



The compendium of case studies 'Breaking New Ground – Success Stories of Farmer Producer Organisations,' is an attempt to capture the stories of seven award winning Farmer Producer Organisations (FPOs) that have overcome various challenges, to successfully build self-sustaining businesses and contribute meaningfully to their member community. Through the compendium an effort has been made to assimilate the innovations, breakthroughs, good experiences and best practices that help in learning from the diverse experiences of successful FPOs and further strengthen the FPO Model.

# BREAKING NEW GROUND

Success Stories of Farmer Producer Organisations



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Breaking New Ground  
Success Story of Farmer Producer  
Organisations

First published in 2015 by  
ACCESS Development Services  
28, Hauz Khas Village, New Delhi-110016  
Tel: 011-26510915, Telefax: 26050821  
[www.accessdev.org](http://www.accessdev.org)

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Typeset & Printed by  
Purple Communications  
D-96, Ground Floor, Sector-10, Gautam Budh Nagar  
Noida, Uttar Pradesh - 201301, India

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# FOREWORD

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Agriculture is the backbone of Indian economy with 70% of its population relying on it as principal source of their income. However, with 80% of farmers being small and marginal with around 1 hectare or smaller land holding, the challenge for the marginalized and small farmers to reap economies of scale both for input purchases and marketing of their produce is daunting. Over the last couple of years, FPOs have emerged as a viable solution to various challenges pertaining to smallholder farmers. Seeing the success of Farmer Producer Organization (FPO) model, the Government of India has set a target of promoting 10,000 FPOs by 2024. 'Breaking New Ground' is focused on the success stories of Farmer Producer Organisations, which have emerged as an important platform to provide voice and bargaining power to farmers.

Besides playing a promoting role for FPOs through promotion of 166 Farmer Producer Companies on the ground, ACCESS engages in ecosystem enabling efforts for FPOs through various mechanisms such as support in state level FPO policy formulation by convening state level FPO forums, conducting policy roundtables and functioning as a think tank around issues of importance for FPOs.

As a part of these efforts, ACCESS institutionalized the FPO Impact Awards in 2018 to recognize and encourage exemplary FPOs that have overcome various challenges, to successfully build self-sustaining businesses and contribute meaningfully to their member community. The Awards have now completed three years. Besides the FPO Impact Award instituted by ACCESS, there are other sectoral Awards that recognise high performing FPOs which include those instituted by NABARD and the ET-SAMUNNATI FPO Awards.

Through this Case Study Compendium of Award Winning FPOs, an attempt has been made to capture the success stories of FPOs. It is a compilation of handpicked stories of Award Winning FPOs that have successfully overcome the challenges of small-scale agriculture and made it profitable through their entrepreneurship abilities. The stories in this compilation attest to the fact that given adequate support, the FPOs can engage meaningfully at each stage of the agricultural value chain. The inspiring stories also serve as a reminder that seemingly impossible goals can be achieved through collective action.

The financial assistance received from National Bank for Agriculture and Rural Development (NABARD) in bringing out this compilation is gratefully acknowledged. I am thankful for the contribution of Mr. Abhishek Saxena, Phd. student at IRMA in writing four of the case studies that are featured here.

I trust this compendium will not only facilitate sectoral learning but also inspire nascent FPOs in building a successful enterprise by serving as an inspiration to them. On an annual basis, ACCESS will keep documenting similar examples of excellence, with the hope that these will become a source of learning and inspiration for the large number of FPOs being promoted in the country, specifically with the rolling out of the Government of India's 10,000 FPO programme.

Vipin Sharma  
CEO  
ACCESS Development Services







# Farmers Unite into Farmers Producer Company and Earn More: Case of Somnath Farmers Producer Company Limited

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## 1. Introduction

The farmers of Kodinar block of Junagarh district with support from Ambuja Cement Foundation (ACF) formed small groups to aggregate and collectively market their produce. The farmers from the villages that were part of the groups earned up to 15 per cent more than farmers that sold their produce individually. The success of the strategy led to the formation of Somnath Farmers Producer Company Limited (SFPCL). SFPCL was registered on 9 March, 2013 under the Companies Act 1956.

