC have applied and received assistance under PMFBY

## Before

- Share Certificate issued: 917
- Paid up Capital: INR 1,000,000
- Turnover: INR 5,400,000
- Profit : INR 100,000
- Convergence Grant: Nil
- Outlet: Nil

## ABPU intervention

- Guided the FPC to establish a Seed Production unit under SMSP
- Guided the FPC to secure an outlet for selling of organic vegetables
- Convergence with different schemes like PMFBY, ATMA, PKVY ,etc.
- Facilitated input and crop advisory services

## After

- Share Certificate issued: 1,000
- Paid up Capital: INR 2,000,000
- Turnover: INR 86.16 lakh
- Profit : INR 26,850
- Convergence Grant: INR 6,000,000
- Outlet: Organic Outlet under PKVY



## Case study VI

# Avant Garde Farmer Producer Co. Ltd., West Bengal

### Profile

Avant Garde Farmer Producer Company Limited was registered in December 2015 under the Companies Act 1956 and has its registered office at village Lohachur of Purbasthali Block of Purba Bardhaman District, West Bengal. The catchment region of the FPC has an abundant production of vegetables, paddy, potato and onion. Most of the farmers in the FPC are into paddy, potato and vegetable production.

### Constraints and intervention

Due to the unavailability of proper carriage facility and the presence of very few vending carts in the region, the FPC used to sell most of the produce in their one outlet in Katwa and sold most of the commodities in the local market or to vendors, which fetched them a low price in comparison to the price they would have earned, had they sold in the Kolkata market. The FPC had one static outlet, but needed more outlets in accordance with the production of the crops. The FPC members were also unaware of the different Government schemes of assistance. Through the interventions of the ABPU, the FPC applied for two more static outlets in Kolkata and 13 mobile outlets under Sufal Bangla. ABPU, under the RKVY scheme, had made the FPC apply for a motorized vending cart with a subsidy of INR 2 lakhs and Mini Dal Mill with a subsidy of upto INR 2 lakh. With the profit they gained from their outlet, the FPC purchased land and constructed a warehouse of 1200 sq.ft. Discussions with IFFCO and Bayer Food Supply Partnership were initiated as the FPC had been struggling to secure a good variety of inputs in the past. The ABPU also linked the FPC with Netsurf Biofit. The farmers were encouraged to take up organic farming and they developed a Bio-village where they produce black rice and brown rice in 50 bighas of land. ABPU also guided them to set up a Paddy plant machine and dehusking machine to add value to their produce. In addition to the above, ABPU organized training for 260 farmers under the ATMA scheme and in-field demonstration of organic fertilizer in 17 farmers' land.

### Outcomes and the Road Ahead

The FPC board members have initiated efforts wherein they are tutoring farmers on scientific agricultural practices.

The major outcomes of the intervention may be viewed as under

- The turnover of the FPC increased from INR 82.14 lakh to INR 348 lakh in the past two years
- Profit increased from INR 0.8 lakh to INR 2.87 lakh and paid-up capital increased from INR 17.45 lakh to INR 20 lakh
- Converged plans of the FPC with RKVY scheme for purchase of motorized vending cart and setting up of Mini Dal Mill with a subsidy of INR 2 lakh each
- Facilitated 13 mobile outlets and 2 static outlets under Sufal Bangla with a monthly turnover of around INR 30 lakh
- Produced Organic black and brown rice in 50 bighas of land
- Developed the concept of organic cultivation and as a pilot initiative, develop a Bio-village
- Created an asset of around INR 1 crore
- Successfully popularized the concept of organic cultivation by promoting bio- fertilizers and bio- pesticides

## Before

- Share Certificate issued: 1,300
- Paid up Capital: INR 1,745,000
- Turnover: INR 8,214,381
- Profit : INR 80,823
- Convergence Grant: Nil
- Outlet: 01
- Asset: Nil



