



Aggregation Model of Sustainable Farming for Smallholder Farmers in Asia Pacific Region



APRACA Centre of Excellence (ACE)
Bankers Institute of Rural Development (BIRD), Lucknow

An ISO 9001:2015 Certified Institution Promoted by NABARD



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The economies of Asia Pacific share many common characteristics. They are predominantly agrarian economies with small fragmented land holdings and traditional methods of farming. They also share similar challenges like the share of population dependant on agriculture being substantially greater than the share of agriculture in total Gross domestic product (GDP) which means there are too many agricultural households chasing too little agricultural value added. As a result, per capita farm incomes have been falling. Yet, agriculture continues to play an important role in the economy. A 2019 report by PwC, Rabobank and Investment Firm Temasek says that Asia will require another \$800 Billion in next 10 years to feed its growing population. Therefore, the economies of this region are trying to transform agricultural sector through structural reforms, new age technologies, investments in critical infrastructure and innovative practices.



In India too, Agriculture is the source of sustenance for nearly 55 % of the population but its share in GDP is barely 16 %. Though it is also the biggest foreign exchange earner for the country (\$41 Billion in 2021), average farm incomes have been very low as around 86 % farm holdings are small and marginal. The Govt. of India made a paradigm shift in perspective in 2016 by setting up a target of doubling of farmers income. With a view to making its endeavours more inclusive, the government also launched a scheme to promote 10,000 Farmer Producer's Organisations (FPOs) to boost the participations of the vast number of smallholder farmers in agri- value chains through a process of collectivisation. Earlier, NABARD had also successfully promoted over 6,000 vibrant FPOs in the country.

Aggregation of smallholders into collectives such as FPOs is imperative to attain economies of scale, lower input costs, impart bargaining power to farmers, increase farmer's share in the consumer price, usher technological transformation resulting in higher net incomes for farmers.

APRACA Centre of Excellence (ACE) at BIRD, Lucknow is happy to bring to you this thematic publication on "Aggregation Model of Sustainable Farming for Smallholder Farmers in Asia Pacific Region" focusing on multiple initiatives undertaken in India encompassing policy interventions, capacity building, technology infusion, agri-market instruments and private sector participation to transform the smallholder farmer economy into sustainable enterprises operated by their collectives for cross learning among APRACA member institutions.

I sincerely hope that policy makers and institutions in the APRACA member countries would find the articles encouraging enough for making similar efforts in their own countries.

Dr. G.R. Chintala
Chairman
NABARD & APRACA
March 2022

CHAIRMAN'S MESSAGE

NABARD-APRACA Centre of Excellence (ACE) has been set-up at BIRD, Lucknow to complement efforts of APRACA in enhancing linkage banking and agricultural credit through regional coordination among APRACA members. For promoting cross learning, ACE has been conducting seminars, webinars, exposure visits and bringing out theme based publications.



The publication series by BIRD was commenced during 2021 with the first volume dedicated to "Best practices in Group Lending in Asia Pacific Region" brought out in August 2021. The publication was received well. I am now happy to present the 2nd half-yearly publication by ACE on the theme "Aggregation model of sustainable farming for smallholder farmers in Asia Pacific Region". The theme of this issue assumes importance in view of predominance of smallholder farming in Asia Pacific Region. Small farmers often grapple for sustainability because they lack the scale, competitiveness and marketing edge owing to variety of reasons. These challenges act as a barrier to viable farming by individual farmers. Collectivisation approach in farming is found to be an effective way forward for smallholder farmers, which can help them achieve economies of scale and deepen their participation along the value chain. Collective approach also enables smallholder farmers to collectively invest in modern technology, inputs, infrastructure, value addition and logistics and gain access to modern markets. It also enhances the profitability and viability of small farms. The farmer aggregation model has been in practice in many APRACA member countries, including India, Bangladesh, Indonesia, Philippines, etc.

In India, NABARD and other stakeholders have nurtured the FPO eco system over the past decade promoting more than 6,000 Farmer Producer Organisations (FPOs). BIRD has been engaged in capacity building of the FPO ecosystem. BIRD has also been designated as a national nodal training agency for capacity building of all the stakeholders to promote 10,000 FPOs in India under the flagship scheme of Govt. of India. It is in this context, we thought that it would be appropriate to share Indian experiences on collectivisation through our publication.

This issue carries valuable articles from variety of practitioners. The article by Sh. P.V. Suryakumar, Deputy Managing Director, NABARD maps the interventions by NABARD for FPOs, the article by Dr. Abhilaksh Likhi, Addl Secy, GOI, Ministry of Agriculture and Farmer's Welfare capturing the

PREFACE



initiatives of the Govt. of India, NCDEX article on the commodity trading and its relevance to FPOs, article from BIRD highlighting the capacity building needs of the FPO ecosystem and article by Samunnati showcasing private sector initiatives. Select success stories of FPOs financed by NABKISAN shall also be featuring in the publication.

I am sure that the publication will be a useful resource for the policy makers, practitioners, and field personnel in scaling up farmers collectives and strengthening them in APRACA member countries. I am thankful to the authors and institutions for sharing their experiences and views through articles contributed by them and congratulate our team of ACE, BIRD, Lucknow, for this effort.

Shankar A. Pande

Director
BIRD

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Abbreviations

AMLA	Aggregation, Market Linkages and Advisory services
AIF	Agricultural Infrastructure Fund
ATMA	Agriculture Technology Management Agency
BIRD	Bankers Institute of Rural Development
BMGF	Bill Melinda Gates Foundation
BoDs	Board of Directors
CBF	Capacity Building Framework
CEOs	Chief Executive Officers
CBBOs	Cluster Based Business Organizations
CSC	Common Service Center
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
DFIs	Development Finance Institutions
DFI	Doubling Farmers Income
e-NWR	electronic-Negotiable Warehouse Receipt
FIG	Farmer Interest Group
FPC	Farmer Producer Company
FPO	Farmer Producer Organization
FI	Financial Institution
FAO	Food and Agriculture Organization
GoI	Government of India
GVA	Gross Value Added
GNFC	Gujarat Narmada Valley Fertilizers and Chemicals
IAS	Indian Administrative Service
ICAR	Indian Council of Agricultural Research
IGNOU	Indira Gandhi National Open University
IFAD	International Fund for Agriculture Development
IoT	Internet of Things
KJBF	Kamalnayan Jamnalal Bajaj Foundation
KVK	Krishi Vigyan Kendra
KVK	Krishi Vigyan Kendra
MACP	Maharashtra Agriculture Competitiveness Project



MOOC	Massive Open Online Course
MSP	Minimum Support Price
MoA&FW	Ministry of Agriculture & Farmers Welfare
MOFPI	Ministry of Food Processing Industries
NABARD	National Bank for Agricultural and Rural Development
NCDEX	National Commodities and Derivatives Exchange
NCDC	National Cooperative Development Corporation
NDDB	National Dairy Development Board
NERL	National E-Repository Ltd
N-PMAFSC	National Level Project Management Advisory and Fund Sanctioning Committee
NPMA	National Project Management Agency
NRLM	National Rural Livelihood Mission
NeML	NCDEX e-Markets Ltd
NICR	NCDEX Institute of Commodity Markets and Research
NBFC	Non-Banking Financial Company
NGO	Non-governmental organization
PRI	Panchayati Raj Institution
PACS	Primary Agricultural Credit Societies
RKVY	Rashtriya Krishi Vikas Yojana
RBI	Reserve Bank of India
RMG	Rythu Mitra Group
SA	Samunnati Aggregators
SEBI	Securities and Exchange Board of India
SFAC	Small Farmers' AgriBusiness Consortium
SEEDS	Social Education Economical Development Society
ToTs	Training of Trainers
UNDP	United Nation Development Program
WDRA	Warehousing Development & Regulatory Authority



Chapter 1

The Power of aggregation
through Farmer Producer
Organisations: NABARD's
Experiences



The Power of aggregation through Farmer Producer Organisations: NABARD's Experiences

Shri P. V. S. Suryakumar*

Abstract

Aggregation of producers, especially small and marginal farmers, into producer organisations has emerged as one of the most effective pathways to address the many challenges agriculture faces, most significantly, improved access to investments, technology and inputs and markets. Presently, there are around 11000 FPOs promoted in India covering about 5 million small farmers. NABARD is the major player in the sector in India with 55% of these FPOs (about 6000) having been promoted by NABARD. Several of these FPOs have been successful in making agriculture profitable for numerous farmers. While the government's efforts are extensive, there are gaps that need to be addressed such as - dormancy in FPOs, less credit flow, insufficient market linkages, incompetent promoting institutions, and many others. With the implementation of the appropriate policies and with the support of all stakeholders, FPOs will surely achieve sustainability and reap optimal benefits.

Introduction

India's production of food grains and horticulture produce has been increasing and India is among the top producers of several crops such as; wheat, rice, pulses, cotton and sugarcane. India is the highest producer of milk and second highest producer of fruits and vegetables in the world. About 60% of India's workforce is engaged in agriculture. The growth of other sectors and overall economy depends on the performance of agriculture to a considerable extent. In other words, agriculture is an important sector in Indian economy, even though agriculture contributes about 20% of the gross domestic product (GDP).

The share of agriculture in India's GDP has reached 20% for the first time in the last 17 years, making it the sole bright spot during 2020-21 according to the Economic Survey of India. Agriculture the only sector to have clocked a positive growth of 3.4% at constant prices in 2020-21, when other sectors slid. Notwithstanding this growth, Indian farmers, being predominantly small and marginal (86%), face many challenges that affect viability of farming. Key issues facing the farmers' are; decreasing size of land holdings leading to low marketable surplus, continued dependence on monsoon, inadequate access to assured irrigation, imbalanced use of soil nutrients, poor technology, challenges in access to formal agriculture credit, inefficient procurement & marketing, failure to provide transparent & remunerative prices to farmers etcetera.

Farmer Producers Organisations (FPOs) which are collectives of farmers have emerged as a potential tool to transform small farmer agriculture into a sustainable enterprise by taking advantage of economies of scale. FPOs combine the spirit of cooperatives with

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professional business outlook of a corporate to enable farmers professionally manage their activities and engage directly as a key player in agri-value chain. Presently, there are around 11000 FPOs promoted in India covering about 5 million small farmers. NABARD is the major player in the sector in India with 55% of these FPOs (about 6000) having been promoted by NABARD.

Policy & programme interventions in India

The FPO movement in India has gained momentum in recent years. A few events that marked the journey traversed so far are, National Policy and Process Guidelines for FPOs with a dedicated source of funding from RKVY¹ programme, equity grant and credit guarantee scheme of SFAC², NABARD support through dedicated funds viz., PRODUCE & PODF³, credit support by a few banks and NBFCs including NABKISAN⁴. A big policy push for FPOs has come from the Central Sector Scheme for formation of 10000 FPOs over the next 5 years by the Government of India (GoI). Many State Governments provide incentives to FPOs.

On the credit front, Agriculture Infrastructure Fund (AIF) which supports creation of storage and primary processing infrastructure at farm-gate level, recognizes FPOs as eligible beneficiaries for interest subvention. The revision of Priority Sector Lending (PSL)⁵ guidelines of Reserve Bank of India classifying loans extended up to Rs 5.00 crore per FPO as priority sector financing and the guidance note & rating tools developed by NABARD are expected to boost much needed credit support to FPOs.

Initiatives of NABARD

NABARD is the lead player in promotion of FPOs in India. NABARD gained huge experience in working with Community Based Organisations through several programmes such as Farmers Clubs, Self Help Groups, Watershed development, tribal development, Primary Agriculture Cooperative Credit Societies. With these experiences and recognizing the potential of FPOs in small farmer agriculture, NABARD created a dedicated fund Producers Organization Development Fund (PODF) during 2011-12, a loan cum grant model for developing and demonstrating innovative financing models to facilitate mainstreaming of such funding mechanism through the banking institutions for achieving larger outreach. Subsequently, GoI created Producers Organization Development and Upliftment Corpus (PRODUCE) Fund of Rs. 200 crores in NABARD for promotion of 2,000 Farmer Producer Organizations (FPOs). The major objective of the Fund was to create awareness and capacity building of small and marginal farmers to organize them into FPOs for building in economies of scale, improve market access, ensure better price realization by the primary producers, etc. During the last 6 years, NABARD has promoted 6000 FPOs with a grant support of over INR 8.0 billion⁶. These FPOs have a membership of 1.65 million, 81% are of whom are small and marginal farmers. An encouraging fact is that 33-35% members of these FPOs are women.

The major business activities of these FPOs include bulk purchase of inputs for distribution among members, produce aggregation, value addition and marketing,

besides delivering a range of agri-related services to members. Typically, the business model of a new FPO begins with collective procurement and supply of inputs to its members and aggregation of produce for marketing. As the FPOs gain business skills and become financially stronger, they tend to move towards more capital-intensive business activities like value addition (primary or secondary processing), setting up of post-harvest facilities including storage, packaging, branding, etc. In order to stimulate commercial activities, NABARD also provides Business Development Assistance to FPOs to the tune of INR 0.5 million.

Among the FPOs promoted by NABARD, 900 FPOs were extended credit of Rs. 350 crores by various banks. NABARD had set up a subsidiary NABKISAN Finance Ltd for providing credit facilities to FPOs. NABKISAN have so far financed 926 FPOs to an extent of Rs. INR 2788⁹ million of short term and long term loans. In order to encourage main stream public and private sector banks extend credit to FPOs, NABARD has developed detailed guidance note on FPO financing and is engaged in constant dialogue with the banks at Corporate level, State level and district level. Further a few business models for FPOs are uploaded on NABARD's website for wider circulation of best practices.

NABARD has recently set up a fully owned Subsidiary viz., NABSanrakshan who will provide Credit Guarantee for the FPOs promoted under the Central Sector Scheme of Government of India. This Credit Guarantee Fund will have a corpus of INR. 10 billion⁸.

NABARD runs an intensive training and capacity building for FPOs and all stake holders at various levels. Bankers Institute of Rural Development (BIRD), Lucknow, a training establishment of NABARD developed several training modules on FPOs which are hosted at 'FPO Resource Centre'⁹ on BIRD website. In collaboration with GIZ, BIRD developed Massive Open Online Course (MOOC) consisting of short video plays which can be accessed at FPO Resource Centre on BIRD website. BIRD is the Nodal Training Institute for FPOs under the Central Sector Scheme of Government of India.

There are several examples of successful FPOs reflected in; high membership, high share capital mobilisation, 100% women members, FPOs working in difficult areas (tribal & hilly regions), market linkages, value addition, usage of technology, etc. COVID 19 pandemic had posed a severe challenge to farm supply chain namely; transport of produce to agriculture markets, localised gluts & shortages, volatile prices of perishables, disruptions in supply of inputs for agriculture operations etcetera. Several FPOs rose to the occasion with out of the box solutions namely; farm to home initiatives, usage of digital technology, timely supply of critical inputs to farmer members, extending a helping hand to migrant labour etcetera.

Experiences and lessons from the ground

As outlined above, several measures have been initiated, and FPOs have demonstrated increase in net income for farmers, improved and timely access to inputs, agro-services and direct marketing facilities. These achievements are however, limited to some pockets. In our experience of promoting over 6000 FPOs, we have encountered many



challenges and have factored in those lessons into our policy.

- The number of FPOs promoted over a period of six years is about 6000. These FPOs are primarily crop based with 500 in animal husbandry and 100 in fisheries sector.
- Of the 6000 FPOs, about 20-25% are inactive / withdrawn. Among the active, business plans are prepared by about 3000 FPOs, 2500 have market linkages and 900 have availed bank credit. NABARD developed a 15-parameter grading tool that captures governance & management of FPO, business operations of FPO. Among the FPOs graded, 69% are in A and B grades and 31% C and D graded. The number of partner agencies associated for ground level handholding to FPOs is about 900.
- FPOs need a gestation period of at least two years for actively engaging into meaningful size of business operations. Farmers are inclined to associate with FPOs only if they perceive incremental margins for their produce. Majority of C and D rated FPOs are less than two-year-old. The expectations of stake holders from FPOs doesn't leave room for sufficient gestation period for FPOs to deliver (these expectations actually weigh down FPOs!)
- The success of any FPO depends on contribution of members to FPO's business and the extent to which the members avail services from FPO. FPOs must learn business rules, market preferences, compliance needs and accordingly, develop sound business plans. The business plan must focus on multiple products basket and services to ensure that at least 75% of members participate in the business of FPO.
- The peculiar problems of the FPOs are; capital base is poor, they do not have any collaterals to offer for bank credit, they have no credit history, branch managers have limited understanding of FPOs etc. This results in less credit flow to FPOs. A few NBFCs are providing credit which is primarily short-term working capital. FPOs also require long term loans for storage, transport, primary processing and value addition. Financial institutions need to develop customised credit products and financial services for FPOs. A campaign is necessary to build awareness among bankers and FPOs.
- While many FPOs have reported market linkages definite data is not available on their market reach and volumes. Inadequate market information and limited access to organised markets are also limiting factors for FPOs sustainability.
- Experience also suggests that FPOs are more likely to succeed in respect of commodities where there is scope for value chain development (more granular data is required). In other words, it may not be a good idea to promote FPOs in crops where there are established marketing channels.
- Higher value chain players must be encouraged to invest and leverage the strengths of FPOs in aggregation, marketing and value addition. Linking FPOs with commodity markets and digital platforms such as e-NAM¹⁸ will help. Federation of FPOs with specialised functions is an idea worth attempting.

