

FPOs are the growth engines of Indian Agriculture

# A Case Study on Farmer Producer organizations: Graduating FIGs into FPO as a Competitive value chain actor



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**BANKERS INSTITUTE OF RURAL DEVELOPMENT**

(Designated Nodal Training Institution at Central Level by  
GoI under CSS on Formation and Promotion of 10000 FPOs)

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# FOREWORD

Fragmentation of land resources, overall rise in the cost of farm inputs/services and changing market equilibrium have together challenged the viability of the small-holder farming in India. Lack of economy of scale increases the per unit cost of production and post-harvest operations, while the small quantities of marketable produce deny adequate bargaining power to small farmers, resulting in sub-optimal net incomes for them. The primary farm producers, therefore, realize only about one third share of the retail price paid by the end consumers.

In order to overcome these challenges, adoption of collectivization or aggregation approach by the small and marginal farmers can be a prudent strategy to turn smallholder farming into a viable proposition. NABARD, under its various initiatives, has been supporting formation and nurturing of Farmer Producer Organisations (FPOs) to help small farmers to work together and leverage on their collective strengths for business participation in production, post-harvest and marketing activities and gain from higher economies of scale.

Considering the success of this approach, Ministry of Agriculture and Farmers' Welfare (MoAFW), Govt. of India, in 2020 launched a scheme to form and nurture 10000 FPOs across the country, and designated Bankers Institute of Rural Development (BIRD), Lucknow as a nodal training institution at central level for developing a national training framework and training resources for capacity building of stakeholders in the FPO ecosystem.

As a part of this responsibility, BIRD, Lucknow has developed five basic training modules and eight advanced modules, besides a comprehensive National Capacity Building Framework, Massive Open Online Course (MOOC) for FPO stakeholders and conducted case studies on FPO eco system to showcase their sustainability as a major value chain actor in order to develop the capacities of FPOs and various other stakeholders in all areas encompassing the agri-value chain activities.

I am happy to present 02 case studies on "Farmer Producer organizations: Graduating Farmers interest groups into FPO as a Competitive value chain actor", one in the series of 06 case studies conducted by BIRD, Lucknow on FPOs.

I am confident that the case studies will be immensely useful for all the stakeholders involved in promotion and development of FPOs to make it competitive value chain actor and enhancing their economic rent.

My deep appreciation to Shri Prafulla Ranjan Jha and Shri Rajesh Yadav, FMs, BIRD, Lucknow for their valuable contribution, DDMs of Dewas and Agar districts of Madhya Pradesh for their proactive support and also to NABKISAN, Mumbai and POPI/FPO officials who facilitated to bring this fruitful comprehensive document.



Shanker A Pande  
Director  
BIRD, Lucknow  
January, 2023



# EXECUTIVE SUMMARY

Farmers Producer Organization (FPO) is a *business entity* comprises of *primary producers* that replaces one or combination of value chain actors in prevailing agri and allied agriculture value chains (AAAVCs) in order to increase the producer's *economic rent*. FPOs have emerged as one of the most effective institution to address the challenges of agriculture sector in India where more than 86% farmers are small and marginal. It provides them improved access to input, technology, credit and market and it has potential to act as a catalyst of change in farming system of our country. However, there are many challenges in setting up a vibrant and member driven FPOs. Such FPOs require an ecosystem of support to grow and mature. FPOs can perform well, only when its governance, management and capital structure are strong. The success of FPOs also depends on supporting value chain actors such as Central Government, State Governments, Financial Institutions and facilitating institutions.

Of late, GoI launched a dedicated Central Sector Scheme 'Formation and Promotion of 10,000 Farmer Producer Organisations (FPOs)' in 2020 with the aim of supporting 10000 FPOs in 5 years. In the backdrop of potential expansion of FPOs under support from NABARD, SFAC, GoI, State Governments and self-promoted FPOs across the country, it was felt necessary to conduct a quick study with a view to understand various strategies and best practices adopted by them for improving sustainability to small holder farming and sharing the same with other FPOs, stakeholders, policy makers, etc.

Bankers Institute of Rural Development (BIRD), which has been designated as a nodal training Institutions at Central level under the scheme, has undertaken a quick study of two FPOs of Madhya Pradesh. The sample FPOs are (i) Ramrahim Pragati Farmers Producer Company Limited, Dewas and (ii) Samarth Kisan Producer Company Private Limited, Agar (Malwa). The key observations and findings of the study are summarized below:

## Ramrahim Pragati Farmers Producer Company Limited, Dewas, Madhya Pradesh

- To overcome the challenges faced by SHG members, Ram Rahim Pragati Producer Company Limited (RRPPCL), Dewas was registered under Company Act on 09<sup>th</sup> April 2012 owned by Self Help Groups of women, majority of them being tribal women.
- The shareholders of the FPC are 390 SHGs spread over 88 villages in Bagli block comprising approximately 5800 women members as on 31 March 2022. The paid up capital of the company as on 31 March 2022 is Rs. 70,55,740 whereas the authorised capital of the company is Rs. 1.00 Crore.
- Major challenges faced by the women members of the company were:
  - Low access to organized commodity markets
  - Lack of affordable credit
  - Low holding capacity of members
  - Lack of timely availability of quality inputs.
  - Reducing soil productivity due to high chemical fertilizers & pesticide use
  - Depleting Groundwater Levels
  - Lack of Infrastructure for storage and marketing
- Considering these constraints, RRPPCL drew a unique business path line which was not only suitable to the tribal women members but it was also catering the need of upcoming market segment based on Non-Pesticide Managed (NPM) agriculture produce and traditional crops suitable to environment. During the course of evolution of business line of the FPC, some new business activities were added in due course based on the gradual increase in the capacity of the member farmers and the demand of products in the market.
- The FPC promotes NPM Agriculture produces and markets pesticide free agricultural commodities. RRPPCL shareholder farmers are regularly trained in NPM practices by agriculture experts and in-house professionals.

Every batch of commodity procured by RRPPCL is tested for pesticide residues as per FSSAI recommendations in the Food Safety and Standards (Organic Foods) Regulations, 2017 (Jaivik Bharat Standards) in FSSAI accredited laboratories.

- Sale of agri- commodities with a focus on NPM and traditional crops both whole and processed to organized players like Safe harvest private ltd.(SHPL), Kashyap Sweetners, Snehal enterprises etc.
- Development of scientific post-harvest storage and processing facilities and also hiring post-harvest facilities available at Avantee Mega food Park, Indore.
- The SHGs formed during 1990s are still active and functional and they are managed by 5 SHG federations, operating at panchayat level. In the initial years, the corpus of SHGs were in the range of Rs. 20,000 to Rs. 30,000, which have now increased to Rs.3 to Rs 5 Lakh on an average.
- The FPO procures agri-commodities from the members. To support the member farmers in production, FPO procures good quality/ certified seeds from the registered distributors/whole sellers and supplies them to members on a no-profit basis. The FPO has acquired licence for stocking and sale of seeds. It is focusing on producing seeds to help farmers throughout the year.
- Earlier the FPO was aggregating and collecting the agri-commodities from the members at their door steps, which used to result in high operational cost. To overcome the problem, the FPO has now set up village collection centres equipped with digital weighing machine, quality check gadget and storage facilities. The FPO uses *GIS tool* to streamline the supply chain including location of various village collection centres, procurement routes with focus on better asset utilization and route optimization leading to more collection of agri-commodities with minimal transportation cost and other overhead expenses.
- The primary activities of RRPPCL is to aggregate the agricultural produce of its women shareholders, store it in warehouse under hermetic condition; carry out grading, cleaning, processing, retail packaging of the aggregated produce and post negotiations with buyers, sell in the organised market.
- In addition to sale of NPM agri commodities, RRPPCL is also engaged in packaging of all products (at present 15) currently being retailed by SHPL in NCR market. In the initial years of its operation, the company was merely aggregating and selling primary produce, but with passage of time, RRPPCL now adds value to the produce before selling it in the organised market. This has allowed the company to move up in the value chain and gain a higher share of the consumer rupee. On the other hand, the company has established itself as a reliable agency for doing job work including cleaning, grading, processing and retail packaging of agri commodities in the area. As a result some corporate players are now in negotiation with the company to do job works for them.
- Further, to expand its business horizon and to tap the captive market of SHG members, the FPO started retail business (Kirana sales) during the year 2021-22. Under this, they deliver grocery items like sugar, tea leaves, bathing soap, detergent powder and bar, salt, match box, soya oil, spices powder, etc. at wholesale rates to SHG members at their door steps. During the year 2021-22, the total turnover under retail business was approximately 2.48 Crore.
- RRPPCL has availed working capital loan from various financial institutions since 2012 with timely repayments and no defaults.

## **Samarth Kisan Producer Company Private Limited, Agar (Malwa), Madhya Pradesh**

- The Samarth Kisan Producer Company Private Limited, *Agar (Malwa), Madhya Pradesh* is a federation of agriculture-based farmers interest groups under Madhya Pradesh District Poverty Initiative Project (MPDPIP). It was *incorporated* in the year 2006 under Producer Company Act, 2003 and specialised in seed production systems.

- The number of shareholders of the company has remained consistent at 6552 shareholders since its inception
- The company, at present, is involved in the inputs, production, procurement, packaging, and retail of seeds. The company provides all the inputs like high quality production seeds, fertilisers, pesticides, weedicides, etc., and know-how about production techniques. It also provides certification for the production of high-quality breeder seeds to its member farmers. It also procures the produce, packages it, and sells the produce under its own brand, Samarth Seeds.
- FPO entered into the value chain as a main value chain actor, partly as an input supplier, partly as a post-harvest aggregator, processor, wholesaler, and retailer, and as a facilitator as a supporting value chain actor. The FPO primarily undertake three types of business, viz.
  - Seed procurement, processing, storage, and collective marketing
  - Trading business
  - Input business (Plant Protective Measures)
- With coordinated efforts through technology transfer, quality seeds and monitoring by professional experts in convergence, promotion and development measures, the yield of the major crop has increased by about 1.5 times from the pre-FPO level.
- Cost of seed input of member producer as well as non-member producer has been reduced up to extent of 25% lower than the prevailing market rate.
- The company is ranked first in Madhya Pradesh in seed production and marketing, with a total production of over 2000 MT and an annual turnover of Rs 7.8 crore.
- It also provides high quality inputs like seeds, fertilisers, weedicides, etc., access to different facilities like warehousing and technical know-how, procurement of small implements to boost production, and access to government schemes to its members to ensure member retention.
- An average premium of Rs. 116.47 per quintal over the MSP has been paid to the seed producers, which is the net incremental enhancement of the economic rent of the seed producer apart from the procurement price on MSP.
- The FPO's presence is in 22 districts of Madhya Pradesh. It aims to expand its dealer network in all 51 districts of the state. The FPO is trying to increase the production levels in its current geographical boundaries and increase its marketing network.
- The average seed yield per ha is coming to 14.04 quintals per ha, which is very little compared to the average grain yield.
- The FPO has availed working capital loan from various financial institutions (NBFC, Private Bank, Commercial bank) with timely repayments and no defaults.

## Key Observations and way forward

- *Study revealed that graduating FIGs /SHGs, which were found breeding ground of the aggregation and collectivisation models, is more appropriate institutional development model in comparison to the individual producers driven model for the suitability of the FPO ecosystem.* With strong primary groups in place, their participation in the process of FPO formation was found effective resulting in better leadership & governance of the FPO. It was observed that FPOs mature faster in cases where primary groups like Common Interest Groups (CIGs) or Self Help Groups (SHGs) are converted into FPOs without altering & diluting their original identity i.e. they continued to function as primary groups as earlier.
- The study validates the concept of FPO as a potentially vibrant umbrella business organisation for small and marginal farmers for improving viability of smallholder farming enterprises through an aggregation strategy.

- *This model also facilitate easy mobilization of the financial resources to FPOs which is critical issue in promotion and development of other FPOs.* There is a need to enhance low-cost financial resources through raising the equity share from member farmers to the minimum level of Rs. 2000 per farmer.
- There is a need to enhance the business participation of the producers through diversification of the business. It is observed that there is huge business potential in the project area both at demand and supply side of the value chains and the same is untapped so far.
- FPOs has ample opportunities to harness the potential of animal husbandry and fishery sector including input business of the sector in the sample FPO area since the area was rich in vegetative protein (soybean) and the major gradient base of poultry and fishery feed (maize and mustard).
- For enhancing the business and increasing the profit margins of FPOs and expanding the horizon of their services to members, FPOs further need to adopt combination of strategies for enhancing membership, increasing business volumes, expanding beyond local markets, dealing in multiple commodities, charting business interventions along multiple stages of the given commodity value chains, embracing better technologies, finding and accessing large capital and financial resources for business expansion, undertaking primary/secondary processing of local produce, manufacturing key farm related inputs locally, enhancing their role in agri-markets for preventing exploitative marketing practices, connecting members to wider markets for better price realisation.
- Despite the challenges in the way of promotion and development of FPOs in India, the sample FPOs have proved that there is vast potential and prospects of enhancement of economic rent for the producers through business participation in prevailing agriculture value chains and by entering as a main value chain actor through the integration mechanism of aggregation of inputs and procurement, value additions, and collective marketing.
- Infrastructure and support services, convergence of the various schemes of the government and development agencies and credit support from the financial institutions are vital factors for graduating FPOs.

