

A Quick Study of Chetna Organic Agriculture Producers Company Limited, Hyderabad, Telangana - Graduating Farmer Cooperatives into FPO as a competitive value chain actor



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(Designated Nodal Training Institution at Central level by Government of India under Central Sector Scheme on Formation and Promotion of 10000 FPOs)

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Foreword

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

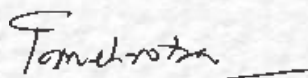
In order to overcome these challenges, adoption of collectivisation and aggregation approach by the small and marginal farmers can be a prudent strategy to turn small holder farming into a viable proposition. NABARD, under its various initiatives, has been supporting formation and nurturing of Farmer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

Considering the success of this approach, Ministry of Agriculture and Farmers' Welfare (MoA&FW), Government of India, in 2020 launched a Central Sector Scheme for formation and promotion of 10000 FPOs across the country and designated Bankers' Institute of Rural Development (BIRD), Lucknow as a nodal training institution at the central level for developing a national training framework and training resources for capacity building of stakeholders in all areas encompassing the agri-value chain activities.

I am happy to present "A Quick Study of Chetna Organic Agriculture Producers Company Limited, Hyderabad, Telangana - Graduating Farmer Cooperatives into FPO as a competitive value chain actor", conducted by BIRD, Lucknow.

I am confident that the case study will be immensely useful for all the stakeholders involved in promotion and development of FPOs, and shall prove to be a valuable resource material during the training and capacity building.

My deep appreciation to Dr. Snehal M Bansod, DGM-Faculty Member, BIRD Lucknow; Shri Prashant Dubey, DGM-Faculty Member, BIRD Lucknow (for peer review of the study) and NABKISAN, Mumbai, the officials of Chetna Organic and COAPCL, who facilitated to bring out this fruitful and comprehensive document.



Nirupam Mehrotra
Director

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1. Introduction

The size of operational holdings in India is continuously declining with every successive generation, which is a matter of concern for sustaining lives and livelihoods in rural parts of the country. In this context, the Farmer Producer Organizations (FPOs), hold promise to provide solution to this problem. The FPOs, after nearly two decades of multi-pronged efforts by various stakeholders are fast emerging as one of the most effective means to address the problem of small holdings in agriculture, today. FPOs promise better returns to farmers through consolidation of resources, economies of scale, access to information, training, and timely finance. The common platform that FPOs provide to farmers will play a crucial role in enhancing production and productivity and improve the small holders' capabilities to reach out to the domestic and international market.

The concept of Farmer Producer Companies was introduced by the Y.K. Alagh Committee, in the year 2000, and in 2003, the Producer Company Act was passed by incorporating Part IX-A into the Companies Act, 1956. The National Policy for the promotion of Farmer Producer Organisations, in its preamble, focussed on the collectivisation of small and marginal farmers. It was for the first time in India when the efficiency of the private company and the structure of the cooperative society were merged to create the private-owned producer company by the farmers and for the farmers.

The small and marginal farmers having less access to land have to face many challenges to make a decent living. The level of poverty is higher among tenant and marginal farmers owing to limited resources available for undertaking profitable farming. Among the small and marginal farmers, the poverty levels are much higher among the Scheduled Caste (SC) and Scheduled Tribe (ST) farmers. A large number of SC and ST farmers depend on agriculture for their livelihood with a majority of these farmers being small cultivators or are occupied as agricultural labourers. A number of studies have shown that in the rural areas, the Scheduled Tribes have the lowest average per capita expenditure followed by the Scheduled Castes and then the other sections of the society. Hence, there is a growing need to address the low productivity and production challenges faced by the most vulnerable sections of the society through aggregation model.

In order to understand the ground level developments for FPO formation involving vulnerable tribal sections of the society, the present quick study with interactions with FPOs predominantly belonging to the tribal districts of Adilabad in Telangana and Yavatmal in Maharashtra was undertaken. In addition to the dynamics of the FPOs, this study also brings forth the resilience of the institution to cope with pandemic with effective hand holding strategies by the promoting field level NGOs.

Cotton: the lead crop

Cotton being the lead crop in the region of the study, faces many challenges owing to high input cost, use of pesticides and chemicals causing health issues for farmers, besides over the years the income from the long duration cash crop has not matched the rise in cost of cultivation. The agrarian distress witnessed in the Telangana and Vidarbha region mostly is among the cotton growing farmers. Although cotton is a cash crop and is referred to as 'white gold', providing fibre, it is no more lucrative for the farming communities. It was with a view to help support the vulnerable farmers that the Chetna Organic through Chetna Organic Farmers Association (COFA) and Chetna Organic Agriculture Producers Company Limited (COAPCL) started promoting organic cotton cultivation and ensuring value chain for premium fair trade market. The organic cotton is basically non-GM cotton grown in tribal dominated villages where the vulnerable tribal farmers do not use chemicals due to high input cost associated with it. These tribal villages having farms with low or no chemical burden have maintained good soil health conditions with micro nutrients and trace element rich organic material.

India is the largest cotton producer in the world, with about 58 lakh cotton growing farmers. The average productivity of cotton (lint) has increased with the advent of technologies and availability of irrigation, from 350 kg/ ha in 2002-03 to nearly 510 kg/ ha, today. There is also increase in cotton acreage which is largest globally at around 130 lakh ha (gone up from 91 lakh ha in 2002-03). However even with the use of Bt cotton, the yield is hovering around 500 kg/ ha which is far less than global average of 737 kg/ha. There is concern of depleting gene pool of desi cotton variety after the introduction of Bt Cotton in the country. Hence COAPCL is venturing into expanding and preserving the desi cotton growing regions in the backward districts of the three cotton growing states viz. Telangana, Maharashtra and Odisha, where by default the farmers are cultivating desi cotton. The services offered by COAPCL have the mandate to improve the livelihood options of small and marginal farmers and resource poor cotton farming households in the rainfed regions, making their farming sustainable and remunerative.

Tribal Dominated Region

As per Census Report 2011, tribal population in the country constitute 8.6% of the population, i.e., about 104 million tribals. The area inhabited by tribal population is around 15% of the total geographical area of the country, which is remote and tends to be less hospitable region. There are 533 tribes as per the notified Schedule under Article 342 of the Constitution of India in different States and Union Territories with the largest number of over 60 being alone from Odisha (*Source: www.tribal.nic.in*).

The tribal areas being remote are having limited infrastructure, in general, the tribals have limited access to education, health and income generating activities. Most of the villagers, in particular the women are not literate. There are many constraints in tribal development the major ones being (i) destruction of forests: it threatens tribal livelihoods and disturbs inhabited hamlet areas (ii) lack of awareness of Government schemes (iii) prevalence of ignorance on the protection of tribal rights and concessions among tribals.