- With increasing number of FPOs and players in agri value chain, technology has a great potential to provide solutions. These technology platforms can be used for management of FPOs in the following ways.
 - Creating and maintaining a complete digital database of FPOs
 - Digitisation of various processes in the supply chain that enables FPOs to track their produce from farm to shelf for traceability.
 - Dissemination of vital information to farmers with respect to the most recent news and announcements from the government that benefit the FPO and farmers.
 - Creation of a knowledge portal on FPOs.
- FPOs that have been promoted in NABARD's existing development projects (such as watershed & tribal development projects) have performed better as there is an institutional mechanism in place.
- The major reasons for inactive FPOs are:
 - The farmers are reluctant to come together, as they didn't see immediate benefit of contributing to share capital.
 - The Board of Directors are not sensitive and are failing to positively influence farmers for collective efforts.
 - The promoting institutions at ground level many times do not have the capability to guide the FPOs.
- Constant hand holding and capacity building of FPOs at ground level is critical. FPOs are contextual in their activities and nurturing local expertise is imperative. Sensitisation of stake holders on their roles is a must. Documentation and dissemination of impactful FPOs can motivate others.
- Study the existing successful FPOs to understand issues of membership, feasible crops where FPO can add value to farmers, scalability of FPOs, FPO functions, capacity building frameworks etc.

As we have progressed in implementation of programmes, it has been a constant endeavour of NABARD to build in these experiences and learnings into programme guidelines. With policy support and funds infusion at various levels, the numbers are picking up and momentum is here to stay. COVID which has disrupted farm supply chain has triggered many enterprising FPOs to rise to occasion amply reflecting the potential. With about 120 of 146 million land holdings in the country being small and marginal, the FPOs will soon be a major player in farm value chain and hold promise for improved incomes of farmers.

Acknowledgment: I gratefully acknowledge the inputs received from Dr. A.V. Bhavani Shankar, General Manager, Farm Sector Development Department, NABARD Head Office Mumbai, India for this paper



Endnotes

1. Rashtriya Krishi Vikas Yojana of Govt. of India
2. Small Farmers Business Consortium of Govt. of India
3. Producers Organisation Development Fund
4. NABKISAN is a subsidiary of NABARD
5. Priority Sectors Lending is the role exercised by RBI to banks, imploring them to dedicate funds for specific sectors of the economy like agriculture and allied activities, education and housing and food for the poorer population
6. 106 million USD @ 1 USD = INR 75
7. 37 million USD @ 1 USD = INR 75
8. 133 million USD @ 1 USD = INR 75
9. <https://birdlucknow.nabard.org/fpo-resource-center>
10. National Agriculture Market (eNAM) is a pan-India electronic trading portal which networks the existing State run Agriculture Produce Marketing Committee markets to create a unified national market for agricultural commodities.



Chapter 2

Role of Farmer Producer
Companies in India in Creating
Smallholder Access:
Issues and Way
Forward

Role of Farmer Producer Companies in India in Creating Smallholder Access: Issues and Way Forward

Dr. Abhilaksh Likhi*

Abstract

This review paper focuses on pre and post Farmer Producer Company formation key issues raised by experts that hinder their effective participation in the agricultural value chain. It also attempts to delineate the role of Farmer Producer Companies (FPCs) in providing market access to empower small and marginal farmers in India. In this context, it also highlights best practices from across the country emphasizing the criticality of factors such as the cluster approach, quality standards, use of technology, importance of inclusion and effective need assessment. It also points to the dire need of making access to credit easy by strengthening Bank-FPC linkages. Finally, the paper suggests the way forward to strengthen FPCs at the last mile through an ecosystem that fosters synergies with Panchayati Raj Institutions (PRIs) and Krishi Vigyan Kendras (KVKs) in agricultural produce clusters.

Introduction

Agriculture is a 'state subject'¹, yet the central and state governments, in conjunction, have been active facilitators of the process of agricultural development. This includes strengthening of 'agricultural marketing infrastructure'² (rural roads, wholesale and periodic markets etc.), 'research and development'³ and outreach to farmers through technology ('direct benefit transfers'⁴ and 'electronic national market'⁵) across the country. Besides, nurturing an apt ecosystem of incubation has enabled innovative agricultural 'start-ups'⁶ to take roots.

India's 'agriculture sector'⁷ is a critical source of livelihood, especially in the vast rural geographies of the country. It plays a key role in making the nation food secure and generating exportable surpluses. Ever since the country's independence and the onset of the Green Revolution⁸, the sector has been undergoing structural change in respect to farm size, cropping patterns and its share in the 'Gross Value Added (GVA)'⁹. As per 'provisional estimates 2020-21, it accounts for 20.2 % of the country's GVA'¹⁰. About 85% of the operational holdings of farmers are small and marginal i.e., holdings of less than two hectare (and in some regions dependent on 'rainfed farming'¹¹). The size of these operational holdings is continuously declining, raising serious questions on survivability of these small holders (Pandey, et. al., 2010)¹². Despite this constraint, the country's food grain production as per 'advanced estimates, 2020-21 has touched an all-time high of 308.65 million tonnes and it has, in-fact, been surpassed by horticulture production of 331 million tonnes'¹³.

In the recent decades, a few important trends have been witnessed. Change in lifestyles and consumption habits, in both rural and urban areas, has led to diversification in

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consumer diets. There is increasing substitution of traditional staples e.g. rice and wheat by non-staples such as fruits, millets, vegetables, livestock, organic and processed products. As a result, issues of 'nutritional security' i.e. access to diverse foods¹⁴ have come into sharp focus.

Another concern is the loss of agricultural produce, on its way from farm to consumers. Such loss, that is said to 'range between 15% to 20%', is attributed to bottlenecks in post-harvest connectivity¹⁵ to markets. Perishables such as livestock produce, vegetables and fruits form a significant part of this loss.

The adverse impact of climate change on crop production is another worrisome phenomenon. Integration of adaptation and mitigation strategies to encourage requisite investments in 'climate smart agriculture'¹⁶ have become critically important. In this regard, the need for tapping clean renewable energy sources and more importantly promote water conservation has been emphasized to reduce the carbon footprint and hence the associated risks.

A target has been set by Government of India (GoI) to double the farmers' income by 2022. Therefore, the 'Report of the Committee on Doubling Farmers Income (DFI)¹⁷ assigns the highest priority to interventions that will eliminate constraints faced by small and marginal farmers and other stakeholders in the 'agricultural value chain'¹⁸. Such a value chain includes input provision/use, production, post-harvest processing/storage and transportation/marketing/sales through requisite investments. The Report further outlines the importance of improving net returns to such farmers in this chain by lowering costs through their aggregation into collectives (Figure 1).

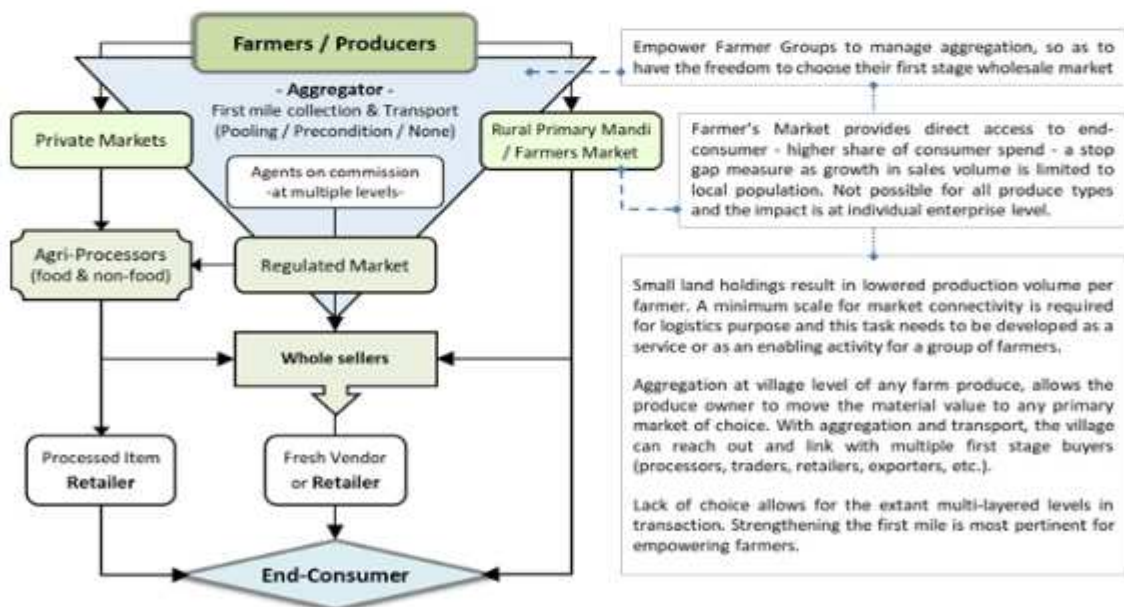


Figure 1: Next Step Interventions for Farmer Groups (Source: Report of the Committee of Doubling Farmers Income, Volume III, August 2017)

In the above backdrop, there is a dire need, first and foremost, to further strengthen the access of small and marginal farmers to agricultural credit, inputs, technology and 'extension services'²⁰. At the same time there is a need to plug bottlenecks in transaction costs associated with their market entry and attaining economies of scale. To do so, aggregation of farmers into Farmer Producer Organizations (FPOs) and more specifically Farmer Producer Companies (FPCs) has been suggested by experts as the way forward (Singh, 2013)²⁰.

Herein, small and marginal farmers jointly access input resources and also market their produce. With other requisite backward and forward linkages, such as availability of credit and robust extension services, aggregated small and marginal farmers are to be the fulcrum of future agricultural growth in the country. This, experts contend, will empower them, as business entrepreneurs, to connect effectively to domestic and global markets and hence raise their incomes manifold.

In-fact, unleashing of such agribusiness entrepreneurial spirits is at the core of the recent announcements made by GoI for the agricultural sector under the 'Atma Nirbhar Bharat Krishi Package'²¹. This package intends to transform small and marginal farmers into vibrant producers through a barrier free agricultural eco system and availability of funding for infrastructure.

Structure of the Review Paper

In the above context, this review paper is structured as follows. First, in the backdrop of the synergies between the Cooperative Movement and FPOs, it attempts to specifically delineate the role of FPCs in providing market access and empowering small and marginal farmers in India. Second, it outlines the legal framework to constitute such farmer companies and their essential statistics. It also highlights the guidelines and schemes announced by Government of India to support them from time to time including the cluster approach. Third, it probes some critical issues raised by experts in the setting up and last mile functioning of these producer companies especially easy access to credit. In this context, it also shares information about a few FPC best practices from across the country exploring key operational issues. Finally, the paper arrives at conclusions on the way forward to strengthen such producer companies by forging last mile convergences and plugging information asymmetries in produce clusters.

Approach and Data Sources

The approach of this review paper is essentially analytical. Through such an approach it aims to delineate issues and challenges in providing market access to empower small and marginal farmers as members of FPCs in India. The study is based on secondary data of annual reports, books, journals and published articles including online resources.

Cooperative Movement and FPOs

The review of literature for this paper reveals that the discussion on FPOs and more specifically FPCs is embedded in the discourse, policy and practise of the 'Cooperative



movement²² in India.

The first cooperative act was legislated in British India in 1904. Producer organizations in the form of producer cooperatives have existed over hundred years ever since then. In-fact, 'Primary Agricultural Credit Societies (PACS) are one of the oldest forms of producer organization'²³ at the village level addressing the rural credit needs of small and marginal farmers. Similarly, Amul became India's largest dairy food product marketing cooperative. To replicate its success, the National Dairy Development Board (NDDB) was set up and it launched Operation Flood to create farmer milk cooperatives across the country²⁴. Hence, ever since independence, GoI has provided massive financial, technical and administrative support to co-operatives both directly and indirectly through State governments.

FPOs, in the above context, are aggregation institutions that aim at connecting the small and marginal farmer to both input and output markets. Such organizations are initiated either by the government, cooperative institutions, private sector, civil society, trusts and statutory societies. 'These forms include agricultural cooperatives, producer companies, self-help groups, federation of self-help groups, common interest groups, farmer interest groups, commodity interest groups, joint liability groups, farmers clubs etc. These forms vary in terms of membership and geographic spread'²⁵.

A fundamental basis is that farmer producers with common interests agree to pool their resources and jointly manage farming issues of credit, input sourcing, deployment of farm technology and post-harvest handling. They also manage dissemination of market information, good agricultural practices, participation in 'commodity exchanges'²⁶ and 'exports'²⁷. Farmer members, herein thus can seek reduction of transaction costs by leveraging their collective and bargaining strength to access financial inputs. At the same time, they can, on equitable terms, tap high value markets through business partnerships with myriad entities²⁸.

The Produce Cluster Rationale

Grouping farms together to operate as a produce specific cluster with contiguous tracts of land has also been argued as the concept behind forming of FPOs. 'Such an approach is necessary to bring about a critical economy of scale at the farm gate so that farm inputs can be better managed, the cultivation gets consolidated care and the output from farms has a viable scale for post- production handling. More importantly, production from collaborative farming is to be linked to multiple demand centres (including proximity to urban centres) for quick evacuation of produce and to further maximize market opportunities'²⁹. Such produce clusters can span across villages, blocks and even districts.

Legal Provisions

As has been explained in the preceding paragraphs, while an FPO is a generic name that represents different forms of community organizations/enterprises, a "Producer Company" is a special case of a producer enterprise that is registered as a body corporate

under Section IXA of the Companies Act, 1956 (now Companies Act, 2013 as amended in 2002).

An Expert Committee led by noted economist Dr. Y. K. Alag recommended setting up of such companies by incorporating Part IXA in the Companies Act, 1956. Such a producer company's main activities consist of 'production, harvesting, processing, procurement, grading, pooling, handling, marketing selling, export of primary produce of the members or import of good and services for their benefit. It also includes promoting mutual assistance, welfare measures, financial services, and insurance of producers or their primary produce'³⁰.

FPCs constitute of only primary producers to participate in the ownership and management of the company. Thus, members necessarily have to be persons engaged in any activity with or related to primary produce which in the case of this review paper are agriculture and allied activities. Besides, 'primary producers share profits among its members. Such producers are shareholders in the company and remaining profits are added to the organizations owned funds for business expansion'³¹. It has been aptly stated that FPCs are formal autonomous, outward oriented organizations and can be regarded as a hybrid between private companies and cooperatives (Trebbin, 2014)³².

A study has been conducted by the 'National Bank for Agricultural and Rural Development'³³ (NABARD) to analyse design variables of FPOs (and FPCs) and their dynamic interrelationships. It states that 'the optimal position of key variables of size, scope, technology, ownership and management has to be such that the FPO (and FPCs) evolves as a sustainable community enterprise system. Also, that it can serve as a single window service centre to all farmers/producers in a cluster of villages or a Gram Panchayat'³⁴. Thus, with the cluster approach as the growth driver, this review paper, in context of various policy variables, will delve deeper into the issue raised by NABARD study while suggesting the way forward to strengthen these companies.

Agencies Involved in Promotion of FPCs

Over the years, FPCs have been supported by GoI, NABARD, Ministry of Rural Development (MoRD), Ministry of Agriculture & Farmers Welfare (MoA&FW), 'Small Farmers Agribusiness Consortium (SFAC)'³⁵ and state governments. Several international organizations such as International Fund for Agriculture Development (IFAD), Food and Agriculture Organization (FAO), United Nation Development Program (UNDP), World Bank etc., have also been supporting them.

A pilot project was launched by The Department of Agriculture, Cooperation & Farmers Welfare, MoA&FW, GoI, for promoting FPOs (including FPCs) during 2011-12. This was implemented through SFAC in partnership with the state governments. This involved mobilization of farmers into FPOs under two sub schemes of the Rashtriya Krishi Vikas Yojana (RKVY) namely the National Vegetable Initiative for Urban Clusters and the Promotion of Pulses Development for rainfed villages. Subsequently, in 2013 the Ministry issued Policy & Process Guidelines 'detailing the vision, mission, scope and coverage of both FPOs and FPCs'³⁶.



The Ministry of Food Processing Industries (MoFPI) is currently implementing schemes such as 'Operation Greens and Kisan SAMPADA Yojana'³⁷ that provides effective and seamless backward and forward linkages including agri- logistics for the processed food industry. This is to facilitate involvement of farmers and more importantly, farmer producer companies. Similarly, under the 'Deendayal Antoyada- National Rural Livelihood Mission (NRLM)'³⁸, the MoRD, GoI, has taken up value chain development interventions. These too are to be taken up through farmer producer companies to enable small and marginal farmers to access markets for better price realization.

Essential Statistics on FPOs/FPCs

Review of literature reveals the presence of multitude sources for essential statistics on FPOs/FPCs. A National Institute of Agricultural Extension (MANAGE) report states that 'presently approximately 5000 FPOs (including FPCs) formed under various initiatives of the GoI, SFAC, NABARD, State governments and other organizations are in existence in the country. Of these, around 3200 FPOs are registered as Producer Companies and the remaining as Cooperatives/Societies'³⁹.

An Ernst & Young LLP and FICCI study highlights that 'there are approximately more than 2000 FPCs promoted by private institutions/trusts such as Bill & Melinda Gates Foundation, TATA Trust, Reliance Foundation, Axis Bank Foundation, Ambuja Foundation, HDFC Foundation, Syngenta Foundation etc. These cover approximately 2% cultivars in the country'⁴⁰.