**Case Study of Ramrahim Pragati Farmers Producer  
Company Limited, Dewas, M.P.**



## Background

The Self Help Groups of tribal women in Bagli block of Dewas district in Madhya Pradesh promoted by Samaj Pragati Sahayog (SPS), Dewas, an NGO working in the area since 1990's, were not getting fair prices of their produce and were exploited by landlords and money lenders of the area, a usual scenario prevalent in most of the tribal dominated area of our country. To overcome these challenges, Samaj Pragati Sahayog (SPS) initiated a Commodity Aggregation initiative in order to link these SHGs with organised markets to sell their agricultural produces.

Under the initiative, SHG federations formed by SPS used to purchase, aggregate and store the agricultural produce of the members of the SHG until prices turn favourable. The federation then facilitated the sale of the commodities to the Mandi at Indore or to institutional buyers. By purchasing produce at fair prices from the members, the SHG federation had effectively raised minimum prices for the major agricultural commodities like wheat, maize, gram, soyabean etc. in the local market and this initiative of federation attracted the wrath of local traders and money lenders. They complained to the local administrative authorities and the Mandi officials that the SHG federation by dealing in agricultural commodity business is violating the local law and as a result 02 tractor load of agricultural commodities were seized by the local administration. It is worth mentioning here that according to the Agricultural Produce Market Act, 1972, only 'the trader' or 'the farmer' can participate in the sale and purchase activity of the Mandi. On the other hand, the women members of the SHGs were generally not given their due rights to their ancestral agricultural land. Thus, by the letter of the law these women technically do not qualify to be farmers.

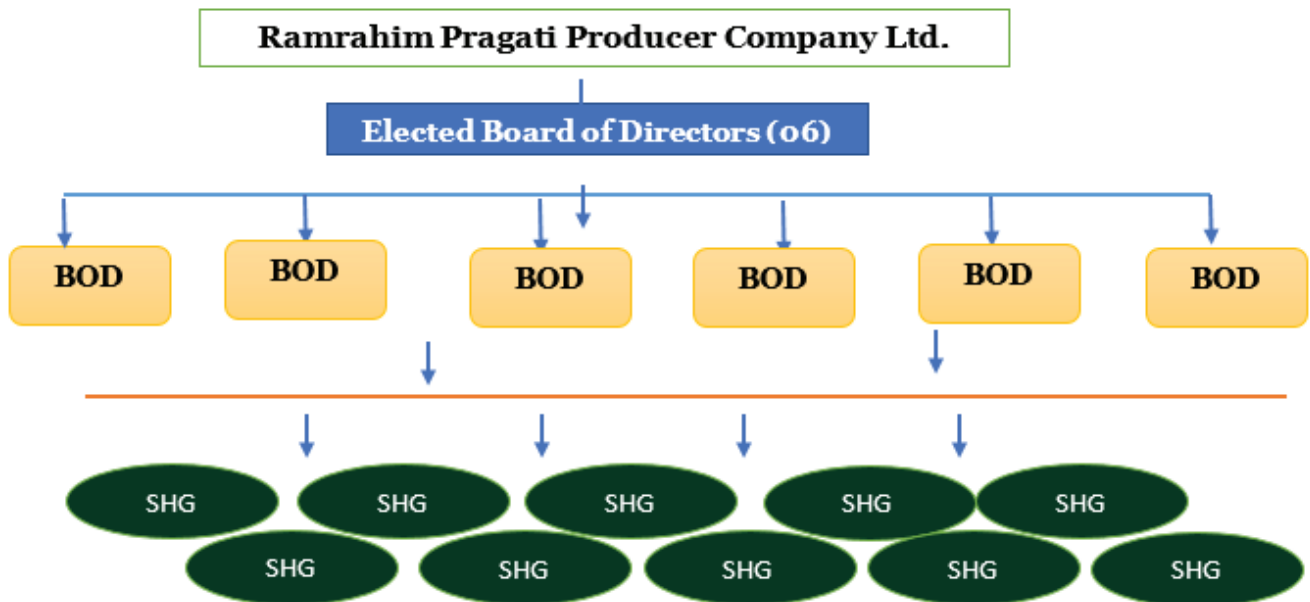
So to counter this legal hitch up and overcome the challenges faced by SHG members, SPS, the promoting NGO facilitated the formation of Ram Rahim Pragati Producer Company Limited (RRPPCL), incorporated under Part IXA of the Companies Act, 1956 on 09<sup>th</sup> April 2012 with registered office at Basanti bai Sisodiya Garden , Bagli, Dewas, Madhya Pradesh (U01403MP2012PTC028149). Hence the company was conceived to be owned not by individual women but by Self Help Groups of women and majority of them were tribal women.

## About Bagli Block of Dewas district, M.P.

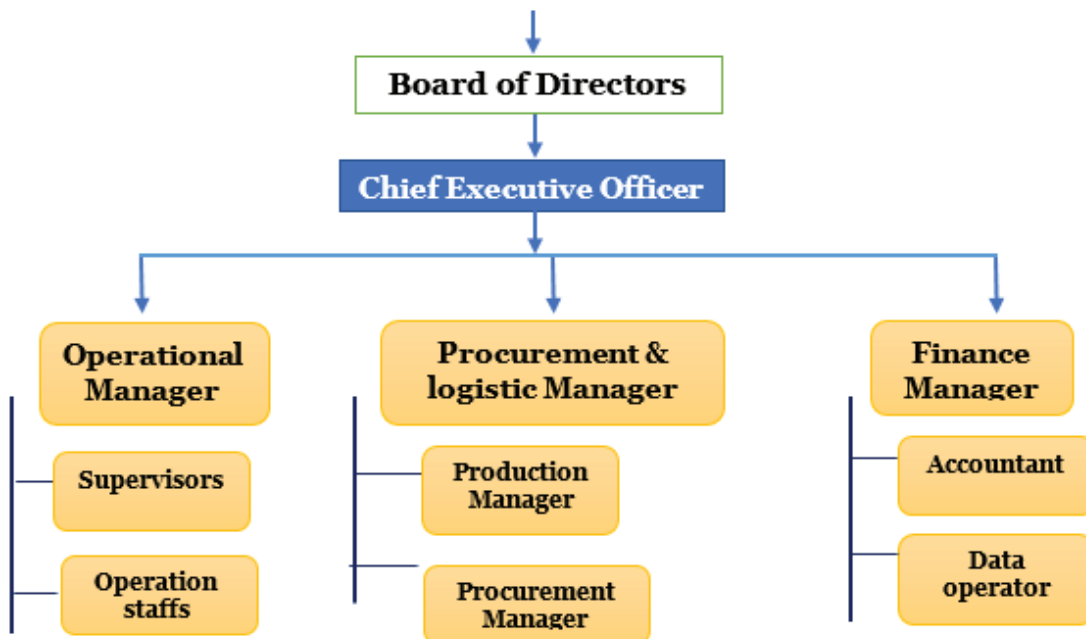
Bagli block is located in Vindhya hill range of Malwa region located 66 km towards south from district head quarter Dewas in the State of Madhya Pradesh. The resource-scarce hill terrain region of Bagli block is one of the most neglected and backward regions of Madhya Pradesh, populated by scheduled tribes (53%), Scheduled Caste (12%) and minority community (4%). The literacy rate of the block is 57.19% (2011 census) and majority of the families in the block are dependent on agriculture and allied activities for their livelihood. The major tribes in the region are Gond, Bhil or Bhilala, Korku, Banjara, Mankar & Jhamral and traditionally they depend on agriculture and collection of non-timber forest produce ( Mahua, Tendu leave, Tamarind, wild honey, wild fruits etc.) for their livelihood and majority of them are small and marginal farmers.

## Governance & Management Structure of FPO

### Governance Structure of RRPPCL, Dewas



### Management Structure of RRPPCL



## Membership and paid up capital

Depending on the membership, there are three types of producers companies- companies with individual producers as members, Companies with institutional members only ( where farmers collective like Self Help Groups (SHGs), Joint Liability Groups (JLGs), Farmers Interest Groups (FIGs) at village or panchayat level is a member) and Companies with a mix of both individual and institutional members. Past experiences have shown that FPOs mature faster in cases where primary groups like SHGs, JLGs, FIGs etc. are converted into FPOs without altering & diluting their original identity i.e. they continued to function as primary groups as earlier.

Ram Rahim Pragati Producer Company Limited was incorporated as Producer Company in 2012 by 10 SHGs. The nominated representatives of these 10 SHGs still function as Directors and promoters of the company. However, over the period of time, 390 SHGs through 05 SHG federations spread over 88 villages in Bagli block comprising approximately 5800 women are members of the Company as on 31 March 2022 and the paid up capital of the company as on 31 March 2022 is Rs. 70,55,740/- whereas the authorised capital of the company is Rs. 01.00 Crore as detailed below -

Particular	Years from the inception								
	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21
No. of Shareholder SHGs	120	162	162	162	290	304	304	304	390
Approx. no. of women members	1800	2430	2430	2430	4350	4560	4560	4560	5819
Paid up capital (In lakh)	6.50	10.45	20.00	20.00	39.03	58.80	58.80	58.80	70.56

## Evolution of Business path line of RRPPCL

In the initial years of its inception, RRPPCL started with seed production of soybean and wheat, input sale to members, decentralised collection of agriculture produce like black gram, *Moong*, *Urad* etc. from members and aggregation & sales of the produce to mandis. Since it was an organised entity, it had to pay both *mandi* tax and entry tax. Additionally, they had to pay a two per cent commission to take part in the auctions. Further, the process of cleaning, grading and sorting was centralized which effectively resulted in further increasing the costs of the logistics. Restricted by these factors, RRPPCL had to hold off selling the produce on the same day to wait till the market prices increased so as to compensate for all the additional costs. On the other hand, the prices of Bengal Gram fell by nearly 25 per cent during summer of 2013. Due to this, RRPPCL suffered losses twice its entire share capital. Considering these bottlenecks in the business, RRPPCL hired professionals to look after the business and operational aspects of the company.

The new team of CEO, Finance Manager and Operational Managers after conducting a detailed survey of the area and conducting a series of meetings with the BODs, SHG federations, SHG members and the POPI prepared a business plan for the FPC considering the strength, weakness, challenges and opportunities available in the cluster. **The major challenges faced by the women members of the company were –**

- Low Access to Organized Commodity Markets
- Lack of Affordable credit
- Low holding Capacity of members
- Lack of timely availability of quality inputs.
- Reducing soil productivity due to high chemical fertilizers & pesticide use
- Depleting Groundwater Levels
- Lack of Infrastructure for Storage and Marketing

Considering these constraints, RRPPCL draw a unique business path line which was not only suitable to the tribal women members but it was also catering the need of upcoming market segment based on Non-Pesticide Managed (NPM) agriculture produce and traditional crops suitable to environment. **Therefore, the mission and business objective of the company was defined as follows-**

- To link Non-Pesticide Managed (NPM) and traditional crops grower members with organized agricultural commodity markets.
- To provide facilities to members for aggregation, storage, processing, packaging and sell their crops at remunerative prices.
- To give access to members for high quality, low cost inputs
- Engaging members in profitable agricultural activity free from the clutches of traders and moneylenders
- Guaranteeing market for Non-Pesticide Managed (NPM) and traditional crops
- Creating opportunity to maintain ownership and control over a major part of the value chain of agricultural commodities produced by the members.