The forest region adjoining Telangana, Vidarbha and Odisha comprise of the districts having tribal dominated population residing in villages in deep forest areas. They traditionally grow desi-cotton with no or minimal use of chemicals. In these cotton growing districts more than 90% of farmers are small holders with dominance of tribal farmers. The region is by default organic as the farmers cannot afford the high input cost of Bt cotton. They are vulnerable with little access to high cost inputs and lack in gaining from Government schemes due to low levels of literacy and reach.

Hence, FPO promoting organisations have to provide focused attention to create enabling ecosystem that ensures community participation through awareness generation on organic cultivation and Fair trade practices.

2. An Umbrella Organisation for promotion of Organic farming: Chetna Organic Agriculture Producers Company Limited (COAPCL), Hyderabad

The Chetna Organic Agriculture Producers Company Limited (COAPCL), an apex level organisation formed on 11th February 2009 under the Companies Act, 1956 is comprising of nine FPOs under the common brand name of Chetna Organic. Chetna Organic is promoted by highly qualified NRIs with a common goal of working in the farm sector to facilitate programmes that aim to better the income of the farmers. They have diverse backgrounds, comprising of IT personal, MBAs, big farmers, traders, processors etc. The main aim of Chetna Organic is to provide the farmer members with fair business alternatives so as to enable them to (i) get the best possible price for their organic produce and (ii) benefit from fair and transparent transactions.

Towards this common objective, the Chetna Organic based at Hyderabad provides a common platform for FPOs, NGOs, agencies, production/ processing units and marketing associations for sustaining the entire value chain of organic cotton, from the tribal farmer's field to the processing houses and linking them to the global organic cotton brands. The FPO federating in an Umbrella association is promoted under the Multi-State Cooperative Act by COAPCL, having many ventures/ services and hand-holding programmes for the farmer members to facilitate activities that are towards enhancing better returns to the farmers.

The journey with a focus on organic cotton value chain began in May 2004, when 'Solidaridad,' a Netherlands based Dutch ecumenical Development Agency and 'ETC Consultants India' initiated Chetna Organic for a three year pilot on 'Organic & Fair Trade Cotton' (OFT) supply chain project for implementation in four districts of Telangana and two districts of Vidarbha region of Maharashtra, having tribal dominated population.

Chetna Organic under the OFT Cotton project in 2004 initially started working with 234 cotton farmers, mostly tribals, organised in 19 SHGs in 19 villages spread across Odisha, Telangana and Maharashtra states.

The engagement with global players for promoting organic cotton supply chain gave enriching experience to Chetna Organic in promoting sustainable agriculture practices which now cover around 35,000 farmers spread in 500 villages in 9 districts covering about 86,000 acres and linking them with global market supply chain for organic produce based on fair trade practices. These Business houses/ Brands mainly for the organic cotton produce ensure premium price for the produce.

The core objective, of COAPCL is to promote environmentally, socially and economically viable agrarian based livelihoods in the rainfed and other ecologically fragile regions through sustainable farming practices. The main farm-produce/commodity for promoting fair market arrangement by COAPCL is Organic Fairtrade (OFT) Cotton Lint / Fibre. The OFT Cotton program gave rise to the twin farmer-owned organisations, namely COFA and COAPCL.

The Chetna Organic Farmers Association (COFA) registered in June 2007 is a not for profit, Multi State Farmers' support organisation under Co-operative Societies Act of the State of Telangana. COFA specialises in the following programs:

- i. skill development training and capacity building programs
- ii. women empowerment
- iii. organic Cotton Farm Inputs
- iv. policy advocacy
- v. convergence programmes
- vi. partnering with local bodies / agencies

- vii. facilitating certification for farmer members
- viii. research and development & advisory services
- ix. area expansion under organic cotton cultivation
- x. promoting other organic farm produce

While COAPCL promoted by Forum for Integrated Development (FFID) undertakes strategizing and coordinating with various agencies right from input providing to linking farm gate to export of the commodity, its main role is in facilitating arrangements for providing farm inputs in the form of seeds, vermi-compost, farm yard manure etc. to the farmer-members, COFA is a resource support organisation providing support to COAPCL. It also undertakes implementation of convergence programme and support the FPOs for marketing and certification.

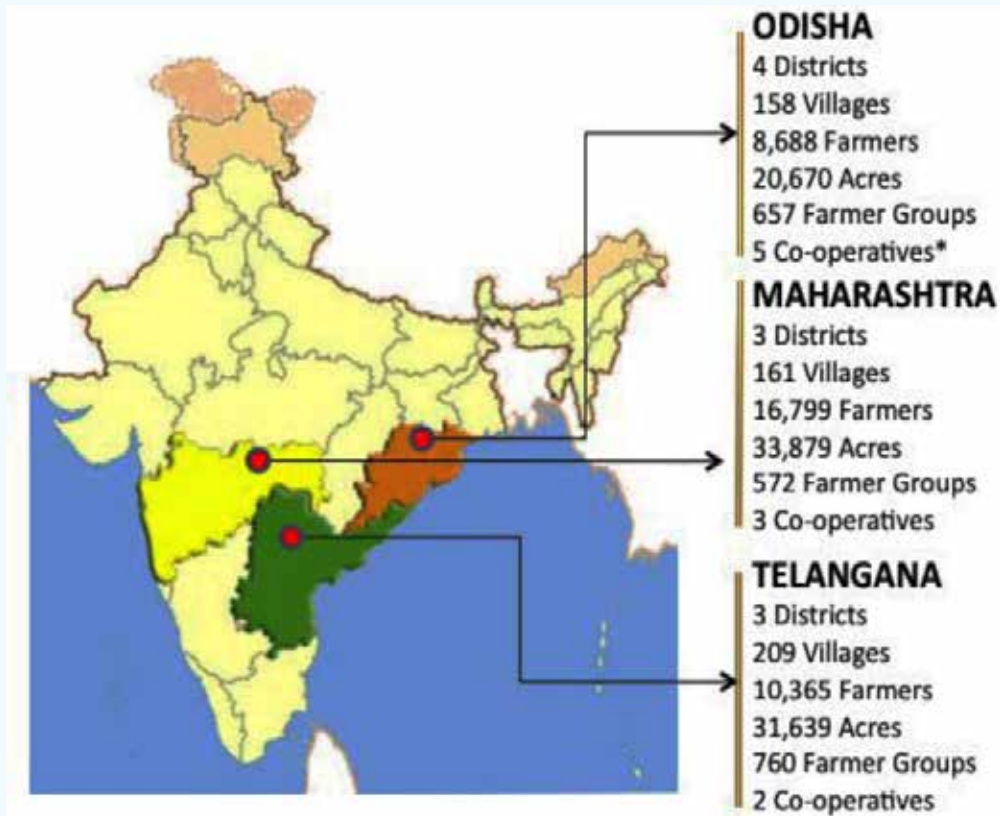


The Tribal dominant Cooperative Societies are having major role played by women members

Chetna Organic was promoted by Rabobank Foundation and ICCO (*Interkerkerliik Coordinatie Commissie Ontwikkelingshulp* or Interchurch Coordination Committee Development Aid) a Dutch civil Society, they came forward and provided the guardian NGO-FFID with a grant to build capacities of COAPCL. The head office of COAPCL is in Hyderabad and branch offices in Yavatmal, Bhawanipatna and Kalahandi.