Azim Premji University has published a study that states that "there are 7374 producer companies registered as on March 31st, 2019 with 4.3 million estimated members. 92% of these producer companies are farm based. The average number of FPCs per one lakh farmer is 2.6 that is for every 100,000 agricultural workers in India there are 2.6 farmer producer companies. These also include self- promoted FPCs by large farmers. Maharashtra has by far the largest number of producer companies followed by Uttar Pradesh, Tamil Naidu and Madhya Pradesh. The district with the largest number of producer companies is Pune followed by Ahmednagar and Nasik'⁴¹.

Table-1: State Wise Coverage of Farmers in FPOs as on 31.03.2021

S.No	State/UTs	Total No. of Farmers Mobilized
1	Andhra Pradesh	13618
2	Arunachal Pradesh	4270
3	Assam	10831
4	Bihar	36423
5	Chhattisgarh	29436
6	Delhi	3535
7	Goa	1810
8	Gujarat	22550
9	Haryana	14081
10	Himachal Pradesh	7803

(Source: <http://sfacindia.com>)

Aggregation Model of Sustainable Farming for Smallholder Farmers in Asia Pacific Region

S.No	State/UTs	Total No. of Farmers Mobilized
11	Jammu & Kashmir	
	Jammu(Division)	5854
	Srinagar(Division)	4090
12	Jharkhand	12009
13	Karnataka	127369
14	Madhya Pradesh,	138994
15	Maharashtra	105863
16	Manipur	6450
17	Meghalaya	2990
18	Mizoram	1700
19	Nagaland	3000
20	Odisha	38605
21	Punjab	6288
22	Rajasthan	59962
23	Sikkim	18537
24	Tamil Nadu	15070
25	Telangana	29848
26	Tripura	4705
27	Uttarakhand	6004
28	Uttar Pradesh	57062
29	West Bengal	92322
Total		881,079

It is evident from the above that there is dire need for availability of a single source of such data and statistics on FPCs at the national level. More so, as an “e-platform,” for use by various stakeholders, experts, professionals and scholars alike.

Scope of Functions of FPCs

There is tremendous heterogeneity in the operations of FPCs. According to the Azim Premji University study ‘FPCs can work either with a single agricultural commodity or multiple commodities. Many FPCs are engaged in bulk procurement of inputs while others are acting as intermediaries in the value chain by aggregating produce from small and marginal farmers and doing some primary processing (such as grading and sorting). A few FPCs are engaged in higher forms of value addition such as pulping or juicing of fruits, chopping and freezing of vegetables etc. Some FPCs are producing ready to eat/cook products and non-food items such as vermi-compost, mosquito repellent cow dung cakes⁴².

The study further adds that ‘other FPCs have obtained a licence to become nodal agencies for procurement of agricultural commodities at Minimum Support Price (MSP). A few others have become licenced agencies of agricultural manufacturers or crop insurance companies. They sell their produce in wholesale mandis, to large traders, restaurants, hotels, corporate bulk buyers or directly to consumers. A few FPCs and their promoters go beyond business activities and do advocacy, education and knowledge creation⁴³.



It's quite evident from the scope of above operational functions that FPCs are working across the agricultural value chain spectrum in the country. It has been argued that despite a head start, they still require not just capital, infrastructure and market linkage backing but handholding too for sustaining their business operations. In-fact, 'there is a need to establish incubators to handhold and support FPCs and different modes and categories for financing them'⁴⁴.

Critical Issues

Experts opine that FPCs have the potential to give higher income by reducing cost of production and higher price realization to farmer producers through better market access (Markelova et al., 2009⁴⁵; Valentinov 2007⁴⁶). But for this potential to be fully tapped, a few critical pre-formation and post-formation challenges have to be addressed.

Pre-Formation

Despite the fact that the role of the implementing/promoting agency is critical the 'business rationale for aggregation in an FPC is usually formed on the objectives laid out by the former'⁴⁷. This at times is exacerbated by lack of a thorough pre-feasibility study and specific mission needs in the context of the 'agro-climatic regions'⁴⁸. The FPCs growth is therefore quite dependent on handholding by the implementing/ promoting agency. Besides, many times, lack of State government incubators for handholding support limits the exposure of small and marginal farmers to modern technology and crop development.

Post-Formation

At times, access to credit from banks and financial institutions due to 'lack of financial literacy acts as a hindrance'⁴⁹. There could also be bottlenecks in availability of timely market information. This has a direct bearing on non-preparation and implementation of feasible business plans. The lack of professional staff also hinders the latter. In addition, the lack of a well mapped eco system of 'storage'⁵⁰ and primary processing infrastructure is also an issue.

The key area of output marketing, experts add, has critical interdependencies with day-to-day management of and access to finance by the FPCs. Farmers usually are efficient producers but lack of a business sense inhibits them towards entering post-harvest management value chain activities. 'Many a times, lack of cash surplus limits the FPCs capacity to undertake marketing activities and in-fact, meet bulk and year-round orders. Rarely, do FPCs take up independent performance rating by outside agencies to access credit'⁵¹.

Finally, training, skilling and capacity building for FPC members, it has been argued, does not fully focus on execution of agricultural business operations. This includes knowledge areas both of 'soft and hard skills such as leadership, networking, negotiation, pricing, business planning, brand building etc.'⁵².

The TATA-Cornell Institute for Agriculture and Nutrition in its 'Policy Brief 2019'⁵³ points out that the biggest challenge for FPOs/FPCs has been accessing credit since Bank-FPO linkages are poor. The major lenders, according to the Brief, have been Non-Banking Financial Companies (NBFCs) that provide short term advances and loans at high rate of interest to more established FPOs/FPCs.

The New Agriculture Infrastructure Fund (AIF)

In this context, the setting up of the INR One lakh crore 'Agricultural Infrastructure Fund (AIF)'⁵⁴ by the Ministry of Agriculture & Farmers Welfare, GoI is a step in the right direction. It aims at mobilizing investment, through both incentives and financial support, in viable projects relating to post harvest management and community farming assets. The Fund has two innovative features. One, its focus on creation of farm-gate infrastructure with appropriate technologies such as village warehouses, modern pack houses (for primary processing such as sorting, drying, grading etc.) and cold chains (integrated logistics supply of cold stores that includes, modern pack houses, refrigerated transport and ripening units). This will enable farmers to sell directly to bulk buyers, processors and consumers. Second, it provides both for provision of interest subvention and credit guarantee. Ultimately, through the aegis of this Fund what one is looking at is the creation of a robust ecosystem for agribusiness through funding of PACs, FPOS/FPCs, agri entrepreneurs and startups that in turn will empower farmers, especially small and marginal farmers.

In-fact, in this context, experts have also flagged the importance of creation of employment opportunities for women and young farmers. They state that with requisite and well-planned pan India investments through AIF, 'logistics like aggregation, storage, processing etc. at the agribusiness upstream and food related services at the downstream can be leveraged as a channel of employment generation'⁵⁵.

New FPO Policy Guidelines

To supplement the above pan India instrument of funding, a dedicated 'Central Sector Scheme for formation and promotion of 10,000 FPOs'⁵⁶ across the country has also been launched in 2020 by the MoA&FW, GoI. It provides handholding and support to FPOs up to five years. There will be three implementing agencies, namely, SFAC, NABARD and the 'National Cooperative Development Corporation (NCDC)'⁵⁷.

The new scheme has a few distinctive features. First, it makes a produce cluster area an essential for FPO formation that includes organic and natural farming (making it possible to achieve synergies with the 'One District One Product'⁵⁸ approach for development of agri product specialization). Second, it provides for setting up special purpose Cluster Based Business Organizations. Such entities will assist the implementation agency in entry point activities, farmer mobilization, conduct of feasibility, baseline surveys and most importantly in preparation of core business plans for medium- and long-term development. Third, reimbursement of funds will also be available to value chain processing and export entities that are supporting FPOs through cluster approaches. Fourth, there is availability of equity grants and credit



guarantee cover for accelerated flow of institutional credit to FPOs.

Existing FPOs will also be allowed to avail benefits, if they have not done so under any scheme of GoI such as Credit Guarantee Fund and seeking advisory services from the National Project Management Agency (NPMA). Those FPOs that are already registered but have not been provided funds under any other schemes and have not started operations will also be covered.

Last but not the least, the Scheme also provides for robust capacity building interventions and a holistic monitoring governance structure with central, state and district level committees. More importantly, in view of the lacunae pertaining to databases pointed out earlier, it provides for an integrated and interoperable national portal so that relevant databases on FPOs/FPCs are uniformly available to all concerned.

Best Practices

There are several examples of good practices in the field wherein FPCs, in a variety of institutional settings have enabled market access to small and marginal farmer members for both input supply and output marketing. These practices do address some of the critical pre and post formation issues mentioned earlier in this review paper. More importantly, they reiterate the importance of factors such as the cluster approach, quality standards, use of technology, the need for inclusion and effective last mile need assessment.

The Government of Haryana has recently launched an innovatively modelled 'Crop Cluster Development Program'⁵⁹ to give a big push to primary processing facilities in horticulture crop clusters through FPCs. These 140 clusters have been identified by surveying and mapping villages across the state for fruit and vegetable crops. Within these clusters, integrated pack houses for sorting and grading will be managed and run by FPCs. These are bank appraised projects with credit link subsidy. In-house information technology linkages through e-services and deployment of outsourced cluster/district-based project extension managers is the program's forte. With extensive incubating facilitation by the State SFAC, two FPCs namely, Javik Aahar Farmer Producer Company, Jhajjar and Safe Agro Producer Company, Hisar have begun operating integrated pack houses in their respective clusters.

World Bank's 'South Asia Agriculture and Rural Growth Discussion Note Series (2020)'⁶⁰ highlights the case of Jharkhand State wherein labour force relies on agriculture and allied sectors and small and marginal farmers practice rainfed single crop subsistence farming. The 'Johar Project' was initiated in 2017 by World Bank (it builds on the work of the NRLM and the State Government) to aid targeted rural producer households to diversify and enhance their household incomes.

The Note Series state that the project has operationalized 19 out of 30 FPCs covering two lakh households by a marketing initiative for post-harvest management for tomatoes. Setting up of the FPCs led to putting in place of a technical support agency, package of

practices, market intelligence system, business process, communication and marketing plan in addition to monthly group meetings of farmers. Bringing FPC and market leaders together through a buyer-seller meet was another intervention. Key results included selling of 263 metric tonnes of tomatoes worth INR 5.1 million by three piloting FPCs during the intervention period following the process driven aggregation and sales.

One of the key learning from the functioning of Johar Project FPCs, the Note Series observe, was that simple principles related to sorting, grading and packaging helped the FPCs to create a niche for tomatoes in wholesale markets. This also created a positive impact on farmers to supply graded products.

'Sahyadri Farmer Producer Company'⁶¹ in Nasik, Maharashtra, on the other hand, is an example of a self-promoted entity that has built a value chain for small and marginal farmers. It exports grapes to the European Union, Russia and UAE and does domestic sales of processed and fresh grapes through its retail shops as well.

Parthasarathi Biwas, writing in the Indian Express on August, 2020, informs that the Sayhadari FPC has a three-tier structure comprising the apex organization itself, crop wise FPCs and farmers in the catchment area. The apex FPC handles post-harvest management, processing, distribution and marketing both for exports and domestic markets. The crop wise FPCs provides technical support to approximately over 6000 farmers apart from undertaking aggregation, grading, sorting and packaging of the produce.

Interestingly, Biwas adds that the plots of its individual farmer members are geo tagged to allow the company to keep real time update of the crop's growth that enables planning of the harvest calendar. Besides, remote monitoring of crop conditions makes it possible to complete traceability of farmer's produce by embedding the related information in its bar-coded packets

Over 4000 Women primary producers are members of the 'Dev Bhumi Natural Products Producer Company'⁶² functioning in Pauri Garwal and five other districts of Uttarakhand. It is a community owned enterprise. Its core activities include sericulture, organic honey and eco-tourism. Besides, highly priced organic spices and kidney beans, indigenous to Himalayan regions are also grown, processed and marketed by the Company. Its hallmark has been an 'inclusive approach'⁶³ while 'accessing remote villages coupled with assisting primary producers to leverage financial resources from NABARD and Friends of Women World Banking (FWWB)'⁶⁴.

Reliance Foundation has provided mentorship to the 'Kamareddy Progressive Farmers Producer Company'⁶⁵ in Telangana that has farmer members in 140 villages. 'The FPC has taken up procurement of paddy through aggregation and distribution centers. It has also diversified into seed production, farm inputs and renting of implements and micro irrigation interventions. Its forte lies in reducing cost of production for its members. More importantly, the Foundation has effectively engaged in grassroots need assessment (conducted amongst small and marginal farmers through village associations) on issues of food, nutrition and ecological sustainability'⁶⁶.



The above good practices and many more in the countryside provide a snapshot of myriad institutional settings and operating models of FPCs. Experts have further pointed out two important issues. First that the 'rising demand for diversified foods has led to a growing emphasis on grades and standards to ensure quality, health, safety and differentiation of products based on tastes and preferences'⁶⁷. This issue is in fact, extremely critical in context of the role of FPCs in providing farmer member producers access to the fast-growing organized retail market in food and groceries based on requisite quality standards.

Second, experts also observe that viability of an FPC is a very critical issue and may depend upon its operating mode and availability of funds (the new FPO/FPC Guidelines and setting up of AIF in 2020 provide for very effective loan disbursement, interest subvention, equity grant and credit guarantee mechanisms). They suggest that to be a viable entity there should be 'a two-pronged FPC promotion strategy: the first of supplier FPCs by NGOs and resource institutions who are good at producer mobilization with good ground knowledge and second to bring in business expertise to establish smaller market facing companies with adequate capital and skilled talent'⁶⁸.

Way Forward

The nuts and bolts of above examples and issues raised bring us to the fundamental question of 'strengthening the sustainability of FPCs to provide a stable relationship between the small producer (farmers) and large markets'⁶⁹. Sustainability of FPCs has to be seen from the perspective of forging last mile convergences and plugging information asymmetries for the cluster approach to succeed as a growth driver.

The first key issue is the need to strengthen the interface mechanism between the Indian Council of Agricultural Research (ICAR) institutes especially '722 Krishi Vigyan Kendras'⁷⁰ (KVKs), the district administration (through District Magistrates/ Collectors/ Deputy Commissioners) and the small and marginal farmers as primary producer members of FPCs in produce clusters. They together have to take into account the changing agro-ecological ground realities. Especially the need for intensively adopting climate smart agricultural practices while planning and operationalizing input and primary processing activities. Such practices include zero tillage, crop residue management, micro irrigation, use of information and communication technologies-based weather advisories, energy efficient pack house operations etc.

KVKs/ATMAs will also need to effectively utilize advise of local agri-business/industry entrepreneurs in FPCs and '261,967 Panchayat Raj Institution'⁷¹ (PRI) leaders in districts. They must strive to formalize one key activity in their 'demonstration trial' and outreach functions in produce clusters. And this is the mapping, coordinating and sharing with small and marginal farmers, the work and experience of numerous agri startups in districts (especially in hilly, tribal and aspirational districts identified by Niti Aayog having low socio-economic indicators). These startups, like several FPCs, are using innovative methods and low-cost technologies to introduce automated supply chain efficiencies and hence ensure better price realization for farmers.

Second, the communication interface of FPCs with PRIs at all levels of administrative units- the village, block, and district (more so at the level of a village or group of villages) needs to be aligned in produce clusters. There is tremendous penetration of broadband connectivity and mobile usage at all levels of the administrative units. Despite that, physical reach of sufficient numbers of field extension officers of agriculture, horticulture, fisheries, forestry and animal husbandry departments at all levels can complement and supplement the extension work of FPCs. In addition, the efficient dovetailing of Common Service Centers (CSCs) to FPC operations is very critical. CSCs are essential single window access points in districts that provide high quality and cost-effective video, voice, data content along with public utility services to farmers.

Further, PRIs, as legally empowered decentralized institutions, have to work towards incubating databases and good practices of FPOs and more specifically FPCs. This can also include work of FPC being handheld by non-governmental organizations (NGOs). Deepening such a capacity within all levels of PRIs (Zilla Parishad, Panchayat Samiti, Gram Panchayat) in produce clusters is bound to enable them to make realistic assessment of the required appropriate pre- and post-harvest management agricultural practices and technologies. Thereafter, widespread availability and application of these interventions for small and marginal FPC member producers can be enabled by overcoming the constraint of funding through the aegis of the new FPO Guidelines and AIF.

Such a converged cluster approach can provide FPCs the robust ecology to empower small and marginal farmers who have no prior experience in business activities. It is envisioned by the DFI Committee Report that the need is to create market access for small and marginal farmers through barrier free trade in agricultural produce and engagement with sponsors of their choice. Further, Ernst & Young's Report of August 2020 titled, 'Agritech-Towards Transforming Indian Agriculture' rightly points out that solutions to challenges of adoption of technology through digital platforms, artificial intelligence, and Internet of Things (IoT) have to be inclusive to their needs.