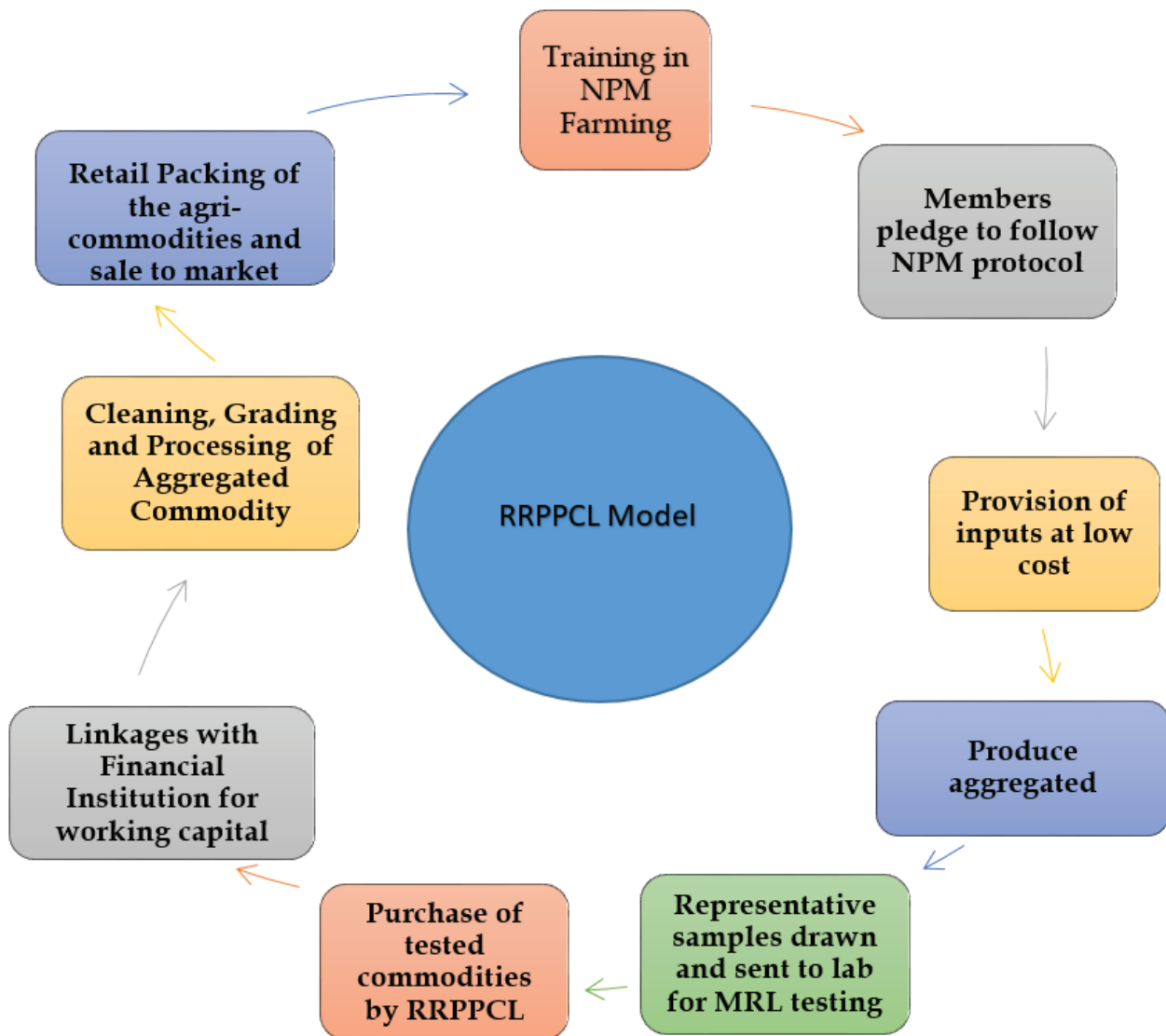
During the course of evolution of business line of the FPC, some new business activities were added in due course based on the gradual increase in the capacity of the member farmers and the demand of products in the market. However, in due course of time, RRPPCL works with member farmers to restore agricultural biodiversity in the region by promoting the revival of traditional crop varieties which was traditionally practiced by majority of the tribal farmers. These varieties were targeted as the niche products of the company for marketing.

Further, with support from the promoting NGO, the company promotes Non-Pesticide Management of Agriculture (NPM) produces and they market pesticide free agricultural commodities. The NPM movement encouraged farmers to grow crops without the use of synthetic chemical pesticides or herbicides, using natural pest control techniques and helps create an identity for their produce by linking the NPM farmers to organised markets. RRPPCL shareholder farmers are regularly trained in NPM practices by in house professionals and by agriculture experts. Every batch of commodity procured by RRPPCL is tested for pesticide residues as per FSSAI recommendations in the Food Safety and Standards (Organic Foods) Regulations, 2017 (Jaivik Bharat Standards) in FSSAI accredited laboratories.

## Steps taken by RRPPCL to meet the challenges



## RRPPCL model of Business activities



## Present key business activities of RRPPCL

The primary activities of RRPPCL is to aggregate the agricultural produce of its women shareholders, store it in warehouse under hermetic conditions; carry out grading, cleaning, processing; retail packaging of the aggregated produce and post negotiations with buyers sell it in the organised market. In the last 3 years, in addition to sale of NPM commodities to Safe Harvest Private Limited (SHPL), the company has also sold NPM commodities to local market and to Indore based business entities at a negotiated price. The company also provide quality certified input supply like Seeds (Kharif/Rabi), bio-pesticides to its member farmers. For FY 2020-21, RRPPCL has entered into an agreement with SHPL to sell retail quality whole wheat (sharbati), wheat flour (sharbati), broken wheat (daliya), bengal gram, kabuli chana, gram flour (besan) and tur dal. In addition to sale of NPM agri commodities, RRPPCL is also engaged in packaging of all products (at present 15) currently being retailed by Safe Harvest Private Limited in the market of NCR. In the initial year of its operation, the company was merely aggregating and selling primary produce but over a period of time, RRPPCL now carries out cleaning, grading, processing and

retail packaging of the agri commodities before selling it in the organised market. This has allowed the company to move up in the value chain and gain a higher share of the consumer rupee. On the other hand, the company has established itself as a reliable agency for doing job work including cleaning, grading, processing and retail packaging of agri commodities in the area as a result some corporate players are now in negotiation with the company to do job works for them.

Further, to expand its business horizon and to tap the captive market of SHG members, the FPO started retail business (Kirana sales) during the year 2021-22. Under this new business they deliver grocery items like sugar, tea leaves, bathing soap, detergent powder & bar, salt, match box, soya oil, spices powder etc. at wholesale rates to SHG members at their door steps. During the year 2021-22, the total turnover under retail business is approximately 2.48 Crore.

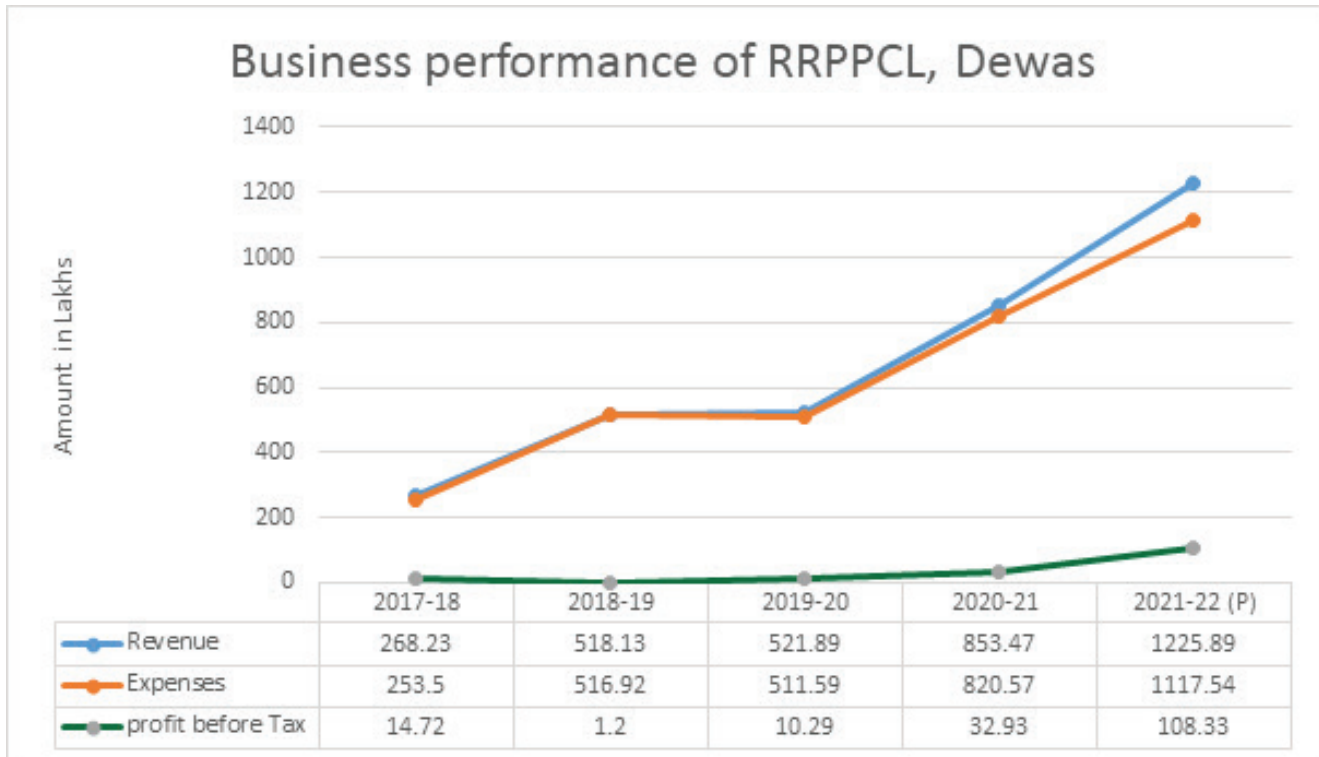


## Snap shot of major business activities undertaken by RRPPCL, Dewas

S. N.	Particular	2019-20	2020-21	2021-22
<b>1</b>	<b>Input Business</b>			
1.a	No. of members purchasing input	2400	2800	2950
1.b	Sale of certified Kharif seeds (Maize, Red gram, Tur, Mung, Urad, castor, sorghum, sesame) and Rabi seeds (Wheat, Gram, Sun flower & Coriander) in Ton	40.27	46.60	58.63
1.c	Sale of certified Kharif and Rabi seeds in Lakh	119.05	160.00	192.38
<b>2.</b>	<b>Aggregation of Primary Produce</b>			
2.a	Aggregation of primary produce from Members ( No. of members)	2728	2850	3000
2.b	Aggregation of primary produce in Ton - Both kharif and Rabi – Wheat , Pulses –Gram (Vishal, Dollar, Kak-2, Red gram, Mung), Maize etc.	1191	2100	2200
2.c	Approx. Value of Aggregated produce in Lakh	301.00	538.39	572.00
<b>3</b>	<b>Sales of Primary Produce</b>			
3.a	Sales of primary produce in Ton (Wheat, pulses & Maize )	783	806	924
3.b	Sales of primary produce in Lakh	231.00	251.00	317.88
<b>4</b>	<b>Sales of processed /value added produce after cleaning, grading, milling and packaging</b>			
4.a	Sales of processed /value added produce in Ton (Wheat flour, processed pulses, Maize flour)	328	805	975
4.b	Sales of Processed/ value added Produce in Lakh	130.00	363.00	415.01
<b>5</b>	<b>Job work for organized companies</b>			
5.a	Job work (Rs. In Lakh) – Retail packaging of more than 15 agri-products – wheat flour, processed pulses, maize flour, kabuli chana, Daliya, rajma, Poha, Jaggery, whole wheat, green gram etc. for organized players	0	19.10	25.40
<b>6</b>	<b>Retail business of kirana items with SHG members</b>			
6.a	Retail business with SHG members includes home delivery of quality products like Sugar, Tea, Detergent powder & Cake, Bathing soap, Spices like coriander/chilli/turmeric powder , Soya oil etc.	0	34.40	248.41

## Financial Performance of FPO

The glimpses of business performance of RRPPCL, Dewas for the last 04 years is depicted below -



However, the comparative analysis of balance sheet, profit & loss account of RRPPCL, Dewas for the last 04 years have been presented in Annexure –I along with ratio analysis of some key financial parameters. Further, the major business activities undertaken by the FPO in the last 03 years has been summarized in Annexure –II.

### Financial Resource Management, Credit linkages and Repayment Status

RRPPCL has availed working capital loan from various financial institutions since 2012. All the working capital loans availed by the company were closed after due repayment as per schedule. At present 03 loan accounts are operational and regular as on 01.03.2021.

S.N.	Name of the Bank/FI	Date of Sanction	Amt. In lakh (Rs.)	RoI in %	Security	Outstanding, Defaults, if any
1	IDBI Bank	29.10.2012	49.36	12	WHR*	Nil
2	BOI, Bagli	5.12.2012	120	12	WHR*	Nil
3	NABARD	28.02.2014	20	15	Hypothecation Deed	Nil
4	Nabkisan	03.11.2017	100	11	Do	Nil
5	Avanti Finance	31.03.2018	200.00	12	Do	Nil

6	Friends of WWB India	26.10.2018	70	14	Do	Nil
7	Friends of WWB India	16.03.2017	50.00	13	Do	Nil
8	Friends of WWB India	23.03.2016	35.00	13	Do	Nil
9	Friends of WWB India	10.11.2016	50.00	13	Do	Nil
10	Friends of WWB India	21.11.2014	50.00	13	Do	Nil
11	Friends of WWB India	24.10.2013	50.00	10	Do	Nil
12	Friends of WWB India	01.03.2019	150.00	14	Do	Nil
13	Nabkisan	02.04.2019	100.00	10.95	Do	Nil
14	Friends of WWB India	22.01.2020	100.00	14	Do	87.50
15	Nabkisan	27.03.2020	100.0	10.75	SFAC CG#	83.92
16	Nabkisan	04.05.2020	100.0	11.10	Fixed Deposit collateral	85.46

\*WHR – Ware house receipt, #CG – Credit guarantee

## The infrastructure available with RRPPCL are as under

S.N.	Particular	Capacity	No. of unit	Location
1	Warehouse	500 ton	1	Bagli, Dewas
2	Rural Godown and aggregation Centres	100 ton	2	Udainagar and Kantaphod
3	Cleaning and Grading Machine – Classifier, Gravity Separator, Destoner and Vibro Machine		1	Bagli, Dewas
4	Packaging Machine-Pouch Sealing Machine, Printing Machine, Vibro Machines		1	Bagli, Dewas
5	Packaging Plant	3000 sqft space taken on lease basis		Avantee Mega Food Park, Dewas
6	Airtight Hermetic Storage Bags	177 tons for storing agri-produce		Bagli, Dewas

## Enabling factors for RRPPCL, Dewas

- Sale of agri- commodities with a focus on Non pesticide Managed(NPM) and traditional crops both whole and processed to organized players like Safe harvest private ltd., Kashyap Sweetners, Snehal enterprises etc.
- Development of scientific post-harvest storage and processing facilities and also hiring post-harvest facilities available at Avantee Mega food Park, Indore.
- The SHGs formed during 1990's are still active and functional and they are managed by 5 SHG federations operated at panchayat level. In the initial years the corpus of SHGs were in the range of Rs. 20000/- to Rs. 30,000/- which has now graduated to Rs. 3-5 Lakh on an average.
- The FPO is procuring agri-commodities from the members. To support the member farmers in production, FPO supplies the good quality / certified seeds to members by procuring it from the registered distributor/ whole seller. It is mainly supplied on cost to cost basis to ensure that the member farmer do not procure low quality seeds from local market. The FPO has acquired licence for stocking and sale of seeds and now they are focusing on producing their own seeds to help farmers throughout the year.
- Earlier the FPO was aggregating and collecting the agri-commodities from the members at their door steps resulted in high operational cost and quality issues. To overcome the problem, the FPO has now set up village collection centres equipped with digital weighing machine, quality check gadget and storage facilities. Now the FPO uses GIS tool to streamline the supply chain including location of various village collection centres, procurement routes with focus on better asset utilization and route optimization leading to more collection of agri-commodities with minimal transportation cost and other overhead expenses.