COAPCL and COFA are actively implementing many programmes with numerous sponsoring agencies including government programmes on empowerment of women in rural areas and projects for small and marginal farmers. Besides, they are also partnering in for providing training to the farmers through formation of the ‘Chetna Coalition’ (ChetCo) by group of garment manufacturers, brands and retailers from across the world for sourcing their organic cotton. These brands have pooled their resources to support this programme and have entered MoU with COAPCL for marketing arrangements. Presently there are 12 national and international textile brands inclusive of Solidaridad that are associated in the ChetCo, who are engaged with the FPOs for procurement of organically grown cotton.

Participating communities engaged in shramdaan



The Chetna Organic through its farmers' producer's organisation is thus a federation of FPOs. It has further promoted COFA and ChetCo for strengthening farmers' cooperatives and marketing associations for promoting organic cultivation of cotton and facilitating market tie-ups and exports.

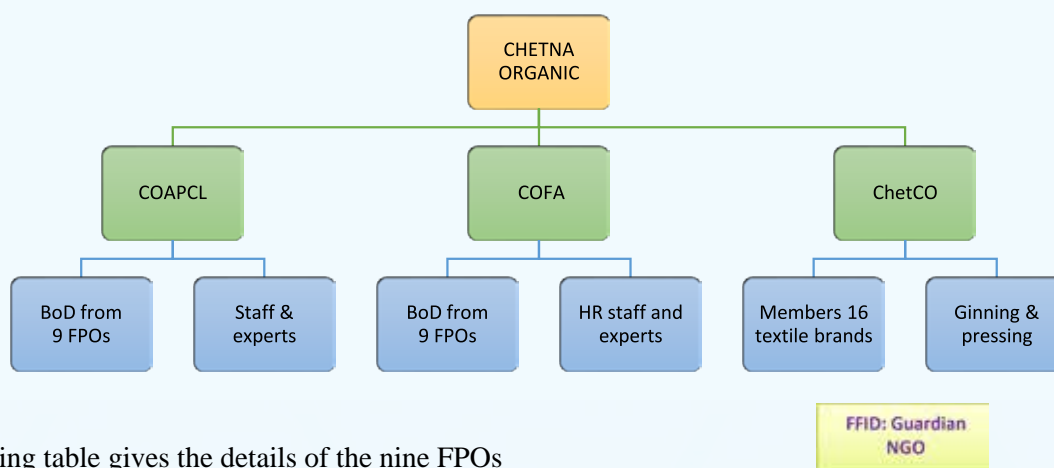
3. Promotion of 09 FPOs: a journey of empowerment

The FPOs were formed by Chetna Organic under the Multi-State Cooperatives Act with primarily cotton as the produce. These FPOs are engaged in production of organic cotton based on fair production and trade practices.

The purpose of formation of FPO was clearly defined right at the beginning and explained to the farmers through meetings, workshops and printed booklets in local language. There is continuous process of engagement through dialogue with the value chain partners which involve processing units, store houses, supply chain actors and farmer-members. Since the inception of the COAPCL, financial institutions and banks have been major influencers in setting up the value chain.

Broad structure of the Farmers' Organisation

COAPCL and COFA are actively implementing many programmes with numerous sponsoring agencies on empowerment of women in rural areas and projects for small and marginal farmers. There are 9 FPOs promoted under the Cooperative Societies Act in 6 districts of 3 states, of which 4 are self-sustaining and independent, in its operation. These 9 FPOs are the shareholders of COAPCL.



The following table gives the details of the nine FPOs

Name of FPO/ MACS/ Farmers Society/ SHG Cooperative	District and State	Year of formation	Name of the cluster	Acreage under cotton	No. of farmer members
1. Pragathi Organic	Adilabad, Telangana	2007	Utnoor	2980	3266
2. Sri. Chaitanya Organic	Karimnager, Telangana	2006	Repaka	71	186
3. Vasundhara Organic	Akola, Maharashtra	2007	Murtizapur	279	400
4. Kamdhenu Organic	Yavatmal, Maharashtra	2007	Babulgaon	1296	606
5. Jagruti Organic	Amravati, Maharashtra	2008	Chandur Railway	1003	159
6. Matrubhumi	Kalahandi, Odisha	2007	Bhawanipatna	3396	1414

7. Basumata	Kalahandi, Odisha	2007	Golamunda	3828	1411
8. Niyamgiri	Kalahandi, Odisha	2010	Lanjigarh	541	894
9. Chetna	Bolangir, Odisha	2008	Kantabanji	1365	645

The FPOs' have 40% women board members, holding key positions such as presidents, treasurer or vice-president in the FPOs. As the FPOs are promoted in the tribal region – the tribal women are actively engaged in the decision making process.



4. Governance & Management Structure of FPO

Procurement and sale of organic cotton is the main activity driving the cooperative societies of small holders mainly tribal farmers cultivating desi cotton, to work together to enrich their returns with the added identity of 'Organic & Fair Trade labels' for the niche market. The area of operation of COAPCL, a federation of FPOs, is underdeveloped regions of the 3 states of Maharashtra (Vidarbha region), Telangana and Odisha (Kalahandi Balangir Koraput /KBK region), where it is functioning like a Producer Organisation Promoting Institution and is offering guidance to the FPOs on the following:

- a. All aspects of formation and functioning of farmers societies and their associations,
- b. Hand holding and ensuring the adhering to organic cultivation practices
- c. Linking the produce to niche markets for organic produce/marketing with internationally recognised labels/logos and certifications for the small holders societies
- d. Guiding and providing necessary support to ensure maintaining of regularity in financial statements, returns and compliance for the farmer's societies/associations
- e. Facilitate through regular participation for smooth, transparent and democratic decision making in all the organisations formed under the COAPCL umbrella
- f. Guiding and hand-holding on the farmer society's demand for infrastructure such as for value addition, storage, logistics etc. for the societies following extant legal systems and procedures
- g. Net-working with cotton processing units for procurement of organic cotton
- h. Water Users' Association (WUA) formation within the FPOs through awareness generation is facilitated that utilise the natural resources with responsibility the associations also chip in funds from users. The quality support and developmental role is key parameter in engaging and retaining the farmer's members.