## ABPU intervention

- Expanded Sufal Bangla outlet from 1 to 13 mobile and 2 static outlets
- Guided the purchase of Motorized vending cart and establish a Dal Mill under RKVY scheme
- Tied up with Biofit for development of Bio-village
- Facilitated organic cultivation initiatives
- Establishment of common facilities



## After

- Share Certificate issued: 1,358
- Paid up Capital: INR 2,000,000
- Turnover: INR 348 lakh
- Profit : INR 2.87 lakh
- Convergence Grant: INR 400,000
- Outlet: 13 Mobile & 2 static
- Asset: 10,000,000



## Madhya Pradesh

| FPO Name   | District   | Market linkages   | Credit Linkages for input, output business & FCSC (INR lakh) | Financial Indicators FY 19-20 (INR lakh)              | Increase in % from pre to post ABPU                      | FPO Rating |       |
|--|------------|---|--|---|--|------------|-------|
|  |            |   |  |   |  | Before     | After |
| Badnagar Farmer Producer Co. Ltd.                          | Ujjain     | ITC, NCDEX, AV Agro,  | Working Capital Loan - BoB-15 lakh                           | Turn Over-38.19<br>Output Sales - 16.73<br>PBT - 1.31 | Turn Over -5686%<br>Output sales- 2534%<br>PBT- 2183%    | 42         | 88    |
| Bina Krishak Producer Co. Ltd.                             | Sagar      | Adani Wilmar, ITC   | Working Capital Loan - BoB-10 lakh                           | Turn Over-25.79<br>Output Sales - 6.90<br>PBT - 3     | Turn Over - 417.63%<br>Output sales- 100%<br>PBT-239.68% | 38         | 62    |
| Mhow Agriculture Producer Co. Ltd.                         | Indore     | ITC, Mahindra & Mahindra, Jubilant, Grofers, Delhi Kissan Mandi | Warehouse Finance- Arya Dhan-10 lakh                         | Turn Over-48.46<br>Output Sales - 18.47<br>PBT - 1.54 | Turn Over - 1075%<br>Output sales- 739.78%<br>PBT-119%   | 48         | 71    |
| Kapileshwar Farmer Producer Co. Ltd.                       | Rajgarh    | Adani Wilmar, Vippy Soya, Prakash Soy, Dadi Corporation         | Warehouse Finance Arya Dhan - 10 lakh                        | Turn Over-7.25<br>Output Sales-03<br>PBT - 0.45       | Turn Over - 20.50%<br>Output sales-10%<br>PBT-366%       | 49         | 68    |
| Samradha Kisan Producer Co. Ltd.                           | Ujjain     | AV Agro, Ruchi Soya, ITC, NCDEX, Olam, Vippy Industries etc.    | Working Capital Loan: BoB- 15 lakh<br>Samunnati-25 lakh      | Turn Over-82.58<br>Output Sales - 57.98<br>PBT - 3    | Turn Over -1155%<br>Output sales-842%<br>PBT- 5100%      | 44         | 90    |
| Cofe Farmer Producer Co. Ltd. (All Women FPO)              | Chhindwara | Dinshaw, I-foods, Fresh Frozen Foods, Top&Town                  | Warehouse Finance - Arya Dhan-10 lakh                        | Turn Over-45<br>Output Sales - 32.50<br>PBT - 1.75    | Turn Over -35.97%<br>Output sales- 63.86%<br>PBT-172%    | 46         | 67    |
| Chand Farmer Producer Co. Ltd.                             | Chhindwara | Cargill, ITC, Shubham Exports                                   | Warehouse Finance - Arya Dhan - 6 lakh                       | Turn Over-92.8<br>Input Sales - 92.8<br>PBT - 2.87    | Turn Over - 71.29%<br>Output sales- 74.54%<br>PBT-69.05% | 61         | 64    |
| Khurai Krishak Producer Co. Ltd.                           | Sagar      | Adani Wilmar, ITC   | Working Capital Loan - BoB - 10 lakh                         | Turn Over-49.6<br>Output Sales - 28.6<br>PBT - 3.25   | Turn Over - 77.42%<br>Input sales- 53.31%<br>PBT-55.54%  | 46         | 57    |
| Krashak Agro Industries Producer Co. Ltd.                  | Damoh      | Adani Wilmar, ITC, Shalimar Oils                                | Working Capital Loan - BoB - 10 lakh                         | Turn Over-36.83<br>Output Sales-13.03<br>PBT - 9.31   | Turn Over - 35.96%<br>Output sales- 67.73%<br>PBT-157%   | 45         | 59    |
| Jaisinagar Soya Samridhi Producer Co. Ltd. (All women FPO) | Sagar      | Adani Wilmar, NCDEX   | Working Capital Loan: SBI - 10 lakh<br>NABKISAN-30 lakh      | Turn Over-18<br>Output Sales - 17.75<br>PBT - 2.5     | Turn Over -357.50%<br>Output sales-4437%<br>PBT- 614%    | 38         | 82    |