## Issues/Problems / Questions

**You are a new CEO of the above FPO. Based on the above background, attempt the following questions -**

1. What are the operational and governance related issues faced by the FPO in the initial years and how it has addressed the issues?
2. Can you suggest some alternative business models for the FPO?
3. Identify the risks involved in each business of the FPO?
4. What are the potential business opportunities available to the FPO?

## ANNEXURE: I

### RAMRAHIM PRAGATI FARMERS PRODUCERS COMPANY LIMITED, DEWAS, MP

Amount in INR

Balance Sheet for the year ending 31st March....

Year End	Mar-2021	Mar-2020	Mar-2019	Mar-18
<b>LIABILITIES</b>				
Share Capital	70,55,740	58,80,240	58,80,240	58,80,240
Reserves	20,07,133	-12,85,941	-23,15,679	-24,36,122
<i>Total Shareholder's Fund</i>	<b>90,62,873</b>	<b>45,94,299</b>	<b>35,64,561</b>	<b>34,44,118</b>
<b>Non-Current Liabilities</b>				
Long -Term borrowings	-	-	-	-
Deferred Tax Liability	673	673	673	673
<i>Total Non-Current Liabilities</i>	<b>673</b>	<b>673</b>	<b>673</b>	<b>673</b>
<b>Current Liabilities and Provisions</b>				
Short-term borrowings	<b>1,19,94,730</b>	<b>50,05,715</b>	<b>1,84,66,178</b>	<b>1,50,22,438</b>
<i>Unsecured</i>	<i>1,19,94,730</i>	<i>50,05,715</i>	<i>1,84,66,178</i>	<i>1,50,22,438</i>
<i>Secured</i>	-	-	-	-
Trade payable	<b>2,04,60,943</b>	<b>1,53,29,362</b>	<b>74,51,720</b>	<b>1,01,53,586</b>
Other current liabilities	<b>2,87,118</b>	<b>2,09,254</b>	<b>1,41,967</b>	<b>4,55,466</b>
Provisions	-	-	-	<b>2,82,836</b>
<i>Total Current Liabilities &amp; Prov.</i>	<b>3,27,42,791</b>	<b>2,05,44,331</b>	<b>2,60,59,865</b>	<b>2,59,14,326</b>
<b>Total Liabilities</b>	<b>4,18,06,337</b>	<b>2,51,39,303</b>	<b>2,96,25,099</b>	<b>2,93,59,117</b>
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
<b>Property, Plant &amp; Equipment</b>				
<i>Gross Block -Tangible Asset</i>	<i>9,75,667</i>	<i>5,15,789</i>	<i>4,74,052</i>	<i>7,85,649</i>
<i>Accumulated depreciation -Tangible</i>	<i>8,43,648</i>	<i>4,19,777</i>	<i>2,55,690</i>	<i>1,59,592</i>
<i>Gross Block -intangible Asset</i>	<i>13,500</i>	<i>13,500</i>	<i>13,500</i>	<i>13,500</i>
<i>Accumulated depreciation -intangible</i>	<i>12,825</i>	<i>12,825</i>	<i>12,825</i>	<i>12,825</i>
<b>Net block</b>	<b>21,32,694</b>	<b>10,96,687</b>	<b>12,19,037</b>	<b>6,26,732</b>
Capital work-in-progress	-	-	-	-
d)Intangible assets under dev.	-	-	-	-
Non-Current Investment	<b>2,50,000</b>	<b>2,50,000</b>	<b>2,50,000</b>	<b>2,50,000</b>
Deferred Tax Assets (Net)	-	-	-	-
Long-term loans and advances	-	-	-	-

Other Non-current Assets	<b>6,03,455</b>	<b>5,48,000</b>	<b>4,09,000</b>	<b>3,80,000</b>
Total non-current assets	<b>29,86,149</b>	<b>18,94,687</b>	<b>18,78,037</b>	<b>12,56,732</b>
Current Assets				
Current Investments	-	-	-	-
Inventories	3,24,44,193	1,77,79,849	1,64,48,302	2,51,26,488
Trade Receivable	27,86,381	32,67,854	34,72,612	20,42,154
<i>of which, O/S for a period of 6 months</i>	2,24,744	20,76,013	8,98,608	5,55,654
<i>Others (including creditors dr. balance)</i>	15,61,637	11,91,841	25,74,004	14,86,500
Cash and Cash Equivalent	30,99,094	11,60,687	74,06,850	6,20,262
Loans and Advances	6,32,435	11,78,141	4,92,323	4,12,615
<i>of which considered doubtful</i>	1,41,915	1,41,915	1,41,915	1,41,915
<i>Less provision for doubtful assets</i>	-1,41,915	-1,41,915	-1,41,915	-1,41,915
Other current assets	-	-	68,890	42,781
Total current assets	<b>3,88,20,188</b>	<b>2,32,44,616</b>	<b>2,77,47,062</b>	<b>2,81,02,385</b>
Total Assets	<b>4,18,06,337</b>	<b>2,51,39,303</b>	<b>2,96,25,099</b>	<b>2,93,59,117</b>

Authorized equity capital of 10,00,000 shares of Rs.10/- each and the company has only one class of equity share

COMPANY NAME: RAMRAHIM PRAGATI FARMERS PRODUCERS COMPANY LIMITED

Amount in INR

Profit & Loss for the year

Year	2020-21	2019-20	2018-19	2017-18
INCOME				
Revenue from operations	8,01,39,303	4,98,23,332	4,93,54,550	2,61,43,212
Income from Job work	25,00,912	-	-	-
Other Income	27,07,179	23,66,045	24,58,226	6,80,167
Total Revenue	<b>8,53,47,394</b>	<b>5,21,89,377</b>	<b>5,18,12,776</b>	<b>2,68,23,379</b>
EXPENDITURE :				
Purchase of stock in trade	<b>8,20,44,541</b>	<b>4,35,75,118</b>	<b>3,36,80,066</b>	<b>3,67,42,921</b>
Manufacturing Expenses	-	-	-	-
Changes in inventories - Stock-in-trade				
<i>At the beginning of accounting period</i>	1,75,70,304	1,61,46,549	2,47,26,581	89,02,972
<i>At the end of accounting period</i>	3,21,02,864	1,75,70,304	1,61,46,549	-2,47,26,581
(Increase) / Decrease in inventory	<b>-1,45,32,560</b>	<b>-14,23,755</b>	<b>85,80,032</b>	<b>-1,58,23,609</b>
Employee benefits expenses	5,70,614	1,43,000	95,065	-

OE- Procurement, Maintenance & Taxes	65,99,567	40,58,659	43,43,012	15,51,475
OE - Administrative Expenses	12,00,734	6,80,710	5,11,553	9,11,533
OE - Selling and distribution expenses	18,20,159	22,98,822	19,14,869	12,47,306
Depreciation & amortization expenses	4,23,871	1,64,087	96,098	54,437
Finance cost	39,30,363	16,62,998	24,71,639	6,66,552
<b>Total Expenditure</b>	<b>8,20,57,289</b>	<b>5,11,59,639</b>	<b>5,16,92,334</b>	<b>2,53,50,615</b>
<b>Profit Before Exceptional and Extraordinary Items and Tax</b>	<b>32,90,105</b>	<b>10,29,738</b>	<b>1,20,442</b>	<b>14,72,764</b>
Extraordinary items	2969	-	-	-
Exceptional Items				
<b>Profit Before Tax</b>	<b>32,93,074</b>	<b>10,29,738</b>	<b>1,20,442</b>	<b>14,72,764</b>
<b>Tax Expenses</b>				
Current Tax	-	-	-	2,82,836
Deferred Tax	-	-	-	-11,550
<b>Profit after Tax (PAT)</b>	<b>32,93,074</b>	<b>10,29,738</b>	<b>1,20,442</b>	<b>12,01,478</b>
Dividend paid	0	0	0	0

## Important financial ratios based on the balance sheet and Profit & Loss account of Ramrahim Pragati farmers Producer Company Ltd., Dewas

Details	Year		
	2021	2020	2019
Net Sales	8,26,40,215	4,98,23,332	4,93,54,550
Cost of Goods Sold	7,46,82,162	4,63,53,022	4,66,98,175
Operating Expenses	34,44,764	31,43,619	25,22,520
Net Working Capital	60,77,397	27,00,285	16,87,197
Average working capital	43,88,841	21,93,741	19,37,628
Average Stock	2,51,12,021	1,71,14,076	2,07,87,395
Average Fixed Asset	16,14,691	11,57,862	9,22,885
Average Debtor	30,27,118	33,70,233	27,57,383
Average Creditor	1,78,95,153	1,13,90,541	88,02,653
Gross Profit Ratio	10.66%	7.49%	5.69%
Operating Ratio	94.54%	99.34%	99.73%
Operating Profit Ratio	5.46%	0.66%	0.27%
Net Profit Ratio	3.98%	2.07%	0.24%
Return on Capital Employed (ROCE)	105.77%	66.00%	73.95%
Return on Equity	36.34%	22.41%	3.38%
Retained Earning Ratio	100.00%	100.00%	100.00%
Cost of Goods Sold to Sales Ratio	90.37%	93.03%	94.62%
Current Ratio	1.19	1.13	1.06
Quick Ratio	0.19	0.27	0.43
Fixed Asset Turnover Ratio	51.18	43.03	53.48
Inventory Turnover Ratio	2.45	2.23	1.83
Days Sales of Inventory	149.08	163.37	199.60
Receivable Days	16.71	30.86	25.49
Payable Days	88.46	106.01	106.00
Operating Cycle or Cash Conversion Cycle	77.33	88.22	119.10

## Annexure -II

### Major commodity wise business dynamics and market margin of Ramrahim Pragati Producer Company Ltd., Dewas for the last 03 Years

Year 2019-20										
S.N.	Name of the commodity	quantity purchased and balance stock brought forward from previous stock (Qtl)	Average Purchase cost during the year (Rs. per Qtl)	Amount (Rs.)	Quantity sold during the year (Qtl)	Balance Stock carried forward to next year (Qtl)	Average Marketing Cost like transportation, storage, value addition etc excluding purchase cost (Rs. per Qtl)	Average selling price during the year (Rs. per Qtl)	Amount (Rs.)	Marketing Margin (Rs. per Qtl)
	1	2	3	4 (2x3)	5	6 ( 2-5 )	7	8	9 ( 5x8)	10 (8-7-3)
1	Wheat	12465.25	1841.35	22952888.09	9445.85	3019.40	1059.00	2967.51	28030654.33	67.16
2	Daliya	589.00	2749.52	1619467.28	589.00	0.00	268.49	3073.00	1809997.00	54.99
3	Maize seeds	423.11	24157.88	10221441.96	412.89	10.22	90.25	25842.48	10670101.57	1594.35
4	Wheat seeds	473.20	2900.00	1372280.00	473.20	0.00	90.25	3150.00	1490580.00	159.75
5	Chana	4205.62	4160.50	17497482.01	2296.61	1909.01	4364.00	8671.00	19913905.31	146.50
Year 2020-21										
S.N.	Name of the commodity	quantity purchased and balance stock brought forward from previous stock (Qtl)	Average Purchase cost during the year (Rs. per Qtl)	Amount (Rs.)	Quantity sold during the year (Qtl)	Balance Stock carried forward to next year (Qtl)	Average Marketing Cost like transportation, storage, value addition, operational cost etc excluding purchase cost (Rs. per Qtl)	Average selling price during the year (Rs. per Qtl)	Amount (Rs.)	Marketing Margin (Rs. per Qtl)
	1	2	3	4 (2x3)	5	6 ( 2-5 )	7	8	9 ( 5x8)	10 (8-7-3)
1	Wheat	14908.64	1801.77	26861931.28	9321.80	5586.84	990.00	2855.12	26614857.62	63.35
2	Red gram	1548.75	4895.00	7581131.25	1544.08	4.67	4939.03	10005.35	15449060.83	171.32
3	Moong (green gram)	61.556	6857.75	422135.66	61.56	0.00	1220.76	8216.65	505784.11	138.14
4	Maize	2352.205	1311.52	3084963.90	2143.45	208.76	40.68	1378.53	2954810.13	26.33
5	Daliya	810.00	2708.91	2194217.10	810.00	0.00	160.94	2908.16	2355609.60	38.31