Endnotes

1. Entry 14 of List-II (State List) of Constitution of India provides for agriculture including agriculture research, protection against pests and prevention of plant diseases to be in the preview of States. Hence, pre-production, production and harvesting clearly remains a state subject. When it comes to deal with harvested produce, States have enacted an Act on agricultural marketing by exercising powers conferred under Entry 28- "Markets and Fairs" of the VII Schedule of the Constitution of India. For more information see The Constitution of India, Government of India, Ministry of Law & Justice. (New Delhi, 2011), pp.270-272.
2. The current marketing system comprises about 2,284 regulated Agricultural Produce Marketing Committees (APMCs) which operate 2339 principal markets. These markets have extended their footprint through 4276 sub-markets yards. On an average the market yards cover 463 square kms of geographic area or a radius of



12 kms. These are further categorized as primary, secondary or terminal markets depending upon their location and volume being handled. There are also 22,932 rural periodical markets owned and managed by State Marketing Boards, APMCs, Panchayats and Municipalities. For more information see Report of the Committee on Doubling Farmers Income, Department of Agriculture, Cooperation & Farmers Welfare, Ministry of Agriculture & Farmers Welfare, Government of India, Volume IV. Chapter 5 (New Delhi, August 2017), pp.58-59.

3. As many as 113 Research Institutes/ Indian Council of Agricultural Research (ICAR), 77 State Agricultural Universities (SAUs)- Central Agricultural Universities (CAUs), 700 Krishi Vigyan Kendras (KVKs) in Districts Commodity Boards etc. are involved in generation of transferable technologies. For more information please see Report of the Committee on Doubling Farmers Income, Department of Agriculture, Cooperation & Farmers Welfare, Ministry of Agriculture & Farmers Welfare, Government of India, November 2017, Volume XI, Chapter 1 (New Delhi, November, 2017), p.1.
4. There are 14 schemes of the Department of Agriculture and Farmers Welfare onboarded to direct benefit transfer including PM-KISAN under which Rs, 17,000 crore has been released to more than 8.5 crore farmers. Annual Report 2019-20, Department of Agriculture & Farmers Welfare, Ministry of Agriculture & Farmers Welfare, (Krishi Bhawan: New Delhi. p.23 and visit link www.agricoop.nic.in last accessed on 9th September, 2020.
5. National Agricultural Market is a virtual market but has a physical market at the backend. Therefore, while one-time registration of farmers/sellers, lot details at the entry gate, weighment, quality assaying, auctions, payments will take place online, actual material flow will happen in the regulated market. For more information please see Operational Guidelines for Promotion of National Agricultural Market (New Delhi: September, 2016). p.1
6. There are approximately 450 agri-tech start-ups in India providing market linkage, digital access to inputs, financing etc such as Ninjacart, Crofarm, Cropin, Agnext, Agrostar, KhetiNext etc. NASSCOM Report on Agritech in India, 2019. Please visit link <https://community.nasscom.in/download.php?file=wp-content/uploads/attachment/18174-agritech-in-india-emerging-trends-in-2019.pdf> last accessed on 10th September, 2020.
7. The agriculture and allied sectors consist of four sub sectors namely, crop sector, livestock sector, forestry and fisheries. These sub sectors share in value of production is 61.31%, 26.80%, 7.39% and 4.50% respectively. Horticulture crops that include fruits and vegetables contribute 25.17% (second highest in crop sector). Field crops include cereals, pulses, oilseeds, sugars, fibres. For more information see Report of the Committee on Doubling Farmers Income, Department of Agriculture, Cooperation & Farmers Welfare, Ministry of Agriculture & Farmers Welfare, Government of India, Volume I, Chapter 2 (New Delhi, August 2017), pp.26-29.

8. The Green Revolution in India began in the mid-1960s through the introduction of high yielding varieties of crops. It increased farm productivity substantially over the years and turned India into a leading producer of food grains. For more information see. B.P. Bhatt, J.P. Mishra, Amitava Dey, A.K. Singh and S.Kumar, *Second Green Revolution in Eastern India: Issues and Initiatives*, (Bihar: ICAR, 2016), p3.
9. Gross Value Added (GVA) is a measure of value of goods and services produced in an area, industry or sector of the economy. In national accounts, GVA is output minus intermediate consumption. It came to be introduced in January 2015. State of Indian Agriculture, Department of Agriculture, Cooperation & Farmers Welfare, Ministry of Agriculture & Farmers Welfare, Government of India (New Delhi:2017). p.1.
10. http://mospi.nic.in/sites/default/files/press_release/Press%20Notes_31-05-2021.pdf last accessed on 21st November 2021.
11. Rainfed agriculture which is totally rain dependent accounts for 55% of the net sown area of the country. It influences livelihoods of small and marginal farmers and is most vulnerable to monsoon failures. Report of Committee on Doubling Farmers Income, Department of Agriculture, Cooperation & Farmers Welfare, Ministry of Agriculture & Farmers Welfare, Government of India, Volume VI, Chapter 2 (New Delhi, November 2017), p.20.
12. M., Pandey, K., Sudhir, D., Tewari, N., Nainwal (2010): *The Road Map: Linking small farmers to markets*.
13. <https://agricoop.nic.in/en/statistics/state-level> and https://eands.dacnet.nic.in/Advance_Estimates.htm last accessed on November 21st, 2021.
14. Prabhu Pingali, Anaka Aiyar, Mathew Abraham, Andaleeb Rahman, *Transforming Food Systems for a Rising India*, (Switzerland, Palgrave Macmillan, 2019). p.194
15. The pillars of post- production activities include: Market Expansion & Access (multiple market access/greater selling choice and volumes) Reducing Wastage (maximizing volume of farm produce that reaches gainful end) Upgrading Agri-Logistics (improve inventory management in warehouses, post -harvest care, empower with physical connectivity) Enabling Reform & Investment (unified market for produce, online marketing channels) Enabling Trade regime for Exports (ease of business at quarantine stations). Most critical is transportation, integrated packhouses for grading, sorting, farmgate warehousing capacity coupled with cold chains to mitigate food loss. Report of Committee on Doubling Farmers Income, Department of Agriculture, Cooperation & Farmers Welfare, Ministry of Agriculture & Farmers Welfare, Government of India, Volume III, Chapter2, (New Delhi, August, 2017) pp.20-41.
16. Green House Gases including Carbon Dioxide emissions contribute to warming of temperatures. Heat and crop resistant crop technologies are the need of the hour. Op.Cite; Prabhu Pingali, p.247



17. Reports of Committee on Doubling Farmers Income, Ministry of Agriculture & Farmers Welfare, Government of India have been submitted between August 2017 and Sept 2018 in XIV Volumes. For more information please visit link <http://agricoop.nic.in/doubling-farmers> last accessed on 11th Sept, 2020.
18. A cultivators value chain includes the primary function of input procurement (inbound logistics), the sowing, cultivation and on field care of the crop (production), the harvesting and carrying the produce to the local market (outbound logistics) and primary sale (marketing). The support activities in this value chain are the acquiring and managing of tools, equipment and manpower involved in the primary activities (deploying farm labour, weeding etc). The farmer can shift crops, can transact with another firm, the aggregator, transporter, wholesaler or processor (they are a separate value chain if not under the umbrella of a single capital or management but are a part of the larger value system that directs the value first produced to the final point of consumption). Report of Committee on Doubling Farmers Income, Department of Agriculture, Cooperation & Farmers Welfare, Ministry of Agriculture & Farmers Welfare, Government of India, Volume III, Chapter3, (New Delhi, August,2017) p.44
19. The Agricultural Technology Management Agencies (ATMAs) in conjunction with KVKs and three tier Panchayati Raj Institutions (PRIs) provide a robust extension system for outreach to farmers. Report of Committee on Doubling Farmers Income, Department of Agriculture, Cooperation & Farmers Welfare, Ministry of Agriculture & Farmers Welfare, Government of India, Volume XIII, Chapter 10 & 11 (New Delhi, January 2018) pp.93-99.
20. <https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwiPxJSBqcz1AhUlyYsBHbGYB4gQFnoECAMQAQ&url=https%3A%2F%2Fwww.manage.gov.in%2Fpublications%2Fedigest%2Fjun2018.pdf&usq=AOvVaw3aXEMw8NkdNcVws8M80YGz> accessed on 1st November 2021.
21. The major announcements pertaining to the Department of Agriculture & Farmers Welfare, Government of India include Rs. 1 lakh crore Agri Infrastructure Fund, Rs. 500 Beekeeping Mission, Central Law for barrier free interstate trade and price & quality assurance agreement between sponsors and farmers. For more information please see link <https://pib.gov.in/PressReleasePage.aspx?PRID=1624104> last accessed on 12th September, 2020
22. A cooperative is generally viewed as an autonomous association of persons united voluntarily to meet their common social and economic needs and/or objectives. In India, cooperatives are registered under a legislative act of either the Central or State government. For more information please see Kartar Singh and R.S. Pundhir Cooperatives and Rural Development in India (Anand, IRMA, 2000). p.5.
23. Amar K.J.R. Nayak, Designing Farmer Producer Organizations for Sustainability of Smallholder Farmer in 'Rural India Perspective', eds NABARD (New Delhi: Oxford Press, 2018). p.100

24. Rohit Deshpande, Tarun Khanna, Namrata Arora, Tanya Bijlani, India's Amul: Keeping Up with the Times, Harvard Business School (June 2017) (9-516-116). p.1-2.
25. Extension Digest, Farmer Producer Companies – Issues and Challenges, MANAGE, Vol 1. No.3. (Hyderabad: June, 2018). p.1-2
26. Farmers participate in futures markets other than physical or spot market. Commodity derivatives market has the potential to serve as an efficient tool by providing farmers with access to alternative modern market to hedge their price risk and ensure a minimum price for their produce. Taken together the national commodity exchanges help improve market efficiency and broaden market access in commodity supply chains by reducing transaction costs. Vijay Kumar, Taking Small Farmers to the Market, Handbook of Indian Agriculture, The Hindu Business Line, (2020). p. 137
27. The Agricultural Export Policy aims at doubling exports to USD 60 billion by 2022 and focus on developing clusters having export-oriented production of specific products. For more information see APEDA, Agriculture Export Policy, Department of Commerce, Ministry of Commerce and Industry, Government of India (New Delhi). p.4.
28. Op. Cite; Extension Digest, MANAGE. p.2.
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Chapter 3

**Training Framework for
Various Stakeholders under
Central Sector Scheme of Govt. of India
on 'Formation and Promotion
of 10000 Farmer Producer
Organisations
(FPOs)'**

Training Framework for Various Stakeholders under Central Sector Scheme of Govt. of India on 'Formation and Promotion of 10000 Farmer Producer Organisations (FPOs)'

Shri Prafulla Ranjan Jha*

Abstract

Aggregation of small, marginal and landless farmers into Farmer Produce Organizations (FPOs) will help boost economic strength & market linkages of farmers for enhancing their income. Keeping this in mind, Government of India has launched a new Central Sector Scheme titled "Formation and Promotion of 10,000 FPOs" with a clear strategy and committed resources to form and promote 10,000 new FPOs in the country. To accomplish this, Bankers Institute of Rural Development (BIRD), Lucknow has been designated as Nodal Training Institution at Central Level for capacity development & trainings of FPOs. The current article deliberate on the Capacity Building Framework (CBF) prepared by BIRD under the scheme so as to facilitate capacity building & trainings of FPOs.

Introduction

With decreasing average size of agricultural land holding, switching over to an aggregation mode appears to be imperative for small holder farmers in India to tide over the problems of sustainability for achieving economies of scale and improving farmer's share in the consumer price. Collectivization of such small and marginal farmers to form their own organization as Farmer Producer Organizations (FPOs) has been recognized as the most effective and appropriate institutional mechanism to reduce cost of production, increase per unit productivity and facilitate better market linkages so as to enhance their net income. To facilitate and expedite this, the Ministry of Agriculture & Farmers Welfare, GOI launched a dedicated Central Sector Scheme for 'Formation and Promotion of 10,000 Farmer Producer Organisations (FPOs) in FY 2020. Bankers Institute of Rural Development (BIRD), Lucknow (a learning centre of NABARD) has been designated as the Nodal Training Institution at Central Level with assigned responsibility of preparing a Capacity Building Framework (CBF) under the scheme.

The key to successful and effective implementation of any development program lies with effectiveness in building the capacities of all the stakeholders associated with it. Due importance on this aspect has been entrusted by BIRD from the beginning in consultation with the stakeholders and practitioners in the field of FPOs. Accordingly, a consultative workshop was organised by BIRD in this regard in August 2020 and taking

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into account the suggestions received, the present capacity building framework has been conceived and presented here.

While drafting the framework, the following aspects of scheme guidelines were kept in focus:

- a) The scheme aims at providing a holistic & broad-based supportive ecosystem for formation of 10,000 new FPOs by 2023-24. For achieving economic viability & self-sustainability beyond support period, newly formed FPOs are to be initially provided handholding support in terms of capacity enhancement in areas of management, governance, business development and business diversification particularly through their participation in supply & value chains, market linkages, credit linkages and use of technology, etc.
- b) FPOs are to be formed with a minimum farmer-members' base of 300 with an exception of 100 in difficult areas like North-Eastern & Hilly regions. For above, the farmer-members cohesively located with almost same interest are to be mobilized to form a small informal group of 15-20 members (Farmer Interest Group (FIG), Rythu Mitra Group (RMG)) with such groups forming an area-based producer cluster based on certain commonalities to be put together to form an FPO with a minimum farmer-members size.
- c) Overall to cover all blocks in the country under scheme as also achieve an average membership base of 500 farmers in normal areas and 200 farmers in Hilly and North-Eastern regions to make them sizable for economic sustainability and profitability.
- d) For sustaining an FPO, in addition to business as usual (aggregation model), the focus under the scheme is to explore possibilities for FPOs participation in the supply & value chain business. Thus, the business modelling should be on the participation of FPOs in supply chain & value chains along with standard model to strike viability. The standard business model could be as under:

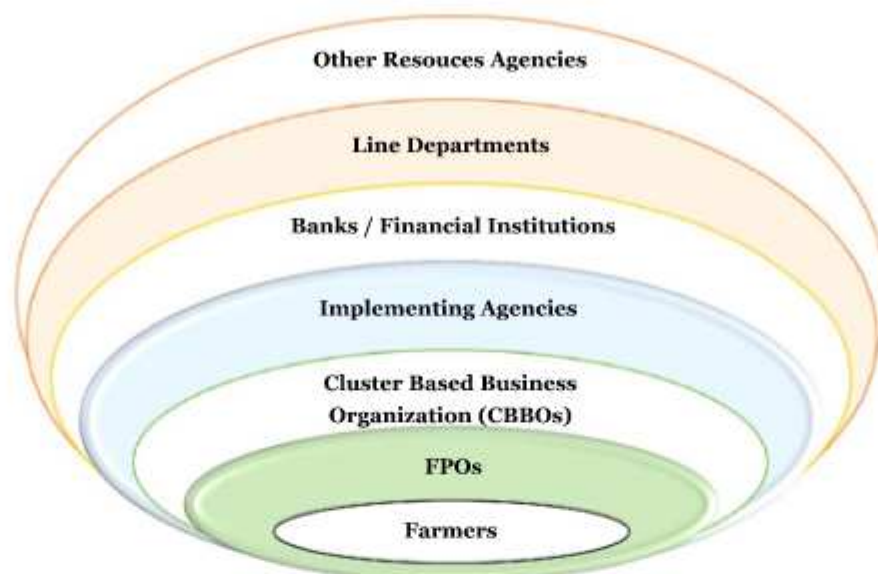
The Capacity Building Framework for Promotion and formation of 10000 FPOs

FPO movement will involve many stakeholders with each stakeholder having different capacity building requirements at different stages. Considering all the above aspects, the proposed framework for capacity building is presented below:

Identification of the Stakeholders: The different stakeholders under the scheme are mapped as under:

Trainable under the scheme: Based on their identified roles and responsibilities, the trainable under the scheme would thus be as under:

Aggregation Model of Sustainable Farming for Smallholder Farmers in Asia Pacific Region



- Officials of CBBOs
- Board of Directors/CEO/Accountant/Members of FPOs
- Officials of Implementing Agencies (IAs) especially District Development Managers (DDMs) of National Bank for Agriculture and Rural Development (NABARD)
- Officials of Banks & Financial Institutions
- Officials of related State Governments and line Department
- Officials of State Agriculture Universities & Research Institutes

Type of Knowledge & Skill Development: Based on the specific role each stakeholder is required to play for promoting robust FPOs, an indicative list of knowledge & skill set required would be as under:

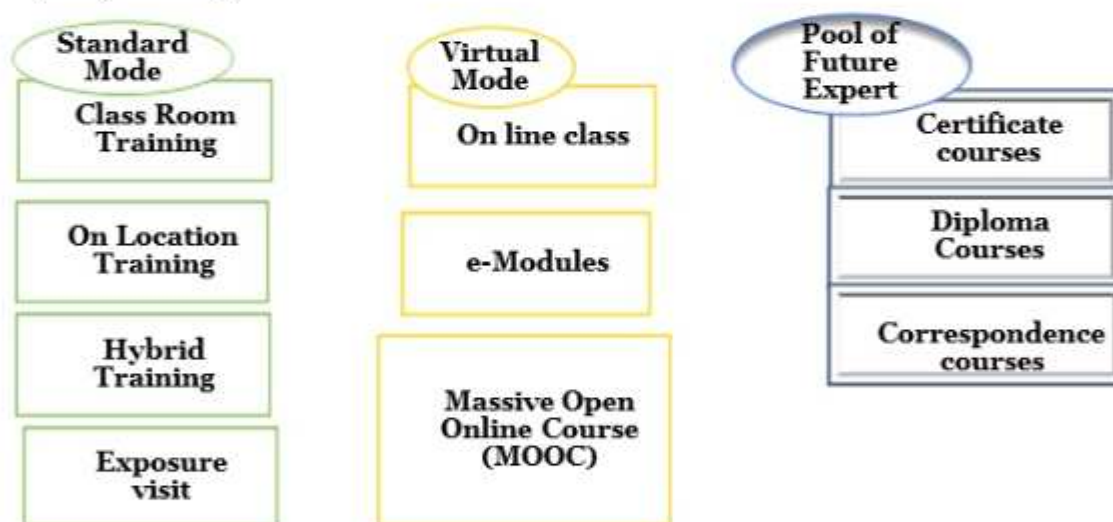
Purpose	Required Knowledge & Skill Set	For Whom?
Awareness	Knowledge on objective & support under the scheme, concept of FPO and why & how they should join the FPOs and skill of articulating the above through good communication skills in local languages	CBBOs, IAs, Line Departments
Cluster identification	Knowledge of methodology for undertaking baseline survey, Participatory Rural Appraisal (PRA), Diagnostic Study & Feasibility analysis for preparation of sound business plan. Skill set constitutes devising appropriate format for data collection along with analytical skills	CBBOs/ IAs