## Case study VII

# Bina Krishak Producer Co. Ltd., Madhya Pradesh

### Profile

This Farmer Producer Company (FPC), located in Bina tehsil of Sagar district, has a direct outreach in 9 villages with an area of 1372 acres. Another 13 villages are under indirect outreach, where the FPC does not have shareholders but the farmers are regular buyers of the FPC. The producer company consists of 50 Farmer Interest Groups (FIGs) from the 1000 registered small/ marginal farmers.

The FPC acts as a catalyst and as an interface between the registered farmers and the potential markets without the intervention of agents/ middlemen. It helps in constant knowledge upgradation by providing relevant market information and other useful information for the farmers in procuring seeds, fertilizers, pesticides and also provides consultancy service and latest innovative technology for increased crop production. The FPC also provides exposure to post-harvest technologies like processing, grading, packing, improving shelf-life and assists in providing information on value addition of the produce. The FPC also assists in enhancing market access.

### Constraints and intervention

The FPC members were facing challenges like the unavailability of quality inputs, high prices, non-availability at the right time etc. Selling their output produce at a fair rate was a great challenge, leading to distress selling of around 50 % of their produce. Local traders in the mandi were exploiting them by ways of deduction in weight. Further, the FPC was at an infant stage and was struggling to sustain business revenues and meet expenses. They also struggled to explore market linkages and serve members for the sale of produce at fair prices.

The Agri Business Promotion Unit (ABPU) took over the extensive promotion of BKPC in terms of their initiating market linkages, credit linkages and capacity- building of BoDs and the CEO. The ABPU adopted a stage-wise process. Firstly, it helped in the inputs business by promoting the FPC brand name in the nearby villages by sensitizing the directors and farmers. This helped the FPC increase the input sales from around INR 5 lakh in FY 17-18 to INR 15 lakh in FY 2018-19. The ABPU team also facilitated the process of getting dealerships from IFFCO, NSC and UPL, which helped the FPC in increasing its product portfolio. Secondly, the ABPU team focused on credit linkage from institutional sources and the ABPU team and FPC

prepared a Business Plan and submitted the same to Bank of Baroda. Following that, the FPC received a cash-credit limit loan of INR 10 lakh for the mandi trading business and support of farmers in forward linkages. After the loan approval, multiple rounds of capacity-building training were organised on forward linkage topics such as how to do procurement, quality parameters for procurement, legal compliance for procurement and sales. The ABPU team organised an exposure visit to the Adani Wilmar processing plant in Vidisha, which is located nearby, and the Adani Wilmar officials trained the FPC on quality assessment criteria. After several capacity- building initiatives, the FPC team agreed to procure and sell material of member farmers and the first commodity for which it was trained was soybean and around 150 quintals of soybean were sold to Adani Wilmar. Following this, linkages with ITC and ADM Agro were established. As a result of the interventions by the ABPU, the FPC for the very first time, sold material and participated in forward linkage, which resulted in the increased turnover of the FPC to INR 56.71 lakh in FY 2019-20. In FY 2019-20, the FPC farmers sold soybean and wheat worth INR 37.82 lakh directly to corporate buyers. The FPC received a margin of around 2% in this. With subsequent intervention by the ABPU, companies like Olam and Leafyo Farms LLP have also been brought into the fold.