Year 2021-22										
S.N.	Name of the commodity	quantity purchased and balance stock brought forward from previous stock (Qtl)	Average Purchase cost during the year (Rs. per Qtl)	Amount (Rs.)	Quantity sold during the year (Qtl)	Balance Stock carried forward to next year (Qtl)	Average Marketing Cost like transportation, storage, value addition, etc excluding purchase cost (Rs. per Qtl)	Average selling price during the year (Rs. per Qtl)	Amount (Rs.)	Marketing Margin (Rs. per Qtl)
6	Maize seeds	723.45	22767.48	16471133.41	713.72	9.73	94.00	24597.86	17555886.25	1736.38
7	Wheat seeds	348.40	3700.00	1289080.00	342.40	6.00	58.62	3800.00	1301120.00	41.38
8	Chana	6939.61	4406.34	30578281.13	3777.80	3161.81	3669.00	8230.12	31091747.34	154.78
1	Wheat	8213.12	1851.51	15206664.55	7830.35	382.77	922.33	2838.64	22227544.72	64.80
2	Red gram	2693.44	5830.00	15702755.20	6.30	2687.14	3565.38	9600.00	60480.00	204.62
3	Moong (green gram)	629.00	6302.22	3964096.38	629.00	0.00	1027.62	7455.66	4689610.14	125.82
4	Maize	3293.12	1359.92	4478372.95	3289.85	3.27	112.65	1628.62	5357915.51	156.05
5	Daliya	720.00	2787.84	2007244.80	720.00	0.00	205.41	3049.00	2195280.00	55.75
6	Maize seeds	538.98	22575.00	12167563.80	528.53	10.45	94.00	24512.00	12955327.36	1843.00
7	Wheat seeds	273.20	3600.00	983520.00	267.56	5.64	59.61	3800.00	1016728.00	140.39
8	Chana	6030.21	4900.00	29548029.00	3163.60	2866.61	3534.00	8584.00	27156342.40	150.00

**A Case Study : Samarth Kisan Producer Company Limited, Agar (Malwa) in State of Madhya Pradesh**



## Introduction

A Farmers Producer Organization (FPO) is a business entity comprised of primary producers that replaces one or more value chain actors in existing agri-or allied agri-value chains in order to increase the producers' economic rent. FPOs, which are a hybridization of cooperative and corporate institutional models, create an enabling environment by allowing producers to participate in alternative agri-value chains through the aggregation of input resources, collective procurement, and common infrastructure and services for processing and supply chain management.

Value chain integration for input management, technology transfer, access to formal credit, collective marketing, and risk mitigation measures allows FPOs to become competitive value actors by lowering the cost of value addition and marketing costs, as well as eliminating repetitive marketing costs such as loading and unloading, transportation, and management.

These institutional models also create an ecosystem of *tight value chains*, especially in grain and horticultural crops, through value chain integration, strategic partnering, risk management, supporting services, sustainable production, product ranges, external financing, and commercial orientation. These are the dependent variables and prerequisite parameters for the agri-value chain finance (AVCF).

For better understanding the FPO ecosystem, improving training delivery methodology and identification of policy issues, BIRD, Lucknow, has decided to undertake case studies on FPOs working in different regions of India and find out the specialisation in particular segments of the FPOs' business path lines.

A case study was conducted in respect of *Samarth Kisan Producer Company Limited, Agar (Malwa) in the State of Madhya Pradesh*, which was incorporated in the year 2006 under the Producer Company Act, 2003 and specialised in seed production systems.

## 1. Background and issues catalyse for incorporation of FPO

### Built-up stage : MP-DPIP's initiatives

Madhya Pradesh is a leading agriculture state in the country and contributes substantially to the agriculture GDP of India. MPDPIP (Madhya Pradesh district poverty initiative project) is a World Bank-funded ambitious poverty alleviation programme of the Govt. of Madhya Pradesh started in 2000. This project is implemented in 14 districts of the state. The project has adopted a holistic and alternative approach for livelihood and income generation by strengthening market-driven processes at village level. The project is based on a participation development process. The activities of the project are facilitated through the project facilitation team (PFT) at village cluster level. This demand-based project has supported 3.5 lakh rural families by organising them into 56 thousand Common Interest Groups (CIG). Major investment has been made in activities like irrigation infrastructure creation, land reforms, and agriculture productivity enhancement. Under this project, producers have been organised through community-based business initiatives to reap the potential of agribusiness.

### Exit Plan of MP-DPIP leads to formation of the FPO

Requirements for institutional development for the exit plan of the initiatives undertaken under MPDPIP have led to the incorporation of a "producer company" registered under the producer company act and to provide effective financial, market, and knowledge linkages for the rural community. An exposure visit to FPO incorporated and functioning in the State of Kerala was undertaken for the producers and facilitator.

### Incorporation of the FPO

The FPO was created to encourage farmer collectivization and increase farmers' production and income. *Seeds*

are a key business activity of the company because of the *growing need for quality seeds* and the *existing demand for high-yield seeds*. There is immense potential to tap the seed market and it can also be a profitable business, but it needs infrastructure facilities to accelerate the growth rate. The company wants to ensure growth in the seed business with a *focus on increasing the seed replacement rate (SRR)*. The SRR is very low, at present, in the villages in which the company's seeds are marketed.

The Samarth Kisan Producer Company Private Limited is a federation of agriculture-based groups formed under the MPDPIP. The groups comprise small and marginal farmers of the district of Agar (Shajapur) as members. The company is a federation of several common interest groups comprising farmers who came together as shareholders of the company. The company's registered office is in Agar, Madhya Pradesh. MPDPIP is a World Bank funded, poverty alleviation project of the Ministry of Panchayat and Rural Development, Government of Madhya Pradesh.

1. **Name of the FPO** – SAMARTH KISAN PRODUCER COMPANY Ltd, AGAR MALWA, MP
2. **Date of Formation and registration** - 11 JULY, 2006

## 2. Role of promotional institute for graduating FPO

This company is basically a facilitator-driven model of the producer company. Initially, common interest groups (CIGs) were formed and market-oriented economic activities were undertaken during the years 2001 to 2005, which have the following characteristics

- PRA-based identification of livelihood activities
- Prioritization of livelihood activities
- Natural Resource Management (NRM) based activities are preferred.
- It is outfitted with a Project Facilitator Team (PFT) of five resource people.
- Needs-based CIGs were formed.
- 80% of the activities are farm-based activities and 20% are NFS.
- The financial resource convergence model was made up of 90% grant and 10% beneficiary contribution.
- During the livelihood initiatives, it was tried to disseminate the aggregation model through the purchase and selling or use of particular things.

The company owes its existence to the POPI scheme, which promoted the creation of this company. The company is a federation of the Common Interest Groups consisting of five people each, which were under the MPDPIP. The creation of a federation of CIGs was promoted by the government to achieve the scale required for producer companies to become profitable. The members were inspired to join the company as shareholders after observing the benefits that being associated with the company accrued to them.

## 3. Know Your Cluster (KYC) : Base line survey and diagnostic study

### Brain-storming and Identification of economic activities

It was perceived and observed that despite not having land for seed production, private seed companies are able to produce sufficient seeds and undertake marketing outreach to meet 90% of demand. The cost of seed was found to be higher on account of high marketing costs due to multiple value chain actors (4-5). Further, most of the economic rent from the seed production value chain is found in favour of private companies. It is also found that the value chain is not based on inclusive growth but on earning more and more profit in favour of private companies.

## Potential Mapping of Seed Business Plan

S. No.	Crop	Crop Area (Ha)	Total Seed Demand @40% SRR (Quintal)
1	Soybean	112000	33600
2	Maize	28000	8400
3	Wheat	70000	21000
4	Gram & Coriander	42000	12600
	<b>Total</b>	<b>252000</b>	<b>75600</b>

A seed potential demand of 75600 quintal was estimated considering a total crop area of 2.52 lakh ha of the 5 selected crops, namely soybean, maize, wheat, gram, and coriander, and a seed replacement rate of 40%.

Potential mapping of the seed requirement has been scrutinised on the basis of the major crops in districts, the average seed rate recommended by the ICAR and 40% of the SRR. The total requirement of the seed for the district of Ager (Malawa) is estimated at 86,720 quintals and 80,820 quintals for the selected crops of FPO.

Crops	Av crop Area of District (Ha)	Average Seed Rate (Kg/Ha)	Seed Requirements (q) @ 40% SRR
Soya	128500	60	30840
Maize	17000	22.5	1530
Jwar	600	37.5	90
Wheat	89000	112.5	40050
Gram	42000	50	8400
Pulses	62000	22.5	5580
Oil Seed	11500	5	230
Sub Total	<b>350600</b>		<b>86720</b>

Crops	Av crop Area of District (Ha)	Average Seed Rate (Kg/Ha)	Seed Requirements (q) @ 40% SRR
Soya	128500	60	30840
Maize	17000	22.5	1530
Wheat	89000	112.5	40050
Gram	42000	50	8400
	<b>276500</b>		<b>80820</b>

It is observed that the estimated potential of the seed requirements by FPO is found reasonable for the business opportunity and business plan. However, the estimated seed business potential is equal to 24 times the total seed requirements of the producer member. It means the business plan of the company is based on the production of the seed by the producer member and most of the seed is to be marketed to non-producer members of the district.

## Prioritization of economic activities

FPO prioritised seed input business in its business plan, taking into account the competitive advantages of the following parameters:

- Seed production on the producer's land (reduced direct marketing costs)
- Demonstrative effect and close monitoring of seed quality by FPO specialists
- FPO Seed Policy Transparency Prior to Season Start
- "Incentive and disincentive mechanisms" of risk mitigation measures for seed producers and seed purchasers in the event of crop success or failure
- There is easy availability of the other inputs on credit through government agencies, especially fertiliser.
- State government incentives for production and distribution subsidies

FPO has also estimated activities-wise potential of average gross margin available through participation of FPO as input dealer, seed procurement, seed processing, seed storage and seed marketing to the producer member and non-member. The following was the estimated average margin:

S. No.	Particulars	Average Margin (%)
1	Fertilizer	Rs. 300 / MT
2	Plant Protection	1-30%
3	Seed production, processing and marketing	5-20%
4	Farm Mechanization	5-15%
5	Grain Trading	1-1.5%

The company is at present involved in the inputs, production, production, procurement, packaging, and retail of seeds. The company provides all the inputs like high quality production seeds, fertilisers, pesticides, weedicides, etc., and know-how about production techniques. It also provides certification for the production of high-quality breeder seeds to its member farmers. It also procures the produce, packages it, and sells the produce under its own brand, Samarth Seeds.

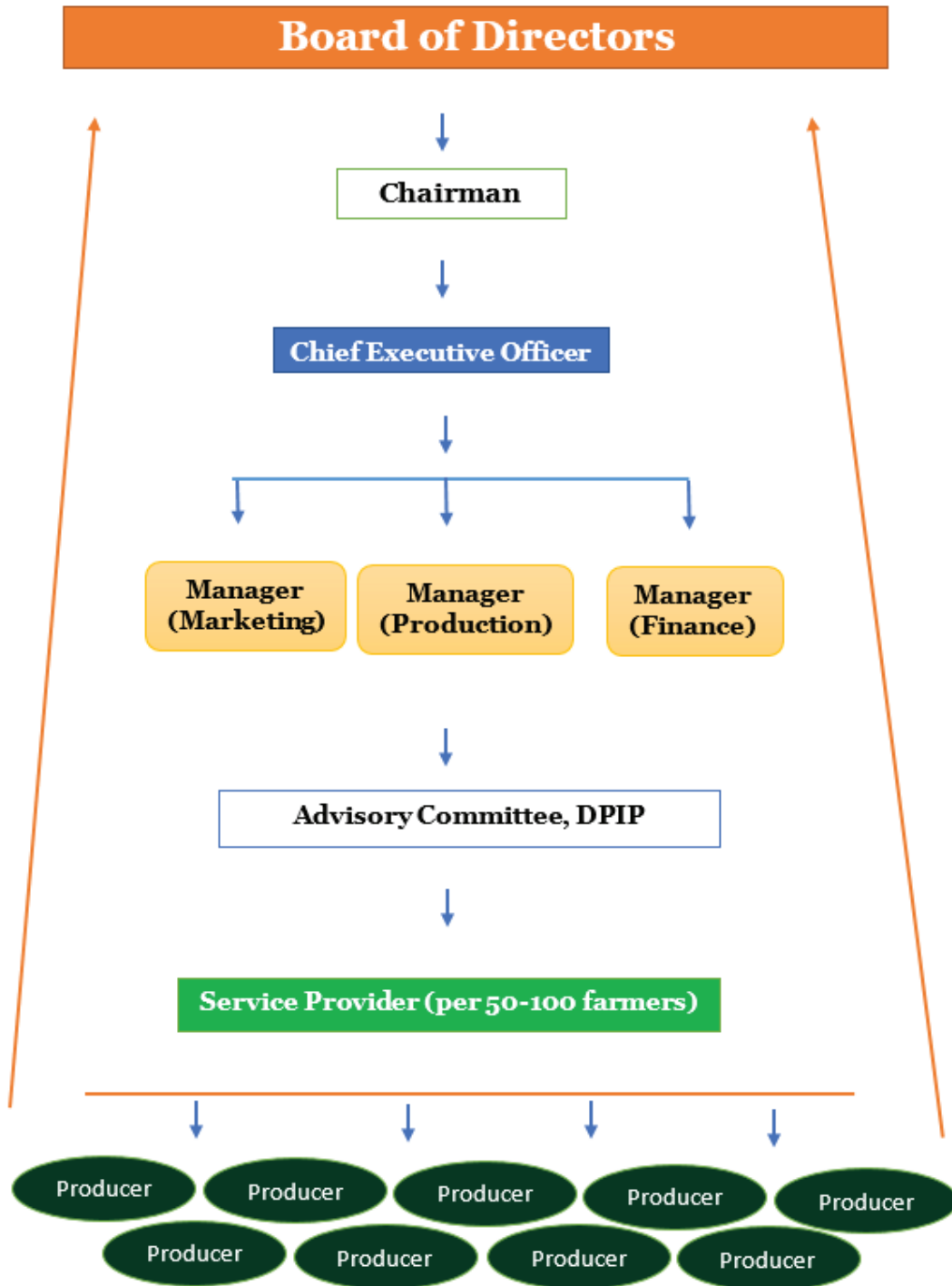
The company is ranked number one in Madhya Pradesh in the fields of seed production and marketing, with a total production of over 2000 Mt and an annual turnover of over 7.8 crore.