Purpose	Required Knowledge & Skill Set	For Whom?
Mobilization	Soft skills viz. communication & convincing skills for trust building for creating required awareness on the suitability of the concept for the farmers for motivating them to become members	CBBOs
Registration under Indian Company Act, 2013 / Co-operative Act	Knowledge on step-wise procedure for: a) registration under Indian Company Act, 2013 (MoA & AoA, DIN, TIN, Digital Signature, etc) b) registration under State Co-operative societies Acts (Bye-laws) Computer skills & communication skills required along with drafting skills for MoA, AoA, Bye-laws.	CBBOs, BoDs & CEOs of FPOs
FPO Management	Knowledge on Governance Structure, Roles & Responsibilities of CEO/BOD/Members, group dynamics, FPO operations, membership drive, equity participation, conflict management, sustainability, Skill set viz. communication, team building, negotiation, conflict management, etc.	CBBOs, BoDs & CEOs of FPOs, IAs
Business Planning	Knowledge on the process of business Idea generation, SWOT analysis, shortlisting business opportunities, understanding & participating in supply & value chains, steps involved in drawing a pragmatic business plan and required comprehensive skill set	CBBOs, BoDs & CEOs of FPOs, IAs
Marketing Plan / Market Planning	Knowledge on market & marketing concepts (physical & digital markets) current marketing practices, assessing market need & demand, strategies for mitigating market risks, networking & stakeholders' engagement, supply & value chains, product pricing, branding, National Agriculture Market (e-NAM) platform, trading on National Commodity & Derivatives Exchange of India (NCDEX) & Multi-Commodity Exchange of India Limited (MCX) platforms, export markets, etc. Skill set required - marketing skills (communication, negotiation, drafting & computing skills)	CBBOs, BoDs & CEOs of FPOs
Financial Management	Knowledge on basics of finance & preparation of financial plans, Sourcing of funds, Credit linkage (Working capital & term loan), Record keeping, understanding financial statement, fund flow & cash flow statements, taking advantage of convergence for cross subsidization under different scheme, etc	CBBOs, BoDs & CEOs of FPOs
Information Technology (IT) & MIS	Using IT for managing affairs of the FPO (Online submission of Income tax, GST returns, compliances, digital banking, etc.), development of MIS systems & Management Audit Skill set - computing & analytical skills	CBBOs, BoDs & CEOs of FPOs
Compliances	Knowledge on compliances under Company Act /Co-operative Act; Compliances in respect of licensing and regulatory approvals required for doing business Skill set - computing skills	CBBOs, BoDs & CEOs of FPOs

Purpose	Required Knowledge & Skill Set	For Whom?
Networking/ Convergence	Coordination with PRIs and State Government Departments; Convergence with schemes of IAs (Equity & credit guarantee schemes); Convergence with Central & State Government programs, Inter FPO networking as also developing linkages with Value Chain Organisations (industry)	CBBOs, BoDs & CEOs of FPOs
Project Appraisal	Knowledge on understanding FPO business models; Assessment of working capital and term loan for credit linkage; documentation process; Rating tools for FPO grading; project appraisal skills; Information on credit guarantee scheme and cross subsidization through convergence mode, Data analytical skills required.	Bank/FIs
Crop Planning & Productivity Enhancement	Knowledge on crop planning, selection of crops, modern technologies for production & productivity enhancement, post-harvest management etc.	Members of FPOs, CBBOs

Mode of capacity building: The different modes (training methods) for undertaking the capacity building exercise would be as under:



Standardisation of the Training Module Framework & Content is very important for uniform delivery of content across the country for different stakeholders with the flexibility of delivery in local & vernacular languages. In this regard, the following standard modules are proposed to be developed taking into account the skill requirement of different stake holders in the scheme:

- **Basic Programs:** Blended Programs covering general aspects of FPO and specific aspect based on the role of the stakeholder in the overall scheme
- **Focussed programs:** Specific theme based programs related to FPOs



- **Certificate Courses:** Assessment based certificate course to build expertise in professional subject area for facilitation in job advancement
- **Diploma Programs:** Academic program leading directly to a specific job in future in the FPO eco-system

Basic Modules: Five basic modules are proposed to be conducted for different stakeholders' viz. one module each for CBBOs, CEOs, Board of Directors & Accountants of FPOs and one general program for all other stakeholders under the Scheme as detailed below:

1. Basic Program on Capacity Building of CBBOs
2. Basic Program for CEOs of FPOs
3. Basic Program for BoDs of FPOs
4. Basic Program on Accounting for Accountants of FPOs
5. Basic Program on FPOs for other stakeholders

Advanced Modules: Other than the above proposed basic programs, thematic programs for in-depth subject knowledge would be required. To begin with 8 modules have been suggested in this category, the details of which are as under:

1. Governance & Management of FPOs
2. Business Planning for FPOs
3. Marketing for FPOs
4. Financial Planning for FPOs
5. Agriculture Value Chains for FPOs
6. Hi-tech Agriculture
7. Financing of FPOs by Financial Institutions
8. Agri-Export

Certificate Courses: A Certification Course speaks about the skills and talents of an individual in his professional subject area and not only provide him official & public recognition but also the scope of good employment opportunities. It is a recognized credential that can help indicate what kinds of training and competency, the person possesses. Therefore, assessment-based certificate course for knowledge & efficiency enhancement for building expertise in FPO subject area with an objective of facilitation in job advancement is proposed which will be developed by institutions with specific domain knowledge. The National Project Management Advisory and Fund Sanctioning Committee (N-PMAFSC) will be the approving authority.

Diploma Programmes: Considering the relevance of the concept and the fact that it is expected to offer good employment opportunities in future, there is a felt need to build professional capacities of youth for effective management of these entities with an objective of creating a pool of experts/professional for future. In this regard, it is proposed that the reputed institutions who are already running diploma courses in

different fields of organisational management, marketing management, etc. can also design a suitable Diploma Course/s for FPOs or integrate this aspect in their existing courses and submit the same for approval to N-PMAFSC. Similarly, a correspondence diploma course can also be thought of under the banner of Indira Gandhi National Open University (IGNOU) wherein BIRD can design the course as well as development of content for the same.

E-Learning Modules: Considering the fact that there is a large pool of trainable under the program and it may not be possible to reach out to all of them at a single point in time, it is proposed to develop a system of virtual training framework in addition to the normal contact class method which will improve user-accessibility and time flexibility to engage them in the learning process. In this regard, the following thematic self-paced e-modules will be developed for direct access:

- Basic Concept of FPO
- Registration Process of FPOs
- Governance Structure of FPO
- Role and Responsibilities of BODs & CEO of FPOs
- Equity Mobilization - Strengthening Equity Base
- Business Planning - Steps involved
- How to prepare Marketing Plans
- How to develop Financial Plans
- Credit Linkage with Banks/FIs
- Networking and Convergence
- Book Keeping and Accounting
- Compliance Management
- Understanding Agri-Supply & Value Chain
- Agri-Business Incubation
- Start-ups in Agriculture
- Export of Agri Commodities -Regulatory aspects
- Support to FPOs under various Govt Schemes
- Equity & Credit Guarantee Schemes

Need based additional modules can be also be added to the above list with time. To begin with the modules will be prepared in English and Hindi and in due course translated into vernacular languages for better understanding of the users.

Massive Open Online Course (MOOC): A massive open online course (MOOC) is a free Web-based distance learning program designed for the participation of large numbers of geographically dispersed interested persons. Being cost effective and



having potential for covering large number of trainees, MOOC has also been included in the capacity building framework under the scheme containing 06 modules and 24 chapters. BIRD with support of German Corporation for International Cooperation (GIZ), a German Development Agency hosted a MOOC covering all the functional aspects of FPO for the benefit of all the stakeholders operating in the FPO ecosystem and it is now available on BIRD website under FPO Resource Centre as open-source material.

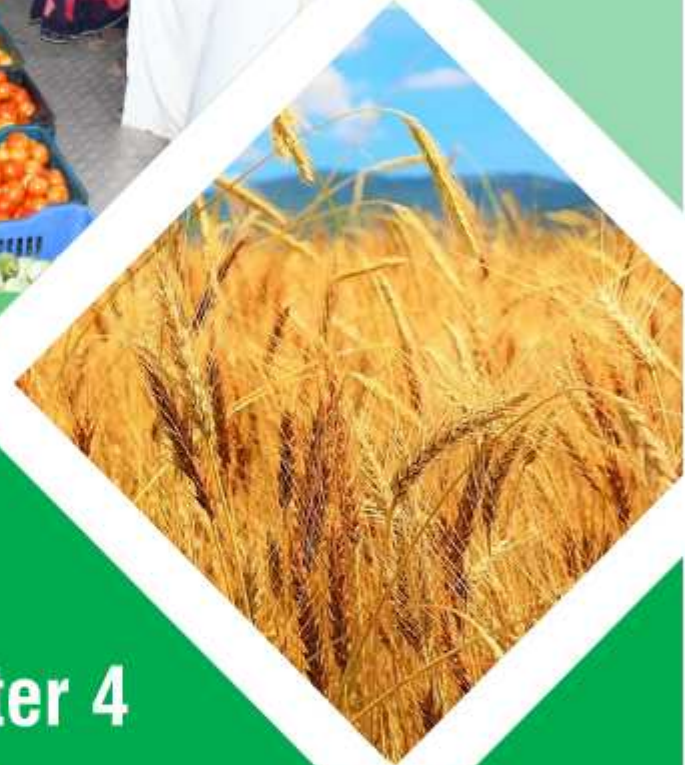
Workshops: Workshops are platforms for gauging the progress, obtaining feedback, sharing issues and developing appropriate strategies for corrective action. It is also a medium between the planners and implementers for sharing of success stories for replication. As this platform is expected to facilitate the sharing of insights and thoughts on how to resolve the problem coming in way of implementation of program and offering a fresh perspective when dealing with the problems, workshops have been proposed as part of framework.

Grounding of Capacity Building Programme

Considering the fact that massive capacity building exercise is required to be undertaken in next 8 years (2020-21 to 2027-28) for creating sustainable & viable FPOs at the ground level, a Hub & Spoke Model with Bankers Institute of Rural Development (BIRD), Lucknow as Hub and select CBBOs in each State and Union territory as spokes is proposed.

For grounding the framework, BIRD will primarily focus on standardization of training modules, conduct of Trainers Orientation Training (ToTs) Programme, create E-Learning modules, undertake studies, seminars, establish a help desk and emerge as a knowledge centre.

The training framework designed and being implemented by BIRD, Lucknow under Central Sector Scheme of Govt. of India on “Formation and Promotion of 10000 FPOs” is intended to cover all the stakeholders involved in the ecosystem of FPO for their capacity building and sharing of experiences during the training program for enrichment of their knowledge base. However, the framework shall be further refined and fine-tuned based on the feedbacks received from the participants and also based on the case studies and researches being carried out by BIRD, Lucknow and other research institutes to make the FPOs self-sufficient and vibrant community based organizations.



Chapter 4
FPO –
The Growth Engine of
Indian Agriculture

FPO – The Growth Engine of Indian Agriculture

Shri Aleen Mukherjee*

Abstract

India has transitioned from a food-deficit country until the 1980s to food-surplus one in the past decade barring the production of edible oils and pulses to some extent. However, 'distress sale' by farmers remained a single big problem for the world's second largest agrarian economy in absence of focus on marketing the farm produce. Nearly 86% of the farming community being smallholders poses another challenge in the economic viability of the farm produce. As a result, the collective or aggregation model in farming and marketing via Farmer Producer Organisations (FPOs) became an obvious choice for government to drive the growth in the coming years.

A few FPOs were already present since 2013 but a real push came after 2018 when the Central Government of India set the target of forming 10,000 FPOs till 2024-25. The sufficient budgetary support, subsidies and other incentives accelerated further the pace of forming FPOs in the country with remarkable progress in north-eastern states. At this pace, there is no doubt the target of 10,000 FPOs would be met much before the deadline. However, problems of FPOs are plenty, from credit supply to marketing of the aggregated produce at a remunerative price. Market infrastructure institutions such as commodity exchanges, electronic auction platforms and repositories along with public and private institutions have been making vigorous efforts to empower FPOs in the areas of price risk management and use of modern marketing tools to fetch better prices. National Commodities and Derivatives Exchange (NCDEX), India's top agri-derivatives bourse has so far on-boarded 1 million farmers in addition to a few lakhs by its subsidiaries. The day is not far for India to become the world food hub with ever increasing contribution of FPOs in the farm sector.

Introduction

India has been an agrarian economy since ancient times. Around 60% of the 1.3-billion population still depends, directly or indirectly, on agriculture even as the country enters the third decade of the 21st century. While nearly 20% of India's GDP comes from agriculture, the country's political environment also has a strong bondage with agriculture. To sum up, the influence of agriculture on the Indian economy is unlikely to reduce in the foreseeable future.

On one hand India has transitioned from a food deficit country until the 1980s to food-surplus country in the last decade barring edible oils and pulses to some extent. However, on the marketing front, distress sale by farmers within the first two months of harvesting of both summer and winter crops has become a single big problem for the world's second largest agrarian economy.

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This contradiction can be attributed to the marginal land holding by bulk of Indian farmers. A report by the Reserve Bank of India in 2018 showed that out of 138 million farm holdings about 92.8 million were marginal farm holdings, having individual operational land holding of less than 1 hectare. While another about 24.8 million were small farm holdings with individual operational land holding size less than 2 hectares. The numbers were based on data available for 2010-11 when the percentage of small and marginal landholders was 85%. This may have crossed another couple of percentage points by now after further subdivision and fragmentation of the land in the next generations.

By the virtue of their smaller land holdings and small quantity of marketable surplus, smallholder farmers do not have financial strength to hold their produce even for a short period after harvest and resort to immediate sell at whatever price they get. Exploitation of such situation is well known.

Farmer Producer Organisations

If the state of affairs has to change, there has to be a series of agriculture marketing reforms. One such reform identified and initiated by the government is promotion of aggregated model of marketing of farm produce. The model was named as Farmer Producer Organisations (FPOs) that were aimed at integrating farmers directly or through their producer companies or cooperatives. The idea is to make such organisations active in input and output marketing, collective processing and marketing though production will remain vested among member farmers. As an organization, FPO can have better bargaining power, cost-effective delivery of extension services that will provide benefits of economies of scale to member farmers.

The government has mandated Small Farmers' AgriBusiness Consortium (SFAC) and National Bank for Agriculture and Rural Development (NABARD) to support and fund the formation of FPOs through various social welfare programmes having budgetary support. The real push to formation of FPOs and government impetus on making FPOs as growth engines of the Indian farm sector came from late Finance Minister Arun Jaitley's announcement in the Union Budget for FY 2019 to extend a five-year tax holiday for FPOs with a turnover of Rs. 100 crore. In the last Budget, the Centre announced an ambitious target of setting up 10,000 FPOs by 2025 to increase farm incomes and transform the Indian agriculture sector.

Until the end of 2021, there are more than 7,000 registered FPOs while another 2,500 plus FPOs are at various stages of formation. A recent Parliamentary reply says that SFAC has promoted 1,340 FPOs and mobilised 9.83 lakh farmers as member beneficiaries since 2012. Further, NABARD has promoted 5,758 FPOs by mobilising 15.95 lakh farmers as members during this period.

Setting up an FPO and managing its business activities require finances. Government of India also created credit guarantee funds for FPOs as well as bringing lending to FPOs under Priority Sector Lending portfolio.

Though collectivism through FPOs sounds an attractive proposition to overcome the smallholders' problems, one of the major problems faced by such FPOs has been mobilising start-up equity capital. The small farmers by virtue of being poor are not able to put in the required capital which has limited the registration and further growth of the FPOs. Lack of awareness among the farmers, and financial institutions becomes a major hurdle in attracting the institutional finance for FPOs. There is also a lack of detailed information on the performance of FPOs promoted on horticulture crops, food grains crops, allied sectors, etc. This is despite mentoring agencies like SFAC, NABARD, NGOs and Corporates as well as international agencies like United Nation Development Program (UNDP), World Bank, KfW of Germany and other private foundations are involved on promotion, hand-holding, nurturing of FPOs.