Groups Graduating to FPO formation

Key leads of developmental programme of the associates is in organising farmers into SHGs and FPOs in the form of multi state cooperatives. Participation in the meetings of the FPOs and hand-holding for making them self-sufficient organisations. COAPCL is helping them in taking democratic decisions for getting optimum returns through effective dissemination and implementation of package of practices for organic cultivation and in certification, market tie-up



etc. Governance of the FPOs is made participatory, motivating women to be officials/staff of the society and also as Board members. Hence close monitoring and review of works, discussions, trouble-shooting are taken up for the member farmers so as to enhance the FPOs bargaining power and gain from economies of scale. Thus such structured involvement with the societies is one of the key aspects of strengthening local governance.

Human Resource: Training and Capacity Building of shareholders

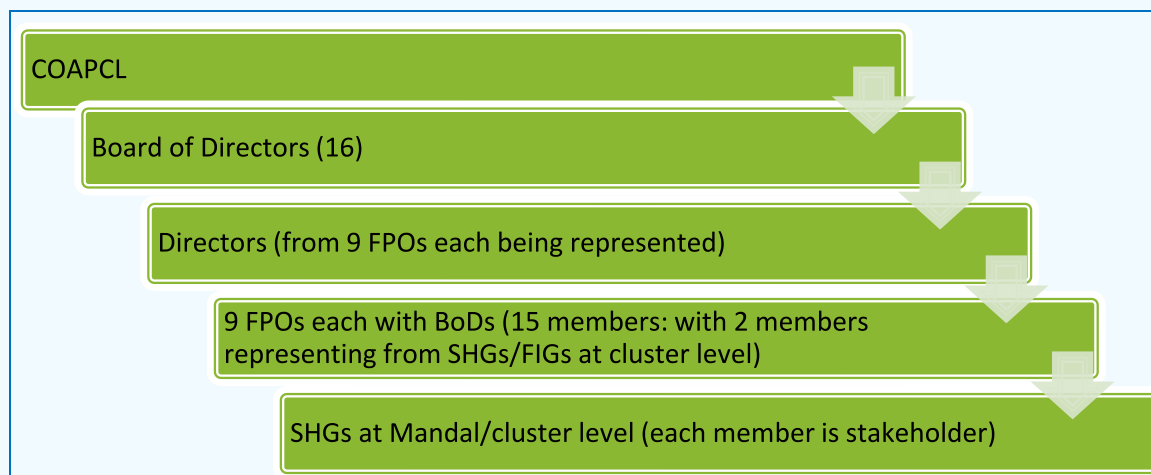
The associated organisations work within the framework identified to deliver and coordinate with the farmers' organisation to catalyse the value chain with assured market tie up through the ChetCo members. The CEO of Chetna Organic is Shri Nanda Kumar who is overlooking the entire working of the associates with regular visits to FPOs.

The major role of hand-holding, making all participants aware and ensuring adherence to organic cultivation practices hold much significance for maintaining the entire value chain of organic cotton, this is possible with the role played by the team of human resource management, the following are key aspects of functioning

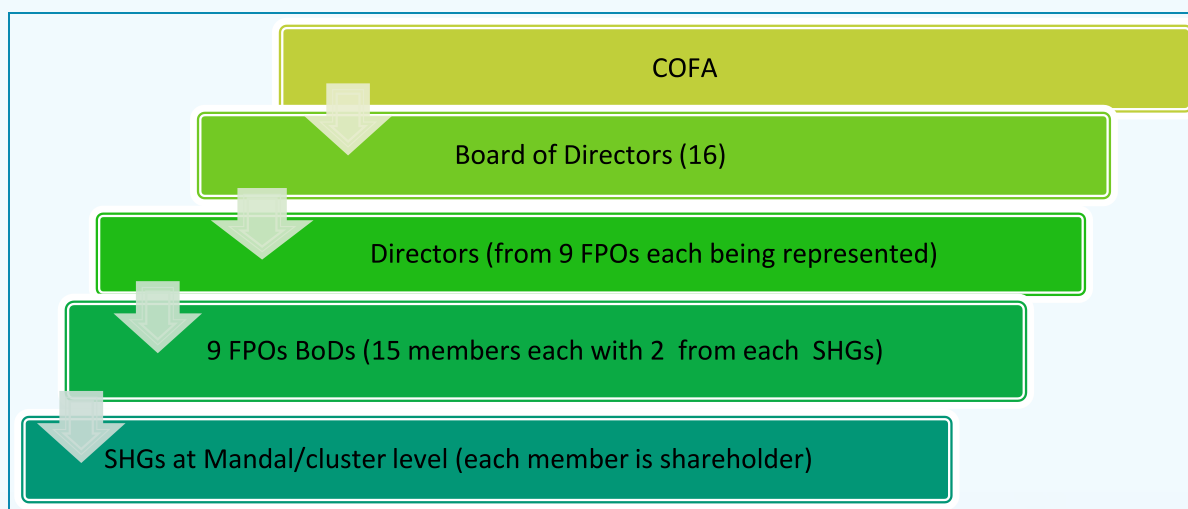
1. Forum For Integrated Development (FFID) being the professional not-for-profit organisation which is the guardian/incubating NGO for all the entities under the Chetna Organic banner has deployed full-fledged experienced and expert professional staff at COAPCL and COFA.
2. Promotion of Chetna Organic Farmers Association (COFA) is with the main role that which provides capacity building, training, women empowerment, engaging in policy, research and advocacy, facilitating certification to the farmer members etc.
3. COFA supports the implementation of various social development programs, along with periodic monitoring and evaluation systems, certification, advisory and policy advocacy to develop the niche markets.
4. COFA has employed experienced professionals from the streams of agriculture namely Soil Scientists, Seed Breeders, Plant Pathologists, Entomologists, Agronomists and Extension service/ scientists. Under Social Sciences, there are experienced staff from Institution Building, Education, Gender Issues, Women and Child Welfare, Enterprise Development, Nutrition Specialists, Financial & Administration Management, Business Management, etc.
5. The farmers over the years have also gained experience in working under the Chetna Organics umbrella and have developed long standing to be associated with them to get regular stream of advice, channel partners for ginning and spinning and services through Chetco etc. The demand from farmers to take up horticulture crops in addition to cotton is also being considered for supply of organically grown vegetables to the domestic market through the FPOs.
6. Consumer awareness on the organic products is also taken up by Chetna Organic periodically.

FPO structure: MACS and its Board

The structure of the Farmers' Cooperative Societies consists of mandals, for example Pragathi Organic Mutually Aided Cooperative Thrift and Credit Society Ltd., Adilabad has 5 mandals that having cluster of villages or hamlets. These mandals are Kerameri, Sherapur, Narnoor, Sirpuri and Utnoor mandal. The Kerameri and Sherapur mandal are watershed mandals. The Chetna Organic – COFA implemented watershed programmes of NABARD in this area. The need for formation of society was felt by the village watershed committees (VWCs) namely Sakeda, Burnoor and Settihadap VWCs. As a result of watershed development programme, initially 30 farmers went in for organic farming. Adjoining farmers' hamlets also followed this lead. Hence there being a proactive effort of farmers to enhance the organic farming base - led to formation of the Pragathi Organic Mutually Aided Cooperative Thrift and Credit Society (MACT&CS) Ltd., Adilabad. Proactive participation of farmers in the formation of farmers' association in the form of MACT&CS was the driving force for attracting other farmers in the organisation. Also the social capital built with farmers through implementation of watershed development programme acted as a driving force for retention of farmers interested in growing organic cotton.