## 4. Structure of the Farmer Producer Organization

**As per the structure of the FPO there are three groups of major stakeholders which are as under :**

1. *Cooperative structure* of the FPO comprising members of CIGs (producers) who elects board of directors the FPO
2. *Corporate structure* of the FPO comprising CEO, Specialised Managers, Service Providers and staff who are the real executors of the operation and management of the FPOs
3. *Facilitating structure* of the FPO in the form of advisory committee responsible for overall guidance of the functioning of the FPO

Overall structure of the FPO can be illustrated as under :



**No. of shareholders :** The number of shareholders of the company has remained consistent at 6552 shareholders since its inception. All farmers are small and marginal farmers. The farmers who initially came together to form the company have remained with it ever since.

**The problems faced in member retention and growth:** Member retention has never been a problem for the FPC once the farmers saw the benefits of being associated with it. The number of members has remained at 6552 since inception, and the number continues to remain the same. However, in the initial years, the farmers were reluctant to participate due to a lack of awareness about the initiative as a result of the novelty of the idea and a lack of functioning examples in this sector at that time. Another problem, faced in the later years, was that the farmers wanted to see a faster return on their investments as the share price of the FPC picked up pace.

**The strategy used for member retention and growth:** The company quotes a daily price to its members for procurement of their produce, which is higher than the prevailing prices in the APMCs and sometimes even the MSP. This encourages farmers to stay with and sell their produce to the farmers. It also provides high quality inputs like seeds, fertilisers, weedicides, etc., access to different facilities like warehousing and technical know-how, procurement of small implements to boost production, and access to government schemes to its members to ensure member retention.

**The value of one share and the share capital of FPO:** The shares had a valuation of 10 in 2006 when the company was first formed. The current value of a share is around 50. The company raised a share capital of 18.34 lakhs in the year 2006. Each of the 6552 members received 12 shares for 120/-.

There are three types of slabs for equity shares:

Slab	Number of Share	Nominal Value of Share (Rs.)
I	12	120
II	17	170
II	22	220

**Board of Directors (BODs): A member of the board of directors is elected by the shareholders :** The company has divided its shareholders into 13 wards, each comprising 500 shareholders. Every ward has one director, for a total of thirteen directors in the company. The company assesses the candidates based on their activities in the company, whether the candidate has been an early adopter of the methods being promoted and whether they have been involved in business with the company. She/he should also be aware of how the agriculture market works. The person should also be a communicator and willing to give time to the company. Every board member has a one-time tenure of five years.

## 5. Business operation and Financial Performance of the FPO

### Business operation since inception of FPO (past 15 years)

(Rs. in lakh)

S. No.	Year	Turn Over	Gross Income	Net Income	Market Margin (%)
1	2006-07	12.56	0.88	-0.05	-0.4
2	2007-08	81.22	4.24	-1.90	-2.34
3	2008-09	151.86	6.93	-5.90	-3.89
4	2009-10	168.64	19.65	5.02	2.98
5	2010-11	189.43	-5.24	0.49	0.26
6	2011-12	92.59	10.31	1.87	2.02

7	2012-13	189.00	50.65	6.62	3.5
8	2013-14	234.00	64.00	22.53	9.63
9		462.99	105.08	20.97	4.53
10	2015-16	329.65	86.58	10.45	3.17
11	2016-17	394.36	99.99	18.56	4.71
12	2017-18	418.60	69.20	4.07	0.97
13	2018-19	534.80	99.72	2.18	0.41
14	2019-20	550.94	113.36	18.57	3.37
15	2020-21	566.29	128.59	6.75	1.19
	<b>Total</b>	<b>4376.93</b>	<b>853.94</b>	<b>110.23</b>	<b>2.52</b>

- Since the inception of the company, the total business undertaken by the company was Rs. 43.77 crore, with a gross profit of Rs. 8.53 crore and a net profit of Rs. 110.23. which yields 2.52% of the market margin.
- After incurring a cumulative loss of Rs. 7.85 lakh in the first three years, FPO stabilised and has never lost money in the past 12 years of operation.
- The average net market margin of the company was found to be 3.06% over the past 12 years and 2.52% since inception. However, market margins of the company were fluctuating over the years and no correlation was found with an increase in total turnover. This is the grey area of the marketing business plan of the company and needs to be relooked.

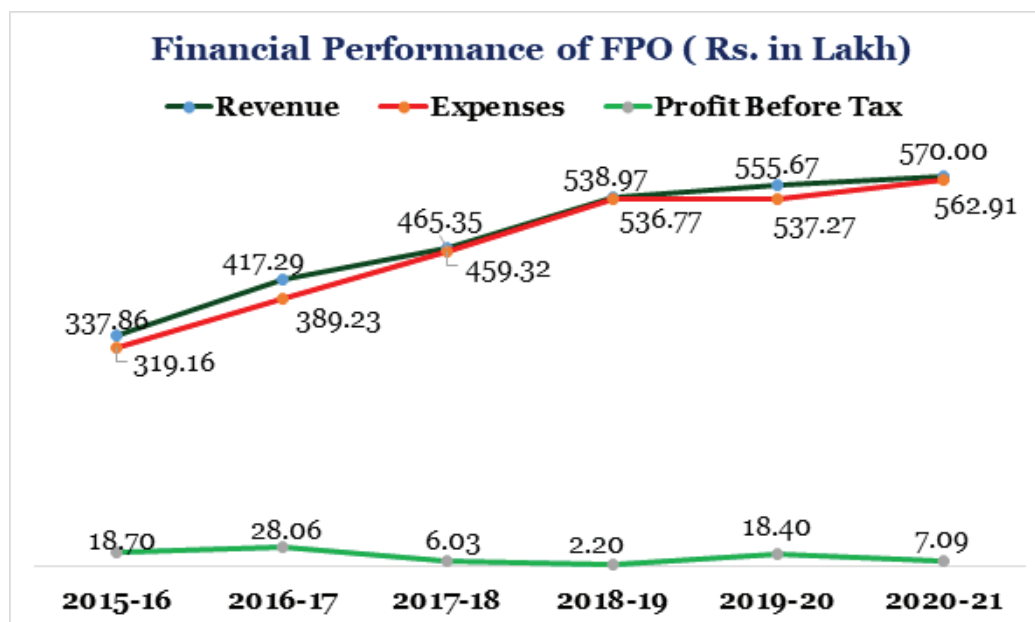
### Seed production and premium paid to the producers

Year	Producer (No)	Area (Ha)	Quantity of Seed (quintal)	Premium Paid (Rs. in Lakh)	Premium Paid (Rs. /q)
2006-07	48	70.00	1275.00	1.16	90.98
2007-08	179	342.40	6225.00	5.91	94.94
2008-09	384	722.20	9800.20	10.95	111.73
2009-10	506	1147.37	10182.60	11.06	108.62
2010-11	359	758.10	5093.70	6.56	128.79
2011-12	354	299.10	6321.80	5.97	94.44
2012-13	331	498.90	6802.13	8.50	124.96
2013-14	360	689.40	11524.84	11.52	99.96
2014-15	333	720.40	9637.60	11.92	123.68
2015-16	377	809.20	10294.00	16.96	164.76
2016-17	499	1058.60	18087.00	19.21	106.21
2017-18	721	1251.00	18152.00	14.96	82.42
2018-19	379	770.00	11136.00	17.91	160.83
2019-20	426	787.70	14810.00	20.48	138.28
<b>Total</b>	<b>5256</b>	<b>9924.4</b>	<b>139341.87</b>	<b>163.07</b>	<b>116.47</b>

- Since inception, a total of 5,256 producers were covered, with a total seed production coverage area of 9924.40 ha and a total seed procurement of 1.39 lakh quintal. As far as the average annual coverage of a producer for seed production is concerned, only 5.73% of the total producers and less than 1% of the potential crop area of the producer were covered during the past years.
- It means the business participation of the producers in the FPO business operations of seed production, seed processing, and seed marketing is limited to 5% only.
- An average premium of Rs.116.47 per quintal over the MSP has been paid to the seed producers, which is the net incremental enhancement of the economic rent of the seed producer apart from the procurement price on MSP.
- However, the average seed yield per ha is coming to 14.04 quintals per ha, which is very little compared to the average grain yield.

### Financial Performance of FPO

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue	337.86	417.29	465.35	538.97	555.67	570.00
Expenses	319.16	389.23	459.32	536.77	537.27	562.91
Profit Before Tax	<b>18.70</b>	<b>28.06</b>	<b>6.03</b>	<b>2.20</b>	<b>18.40</b>	<b>7.09</b>
Tax Expenses	8.40	9.34	1.95	0.01	-0.17	0.33
Profit After Tax	<b>10.30</b>	<b>18.72</b>	<b>4.08</b>	<b>2.19</b>	<b>18.57</b>	<b>6.76</b>

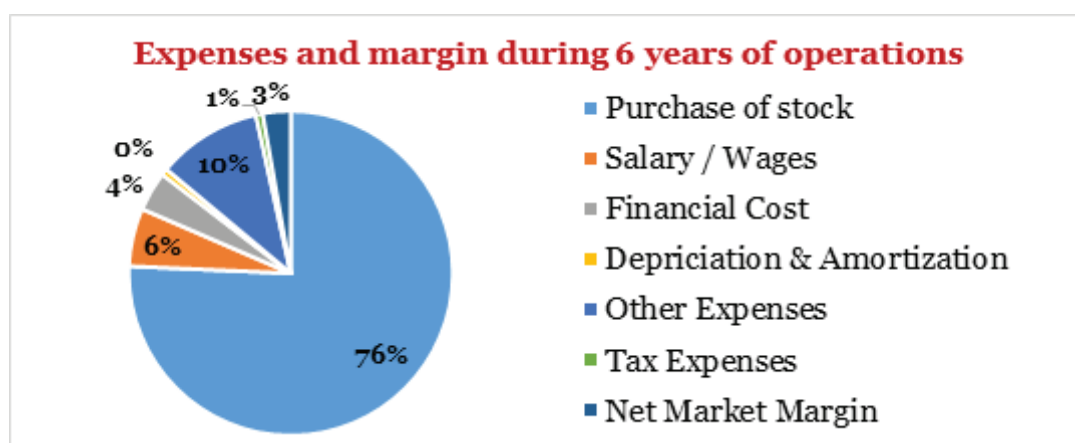


- The revenue of the FPO has increased from Rs.337.86 lakh to Rs.570 lakh with an average growth rate of 11.30% over the period from 2015-16 to 2020-21, but during the same period, the expenses of the FPO increased at a faster rate of 12.34%. This led to the narrowing profit margins (profit before tax) of the company from its highest level of Rs. 28.06 lakh achieved during the year 2016-17 to Rs. 7.09 lakh during the year 2020-21.