FPO Activities

FPOs are expected to take the responsibility of various activities in the entire agri supply chain in the farm-to-plate journey. These activities include:

- a. Input procurement and management
- b. Dissemination of market information
- c. Dissemination of technology and innovations
- d. Arranging input finance
- e. Aggregation and storage of produce
- f. Pledge finance against electronic-Negotiable Warehouse Receipt (e-NWR)
- g. Primary processing like drying, cleaning and grading
- h. Brand building, Packaging, Labelling and Standardization
- i. Quality control & institutional sales
- j. Participation on commodity exchanges and e-auction platforms
- k. Exports

In reality, however, a large number of FPOs are hardly engaged in any of the above activity except input management. Only a small number of FPOs are exploring aggregation of produce, processing, marketing through modern marketing channels like commodity exchanges or e-auction platforms, and only a few of them have got little exposure to pledge finance against e-NWR.

If the agricultural sector is to be brought out of distress and farmers are to be empowered to take informed decisions, then there is a necessity to concentrate on deepening of marketing reforms. This can be done by direct linkage of farmers and FPOs to the modern supply chain and commodity markets for hedging and trading of farm produce, facilitation of easier and cheaper farm credit with focus on post-harvest management and expansion of modern warehousing infrastructure and allied services network towards the production centres. This will require a parallel and huge task of spreading awareness and training about how to use modern marketing tools, including derivatives, to fetch reasonable prices and manage price risks. While government continue to focus on skill development and capacity building, it requires big support



from corporates, educational and management institutions in the private and public sector, and government agencies.

Secondly, working capital paucity is a peculiar problem of FPOs and the government should direct banks to work hard to ensure enhancement of cheaper credit under the priority sector lending to FPOs. FPOs face challenges in mobilization of both working capital and term loans. For banks, FPO is a commercial entity and therefore they require (i) margin money contribution to the working capital limit, (ii) provision of collateral security for the loans sanctioned. Initially, FPOs also do not have credentials for showcasing their successful businesses, which also makes the banks uncomfortable for initial financing.

At the start of this fiscal year, Reserve Bank of India (RBI) has increased the upper limit on e-NWR based loan to farmers and FPOs to Rs. 75 lakhs from Rs. 50 lakhs. Now Indian Banks Association has directed its member banks to discontinue loans against e-NWR issued by non-regulated warehouses. This will pave the way for a broad-based growth in e-NWR financing to farming community. These steps should address the working capital crunch of FPOs.

Handholding by SEBI, Commodity Exchanges

The Securities and Exchange Board of India (SEBI) regulator of the commodity derivatives market, has been doing a good job of capacity building, awareness and training and supporting farmers to use commodity derivatives market for price risk management. It has also incentivised commodity exchanges and their network of members to spread the awareness about benefits of commodity derivatives markets among agri-value chain participants.

National Commodity and Derivatives Exchange (NCDEX), being the country's top agri-commodity bourse, has also been active in this space even before government initiatives. NCDEX's performance in spreading awareness, training and capacity building among farming community since 2016 explains the importance of this herculean task. The Exchange has been focused on ensuring that the benefits of derivatives trading percolates to farmers. To this end the Exchange has invested considerable time and resources in working with FPOs and training them on the benefits of participation on the Exchange. The Exchange has constantly strived to engage with FPOs to provide them with an alternate market channel for a transparent price discovery and price risk management platform. FPO engagement continues to be a focus area for the Exchange.

Derivatives exchanges are temporary market platforms where sell positions are initiated by FPO to ensure they are locking the price of the aggregated produce. In certain market conditions, the settlement of such trades are done through delivery of against those Short positions. There are certain expenses that are to be borne by FPOs for depositing on exchange platform. To facilitate the use of this ecosystem and make FPOs more conversant with price risk hedging, certain benefits and waivers / subsidies need to be designed to nudge FPOs to use such modern marketing tools.

Role of NCDEX in Modernizing Market

NCDEX and its subsidiaries like NCDEX Institute of Commodity Markets and Research, NCDEX e-Markets Ltd (NeML) and National E-Repository Ltd (NERL) have worked hard to increase the engagement of FPOs in modern marketing infrastructure since last five-six years.

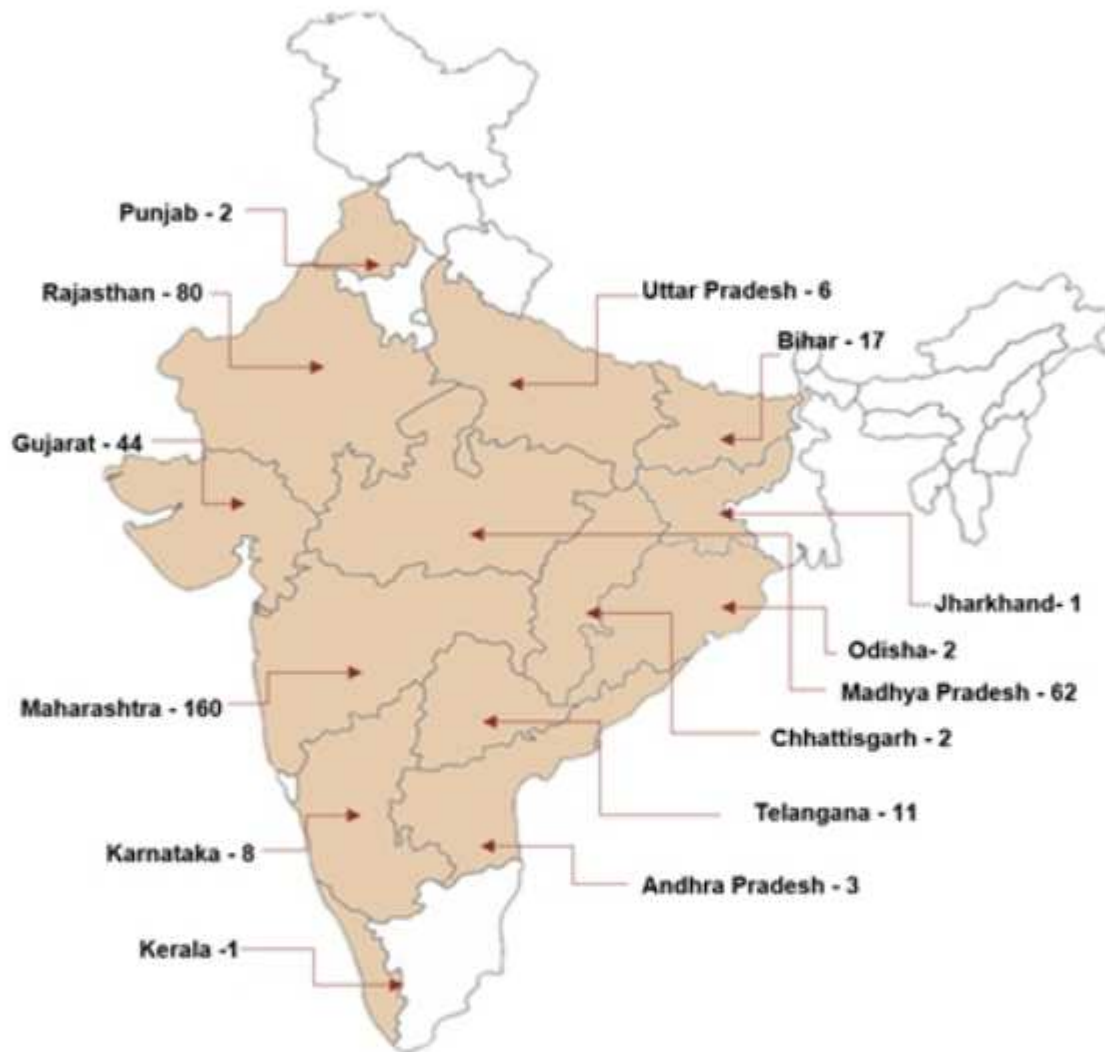


Figure 1: State-wise number of FPOs associated with NCDEX (Source: NCDEX Institute of Commodity Markets and Research (NICR))

By the end of 2021, NCDEX has achieved a milestone of on-boarding one-million farmers through 400 FPOs to its derivatives platform. The total quantity traded by 149 FPOs from 14 states and covering 18 commodities, topped 101,000 tonnes. In comparison to this, five years ago only 64 FPOs covering 122,000 farmers had traded 11,698 tonnes of commodities on NCDEX.



Figure 2: Commodity wise derivatives trading by FPOs at NCDEX since 2016 (Source: NCDEX Institute of Commodity Markets and Research (NICR))

As far as capacity building programmes are concerned, NCDEX has conducted nearly 400 awareness and training events and 250 Webinars spanning across 18 states since 2018. Over 32,000 farmers have participated in these programmes.

Additionally, several FPOs and individual farmers have been supported by NeML and NERL in the areas of marketing of horticulture produce and cheaper credit against pledge of farm produce.

NeML has so far been actively working with farmer community registering 600 plus FPOs in the past 4 years across states. A large number of FPOs have actually traded on the NeML Platform including inter-state deals in maize and other horticultural products. Maize, Wheat and Onion are regularly dealt involving producers on this platform. But off late FPOs have started trading in perishables like Capsicum, Dry Coconut, Mango, Onion, Potato, Tomato, Watermelon in good quantities. In non-perishable segment Blackgram, Bengalgram, Greengram, Groundnut, and Redgram are the regular ones. Being Know Your Customer (KYC) enabled and transparent platform, the electronic auction platform is set to conquer across crops and geographies in the coming years.

NERL, being India's largest commodity repository, is engaged in facilitating farm credit through a network of nearly 40 plus banks against the pledge of farm produce. The company so far has over 1,750 accounts of farmers of which 215 are of FPOs. In a latest development, NABKISAN Finance Ltd., an Non-Banking Financial Company (NBFC), has created a product to fund procurement operations of FPOs. The company compliments efforts of the Warehousing Development and Regulatory Authority

(WDRA) to encourage FPOs register their warehouses and get acquainted with the e-NWR ecosystem that will help these organisations to build an alternate revenue model. The registration fees for warehouses owned by FPOs has been slashed to a flat Rs. 5,000 per warehouse, irrespective of the capacity of the godown.

There is no doubt problems of FPOs are plenty. But considering their potential to become the growth engine of India's thriving agriculture sector in this decade, we need to engage more stakeholders in augmenting the network of FPOs and contribute to the world's largest agrarian economy to become the food hub of the world.

Following are the links of various initiatives taken by NCDEX in capacity building, education, and risk management of FPOs.

Click on this link for FPO report for December 2021.

<https://ncdex.com/downloads/fpo/reports/NCDEX%20Group,%20Connecting%20Farmers%20to%20Market,%20Dec%202021.pdf>

Click on this link to read more on "Kheti Ke Sikandar" a series of success stories of FPOs onboarded by NCDEX.

<https://ncdex.com/downloads/fpo/casestudy/Kheti%20Ke%20Sikandar%20-%20Success%20Stories%20of%20FPO%20eng.pdf>

Click on this link for Guidebook for FPOs on how to use Commodity Derivatives market

<https://birdlucknow.nabard.org/wp-content/uploads/2021/02/Commodity-Derivative-Market-FPOs.pdf>

Case Study - 1

The Best of Future Benefits in the Very First Attempt

Parivartan Organic Farmers' Producer Company Limited, Washim, Maharashtra

In 2016 a handful of farmers came together to form an organization under the guidance of Maharashtra Agriculture Competitiveness Project (MACP) in the city of Washim in Maharashtra. Gradually this organization grew to a sizeable number of 300 farmers from across 15 villages. This informal organization was then formally registered under the name of Parivartan Organic Farmers' Producer Company Limited. The members of Parivartan Organic FPC were mostly Soybean producers. Therefore, it was never difficult for the company to procure the crop from the member farmers. The FPC acquired 200 quintals of Soybean in the first year of its inception itself.

This brought forth the real problem – how to manage the procured crop? With Rs. 13.5 lakhs received from the MACP, the FPC successfully built a warehouse and invested in some machines for cleaning and grading the crop. In this Rs. 20 lakh project, the FPC parted with the rest of the amount. The crop was cleaned, graded and put in the warehouse. The FPC was working towards reaping maximum benefits for the farmers, but something was amiss when they started thinking about price realization. Coincidentally around this time, the FPC was invited to participate in a workshop organized by NCDEX in Pune. “We heard about the Futures market for the first time.



Even though we couldn't understand everything in the workshop clearly, we learned about NCDEX and how it could be used to sell our crops to fetch better prices with respect to the mandi", says Dnyaneshwar Dhekade, Chairman of Parivartan Organic FPC. In the following month the same officials participated in another workshop, organized by Agriculture Technology Management Agency (ATMA) at the district headquarter. Dhekade came in contact with the local representative of NCDEX there, "who helped us a lot in understanding the working of Futures platform", said Dhekade. After further learning about the Futures market and how it functions, Parivartan Organic got registered with one of the members of NCDEX for Rs. 1,000. This was their first step towards a whole new world of marketing and farmer empowerment. The FPC experienced the phenomenal transformation in the way it handled the produce when it made its first sell trade.

In October 2017, Parivartan Organic sold 400 quintals of Soybean at Rs. 2,950 in the near month contract when the mandi price was in the range of Rs. 2,500-2,550 per quintal. Dhekade narrates an interesting story - "When we went to a farmer having 50 quintals of Soybean for purchasing the crop, he denied the trade. Instead, he chose to sell it to a village trader for Rs. 2,500. Later we purchased the whole quantity from the trader for Rs. 2,550. When people learned about this, it became the talk of the town. The fact that a farmer company can purchase crop from a trader was a fantastic example of farmers' economic empowerment", told Dhekade. After this incident, farmers started flocking to sell their crop to the FPC which enabled it to trade 4 lots on NCDEX in the season.

"It was an awesome experience where we sold the crop in near month contract. The local NCDEX executive was with us all the time guiding us with his technical knowledge. Although we had predicted that the prices were to go northward, we were slightly nervous. So we decided not to rollover", said Dhekade. The FPC could pass on a profit of Rs. 350 per quintal to its farmers from its very attempt in Futures marketing tool. Now with 1,000 tonnes of Soybean still under their possession, the farmer members of Parivartan Organic FPC are just waiting for the right time to enter their second trade. This is just the start of a promising journey which has many more milestones to cover.

Case Study – 2

Milking Prosperity in a Dry and Arid Land

Girimala Farmer Producer Company, Aravalli, Gujarat

Gujarat is not known for opulence in natural resources, especially when it comes for creating a friendly environment for agriculture. Aravalli, a district with more proximity to the landscape of Rajasthan, is among those which face acute water shortage and have not so productive soil. So, it was an obvious choice for Reliance Foundation when in 2013-14, they began to look for lending support to farmers for capacity building through village associations.

The Foundation chose 18 villages in Meghraj block and formed farmers' associations in each village involving 70-80 farmers. The first move for village associations was to work

for overall agriculture development by focussing on irrigation, soil fertility and supply of good quality seeds. The help and continuous guidance received, the farmers managed to increase the productivity by 2016. But with more production farmers began to face the problem of plenty. The foremost of them were the issues related to storage and transportation. These needs led to requirement of an umbrella organization encompassing all the village associations for better coordination and solving the challenges of increased production and market.

It was when in 2016, Reliance Foundation helped them establish Girimala FPO which was subsequently registered as a company. The FPC then started procurement and trade in castor and cocud (cotton seed oil cake). In FY17-18 season, the FPC procured 10 MT castor from 8 farmers and offered them Rs. 4000 per quintal when the mandi rate for same castor was only at Rs. 3750. But for such an adventurous business proposition, they must have had a place where they could sell it at even higher rate. And that place they found in agri commodity exchange, i.e., NCDEX. Girimala FPC sold castor at NCDEX platform for Rs. 4200 per quintal. Thus, at one hand, 8 farmers were given Rs. 250 more per quintal for their crop as compared to the prevailing price in mandi and, on the other hand the FPC also hedged their price risk by selling the produce on Exchange platform. Similarly, the FPC traded 2 lots (1 lot = 10 MT) of cocud on NCDEX at Rs. 1237 and Rs. 1187 respectively for each lot and the current prevailing market price is Rs. 1700 per quintal. Even after incurring transport cost the landed at FPC is at Rs. 1400 per quintal which is much almost Rs. 300 cheaper than the prevailing market price.

Along with such direct trading activities, the FPC has taken up some other projects too in its hand to help its member's farmers in increasing their household income. Collection of neem (*Azadirachta indica*) seed is one of such activities. To milk the opportunity provided by the government's initiative to produce neem coated urea, Girimala FPC has tied up with Gujarat Narmada Valley Fertilizers and Chemicals (GNFC) and is selling neem seeds to it at prices as high as Rs. 12-13 per kg. This is helping the female members of the households to be meaningfully engaged in economic activities. The FPC has also tied up with Jain Irrigation to provide infrastructure of drip irrigation at discounted prices.

With so many innovative cost saving and marketing ideas, Girimala FPC plays significant role in improving the economic lives of its member farmers'. This also shows how even small and marginal farmers with due collectivization can use the available market tools to their benefit. In nutshell, Girimala FPC has shown what kind of potential an organization of farmers can unleash to change the lives of its members even in an area where both water and fertile soil are not less than luxuries.

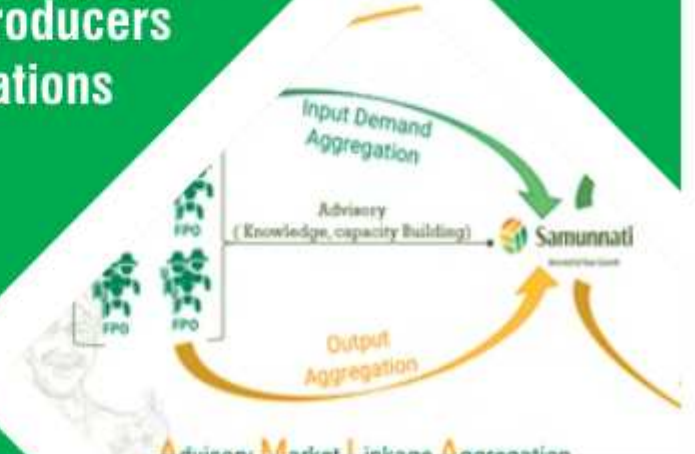


Chapter 5

Samunnati Aggregation and Financing model for Farmers Producers Organizations



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- ✓ Can.
- ✓ Insure.