Board of COAPCL & COFA



Representatives of the 9 FPOs/MACSS are on the board of both in COAPCL and COFA.

From each of the 09 farmers' cooperatives 02 representatives, one each, are on the board of COAPCL and COFA. The following process is adhered to for selection of BoDs:

- i. Farmers' cooperative societies (FPOs) elect their board and also the member which will represent the society in the Board of Directors of COAPCL. The democratic way of functioning ensures participation, trust and transparency.
- ii. The normal duration for BoDs is 3 years. A maximum of such two terms at a stretch can be allowed.
- iii. Participation and inclusion of women members as BoDs is actively considered and promoted by all the associates, ensuring acceptance level among all members for democratic functioning.
- iv. In turn, the SHG as fundamental group of farmers at village/cluster level, has each member as the shareholder of the cooperatives. Each member of the SHG has one vote.
- v. From the SHG two members are elected to represent in the General Body of the cooperative society/FPO. The general body meets once in a year. AGM is held at a common place for the cooperatives.
- vi. The General Body (GB), having two members from each SHG, further elects 15 member board for three years period. The board thus is adequately represented by the SHGs.

- vii. The 15 member board of GB has atleast 6 women members.
- viii. The GB board further elects three office bearers to look after the day to day functions of the cooperative society. They are president, vice president and treasurer and women hold atleast two of the three positions.
- ix. The Board Meeting is held once every quarter.
- x. The GB further elects two members from the board, one member to represent in the board of COAPCL and the other member on the board of COFA. The term is for three years and any member can be on the board upon being elected not more than two such terms at a stretch.
- xi. Hand holding, awareness and capacity building is provided by COFA to the BoDs on regular basis for effective decision making.
- xii. The BoD meets once in a quarter, accordingly minimum 4 meetings are organised annually.

There are two experts as independent Directors in the BOD along with the selected representatives from the cooperatives. The role played by the BoD of COAPCL is key in functioning of the FPOs, mainly the following:

- a. Sensitizing and training farmer groups for participating in value addition of their produce and collective marketing for better margins
- b. Managing organic cotton marketing process of member farmers
- c. Oversee organic certification of farmers and fair trade for organic certification
- d. Business planning for local farmers cooperatives/societies and providing expert inputs on conducting business and local level economic activities
- e. Facilitate/conduct/organise research and advocacy activities
- f. Umbrella association to facilitate all farmers inclusive of FFID, COFA in marketing
- g. Other regular works regarding timelines for audits, compliance returns etc.

Rich Experience of Chetna Organic in promoting community driven organisations

The following ongoing and completed programmes have benefitted the Chetna Organic's promoters' experience, to work with the farmers cooperatives:

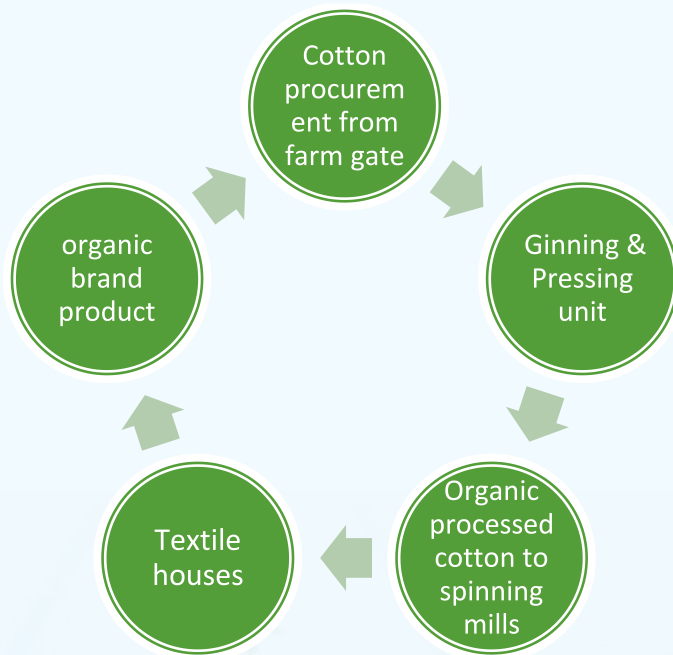
- a. Watershed development programme: Chetna Organic has functioned as implementing agency for watershed development under NABARD's IGWDP programme in the then state of Andhra Pradesh. The NGO has also been actively engaged in implementing the IWMP of Telangana Government for watershed programme.
- b. Convergence of Agricultural Interventions in Maharashtra: Chetna Organic has been associated with the implementation of programme of the Government of Maharashtra aimed to enhance income of farmers and make the farming climate smart through integrated approach under the IFAD-CAIM arrangement in Vidarbha region the Chetna organic have been associated in the programme implementation.
- c. Dr. Panjabrao Deshmukh Krishi Vidyapeeth Akola: Engaged in extension works for recommended package of practices of the Akola State Agriculture University for the Vidarbha districts of Maharashtra, mainly in Akola, Amravati and Yavatmal.
- d. Empowering Tribals: (i) NABARD-WADI, (ii) ORLM and (iii) Odisha Tribal Empowerment & Livelihoods Programme (OTELP), Government of Odisha: Engaged in working under (OTELP) in the tribal districts of Odisha under the flagship programme of the State Government, especially in farm sector activities. Resource agency in providing training and skills for promotion of enterprises under NRLM, Odisha. COFA is implementing NABARD's watershed and TDF-Wadi programmes in Adilabad of Telangana and Kalahandi of Odisha, respectively.

- e. NABARD's Tribal Development Fund: COAPCL has been working with tribals in implementing the Horticulture based Wadi programme under NABARD-TDF in tribal districts of Odisha. The tribals have been empowered with community participation in successful implementation of the TDF project.
- f. Diversified based Irrigation Programme: The agency gained experience in promotion of Water Users Association (WUAs) under watersheds and also worked for diversified based irrigation programme of the Government of Odisha.
- g. ICRISAT and TATA Trust: The agency coordinated with ICRISAT and TATA Trust programmes in Telangana for exposure visits, training and innovation led organisation formation with farmers.