### Outcomes and the Road Ahead

#### The outcomes of the intervention include

- The turnover of the FPC increased from INR 4.98 lakh in FY 2017-18 to INR 56.71 lakh in FY 2019- 20
- Cumulative losses reduced from INR - 2.14 lakh in FY 2017-18 to INR - 0.87 lakh in 2018-19 and in the latest year ending of FY 2019-20, it is expected to make a profit of INR 0.70 lakh for the first time
- Working Capital loan secured to the tune of INR 10 lakh with Bank of Baroda - the first case in Madhya Pradesh of Bank of Baroda for FPC financing

## Before

- Turnover - ~INR 5 lakh
- Farmer outreach - 70-80
- Profit/(Loss) - (~INR 3 lakh)
- Shareholders - 100
- Business of inputs only
- No credit linkage
- No market linkage

## ABPU intervention

- Credit Linkage
- Market Linkages
- Training and Capacity building
- Supply chain optimisation
- Business planning
- Brand Promotion
- Input linkages
- Farmers awareness program

## After

- Turnover increased by around 11 times
- Profit - The cumulative losses are cleared
- Shareholders - ~300
- Business Line - Inputs business, Forward Market Linkage, Seed Production and Processing
- Credit Linkage - INR 10 lakh from Bank of Baroda
- Market Linkages - 5 market linkages with big corporates
- Farmers outreach - ~350



## Case study VIII

# Samradha Kisan Producer Co. Ltd., Madhya Pradesh

### Profile

This FPC is located in Kandariya village of Ujjain district. The Farmer Producer Organisation (FPO) has a direct outreach in 17 villages with an area of 1943 hectares and another 25 villages are under indirect outreach, where the FPC does not have shareholders but the farmers are regular buyers of the FPC. The producer company consists of 50 Farmer Interest Groups (FIGs) from the 1000 registered small/ marginal farmers.

### Constraints and intervention

The FPC members were facing challenges like non-access to quality inputs and high prices. Selling their output produce at a fair rate was also a challenge, leading to distress sales of upto 30% of their produce, especially wheat. Local traders in the mandi were exploiting them by ways of deduction in weight while weighing in the mandi and the wait for payment was long, if sold to the local village intermediary. The directors also did not have proper support and guidance, due to which the FPC was not able to do business and the BoD was on the verge of closing the FPC in the first year itself. The FPC was at a budding stage and was struggling to sustain business revenues and meet expenses. It was also struggling to explore market linkages and serve members in the area of sale of produce at fair prices.

The Agri Business Promotion Unit (ABPU), under the above project, took over the extensive promotion of SKPCL in terms of market linkage, credit linkage and capacity- building of its BoDs and CEO.

The ABPU adopted a stage-wise process. Firstly, it helped in securing the necessary licenses for setting up an input shop, following which dealership was sought from Tropical, IFFCO and UPL. Then, the FPC established a outlet and started business operations.

Soon after, the ABPU team worked on helping the FPC take a mandi license and for this, the ABPU team took a state-level policy change initiative wherein all the FPCs in the state were able to get licenses at a minimal security deposit of INR 1 lakh (which was earlier INR 3 lakh). Once the FPC had the mandi license, the ABPU team supported it in getting the demat account and comtrack account opened at NCDEX and organised a workshop with NCDEX officials where the

benefits of future trading were discussed. Training and capacity-building continuously on various topics helped the FPC directors to understand and gain market intelligence and within 6 months of ABPU intervention, the FPC was doing the output business in soybean on its own. However, there were concerns as the NCDEX wanted only high quality material and the member farmers had a mixed material quality. Then, the ABPU team linked the FPC to Vippy Industries, Kirti Soya, AV Agro Industries, ITC Ltd. etc. and for the first time, the FPC did a business of around INR 110 lakh.