Samunnati Aggregation and Financing Model for Farmers Producers Organizations

Shri Sridhar Easwaran* and Shri Ravikumar Kshirsagar**

Abstract

Agriculture sector plays a very important role in both economic development and Nation building. India is globally in the forefront of development of agriculture. The goal is to achieve doubling of export by 2022. However, more than 86% of farmers in the country are small and marginal. There is a need to facilitate our farmers with access to improved technology, credit, better input and more markets to incentivize them to produce better quality commodity. For this, aggregation of small, marginal and landless farmers into FPOs will help enhance economic strength and market linkages of farmers for enhancing their income. Building on these lines, Samunnati, India's largest agri-tech enterprise, is on a mission to create an open agri-network to unlock the trillion-dollar plus potential of Indian agriculture with smallholder farmers at the center of it. Samunnati stands for collective growth and collective prosperity for the agri ecosystem. Serving the entire value chain, Samunnati's Agri Commerce and Agri Finance solutions enable affiliated farmer collectives and the larger ecosystem to be more efficient and productive through multiple technology enabled interventions and collaborative partnerships.

Introduction

While over 50% of the people derive their primary income from agriculture activities, over 80% of the farmers in India are small and marginal farmers (less than 2 hectares of land) according to Indian Economic Survey 2019-20. Agriculture sector in India is exposed to risks and unpredictability related to production, weather, prices and policy. In addition, lack of farm level and financial data on smallholder farmers makes it difficult to adopt conventional methods of credit assessment for financial institutions. While there is a huge scope to provide working capital solutions to farmers and business across the agri value chain, most plain vanilla financial products are ill-suited to the cash flow requirements of an agribusiness, which is often cyclical in nature and varies from crop to crop and region to region.

About Samunnati

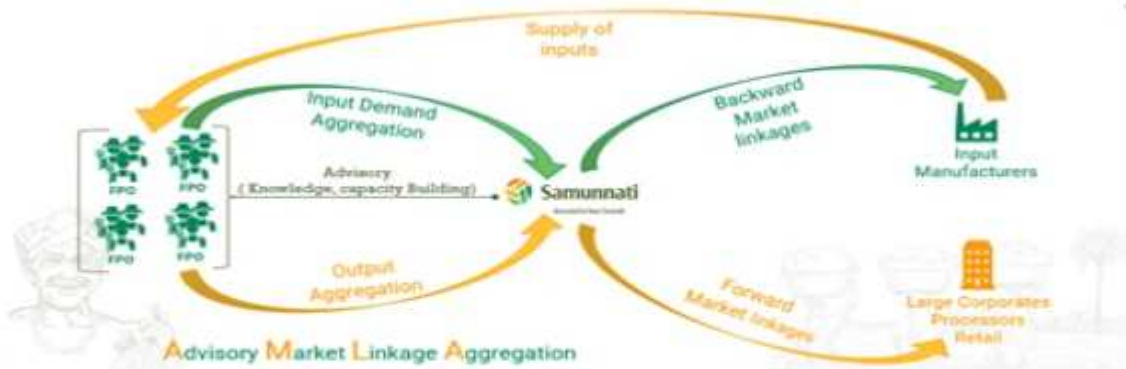
The term 'Samunnati' means 'inclusive growth and collective prosperity'. Started in 2014 as the only specialized Agri Value Chain enabler, the organisation is steered by one vision 'to make market work for the small holder farmers' by making the value chains operate at a higher equilibrium.

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**Assistant Vice President (Business and Trade (FPO)), Samunnati Agro Solutions Pvt. Ltd.



Samunnati's leverages on 'social' and 'trade' capital to offer customised financial solutions to stakeholders across the agri value chain. 'Social' capital being assessment of borrower's creditworthiness using social feedback, local networks, and peers and 'trade' capital is based on the length and value of the actual business potential and volumes. In addition, Samunnati developed a growth-oriented approach, known as **Aggregation, Market Linkages and Advisory services (AMLA)** to empower the agricultural community, by helping them build better market linkages and using relevant technology and skills for growth.



Samunnati has been able to create positive social and environmental impact and meet the United Nations Sustainable Development Goals (SDGs). Of the 17 goals, Samunnati directly impacts 7 SDGs including no poverty, decent work and economic growth, responsible consumption and production, gender equality, zero hunger, reduced inequalities and peace, justice and strong institution. It is also defining the agriculture sector through strategic engagement with the stakeholders such as international Foundations, Development Finance Institutions (DFIs), accelerators, research institutions and ag-tech players to develop solutions, support lending to agri-businesses and strengthen the AMLA approach.

Unique Value Proposition

Samunnati engages with agribusinesses and farmer collectives with an aim to improve small and marginal farmers' income. It offers innovative, customized financial and non-financial solutions our customers by understanding their requirements. It also helps customers to plan/replan their livelihood activity and accordingly take financial assistance from them. Samunnati act as an internal player, providing market linkages, advisory and capacity building services. It makes continuous efforts to bring profitability and sustainability to farmer businesses, strive for long term relationships and enhanced business opportunities with its existing small and marginal farmer customers.

Samunnati leverages on Social capital and trade capital in buyer seller relationships via Samunnati Aggregators (SA), through non-traditional sourcing, risk assessment and mitigation, aided by cutting edge technology thereby building quality business that is sustainable and results in inclusive growth.

Aggregation Model of Sustainable Farming for Smallholder Farmers in Asia Pacific Region

Traditional lending approach

- ✓ Asset backed
- ✓ Traditional credit assessment & parameterised products
- ✓ Risk mitigation through careful client selection, insurance
- ✓ Large farmers – land as collateral

Samunnati's value chain approach

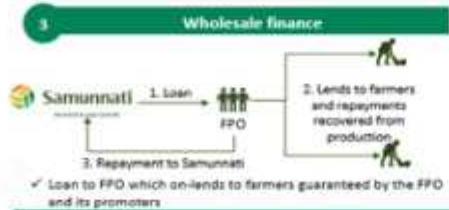
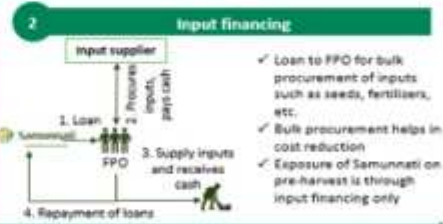
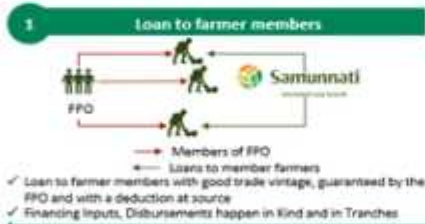


Samunnati is the only financial institution to use value chain based approach for offering financial solutions

I. Business Model

Samunnati covers both financial and non-financial needs of the FPOs

- Input Solutions (Input loan and input Trade)
- Procurement or Output Trade
- Catalytic Infrastructure
- Value additions
- Working capital
- Term loans
- Trade and trade financial solutions



Products are thoroughly planned and flexibly designed to customise to the needs of FPOs located in different geographies.



II. Samunnati's Initiatives

Aligned with the needs of the Agri ecosystem, Samunnati believes that deployment of technology and digital solutions is an important step towards creating a transparent and economically viable value chains for the ecosystem players. Some of its initiatives are as follows:

- **AgFinMart:** Platform dedicated towards strengthening Access to Finance for Farmer Producer Organisations (FPOs). AgFinMart seeks to build FPOs as an asset class- facilitating the participation of mainstream banks and financial institutions. This portal enables FPOs to explore financial solutions for their business needs.
- **Agri Elevate:** To address the challenges such as information asymmetry and lack of access to network channels faced by both the FPOs as well as the Ag-Tech players and Start-ups in Agriculture, a digital transformation initiative was launched named as Agri Elevate. AgriElevate, the first online listing platform in the agri sector, is aimed at digitally connecting FPOs and Agri-enterprises to fulfil all their agri-service needs.
- **FPO Gateway:** FPO Gateway was launched as a single port of call for the FPOs to interact with the Agri Eco System and vice-versa. It is a technology platform that delivers different products and solutions to the FPO from Samunnati as well as from other eco system partners.
- **Kisan Pay (Card based solution):** The Kisan Pay is an innovative credit delivery mechanism to meet the production credit requirements of the farmers in a timely and hassle-free manner. This solution can facilitate better access to financial services for smallholder farmers by lowering transaction costs, providing flexibility, and improving convenience. Once smallholder farmers experience digital payments, it allow them to conduct fast, easy, safe, low-cost transactions in small amounts on their Pay card and mobile phones. This facilitates shifting from cash to digital for all their crop cycle requirements.



- **Farmer Development Center (FDC):** Samunnati, in partnership with eFresh Agribusiness Solutions Pvt Ltd., has finalised a smart and sustainable farming platform, i.e., FDC, which is a physical store that is set up at the FPO premises under the franchise business model as a one-stop solution for all farmers' needs. This model is listed as one of the four innovations by Green Innovation Centre, an initiative of the Ministry of Agriculture, Govt. of India, and German cooperation. The FDC model leverages the power of aggregation to make available high-quality products at the right time and at economical prices. The technology infrastructure and digitization drives efficiency, ease of doing business at the store level and the opportunity to leverage the benefits of analytics for the system.

With the potential to act as a catalyst for change in the agricultural sphere, FPOs have established their positive role in enhancing farmers' capacity through a market-oriented approach. In addition to the increased net income of farmers, FPOs have improved access to agro-services and magnified efficiency of farming operations. However, there also exists obstacles and policy gaps in the farming ecosystem.

Samunnati's Interventions

Samunnati aims to improve small and marginal farmers' income and reduce their exposure to risks. It provides customised financial and non-financial solutions to farmers which helps in reducing cost of cultivation, improvement in productivity, and increase in member engagement. Samunnati also provides credit to climate-smart agroforestry that reduces carbon emissions, nutrition security, improve farmers' resilience and livelihoods. Hence it contributes to creating a positive social and environmental impact and meets the United Nation's Sustainable Development Goals (SDGs). For instance, from a sample of 100 FPOs among the pool of 350 FPOs of Samunnati from 14 states of India, had a women member base of ~70%.

- It was seen that all the FPOs are contributing to at least one SDG.
- 98% of the FPOs are contributing to SDG 1 -No Poverty and SDG 8- Decent work and economic growth.
- 82% were contributing towards SDG 2- Zero Hunger
- 75% towards SDG 10- Reduced inequality

Case Study - 1

A Road to Prosperity

Social Education Economical Development Society (SEEDS) FPC, Madurai, Tamil Nadu

Samunnati mainly works with FPOs rather than individual farmers, for greater scale of impact. One such success story is of a Farmer Producer Companies (FPC) named, Social Education Economical Development Society (SEEDS), where Samunnati offered financial and non-financial interventions that enabled SEEDS to reduce the cost of cultivation, consequently positively impacting the turnover. It also increased member's engagement thus further boosting their power of aggregation and much more.

Started as an NGO in 1995, SEEDS mobilized around 350 small and marginal farmers and promoted its first FPC in Tamil Nadu with the support from NABARD in 2015.



Member farmers at the FPC are engaged in cultivating maize, paddy, chili, tomato, and coffee. SEEDS faced multiple challenges securing a loan from formal/traditional financial institutions due to the lack of collaterals, business records, and low financials. In the initial years, SEEDS faced working capital constraints that acted as a hurdle in building primary processing and infrastructure units. Exploring beyond the conventional means of funding, SEEDS approached Samunnati a few days before the sowing time.

Unlike conventional private banks, Samunnati measured their potential on social- trade parameters such as vision and growth plan, the potential impact of SEEDS. With minimum documentation and formal processes and no credit guarantee or collaterals, Samunnati disbursed the input loan of Rs. 2 crores within 5 days. Farmers were able to buy inputs at competitive rates in time, for sowing. Bulk purchase of inputs reduced production cost borne by individual farmers by at least 40%. Realizing the benefits of aggregation with reduced input price, farmer adopted the approach of collectivism with the support of Samunnati.

Samunnati believes that for FPCs to achieve their fullest growth potential, a holistic approach is necessary that moves beyond financial support. Under the AMLA framework, Samunnati provided end to end support specifically in three key areas – Aggregation that is creating a strong collective of farmers – with Samunnati's support the member farmers increased from 1,002 to 17,187 farmers. Samunnati connected SEEDS with market and linked them with multiple institutional buyers to purchase their output. Advisory and training sessions were conducted to build the capacity of FPOs. This enabled them to make better business decisions. Started with the sales turnover of Rs. 1 crore in 2015-16, SEEDS achieved the turnover of Rs. 19 crores in the year 2018-2019. Samunnati uses three impact metrics to measure success, i.e. (i) reduction in the cost of cultivation, (ii) increase in productivity in three sub-dimensions: value per unit, number of units per asset, more assets under use and (iii) increase in member engagement in farmer collectives.



Training of BOD members by Samunnati Representative

At SEEDS, farmers margin increased by Rs. 5-10/Kgs with Samunnati's intervention, as they were able to directly procure the input and sell the farm produce. Empowered by the power of collectivism, there was a significant decrease in the marketing cost by 20%. Other key impact metrics are presented in Table below.

Impact	Before Intervention	After Intervention
FPOs Promoted	4	18
Farmer Enrolment	1,002	17,187
Women Enrolment	300	10,484
Increase in Green Cover	<1%	30%
Cattle / Goat Population	1,531 / 2,367	3,466 / 9,468
Waste Land Reclamation	150 hectares	1100 hectares
Sales Turnover	Rs. 1 crore in 2015-16	Rs. 19 crores in 2018-19

Case Study - 2

Together Everyone Achieves More

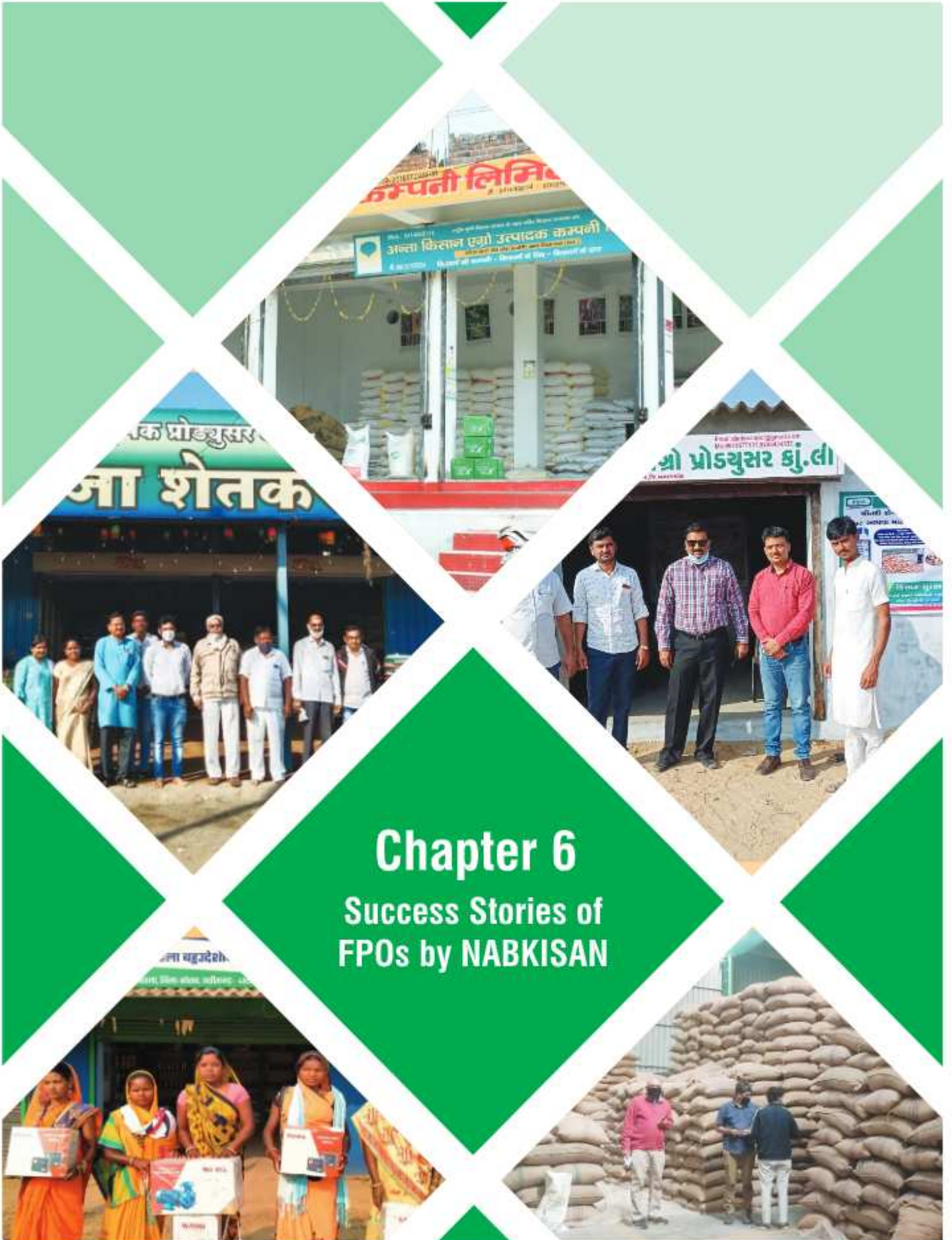
Wagheda Farmer Producer Organisations, Wardha, Maharashtra

Wagheda FPO is promoted by Kamalnayan Jamnalal Bajaj Foundation (KJBF). The FPO has implemented various programmes like installation of various need based innovative water harvesting structures, efficient and judicious use of water through adoption of less water intensive crops and use of micro irrigation. It is covered under Bill Melinda Gates Foundation (BMGF) project. Samunnati shall engage with the FPO for 2 years for the capacity building and providing training programs for CEO and directors, facilitate market linkage, helps in digitalization process etc. The FPO purchase and sell Seeds, pesticides and fertilizers in nearby 12 villages where FPO has its preliminary presence. FPO member uses social media for publicity of their products. In FY 2018-19, FPO achieved turnover of Rs. 0.77 Mn through sales of agri commodities like soya bean, gram, wheat etc., and sales of inputs like seeds, fertilizers, insecticides, tarpaulin sheet, sprinklers etc. The net worth of the FPO as on 31st March 2019 is Rs. 0.19 Mn.