5. Evolution of Business Path Line

The original Business Plan of COAPCL, envisaged procurement and supply of organic cotton to global players, leveraging on organic cotton cultivation in tribal rich districts, adjoining deep forest areas of 3 States of India. These farmers having small land holdings are resource poor and hence cultivate desi varieties of cotton. This has led Chetna Organic to promote Genetically Modified Organism (GMO) (Bt Cotton) – free supply chain for cotton (lint) as there is demand for such products owing to lifestyle related diseases and climate change. Globally, consumers are getting attracted to pure organic cotton based garments. Hence there is niche market available which has been the driving force for the promotion of the nine farmers' cooperatives by the associate group of like-minded NGOs. It was easy to select one commodity and coordinate for setting up the entire value chain which originates from tribal farms and concludes at container-shipping stage for export within the country. With farmers demand, the group is making efforts to make available markets for millets and vegetables which is available in surplus with the tribals. It supports the supply chain of cotton as follows:



The business path line is in adherence with the international FAIRTRADE STANDARDS: Set of practices to be followed by all actors in the value chain backed with certification of FAIRTRADE mark on products and packaging

The cooperatives have been linked with spinning and ginning industry dedicated for organic cotton based garment/yarn by Chetna Organic ensuring better returns for farmers growing organic cotton. The FPOs for 2 years have sent direct container assignment of organic cotton for shipment with tie up arrangements with its international brand associates.

Fairtrade Standards

The business associates of COAPCL follow the standards set under Fairtrade, which encompass social, economic and environmental sets of value based standards for the companies and farmers involved in the supply chain. For farmers and workers, the standards include protection of workers' rights and the environment, for companies they include fair payment.

Besides cotton, COAPCL is also venturing into selected organically grown crops like turmeric, cashew, Kalajeera scented rice, millets, pulses, spices, fruits - namely mango, guava, pomegranate, etc. The organic cultivation standards are being adhered to by the farmers for all the farm produce.

The entire system operates basically through the branch offices of COAPCL located in and around the area of operation for channelling the investment through the following multi-tier approach:

S.No	Interventions/ support	Programme support	Methodology
i	Institution building	SHGs and farmers cooperatives	Exposure visits, capacity building on concepts etc.
ii	Social strengthening/capacity building	Farmers for enhancing processing and setting up infrastructure	Entrepreneurship development, watershed programmes, kitchen gardens processing etc.
iii	Training on technical and quality control	Farmer members	Soil fertility, certification, PH handling and pest management
iv	Market linkage	Cooperatives	Organic cotton, crops and value addition
v	Best practices through research support	COAPCL	Seed varietal trials, intercrop, spacing, seed multiplication

Business Activities of Pragathi Organic Farmers Mutually Aided Cooperative Society

The activities of Pragathi Organic Farmers Mutually Aided Cooperative Society, Adilabad involve procuring organic cotton from the society. The business plan was prepared and implemented by COAPCL and COFA with involvement of FPOs. The FPO has 15 member BoD along with Regional offices at the 5 mandals. The COAPCL has facilitated purchase of 2.5 acre land for the FPO for setting up procurement centre for the produce. Demonstration plots with good practices displayed in the farm for the farmers to practice organic cultivation are set up by COAPCL. COAPCL also arranges for workshops for farmers through COFA on organic cultivation practices alongwith providing reading material and calendar of farm practices to be taken up with dates/durations, quantity of inputs etc. in local/ vernacular language. Telugu language printing for brochures on diarising the farm operations and providing knowhow on bio-pesticide, compost application, preparation etc. was done and every farmer was provided with the booklet. The FPO also has an Eco-research lab, where recommended composition of farm yard manure, vermicompost, *Jeevamrut*, vermiwash etc. is tested and further training given to farmers on turnkey basis. In addition, in the Eco-research lab, non GMO seeds/ varietal traits are the topic of research, which is piloted in association with State Agriculture Universities. A prominent NGO by the name SERP (Society for Elimination of Rural Poverty) promoted by Shri Vijay Kumar, an eminent bureaucrat, is providing support and promoting Zero Budget Natural farming (ZBNF) in the region. The expertise available with SERP is also referred to in recommending the organic growers. The FPO has a training centre where, annual calendar based training programme is drawn for cooperatives/FPOs which is in tune with the *kharif* season for cotton crop.

Besides the farm sector activities, promotion of income generating activities in the non-farm sector is also being promoted in the region, where a tailoring centre has been set up by COAPCL.

The year wise profit to farmers show year to year steady increase. The combined income of 09 FPOs in 2019-20 stood at Rs.2451.12 lakh as against Rs 1514.00 lakh in 2015-16.

Establishing Agri Value Chain and Credit Arrangements

Bringing-in transparency through the process of Organic and Fairtrade (OFT) certification for organic cotton through scientific tests and social inputs on fair cotton production, COAPCL has established the value chain seamlessly from farm gate to export to the point of container upload. The integrity of produce is established for developing trust based market tie ups with many textile brands. There are checks and internal control systems, audits in place for working out stable organic-cotton production from the FPOs.

Further COAPCL has been availing interest free advance from the brands / buyers through the supply chain factories. The Rabobank Foundation has been supporting COAPCL with a collateral guarantee of upto Rs.2.00 crore since 2015 for helping in availing credit.

Thus, COAPCL through networking and support from Rabobank Foundation facilitated the following for establishing sound value chain on organic cotton

- a. Promotion and registration of FPOs.
- b. Promotion of advisory on inputs for organic cultivation, use of traditional knowledge among the farmers, providing inputs including seeds etc. A farm diary is provided to each farmer member, willing to go organic for cotton, wherein besides the record of the various farm activities, the input advisory/chart to control pests is also given. To cite an example of neem seed cake (NSK) as soil input to control pests - aphids - through the application of bio-pesticide prepared from neem (NSK 5%, neem leaf extract and neem oil). Such preparations are given for around 20 common pests and the bio pesticides to control them in the diary for farmers use.
- c. Certification of products in the identified farmer's field through various lab-tests to ensure organic certification. Periodic and assignment based certification for the organic cotton and certifications to the farmer members.
- d. Regular workshops are organised for capacity building and hand-holding to generate awareness on the value of niche market for the products among the growers
- e. Social aspect related to fair practices include - no child-labour, no exploitation, free-will of farmers in decision making, premium and the return on product are better in comparison to market trend.
- f. Developing suitable partners and associates for capacity building, as guardians, certification and marketing.
- g. Making available procurement of produce at farm-gate.
- h. Promotion of women at every stage of processing and also in decision making, raising their participation over the years. In addition, they are holding key posts such as treasurers, president etc. in the FPOs.
- i. Audit and internal checks and control to ensure fair trade through monitoring, control and hand-holding measures.
- j. Ensuring audit of accounts of all the associates and cooperatives as per relevant norms.

The certification and other arrangements for marketing under organics and fair trade (OFT) is provided by Chetna Organic through the following players/ actors and interventions in the cotton supply chain:

- a. Primary produce Cotton: procured from the FPOs
- b. Harvested bales certified and move to contracted local Ginning factory
- c. Direct export of cotton by COAPCL is arranged
- d. Organise sale of organic cotton to domestic and international textile brands
- e. Engage for providing certified cotton to Spinning units
- f. Associated in setting up stable supply chain with Rajlakshmi Cotton mills where the FPOs are the 10% shareholders of the mill.