Soon after soybean, the FPC went into the business of onion, wheat and Bengal gram, performing superbly, and the farmers in the locality were appreciative of the services of the FPC. However, as the FPC business grew, the need for working capital came up and the ABPU facilitated the preparation of a Business Plan and loan proposals that were submitted to Bank of Baroda, State Bank of India and Samunnati Finance. The first turnaround on the proposal was Samunnati Finance and it gave INR 25 lakh as working capital loan to FPC for output/ forward market trading. As the word of mouth of the service FPC was providing spread among the farmers in the locality, the shareholders' base started to increase and soon the FPC farmer base increased to ~1500 farmers from the 660 farmers initially. After a year of focusing on market linkages, the FPC thought of giving the Input business a try again, and they opened a shop in the village where they are headquartered, and this time they opened an IFFCO- IFFDC Centre which was basically a 'one stop shop' concept from IFFCO, wherein the farmers get all IFFCO brand products. It was a huge success and within 6 months of opening, the FPC did a business of ~INR 50 lakh. Looking at the multifold growth, the FPC director approached the Bank of Baroda with the APBU team for loan as the Samunnati Finance loan was for the output business only. Looking at the impressive business, the Bank of Baroda sanctioned an INR 15 lakh loan to SKPCL and it was a Cash-Credit loan that could be used in any kind of business activity.

Looking at the journey of SKPCL and the support from the ABPU team at each and every step, the Chairman Mr. Sanjay Solanki said, " If the ABPU team had not helped, we would have had to close the business operation like the other FPCs promoted by the RI. Today we are able to serve our fellow farmers and we are proud to say that we are a part of SKPCL. SFAC and Grant Thornton have been of great support to us."

## Outcomes and the Road Ahead

- The turnover of the FPC increased from INR 1.73 lakh in FY 2017-18 to INR 101.48 lakh in FY 2019-20
- From a loss of INR 0.06 lakh in FY 2017-18 the FPC turned to profit the next year
- Working Capital loan of INR 15 lakh with Bank of Baroda, INR 25 lakh with Samunnati Finance
- SKPCL plans to increase outreach and open a new input store in a nearby village and reach new heights of business by diversifying the business avenues to new segments such as seed production in the future

### Before

- Turnover - ~2 lakh
- Farmers outreach - 40
- Profit/(Loss) - (- INR 0.06 lakh)
- Shareholders - 660
- Business of gram trading only
- No credit linkage
- No market linkage

### ABPU intervention

- Credit Linkage
- Market Linkage
- Training and Capacity building
- Supply chain building
- Business planning
- Brand Promotion
- Input linkages
- Farmers awareness program

### After

- Turnover increased by around 58 times from INR 1.73 lakh to INR 101.48 lakh in 2 years
- Profit - ~ INR 3 lakh
- Shareholders - ~1500
- Business Line - Inputs business, Forward Market Linkage, Seed Production and vegetables sales
- Credit Linkage - INR 15 lakh from Bank of Baroda/ INR 25 lakh Samunnati Finance
- Market Linkages - 10 market linkages with big corporates
- Farmers outreach - ~1100



## Case study IX

# Jaisinagar Soya Samridhi Producer Co. Ltd., Madhya Pradesh

### Profile

The FPC is located in Jaisinagar block of Sagar district. The Farmers Producers Organisation (FPO) has a direct outreach in 21 villages with an area of 5776 acres and another 10 villages are under indirect outreach, where the FPC do not have shareholders but the farmers are regular buyers of the FPC. The producer company consist of 75 Farmer Interest Groups (FIGs) from the registered 1500 small/ marginal farmers.