## 2. Governance and Management

SFPCL has 1235 member farmers from over 30 villages and total share capital of INR 8.87 lakhs (as on May 2020). The FPC has 10 Board of Directors, with one seat reserved for woman. Mr. Harisinh Dodiya, a commerce graduate, is the CEO of the SFPCL. The goodwill and popularity of his family amongst the farmers and locals along with higher education made him a very good candidate. He understands the expectations of farmers from the FPC as he is part of the same community. His prior experience with an accounting firm and the Kodinar Sugar Factory also give him good experience to work with FPC. Since joining SFPCL, with his hard work he has also been promoted and now leads the business planning and operations as CEO, with support from the Board of Directors (BoD), and an Expert Director who is on ACF rolls.

### 3. Details of business operations

The major activities that the FPC engages in are groundnut processing and supply of good quality groundnut for export under Fair Trade Certificate (FTC). The FPO has successfully linked its members to buyers in the market and also fulfills the farmers demand for inputs. The FPC also prepares cattle feed meal preparation and sale to the farmers. It also sells the agri-waste to a local waste to energy conversion plant. More than 50 % of the revenue in the FY 2017-18 came from groundnut trade under FTC agreement that SFPCL made in collaboration with Gujpro, with funding of INR 10 lakhs from NabKisan. The groundnut trade contributed a revenue of INR 2.46 Crores.

The FPC takes care of warehousing and logistics through a rented warehouse and agreement with a local transporter who charges them less than the market. This shows that the FPC can leverage its social capital well in order to reduce operational costs. Unlike many FPCs, Somnath does not engage in MSP procurement from members as it discovered early on that marketing through other channels and trading on MCX were much more profitable. In fact, the farmers have agreed to a payment from the processors with a lag of 30 days, as it pays them higher than the market.

The FPC has the requisite certificates viz. FTC, trade license for APMC, and certificates for seeds, pesticides, and fertilizers. It also conducts input sales at MRP, for both the members and non-members and SFPCL does not encourage credit sales to the farmers. The Somnath Farmers Producer Company has also invested in basic plant and equipment like weighing machine and moisture meter, apart from renting the warehouse. A grant of INR 10 lakhs from Tata Trust has to establish a maize crushing unit for providing good quality cattle feed to the farmers at reasonable price.

### 4. Financial performance

Looking at the financial performance, the FPC is profitable with a net profit of INR 4.44 lakhs in FY 2017-18 and INR 14 lakhs in FY 2018-19. The net profit margin is 1.05% , this indicates that the FPC is able to convert revenues into profits with reasonable efficiency. The high leverage ratio of 7.29 % is due to the fact that the FPC is actively sharing the profits with more than 75 % of the members, on an average, in the

form of patronage bonus. Towards this end, the FPC even takes working capital loans from ACF as revolving fund. Almost 86 % of members i.e. 1061 farmers and 632 non-members do business directly with the FPC. This indicates high members centrality the FPC has, even when there are no special discounts or input sales on credit facilities for the members. In 2020, with a delay in a NabKisan loan worth INR 50 lakhs and the pandemic impacting the business, the projection is to maintain, if not exceed the current revenue and profit figures.

Financial Year	Revenue (INR)	Profit (Loss) (INR)
2017-18	4.22 crores	4.43 lakhs
2018-19	5.83 crores	14 lakhs
2019-20	5.8 crores	8 lakhs

## 5. Linkages for resource support, business and capacity building

The FPC has established linkages with various government and private entities such as the Krushi Vigyan Kendra (KVK) in Kodinar block, that is managed by ACF for Indian Council of Agricultural Research (ICAR), Coastal Salinity Prevention Cell (CSPC-Tata Trust) for funding support, and various agro-input companies for input purchase.