Credit linkage of the FPO and repayment status

Both medium and short term loan in the form of working capital (WC) have been availed by COAPCL from various institutional sources. Working Capital loan availed in 2019 was Rs.1194 lakh, while on-credit/ advance from buyers/ processors was Rs.200 lakh in FY 2020.

COAPCL availed a working capital limit of Rs 500 lakh in FY 2019 and the same was renewed in the FY 2020. The outstanding of the commodity loan availed from Yes Bank as on 31 March 2020 stood at Rs.1.28 crore. The balance sheet for COAPCL is audited and indicates that repayments are effected for the short term loan taken.

NABKISAN is financing FPOs which are formed by COFA with loan size of Rs.20.00 lakh alongwith grant of Rs.1.00 lakh out of Producer Organisation Development Fund (PODF). The grant is provided for training, exposure visits, minimal infrastructure requirement is met, salary, weighing machine and for technology adoption purposes.

Enabling Infrastructure and support services for the FPOs

COAPCL facilitated land purchase for the tribal farmers' cooperatives through financial assistance ranging from Rs.2.00 lakh to 27.00 lakh for common and shared infrastructure of the cooperatives promoted by them; the land cost forms part of the TFO of the infrastructure project.

The following infrastructure for FPOs to strengthen the organic cotton value chain is available to the FPOs:

- i. Storage is available for the FPOs in Odisha.
- ii. Ginning and pressing unit for organic cotton with arrangement of transport by COAPCL from the farm-gate to processing unit/markets.
- iii. COAPCL conducts at area of operation, periodic meetings, capacity building, documentation and other office works concerning FPOs.
- iv. Premium on the organic cotton and under Fairtrade (OFT) practices certification for farmer-members is provided on annual basis. COAPCL has certification licenses and standards for Organic, Fairtrade practices, GOTS (Global Organic Textile Standard), Zero label etc. Renewal of these licenses is undertaken periodically and COAPCL and the associated organic spinning and ginning units also are subjected to external annual audits.
- v. Testing protocol for GMO/Bt and pesticide contamination infrastructure is in place with experts and technical manpower and testing laboratories. The tests include (polymerase Chain Reaction test) PCR lab tests of seed prior to sowing alongwith periodic testing of leaf/flower, etc. is undertaken for the farmers. These tests ensure nil use of GMO/Bt crop, fertilisers and chemical pesticides.
- vi. Post-harvest lab testing of cotton before procurement from farmers at the Mandi as well as test of lint/fibre prior to dispatch of consignment to buyers is undertaken by COAPCL.
- vii. The Fairtrade Practices certification is ensuring maintaining social standards while production such as no child labour, equal wages to men and women, freedom of association for farmers, helping in democratic decision making by farmers/FPOs etc.
- viii. Dividend for the cooperatives is processed through COAPCL.
- ix. Regular BOD, AGMs and other meetings, annual internal audit of the financials and checks and controls through COAPCL and COFA provides key hand-holding and capacity building for decision making of the BoDs.
- x. Through the research and advisory wing, COAPCL has associated with University of Agricultural Sciences, Dharwad for piloting projects on scaling up of new hybrid varieties of seeds, being provided to the farmers of the FPOs.
- xi. Marketing of organic cotton by association with partners / textile brands of organic cotton on regular basis through entering into MoU agreements. Formation of ChetCo or Chetna Coalition with signing of 15 textile brands as members of ChetCo.



Donors and partners of COAPCL

6. Financial Resources Management

On an average, the share for input, output and services business, in the annual turnover of COAPCL for the nine FPOs together, is at 77% (Rs 1383.00 lakh in FY2019).

The administrative and operational cost is 4.98% at Rs 87.57 lakh

COAPCL, as a whole showed loss during 2019-20 owing to the severe lockdown imposed by the GoI due to COVID-19 pandemic. There was immediate impact and a loss of Rs 60.22 lakh appeared in the balance sheet for 2019-20. However in the subsequent years, COAPCL recovered from the loss and made a net profit for 2020-21 and 2021-22 at Rs 60.79 lakh and Rs 89.51 lakh respectively, which was achieved by bringing about normalcy through visits to the clusters and revival of the FPO-business plan implementation.

Hence the entire loss of Rs 60.22 lakh in 2019-20 was recovered by putting the systems in place of Chetna Organic from 2020-21 onwards. This is a big leap in revival indicating managerial skills of the associates working together in harmony to lead a big group of farmers' producers' organisation to perform well – even in the face of crisis.

Federation Chetna Organic: Profit & Loss

Rs. in lakh

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue	449.76	1,514.53	1514.12	1730.65	2809.45	2451.12	3379.41	3464.359
Expenses	438.99	1458.80	1453.92	1695.87	2748.11	2511.35	3307.41	3363
Profit Before Tax	10.77	55.73	60.20	34.78	61.34	-60.22	71.93	101.36
Tax Expenses	7.26	38.9	42.11	23.49	11.31	0.00	11.43	11.85
Profit After Tax	7.26	38.90	42.11	23.49	61.33	(60.22)	60.79	89.51

7. Market tie-ups

FPOs promoted under Chetna Organic by COAPCL are License holders for organic and fair trade certification. They provide the market for organic farming through supply chain marketing initiatives. Some major market tie ups are:

- i. Rajlakshmi Cotton Mills Ltd.,(RCML) - Supply Chain: The RCML market tie-up is since 2004-05. RCML is leading buyer of Chetna cotton, with supply of more than 65% of Chetna cotton. The Chetna-RCML umbrella has more than 25 small and medium brands (both domestic and international).
- ii. Dibella Supply Chain
- iii. Armstrong Supply Chain
- iv. Mandala Supply Chain
- v. Prolana Supply Chain
- f. COAPCL provides services to the farmers mainly for input, aggregation, marketing, ginning and pressing units, certification and advisory on organic farming to the member FPOs.
- g. Farmer's societies own assets and ownership of organic produce is also with the societies. Chetna Organic promotes demand based infrastructure in the area of operation based on demand and need of the local farmers.
- h. As a policy, COAPCL also facilitates purchase of land for the farmers' societies. They have also availed of subsidy from NABARD for setting up of warehouse for the tribal FPOs. The warehouse is used for storage and during off-season also for any activity to generate income for the society and provide infrastructure at village levels for the people.
- i. Complete buyback support is provided by Chetna Organic including for marketing of organic pulses, lentils, oil-seeds that are in surplus with the societies. Presently they are promoting vegetable cultivation among the small and marginal farmer-members as a fillip for food security. This work is initiated largely in tribal areas of the societies.
- j. COAPCL is providing hand-holding for compliance/returns of the FPO as well as in ensuring timely conduct of meetings, AGMs etc. The representation of the farmers' cooperatives in both the Chetna Organic and COFA board is also key in flow of important information back & through the value chain. In addition, key inputs for decision making and functioning of the FPOs are shared on regular basis.
- k. COAPCL helped FPOs-farmer members to earn additional 10-15% (through direct and indirect interventions) over and above the market price for cotton, at the farm gate level itself.