Samunnati addressed the problems of Wagheda FPO with its unique approach 'AMLA'. It provided the financial assistance to FPO by sanctioning Rs. 5 Lakhs for both input and output activity. It has also organized a series of capacity building training programs for CEO/ BOD members.

Outcome of Intervention

- FPO has aggregated the input demand from member farmers and placed the bulk order to dealer. This helped the member farmers to procure inputs at 15% to 20% lower price.
- The Wagheda FPO had placed an order for 150 farmers for different varieties. The total transaction was approximately Rs. 6 Lakhs and FPOs had made a significant profit of Rs. 2 Lakhs. FPO had decided to pass-on Rs. 1,000/ as subsidy benefits to non-member farmers and also collected Rs. 1,000/- as membership fees.
- By above activity, they have added 100 new members to FPO in just 2 months and now membership base has crossed 500 farmers.



Chapter 6
Success Stories of
FPOs by NABKISAN

Success Stories of FPOs by NABKISAN

Sowing Seeds of Prosperity – ANTA KISAN

Name of the FPO	Anta Kisan Agro Producer Company Limited
Established	09/06/2016
District	Baran
State	Rajasthan
Promoting institution	Access Development Services (ADS) under RKVY
Shareholder farmers	750
Share capital	Rs. 2.35 lakh
NKFL Loan	Rs. 9.50 lakh on 26/04/2020
Turnover	FY 2019-20: Rs. 16.34 Lakh; FY 2020-21: Rs. 66.66 Lakh
Convergences	Subsidized seeds from NSC, collaboration with JFarm Services for Deep Ploughing support and Training on Organic Farming to member farmers through Tera Agro.
Business Activities	Trading of agri-input & Commodities



Working capital loan availed from NABKISAN enabled the FPC to widen their market linkages with ITC and wholesale traders, which is reflected in the fourfold increase in turnover vis-à-vis previous year. Convergence with JFarm for Deep Ploughing Support has resulted in significant reduction in soil borne diseases. FPC also provides subsidized seeds from NSC. During the COVID induced lockdown, FPC ensured hassle free supply of agri-inputs to the member farmers and actively involved in distribution of COVID protective gears to the villagers.



Growing the organic way – BALIRAJA

Name of the FPO	Baliraja Krushak Producer Co. Ltd.
Established	15/10/2009
District	Ahmednagar
State	Maharashtra
Promoting institution	Lokpanchyata
Shareholder farmers	516
Share capital	Rs. 5.59 lakh
NKFL Loan	Rs. 29.40 lakh
Turnover	Rs. 87.00 lakh
Convergences	FPC has established convergence with SFAC, line departments and Gram Panchayat
Business Activities	<ul style="list-style-type: none">• Agri-Input trading, Agri commodity trading (seeds, fertilizers, pesticides and commodities trading)• The FPC sells organic products through organic retail outlet.• Agri-Hardware trading• Purchase and supply of Bio-inputs• Purchase and sale of agri-implement, micro & drip irrigation units, sprayers etc.



FPC, in addition to agri-input trading and commodity trading, has established a separate outlet for organic products. Raw organic honey and brown rice are procured from the member farmers, processed at FPC level and sold through their retail outlet. The FPC has established marketing tie ups with traders in the cities of Pune and Mumbai. Loan availed from NABKISAN has enabled the FPC to cater to the needs of their member farmers, as turnover to the tune of Rs. 87 lakh was achieved during the financial year 2020-21.

Convergence-the way to sustain-ability– CUDDALORE

Name of the FPO	Cuddalore District Mangalore Millets Farmers Producer Co. Ltd.
Established	18/08/2014
District	Cuddalore
State	Tamil Nadu
Promoting institution	Centre for Indian Knowledge Systems (CIKS)
Shareholder farmers	1004
Share capital	Rs. 19.82 lakh
NKFL Loan	<ul style="list-style-type: none"> Rs. 30.00 lakh - Procurement of maize Rs. 35.00 lakh - Establishment of animal feed production center/oil extraction unit and procurement of maize Rs.35.00 lakh - Procurement of raw materials for cattle feed plant
Turnover	Rs. 101.11 lakh for 2020-21
Convergences	<ul style="list-style-type: none"> Cattle feed unit on lease from Agribusiness Department Oil extraction unit under MSDA scheme. Mezzanine assistance of Rs. 10.00 lakh
Business Activities	<ul style="list-style-type: none"> Sale of inputs Sale of cattle feed Sale of maize and oilseeds



FPC could achieve a turnover of more than Rs. 1 crore with the support of NABKISAN loan. Good quality cattle feed is sold under the brand name of KKP at a reasonable cost. Farmer members were greatly benefitted through the efforts of FPC as they could get multiple services at an affordable price. During the COVID-19 lockdown period, the FPC ensured uninterrupted supply of cattle feed to members' door steps by engaging mobile vans.



Linking Small farmers on a single platform-DEDAVA

Name of the FPO	Dedava Agro Producer Company Limited
Established	May, 2019
District	Banaskantha
State	Gujarat
Promoting institution	Sambhav Foundation
Shareholder farmers	350
Share capital	Rs. 3.90 lakh
NKFL Loan	Rs. 20 Lakh
Turnover	Rs. 15.78 lakh
Convergences	Convergence with Spice Board of India for growing of organic cumin with 200 farmer members of Dedava FPCL
Business Activities	Procurement and Marketing of agri-input, cattlefeed, cumin, castor, etc.



The FPC has grown within a short span of two years with increase in its member-base from 55 to 350 members and paidup share capital from Rs. 0.55 lakh to Rs. 3.90 lakh. The villages served by the FPC, being located very close to Pakistan border, lacked proper access to markets. Thus the FPC, with the help of loan from NABKISAN could procure 40 tonnes of cumin and agri-inputs and provided the much needed market access. The establishment of FPC has benefitted the members in increased income. The loan of NABKISAN helped the FPC procure 40 tonnes of Cumin and agri-inputs. FPC in association with the Spices Board of India, has embarked on promotion of organic cumin in the district, which is expected to fetch far reaching benefits to the farmer members in the years to come.

The journey of thousand miles begins with a single step – DHARAMSAMPADA

Name of the FPO	Dharamsampada Farmer Producer Company Limited (DFPCL)
Established	04/07/2019
District	Shivpuri
State	Madhya Pradesh
Promoting institution	Manav Jagran Sewa Sansthasn (MJSS)
Shareholder farmers	500
Share capital	Rs. 5.00 lakh
NKFL Loan	Rs. 10.50 lakh
Turnover	Rs. 15.65 lakh
Convergences	With the KVK and Gwalior Agriculture University for purchase and supply of foundation seeds.
Business Activities	Input trading (Seeds, Fertilizers and pesticides)



FPC produces its own seeds of wheat, black gram and soybean and supplies to more than 300 farmers in the service area. The member farmers, in addition to getting good quality seeds at reasonable prices, also benefitted from 5-10% increased price realization. The FPC provided uninterrupted service to the farmer members even during the COVID lockdown period.



Futures Do Pay – GUJPRO

Name of the FPO	GUJPRO Agri-Business Consortium Farmer Producer Co. Ltd.
Established	October, 2014
District	Ahmedabad
State	Gujarat
Promoting institution	Sajjata Sangh
Shareholder farmers	29 FPOs
Share capital	Rs. 8.40 Lakh
NKFL Loan	Rs. 100 lakh-Working Capital loan and Rs. 85 lakh- Pledge loan
Turnover	Rs. 435 lakh
Convergences	Served as an implementing agency for MSP procurement of Ground nut and Toor in Gujarat during 2017-18
Business Activities	Aggregation and Marketing of Groundnut, Wheat, Fruits, Vegetables, Chana, etc.



GUJPRO, a federation of Farmer Producer Organizations (FPOs) has increased its share capital base from Rs. 2.40 lakh to Rs. 8.40 lakh, within two years. First FPC to avail pledge loan facility from NABKISAN, through pledge of electronic-Negotiable Warehouse Receipts (e-NWR) for ground nut kernels. This facility provided by NABKISAN has resulted in about 17% price appreciation for the produce, within a short span of six months. The FPC also provides good quality Groundnut seeds for sowing at competitive rates.

Stepping out of the Gender Barrier – HARIYALI

Name of the FPO	Hariyali Mahila Bahuudeshiya Sahakari Samiti Maryadit Koi
Established	29/09/2015
District	Korba
State	Chhattisgarh
Promoting institution	NABARD
Shareholder farmers	545
Share capital	Rs. 4.15 lakh
NKFL Loan	Rs. 20 lakh
Turnover	Rs. 51.00 lakh
Business Activities	Agri-inputs and commodity trading



Hariyali is a fully tribal women owned FPO, registered as a Society. The FPO is engaged in trading of commodities like Mahua, Cashew and other Non-Timber Forest Produce (NTFP) in addition to agri input trading for the members. During the FY 2020-21, FPO generated revenue of Rs. 51.0 lakh through trading of Mango, Cashew and NTFP whereby 376 members were benefited. FPO has set up procurement centers at village level, where produce of members are aggregated and the procured commodities are sold to nearby towns like Korba and Kartala with the support of mobile van.



Sow Organic - Save Soil – JAUN SAR

Name of the FPO	Jaunsar Kissan Producer Company Limited
Established	28th August 2019
District	Dehradun
State	Uttarakhand
Promoting institution	Himalayan Jyoti Samiti, NABARD
Shareholder farmers	226
Share capital	Rs. 2.31 lakh
NKFL Loan	Rs. 7.48 lakh - Procurement and marketing of Agri Inputs / output and agriculture tools
Turnover	Rs. 11 lakh
Convergences	Department of Agriculture, Department of Horticulture, Animal Husbandry, Social Welfare, NABARD, MGNREGA
Business Activities	Production, Collection, Grading, Packaging, Processing and Marketing of Pahari pulses and organic spices, Trading of vegetable seeds, Value Addition



FPC is running a small agribusiness centre where various activities like collection, grading, processing, packaging and marketing of vegetable seeds, pulses and spices are undertaken. The products are marketed under the brand 'Dev Van', the logo of which symbolises purity, and holiness of the hills in Uttarakhand. With the help of the loan extended by NABKISAN, FPC could undertake transactions worth Rs. 11 lakh, which immensely benefitted the member farmers. FPC was selected as one of the best FPOs by NABARD in the year 2020. During pandemic lockdown period, FPC initiated value addition process in spices and fruits, which is expected to fetch better returns for members in the years to come.

Small initiative, Bigger Returns – JEELUGUMILLI

Name of the FPO	Jeelugumilli Cashewnuts Producer Co. Ltd.
Established	27/11/2015
District	West Godavari
State	Andhra Pradesh
Promoting institution	SEVA
Shareholder farmers	600
Share capital	Rs 6.00 lakh
NKFL Loan	Rs. 23.28 Lakh (Sanctioned under NABARD Special refinance policy scheme in Watershed/ Wadi area)
Turnover	Rs. 58.47 lakh
Convergences	NABARD, Horticulture, ITDA and other line departments
Business Activities	Trading of Raw cashew, inputs and vegetables



FPC was formed with the main objective of promoting and strengthening the value chain of cashewnut cultivated by tribal farmers in Jeelugumilli mandal. With the support of NABKISAN loan, Andhra Pradesh Integrated Irrigation and Agriculture Transformation Project (APIIATP) funded by World bank, Horticulture department, Andhra Pradesh (Nodal agency), FPC has established a small-scale cashew processing unit at Jeelugumilli for transforming raw cashew nuts into packed cashewnuts, with 100% value addition. NABKISAN's loan for establishment of this small-scale cashew unit, has resulted in 20% increase in price realisation for the tribal farmers.



Lord Buddha Vegetable Producer Company Limited - LORD BUDDHA

Name of the FPO	Lord Buddha Vegetable Producer Co. Ltd.
Established	08/08/2015
District	Kushinagar
State	Uttar Pradesh
Promoting institution	Sustainable Human Development Association
Shareholder farmers	738
Share capital	Rs. 2.06 lakh
NKFL Loan	Rs. 10.0 lakh
Turnover	Rs. 65.0 lakh
Business Activities	Agri inputs and Banana Trading



FPC has set up banana procurement centers near the farms and the aggregated produce is sold to institutional buyers like IFFCO Kisan and wholesalers in Delhi. NABKISAN's loan helped the FPC to procure produce from their farmer members to the tune of Rs. 65 lakh, which resulted in better price realization for the farmers.

Great things come from small beginnings – NAVSANDHAN

Name of the FPO	Navsandhan Kisan Producer Company Ltd.
Established	30/09/2018
District	Barabanki
State	Uttar Pradesh
Promoting institution	Self-Promoted
Shareholder farmers	431
Share capital	Rs. 2.14 lakh
NKFL Loan	Rs. 8.50 lakh
Turnover	Rs. 40.00 lakh
Business Activities	Agri inputs and Mentha oil Trading



FPC has set up procurement centres in mentha growing regions which aids in hassle free procurement process for the farmer members. With the help of NABKISAN's loan the FPC could procure Rs. 40 lakh worth agri inputs and mentha oil. FPC has forged strong market linkages, which resulted in increased price realization for the farmers.



Exploring multi trading platforms – SHARNAGATI

Name of the FPO	Sharnagati Kisan Agro Producer Company Limited
Established	27/05/2016
District	Kota
State	Rajasthan
Promoting institution	Samdarshi Gramin Vikas Sansthan (SGVS), Jhalawar under NABARD
Shareholder farmers	1,000
Share capital	Rs 10 lakh
NKFL Loan	Rs 40 lakh
Turnover	Rs 102 lakh
Convergences	Training Programmes and Seed distribution by KVK. Grading Machine supplied by NCDEX
Business Activities	Trading of agri-input & Commodities



FPC trades through NCDEX platform apart from dealing with wholesale traders. FPC also undertakes primary processing of commodities, which fetches better price for the members. FPC arranges quality seeds for the members through National Seeds Corporation.

Bringing Growth And Experience To Market – SURYA

Name of the FPO	Surya Farmers Producer Company Limited
Established	24/01/2015
District	Hingoli district
State	Maharashtra
Promoting institution	ATMA, Under the Project of MACP
Shareholder farmers	548
Share capital	Rs. 20.05 lakh
NKFL Loan	Rs. 100 lakh
Turnover	Rs. 1236 lakh
Convergences	ATMA has sanctioned Rs. 52.50 lakh to the FPC for warehouse development
Business Activities	<ul style="list-style-type: none"> • Turmeric processing and marketing • Turmeric trading, Commodity Trading (gram, soyabean, red gram, • Agri Input business (supply of seeds, pesticides, fertilisers) • Participates in MSP procurement for soyabean



FPC deals with organic turmeric and has traded 100 MT of this commodity in Futures market through NCDEX. The FPC aggregates organic turmeric from its farmer members, processes it and markets the organic turmeric powder under the brand names 'Surya Shelam', 'Surya Super Shelam' and 'Surya'. FPC has exported 30 MT of turmeric to Bangladesh during the FY 2019-20. NABKISAN's working capital loan has enabled the FPC to undertake all these activities in a seamless manner.



Treat Yourself Organic – WEFSA

Name of the FPO	WEFSA Farmer Producer Company Limited
Established	10/11/2014
District	Perambalur
State	Tamil Nadu
Promoting institution	Self-Promoted
Shareholder farmers	1000
Share capital	Rs. 10 lakh
NKFL Loan	Rs. 100 lakh
Turnover	Rs. 272 lakh
Convergences	Dhal mill established under MSDA scheme Rs.10.00 lakh loan assistance received under Tamil nadu Government Mezannine Capital Assistance Scheme
Business Activities	Organic Input business and whole sale business including sale of cattle feed under WEFSA brand. On-field demonstration to farmers to produce organic inputs like Panchakavya (Crop nutrient), Crop pest repellent and fish solution etc. Seed processing unit, Onion value addition unit and dhal Mill



WEFSA FPCL is involved in supply of organic inputs to its members, procurement and sales of farm produce. FPC has started purchasing cattle feed from Cuddalore Mangalore Millet FPCL on job work basis and selling under their own brand “WEFSA”. The FPC is actively involved in promotion of organic agriculture practices among the farmers in the region.



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