### Constraints and intervention

The FPC members were facing challenges like the unavailability of quality inputs, high prices, non-availability at right time etc. They also faced challenges in selling their output produce at a fair rate, leading to distress selling of upto 70% of their produce, especially wheat. Local traders in the mandi were exploiting them by ways of deduction in weight while weighing in the mandi and the waiting period for payment was long, if sold to the local village intermediary. Also, the directors did not have proper support and guidance on business management. The FPC also did not have enough capital, nor linkages to leverage and increase business volumes. The FPC was struggling to explore market linkages and serve members in the area of sale of produce at fair prices.

The ABPU adopted a stage-wise process and firstly, it helped in getting the necessary licenses for setting up an input shop. After this, a dealership was sought from IFFCO and Dhanuka. The local dealer had been selling fertilizer at above 10%-15% premium than the government-set prices. The IFFCO centre acted as a 'one stop shop' for farmers as the FPC also gave advice on how to use the insecticide and on nutrient management. After a year, the FPC, RI and ABPU team, during the Annual General Meeting, observed that the farmers were using fertilizer at quantities that were much higher than the required dosage.

Soon the ABPU team and RI jointly organised a meeting with Mahindra and set up a small soil testing lab where, before the season itself, the farmers brought soil samples and got it tested. Along with this, the FPC trained the farmers to understand the soil test report and suggested the required dosage of fertilizer as well as provided a total crop advisory for Soybean and Wheat.

After the successful intervention in the inputs business, the FPC

saw an increase from 200 shareholders to 1500 shareholders in the shareholding base within 2 years. The demand for forward linkage came up from farmers and the FPC was linked to corporates for the sale of soybean, wheat and onion. The ABPU team facilitated linkages with Adani Wilmar, Shalimar Oils, ITC, Olam and NCDEX. Continuous training and capacity-building on various topics helped the FPC directors to understand and gain market intelligence, and within 6 months of the ABPU intervention, the FPC was doing the output business in soybean on its own. It also diversified the business line into seed production. For developing a better understanding of the open market, trading, the ABPU team organised several rounds of exposure visits to the processing plant of Adani Wilmar and warehouses of ITC Ltd. to understand the quality analysis process. Soon after soybean, the FPC went into business of onion and wheat and did fairly well. The farmers in the locality were appreciative of the services of the FPC. However, as the FPC business grew, the need for working capital came up and the ABPU facilitated the process of preparation of a Business Plan and loan proposals that were submitted to State Bank of India and Nabkisan Finance. The first one to support the proposal was Nabkisan Finance and it offered INR 30 lakh as a working capital loan to FPC for output/ forward market trading.

Looking at the multifold growth, the Branch manager of SBI, Regional Office, approved the proposal submitted and sanctioned INR 10 lakh as a loan to JSSPCL. It was a Cash Credit loan and could be used in any business activity. This was the first of its kind, a collateral-free loan to the FPC in Madhya Pradesh.

### Outcomes and the Road Ahead

#### The outcomes

- The turnover of the FPC increased from INR 11.69 lakh in FY 2017-18 to INR 52.45 lakh in FY 2019-20
- From profit of 0.03 lakh in FY 2017-18 the FPC turned to profit of INR 0.73 lakh in 2018-19 and INR 7 lakh in the latest FY 2019-20
- Working Capital loan of INR 10 lakh from State bank of India, INR 30 lakh from Nabkisan
- JSSPCL plans to increase outreach and open a new input store in a nearby village and reach new heights of business by diversifying the business avenues to new segments such as seed production of soybean and other crops

## Before

- Turnover - ~INR 11 lakh
- Farmers outreach - 200
- Profit - INR 0.03 lakh
- Shareholders - 200
- Business of soybean trading
- No credit linkage
- No market linkage

## ABPU intervention

- Credit Linkage
- Market Linkage
- Training and Capacity building
- Supply chain building
- Business planning
- Brand Promotion
- Input linkages
- Farmers awareness programmes