Four FPOs (three in Odisha and one in Telangana) have aggregated trade surplus to the tune of Rs.152.00 lakh from Fairtrade Premiums. These cooperatives have further gained by way of administration fee, investments/ grants/ subsidies from associated brands and other agencies.

8. Future Strategies

The future strategy of COAPCL has been prepared upto the year 2024, these are as follows

1. Scale up Organic Fairtrade (OFT) Cotton Lint / Fibre to 4000 MT, out of which 2500 MT would be from the tribal region of Telangana, Maharashtra and Orissa.
2. Through the various brands with whom COAPCL, has supply chain arrangements for organic, Fairtrade cotton lint and has entered into MoU - apropos the Textile Exchange Conference held in Istanbul, Turkey. They plan to further expand the supply chain. The plan is to meet the demand for OFT both in the domestic and the international market. COAPCL is expedient in reaching out to more farmers and setting up local infrastructure.
3. Enhance the market by procuring 3000 MT of OFT food crops namely lentils, spices, rice, millets, fruits etc.)
4. Enhance the Chetna Coalition from existing 15 brands (MoU signed/entered into) to 40 brands by 2024.
5. Among the existing brands, two are international brands with whom COAPCL has entered into MoUs, namely the Dibella and the Tchibo German brands.
6. COAPCL has planned for providing services to the brands extending fee-based membership to them for which separate and full time personal/coordinator will be employed.
7. Strengthen the long term sustainability for both the farmers as well as the brands.
8. Further in Odisha farmers are also cultivating Turmeric, Cashew, Kalajeera scented rice, millets, pulses, spices, fruits (mango, guava, pomegranate, etc.) organically that has demand in domestic markets. COAPCL is having plan to organically certify and explore potential market-tie ups for these produce.
9. Chetna Organic has completed a Horticulture based Wadi project under TDF of NABARD in Odisha, wherein plan to market and process fruits such as mango, cashew and guava through formation of FPOs of tribal farmers is underway. The farmer cooperatives created in Odisha have rice & dal processing units. COAPCL is exploring potential for setting up a fruit pulp processing and a millet processing units for these cooperatives.
10. In addition to the above articulated plans, the developmental works initiated by COAPCL with focus on 'women and child welfare' covering projects on children's' education, vocational training for women, household safe food & nutrition security, etc. will also be enhanced.

9. Findings and Learnings

In order to ensure that FPOs operate in a sustainable manner once promoting organisation gradually exit the scene, FPO promoting organisations have to provide focused attention to create enabling ecosystem that ensures community participation. The approach varies not only from State to State but also depends on the nature and extent of support provided by the FPO promoting organisation. The present quick study highlights some of the strategies adopted by the promoting organisation, who are a group of highly qualified NRIs with a common goal of working in the farm sector to facilitate programmes that aim to better the income of the farmers, which are summarised below -

Federation of FPOs in tribal vulnerable areas

Chetna Organic Agriculture Producers Company Limited (COAPCL), an apex level organisation formed on 11th February 2009 under the Companies Act, 1956 is comprising of nine FPOs registered under Cooperative Societies Act in tribal areas of 03 States, viz. – Telangana, Maharashtra and Odisha - under the common brand name of Chetna Organic. This has helped leverage the core strengths of the 09 cooperatives of farmer producers to come together for strengthening farmers' cooperatives and marketing associations for not only promoting cultivation but also facilitating market tie-ups and exports. COAPCL upon review of existing forms of producer organisations, found that formation of FPOs under the MACS Act (Mutually Aided Cooperative Society's Act) of Multi-state Cooperatives Act, GoI provides a liberal set up as compared to other legally registered FPO-entities formed under other Acts. Under the MACS Act, there is ease of doing business, increased financial opportunities for raising of funds, financial discipline and it enables FPO to function in more than one state with multiple agencies.

Product selection

The FPOs were formed by Chetna Organic under the Multi-State Cooperatives Act with primarily cotton as the produce. Besides cotton, COAPCL is also venturing into selected organically grown crops like turmeric, cashew, Kalajeera scented rice, millets, pulses, spices, vegetables, fruits - namely mango, guava, pomegranate, etc. The organic cultivation standards are being adhered to by the farmers for all the farm produce.

End to end solutions

The purpose of formation of FPO was clearly defined right at the beginning and explained to the farmers through meetings, workshops and printed booklets in local language. There is continuous process of engagement through dialogue with the value chain partners which involve processing units, store houses, supply chain actors and farmer-members. Since the inception of the COAPCL, financial institutions and banks have been major influencers in setting up the value chain. The team of promoting institutions comprise of national and international organisations with rich experience in working with vulnerable sections of society.

Marketing

Chetna Organic initially promoted Genetically Modified Organism (GMO) (Bt Cotton) – free supply chain for cotton (lint) as there was demand for such products owing to lifestyle related diseases and climate change. This niche market has been the driving force for the promotion of the nine farmers' cooperatives and coordinating the setting up of entire value chain which originates from tribal farms and concludes at container-shipping stage for export within the country. With farmers demand, the group is making efforts to make available markets for millets and vegetables which is available in surplus with the tribals.

Fairtrade Standards

The business associates of COAPCL follow the standards set under Fairtrade, which encompass social, economic and environmental sets of value based standards for the companies and farmers involved in the supply chain. For farmers and workers, the standards include protection of workers' rights and the environment, for companies they include fair payment. Hence the dual objective of helping the vulnerable sections of the society – the tribals, through marketing of their organically grown cotton in global market provided a rich experience to COAPCL for enhancing the Fairtrade standard practices.

Governance

One of the main issues with FPOs is lack of an adequate governance mechanism. COAPCL has attempted to address this issue by making governance of the FPOs participatory, motivating women to be officials/staff of the society and also as Board members. Close monitoring and review of works, discussions, trouble-shooting are taken up for the member farmers so as to enhance the FPOs bargaining power and gain from economies of scale. Thus such structured involvement with the societies has been one of the key aspects of strengthening local governance.

Women Empowerment

The FPOs' have 40% women board members, holding key positions such as presidents, treasurer or vice-president in the FPOs. As the FPOs are promoted in the tribal region – the tribal women are actively engaged in the decision making process. This aspect is key to sustain the efforts in promoting organic cultivation, thereby maintaining good soil health. Since the women are active members of SHGs, the FPO gains from group mode of decision making.



Notes



Notes





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