*Expenses on salaries and wages have been increased at an average rate of 21.24%, compared to the revenue growth of only 11.30%. The financial cost of FPO was also increased at an average rate of 11.56%.*

## Expenses and Market Margins

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Purchase of stock	243.07	294.37	349.40	436.81	437.57	437.71	2198.93
Salary / Wages	15.89	27.33	31.94	29.43	27.48	36.09	168.16
Financial Cost	15.37	13.94	23.40	20.89	18.44	22.41	114.45
Depreciation & Amortization	3.85	3.78	3.69	3.05	2.43	2.06	18.86
Other Expenses	40.60	49.81	50.89	46.59	51.35	64.64	303.88
Tax Expenses	8.40	9.34	1.95	0.01	-0.17	0.33	19.86
Net Market Margin	<b>10.68</b>	<b>18.72</b>	<b>4.08</b>	<b>2.19</b>	<b>18.57</b>	<b>6.76</b>	<b>61.00</b>
Total Revenue	<b>337.86</b>	<b>417.29</b>	<b>465.35</b>	<b>538.97</b>	<b>555.67</b>	<b>570.00</b>	<b>2885.14</b>



- During the last six years, 76% of the financial resources (total revenue) were utilised for procurement business.
- The average operational expenses of the company were found to be 21% of the total revenue over the same period.
- The average net market margin of the FPO is limited to 3% only.
- Item-wise variations in expenses during the last six years of the company were as under :

S. No.	Particulars	% of the total revenue
1	Purchase of stock	69-81
2	Salary / Wages	5-7
3	Financial Cost	3-5
4	Depreciation & Amortization	1
5	Other Expenses	9-12
6	Tax Expenses	0-2
7	<b>Net Market Margin</b>	<b>1-7</b>

## 6. FPOs role as a value chain actor/s and gross margins under different types of business participations

FPO entered into the value chain as a main value chain actor, partly as an input supplier, partly as a post-harvest aggregator, processor, wholesaler, and retailer, and as a facilitator as a supporting value chain actor. The FPOs primarily undertake three types of business, which are as follows:

1. Seed procurement, processing, storage, and collective marketing
2. Trading business
3. Input business ( Plant Protective Measures)

Type of Business	Purchase / Balance Stock (q)	Av Purchase Rate (Rs./q)	Selling of Seed (q)	Av Selling Rate (Rs./q)	Gross Margin
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### A) Seed Business

2020-21	29997.25	2612.29	16320.41	3285.80	25.78%
2019-20	14579.28	2504.21	12974.99	3083.56	23.13%
2018-19	7111.76	2328.18	627.51	3670.45	11.28%

### B) Trading Business

2020-21	587.88	4311.25	587.88	4584.58	4.01%
2019-20	3853.18	3795.63	3468.40	4584.58	20.79%
2018-19	1164.03	3419.15	457.91	3485.64	1.94%

### X) Input Business

Year	Value of Input (Rs.)	Value of Input (Rs.)	Gross Margin
2020-21	214670.79	253648.56	2.11%
2019-20	214670.79	198046.38	0.84%
2018-19	499262.99	389310.00	17.91%

As per the analysis of the inventory register data of FPO for the past three years, it is observed that :

- The gross margins of the “seed business segment,” which includes soybeans, wheat, urad/lentil, mustard, and gram seeds, range from **11.28 to 25.78%**. The highest seed margins were found in wheat and soybeans, followed by other crops.
- *The trading business* is mainly concentrated on soybean and mustard crops, wherein the gross margin of the trade business varies from **1.94% to 20.97%** depending upon the market price of the produce.
- The input business of the FPO is related to plant protection measures and agronomic practices. The company is extending services to the producers on very thin margins. In general, it ranges from **1% to 2%**, but in 2018-19, it was **17.91%**.
- In total, **99% of the business operations of FPO is related to seed procurement, seed processing, and seed marketing**. Other factors include plant protection inputs and, to a lesser extent, trading business.
- Under the seed business quantum, **20–25% of the clients are their own member producers**, another 20–25% are non-member producers, and the remaining seeds are being marketed through input dealers. At present, there are 25–30 input dealers linked with FPO as forward market linkages.

## 7. Outreach of the FPO vis-à-vis business participation of producers

- **Members' business participation:** 5.73% of total producers and less than 1% of the producer's potential crop area were covered by seed business in previous years. However, seed as an input is available for all the producers at a cheaper rate compared to the market price.
- **Extent of business with non-members :** 75-80% of the total seed business is conducted with non-member producers.
- **The extent of FPO business in relation to total potential input business:** The total cultivable area of the FPO is about 15,000 ha. Soybeans account for 75% of the area planted during the kharif season; 50% of the rabi season area is under wheat crops; and 35% of the area is planted under pulses. Gram, orange oilseed, and maize are still grown.

The four basic inputs required for the producers, which can be aggregated at FPO levels, are as under :

S. No	Types of Input Business Opportunities for FPO	Present Status
1	Timely cheaper quality seed	FPO is doing
2	Timely fertilizers and nutrients	PACs are doing & extending service
3	<b>Farm mechanization on CHCs</b>	<b>Not doing</b>
4	Plant protection inputs	Up to some extent

A custom hiring model with a TFO of Rs. 15.10 lakh is found suitable for 25 ha of land under wheat and soybean cropping pattern while analysing the technically feasible model of farm mechanisation for the Malwa plateau developed and recommended by the Central Institute of Agricultural Engineering (CIAE), Bhopal. It is observed that there is gross potential of about 600 CHCs for 15000 Ha CCA with a total annual business potential of **Rs. 37.60 crore** for the FPO, which is untapped so far. The CHC model for 25 ha of land is as under :

Machine Name	Machine Cost (₹)	Operating Cost (₹/h)	Hiring Rate (₹/h)	Annual Total Return (₹)	Annual Net return (₹)	Break Even Point (h)
Boom sprayer	50000	48	72	12000	6000	151.00
Cultivator	30000	19	29	7600	3800	238.60
Fertilizer broadcaster	30000	33	50	8250	4125	151.30
High capacity multi crop thresher	200000	114	171	45600	22800	241.60
Inclined plate planter	70000	55	83	16500	8250	180.90
Mould board plough (Reversible)	80000	62	93	18600	9300	182.60
Rotavator	90000	42	63	21000	10500	301.30
Seed cum fertilizer drill	55000	36	84	14400	7200	243.40
Tractor (45 HP)	650000	570	855	427500	213750	225.30
Trailer	180000	60	90	36000	18000	352.00
Vertical conveyor reaper	75000	64	96	19200	9600	184.00
<b>Total</b>	<b>1510000</b>			<b>626650</b>	<b>313325</b>	

- **The extent of the FPO business in relation to total marketable surplus output business** : There is no estimation of the quantum of marketable surplus and the flow rate of marketable surplus with FPO. However, major products are being sold to the government on MSP.
- **Business opportunities of value addition segment** : The poultry and fishery sectors are growing at a CGAR of 6–10%. To make the swine market competitive, low-cost feed is required. Fortunately, the cluster of the FPO has a rich vegetative protein (soybean) and a major gradient base (50 to 55% of raw feed and high energy content) in terms of maize and, to some extent, mustard also. FPO can harness market potential demand for de-oiled soybean cake (DOC), soya gluten, soya milk, maize gluten, wheat bran, and mustard cake for collective marketing of raw maize, poultry and fish feed, and other processed products.

## 8. Direct benefits to the producers

### A. Enhancement of production and productivity

S. No.	Crop	Pre-FPO (q/ha)	Post-FPO (q/ha)	Increase yield (q/ha)	% (Change)
1	Wheat	45	65	20	44.44%
2	Soybean	12	19	7	58.33%
	Total	57	84	27	47.37%

Through coordinated efforts through technology transfer, extending quality seeds and monitoring by professional experts in convergence, promotion, and development measures, the yield of the major crop increased about 1.5 times the pre-FPO level.

The production levels of not just the member farmers but also the non-member farmers in the district have gone up as a result of the activities of the company. The yield of wheat per hectare in Agar before the company was set up in 2006 came to around 45 quintals/ha. The current yield of wheat in Agar comes to about 65 qtl/ha, showing a jump of almost 44%. The same trend can be seen in gramme and soybean, where yields increased from 16 qtl/ha and 12 qtl/ha in 2006 to 25 qtl/ha and 17 qtl/ha, respectively.

### B. Supply of cheaper inputs

Cost of seed input of member producer as well as non-member producer has been reduced up to extent of 25% lower than the prevailing market rate.

### C. Procurement on MSP rate

Seed are procured at an assured price of MSP as per the seed policy of FPO.

### D. Seed procurement premium

Premiums over and above the MSP are being extended to the seed producers. The rate of premium varies according to the types of crops, which are as under :

S. No.	Crops	Premium Rate (Rs./q)
1	Soybean	135-150
2	Wheat	150
3	Gram	200
4	Masoor / Lentil	200

The premium rate is divided into two parts. The MSP and part-premium were paid to producers within seven days of procurement, while the balance premium was paid after successful production of the crop in lieu of seed given (i.e., after quality certification by the manager (production)).

Due to the sale of the seeds between member farmers and non-member farmers, these benefits have also been extended to those who are not directly associated with the company.

## 9. Quality Management tools

<ul style="list-style-type: none"> <li>• Crop-plan : Farm Management</li> <li>• Crop stage monitoring</li> <li>• Farm to fork traceability</li> <li>• Quality control mechanism</li> <li>• Online Farmers Academy – resources</li> <li>• Certification and food safety standards</li> </ul>	<ul style="list-style-type: none"> <li>• Extension services through the village level service providers</li> <li>• Use of Moisture Meter</li> <li>• Mechanical screening</li> <li>• Removal of impurities</li> <li>• Monitoring by Seed certification agency</li> <li>• Visit of Agronomy Professional</li> <li>• Introduction of Zero-Tillage</li> <li>• Soya initiative programme</li> <li>• SOP was propagated</li> <li>• Third party certifications</li> <li>• Soya Carbon Credit (Premium for the farmers : 2.5 Euro / Tonne)</li> <li>• Seed policy for every crop season</li> </ul>
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## 10. Infrastructure and service support system

<ul style="list-style-type: none"> <li>• Crop advisory application</li> <li>• Custom and hiring system</li> <li>• Transport system for aggregation and marketing</li> <li>• Collection centres</li> <li>• Storage facilities</li> <li>• Processing (primary / secondary / tertiary ) unit</li> <li>• Re-processing of secondary product of one produce for other</li> <li>• Packaging and branding of the products</li> <li>• Marketing outlets</li> </ul>	<ul style="list-style-type: none"> <li>• Sufficient leased land provided by the State Government for infrastructure development and services</li> <li>• 2 warehouses of 3000 MT</li> <li>• Seed Processing Machines</li> <li>• Weather Stations for measuring temperature, RH and Air velocity</li> <li>• Proper Office building of FPO</li> <li>• Outlets for seed marketing'</li> <li>• Packaging and branding (Samarth Seed)</li> </ul>
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## 11. Questionnaires' for evaluating general performance of FPO

Particulars	Yes/ NO
Improvement in yield after joining FPO	YES
Improvement in quality of produce after your association with FPO	YES
Price given for your product by FPO in comparison to traditional markets – Low / High / Average / Poor	HIGH (output)/ LOW (Input)
Poor technical guidance from company	YES
Unsuitable technology and crop incompatibility	NO
Irregular payment	NO
Manipulation of the quotas and quality specifications by the company	NO
Higher rejection rate	NO
Low price	NO
Lack of consistency	NO
Sometime company representative deceive and may indulge in corruption	NO
Failure of growers to comply with company instruction	NO
Framers sacrifice against fluctuation of market prices	NO
Inputs and production services are provided by the company	YES(Partly)
Facility of credit	YES
Enables adoption of new technology	YES
Development of skills	YES
Minimizes price risk	YES
Opening of new markets	YES
Better bargaining for small holders	YES
Income stability due to assured price	YES
Initiation of welfare fund for growers	NO
Higher yields due to better management	YES
Minimization of the problem of oversupply since quota is fixed in advance	Cannot Say
Record keeping by the grower	NO

## 12. Comments on secret of success

Parameters responsible for success of FPO	Excellent	Good	Satisfactory	Poor
Leadership			√	
Winning the loyalty of the farmers members			√	
Efficient internal governance			√	
Professionalism		√		

Participatory approach			√	
Vertical and horticulture integration			√	
Non-Bureaucratic style of functioning			√	
Harmony with local culture farmers			√	
The State of art technology and infrastructure			√	
Timely tapping the market		√		
Branding and its maintenance		√		
Legal Compliance		√		
Capacity building	√			
Commitment of employees	√			
Others				

### 13. Convergence and support from various stakeholders

S. No.	Name of Institution	Purpose Grant	Years	Grant Rs.in lakhs
1	Department of Rural development, GoMP	Working capital	2007-08	25.00
2	Department of Rural development, GoMP	HR Support 5 year	2007 to 2012	20.00
3	Department of Rural Development, GoMP	Infrastructure fund	2011-12	34.87
4	SFAC (50:50 contribution)	Infrastructure fund	2015-16	37.50
5	SFAC Delhi	Equity grant	2019-20	9.17
6	Solidaridad Bhopal	Seed Gravity	2020-21	9.81

- **Linkage with State Government schemes** : The FPC got a grant of 34.87 lakh from the Swarna Jayanti Gram Swarozgaar Yojana in 2011. It also availed various subsidies under various schemes like the breeder seed subsidy scheme, seed production subsidy, production subsidy, and so forth.
- **Linkage with Government of India schemes** : The FPC received a warehouse grant from SFAC in the amount of 35 lakh for the construction of the warehouse that it currently owns. The government bore 50 % of the entire expense that went into the warehouse's construction. The FPC also availed the onion production services charges offered by the Central Government.
- **Market linkages developed with different stakeholders**: The company, over a period of time, developed expertise in providing facility-based services to the majority of the members of the value chain operating in Shajapur district. The facilities provided by this producer company are considered to be the best for a producer company, and many companies are interested in entering into an agreement with the producer company. different stakeholders like JNKVV, Jabalpur, RVSKVV, IARI, KVK, and certified seed stakeholder dealers, and also have various networks for marketing in 22 districts.
- **Participation in the Equity & Credit Guarantee Scheme for FPOs** : The FPC has participated in the equity and credit guarantee schemes for FPOs and received equity shares worth 9.17 lakhs from SFAC and a credit guarantee of 1 crore from NABKISAN.