## After

- Turnover increased by around 5 times from INR 11.69 lakh to INR 54.45 lakh in 2 years
- Profit - ~ INR 7 lakh
- Business Line - Inputs business, Forward Market Linkage, Seed Production and vegetables sales
- Credit Linkage - INR 10 lakh from State Bank of India/ INR 30 lakh Nabkisan
- Market Linkages - 8 with big corporates
- Farmers outreach - ~800



# 5.0 Way Forward



The interventions like market linkages, input connect, credit linkages, twinning with government schemes for fixed assets, crop advisory services, seed production compliance management, training and capacity-building exercises have contributed largely towards the overall performance of FPOs. These have strengthened the business sustainability of FPOs in the long run. Moreover, indirectly, these have also improved the livelihood of farmer members by augmenting their incomes, by reducing input costs and increasing income from agriculture marketing. Capacity-building training to the Board of Directors and CEOs of FPOs in developing business planning and decision-making have sharpened the skills required for professional business dealings. An FPO can achieve its targets only if its management team acquires professional and entrepreneurial skills.

The next big step could be to confederate a few FPOs in a district or state into a federal body through an SPV, to carry out intensive and vigorous marketing activities with greater scale economies, and leverage upon newly proposed schemes to promote agri infrastructure, establish storage facilities etc. Subsequently, they could also diversify into secondary processing, with a strategy to focus upon hyperlocal marketing activities for their products and building hyperlocal brands.

The intervention has demonstrated that FPOs may provide a range of value-added services to members, ranging from crop advisory and input shop services, facilitating credit and custom-hiring facilities, promoting seed production activity, developing alternate markets, facilitating establishment of common facilities for storage, processing and marketing. All FPOs need to progressively develop related capabilities. Capacity-building of the management team is the pivot. So also, is the need for enhancing statutory, legal, and quality compliance. In this specific intervention, the performance base of some FPOs, such as those in Madhya Pradesh have been relatively low. Such FPOs need to become more dynamic and target rapid growth in activity. Members and the management team need to work with vision and drive to realise this objective.

Further, some FPOs have focused on a few activities rather than on the range of activities documented as potential ones. However, under this programme itself, 35 input shops, 48 sales outlets, 13 pack-houses or secondary processing common facilities have been established already and this is only the beginning of the growth story of the concerned FPOs.

Also, there is need to disseminate the learnings from the intervention, by way of case studies of the FPOs, to better understand their growth trajectory. This will be a definite addition to the literature and help to foster and implement future development initiatives. As an enabling policy initiative, the GOI may consider the complete waiver of IT from FPOs rather than a mere 5-year holiday. The MAT that FPOs have to contribute is a burden on typical marginal and small farmer-led FPOs.

In summary, the subsequent step to this specific intervention may involve the federation of FPOs in each state so as to further enhance their bargaining power and exploitation of scale economies. Furthermore, the vibrant FPOs may now move onto the challenging task of secondary processing and value-addition, and virtually develop into a more vibrant agri-business start ups, albeit with a farmer-friendly and a farmer-led face! Moreover, the newly launched GoI programme for “Formation and Promotion of 10,000 new Farmer Producer Organizations (FPOs)” may draw upon learnings from this intervention and also work on federating block level FPOs into larger agglomeration platforms, as to help them derive benefit of even greater scale economies and bargaining power.



# Contact us

## Small Farmers' Agri-Business Consortium

NCUI Auditorium Building, 5th Floor,  
3, Siri Institutional Area,  
August Kranti Marg, Hauz Khas,  
New Delhi - 110016.  
T: +91 11 41060075, 26966037  
M: sfac@nic.in  
www.sfacindia.com

## Grant Thornton Bharat

### NEW DELHI

National Office  
Outer Circle  
L 41 Connaught Circus  
New Delhi 110001  
T +91 11 4278 7070