## 14. Governance and Management of FPO

### a. The selection process for BoDs

A member of the board of directors is elected by the shareholders. The company has divided its shareholders into 13 wards, each comprising 500 shareholders. Every ward has one director, for a total of thirteen directors in the company. The company assesses the candidates based on their activities in the company, whether the candidate has been an early adopter of the methods being promoted and whether they have been involved in business with the company. She/he should also be aware of how the agriculture market works. The person should also be a communicator and willing to give time to the company. Every board member has a one-time tenure of five years.

### b. No. of BoDs and their qualifications

The company currently has a Board of Directors consisting of 8 board members.

S. No.	Full Name	Qualification	Designation
1	RAM SINGH THAKUR	B.Sc.Ag. JNKVV Jabalpur (M.P.)	Director/ CEO
2	NAGU LAL MALVIYA	5th	Director
3	HEMCHAND MALVIYA	8th	Director
4	SMT.ANURADHA TIWARI	8th	Director
5	SMT.SHAMU BAI SOLANKI	5th	Director
6	DILIP SINGH SOLANKI	10th	Director
7	RADHESHYAM SHARMA	B.A.	Director
8	RAM SINGH GURJAR	B.A.	Director
9	SATYANARAYAN SHARMA	5th	Director

### c. Number of Board Meetings year-wise

Year	2019-20	2020-21	2021-22
BoD Meetings	06	05	06

### d. The role being performed by the BoD members in the functioning of FPO:

The Board of Directors of the company performs all the roles that the board of a producing company has to perform, as specified by article 581R of the Companies' Act of 2013. These responsibilities include appointment, superintendence, direction and control of the CEO and other officers of the company, sanctioning of loans or advances in connection with business activities to any member, investment of funds, and so forth.

### e. Total FPO shareholders who have been the BODs in the FPO:

Out of the 6552 shareholders, 22 members have opportunities to become board of directors since 2006.

## f. Tenure Board of CEOs since inception and their qualifications:

The company has had four CEOs since its inception.

Name	Qualification	Tenure
Mr. Vijendra Pachouri	MBA	2006-08
Mr. Sanjay Kumar Pandiya	M. Sc. (Soil Science)	2008-11
Me. Prebhaker Roa Deshmukh	B.Sc. Agriculture (retired ADA)	2011-13
4. Mr. Ram Singh Thakur	B.Sc. Agriculture	2013- present

**Present CEOs tenure and the role being performed :** The present CEO, Mr. Ram Singh Thakur has been at the helm of the company since 2013. He holds a Bachelor of Science in Agriculture from Jawaharlal Nehru Krishi Vishwa Vidyalaya, Jabalpur. He has 20 years of experience working in the agri-business sector. He had worked with M/S Pesticide India and M/S ITC Chaupal before joining the SKPCL as a Production Manager in 2008. He became the CEO of the company in 2013.

The CEO performs all the roles of the CEO of a producer company, as specified by the Companies Act 2013, including being an ex-officio member of the board of directors, management of assets of the company, signing all business-related documents, maintaining proper books and accounts and so forth. He also currently holds the additional charge of marketing manager of the company.

## g. Total manpower with FPO and their role in FPO management:

The FPC currently has 7 people working at the main office. They include the CEO, one production manager, one accountant, one computer operator, one Godown keeper, one office-help, and one security guard. The FPC also has 20 service providers at the village level who work on a task basis.

The production manager is in charge of conducting the seed production programme with the farmers, seed distribution, supervision of production and certification of farmlands. The accountant is responsible for bookkeeping and maintenance of the company's accounts. The computer operator is responsible for handling all the data regarding the company. The godown keeper is responsible for the grading and handling of the produce. The office-help takes care of the requirements of the staff to promote efficiency.

## h. System for undertaking compliance function:

All kinds of compliance functions to be undertaken are done by the contracted CA/CS of the company situated in Bhopal.

## i. Use of IT in management of FPOs:

The FPC extensively leverages information technology to provide greater facilities and services to its members as well as to promote greater efficiency in various departments of the FPC. Most of the bookkeeping is done using software like tally, with minimal use of paper. The FPC has also networked with its farmers through smartphones to ensure faster spread of information regarding production, connecting farmers to resources like Krishi Vikas Kendra, JNKVV, Jabalpur, etc. for promotion of new production techniques as well as to inform farmers about the prevailing procurement price for the day. The FPC has adopted the Unified Payments Interface (UPI) platform to make payments. The FPC also uses online government resources for activities like setting the daily procurement price of the produce, ascertaining the weather conditions, etc.

## 15. Financial Resource Management, Credit linkage and Repayment Status

The paid capital of the company is Rs.9.17 lakh and the working capital of Rs.25 lakh was supported by the Panchayat and Rural Development Department, GoMP by keeping it in the form of an FD in the bank and making an OD limit on it. Hence, the total capital of the company during the initial year for operation and management of FPO was Rs.34.17 lakh.

Later on, the company took loans from many economic business institutions to meet working capital requirements. The FPC got two loans from IGS BASIX of 30 lakh each, and also got two loans from FWWB worth 15 lakh each.

After that, the nationalised bank extended credit of Rs.1.0 crore through NWR extended by Union Bank, Ujjain. Later on, an enhanced limit of Rs. 2.0 crore was extended by Yes Bank, which is currently running on warehouse receipts.

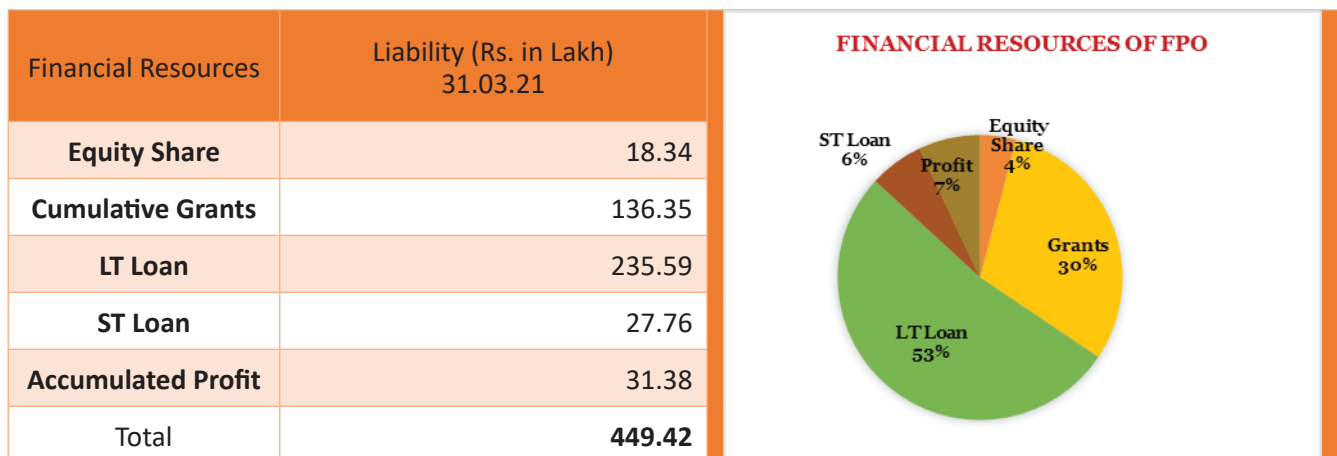
The FPC has availed credit from NABKISAN with a credit limit of 1 cr. It also took a soft loan from Samunnati Finance with a credit limit of Rs. 80 lakh.

The FPC has made timely repayments for all loans it has taken and has not defaulted on the loans up to this day.

At present, FPO has Rs. 186.07 lakh in their own fund, comprising of an equity share worth of Rs. 18.34 lakh and a reserve and surplus fund of Rs. 167.73 lakh.

Of the total financial requirements of Rs.450 lakh, 60% of FPO dependency is external credit from the financial institutions. Despite the excellent convergence up to the extent of 30% from the supporting states and central governments,

The equity share of a mere Rs.280/-per member itself shows the business interest of the producers. It needs to be increased to at least Rs. 1000 per producer member. This will enable an enhanced equity share from Rs. 18.34 lakh to Rs. 65.16 lakh and will reduce the credit burden by Rs. This will also increase FPO profit margins by a reduction in the financial cost of FPO, which is around 4% of the total revenue.



## 16. Networking Planning undertaken by FPOs

The FPC's presence is in 22 districts of Madhya Pradesh. It aims to expand its dealer network in all 51 districts of the state. The FPC is trying to increase the production levels in its current geographical boundaries and increase its marketing network.

## 17. Conclusion and Way forward

FPO's birth was the result of the *situational requirement of institutional development* during the journey of livelihood programme, i.e., MP-DPIP (Madhya Pradesh District Poverty Initiative Project), which was a World Bank funded ambitious poverty alleviation programme started during the year 2000 and the formation of 1300 Common Interest Groups (CIGs).

During the process of collective purchase of seed inputs during the livelihood interventions and building up awareness of cost, benefits, and economic rent to the producers and keeping in mind the vast potential of seed requirements, producers decided to produce quality seeds on their own lands and make them available to other producers at a cheaper cost.

In this journey, the "**Convergence and Facilitating Model**" of infrastructure and support services extended by the supporting value chain actor (Department of Rural Development, GoMP) at the nurturing stage of promotion and development of FPO was just like bridging critical infrastructure gaps to take-off this FPO.

**Financial support** by the governments and **credit support** extended by the various financial institutions in different stages of the FPO played a very vital role in enhancing the business portfolio of the FPO.

**Seed policy** before the start of every season is one of the unique and important aspects of the governance and management of FPO, which encompasses market intelligence, procurement rate of seed from producers, fixing selling prices of seed, along with terms, rules, and regulations.

Seed production through producers and its utilisation through demonstrative mechanisms of crop production with enhancement of production and productivity under the supervision of professional staff of FPO in consultation with the advisory committee generated the demand, trust, and quality of the products over a period of time.

While making seed procurement, the incentive and disincentive mechanism of the premium rate (partly) to be paid to the seed producers is also a unique feature of the **risk mitigation mechanism for quality control measures** to be followed by the seed producers and the conversion of it into compensation for the seed purchaser in case of purity, quality, and verity default.

At present, there are two to three grey areas, which need to be relooked for up-scaling of FPO and increasing business participation of the producers.

1. To reduce the financial cost burden, which is 4% of the total revenue, there is a need to enhance low-cost financial resources through raising the equity share from Rs.280 per member to the minimum level of Rs.1000.
2. Hence, since 5.73% of the total producers and less than 1% of the potential crop area of the producers were covered under the seed business during the past years, there is a need to enhance the business participation of the producers through diversification of the business. It is observed that there is gross

potential of about 600 CHCs for 15000 ha of land, with a total annual business potential of **Rs. 37.60 crore**, which is untapped so far.

3. Considering the faster growth of the poultry and fishery sectors and the increasing demand for low-cost feed, FPO has ample opportunities to harness the potential of this sector due to the area rich in vegetative protein (soybean) and the major gradient base of poultry and fishery feed (maize and mustard).

Despite the challenges in the way of promotion and development of FPOs in India, this FPO has also proved that there is vast potential and prospects of enhancement of economic rent for the producers through business participation in prevailing agriculture value chains and by entering FPO as a main value chain actor through the integration mechanism of aggregation of inputs and procurement, value additions, and collective marketing.

Infrastructure and support services, convergence of the various schemes of the government and development agencies and credit support from the financial institutions are vital factors for graduating FPOs.

One interesting thing observed from this FPO and other published study reports is that ***“equity is the critical factor for promotion and development of the FPO in India.”***

### A : Input Management

S. No.	Particulars	Seed / plantlets (Y/N)	Fertilizer (Y/N)	Plant Protection (Y/N)	Mechanization (Y/N)
1	Timely availability	Yes	Yes	Having Issue	Yes
2	Quality	Yes	Yes	Having Issue	Yes
3	Cheaper	Yes	Yes	Having Issue	Competitive
4	Resilient to climatic change	NA	NA	NA	NA
5	Extent of availability (%)	All	Yes	Strong Network	Yes
6	Reduction in input cost (%)	Yes	Yes	Can Not say	Yes

### B : Technology Transfer

S. No.	Particulars	(Y/No)	No change	Not Applicable
1	Linkages with KVKs/AUs	Yes		
2	Support of new technology based machineries	Initially		
3	Enhancement of Productivity (%)	Yes		
4	Enhancement of quality	Yes		
5	Reduction of quantity due to change in agronomic practices	Yes		
6	Extent of technology outreach			
7	Use of digital technology			









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