The staff including the CEO, accountant and business executive are on FPC rolls only coordinator and senior project coordinator are the employees of ACF. Staff trainings undertaken include business planning and financial capacity building by IFHD-Procif, groundnut trade under FTC by CSPC, market linkage and channel development training by GujPro and CSPC, and general governance, management, and compliance related training by Friends of Women World Banking (FWWB).

## 6. Innovation and technology use

SFPCL, along with SELCO Foundation innovated and created a cotton plant rotary cutter that has been sold to 350 farmers in the last 6 months, for INR 650 per system. This innovation helps the farmers to clip the cotton plants to reduce vegetative growth and enhance fruiting. The FPC maintains an active WhatsApp group of village level workers and staff to collect input demand from the farmers from 13

villages and provides the inputs within 24 hours on the doorstep of the farmers through their Khedut Basket channel. This is a testimony of the innovative nature of the FPC.

## 7. Reflections

One policy that has worked in favour of SFPCL is ensuring that there is no credit sales to the farmers. The farmers are free to assess the pros and cons of selling in the open market vis-a-vis the FPC and make an informed decision. The FPC on its part tries to provide the best possible price. Benefit sharing also includes regular gifts and incentives. This presents an interesting case where the members are not coerced into transacting with the FPC but to exercise their choice to select between the market and SFPCL. However, such an approach has its own set of threats and challenges that the FPC should be wary of.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Export oriented production and procurement through Fair Trade channel</li> <li>▪ Familiarity of trading commodities on MCX</li> <li>▪ Embeddedness in local context -well connected with various government and private entities</li> </ul>	<ul style="list-style-type: none"> <li>▪ No additional incentives provided to ensure that members are patrons of the FPC</li> <li>▪ A lot of market potential is still left untapped</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Agri-waste incineration through a partnership may become a major contributor to the revenue in future.</li> <li>▪ Entrepreneurship development program will help in the long term</li> <li>▪ Innovation of cotton cutter with SELCO Foundation can become a marketable product even to markets outside the region</li> <li>▪ The market still has a lot of untapped potential which will give the FPC chance to grow further</li> </ul>	<ul style="list-style-type: none"> <li>▪ The FPC has high working capital loans for paying patronage bonuses and gifts to members</li> <li>▪ Without competitive market price (for input and output market) provided by FPC the farmer may not proper incentive to become members of FPC</li> </ul>



# Proactive Collaboration and Innovation can Contribute to Survival: Case of the Bijawar Producer Company Limited

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## 1. Introduction

Bijawar Producer Company Limited (BPCL) was registered in Chattarpur district of Madhya Pradesh in 2011 under the India's Companies Act, 1956. The Producer Company is promoted by Action for Social Advancement (ASA). The FPC was established by organising women SHGs supported by ASA to provide them access to quality inputs such as seed and fertilizers and facilitate access to better market and prices for their produce. As on May 2020, BPCL has 1429 members and equity capital contribution of INR 25 lakhs. At present, the FPC works with 250 SHGs spread across 25 villages in the district.

As on May 2020, BPCL is governed by five Board of Directors, two of whom are women. Mr. Arvind Pratap Singh Bundela is the CEO of the company. He holds a Master's Degree in Social Work and has over a decade's experience in the sector.

## 2. Details of business and operations

The major activities of the FPC include seed production, credit disbursement to its members, linking them to institutional buyers for sale the members' produce, bulk purchase of inputs like seeds and fertilisers and supply to its members before the sowing season, and managing a custom hiring centre for leasing out farm machinery and equipment on rent. Almost 3/4<sup>th</sup> of the revenue in the FY 2017-18 was obtained from seed production business and loan disbursement to members being the next major contributor. The FPC obtained

all requisite licenses for seed production, fertilizer sale and trading outside *mandi* premises from the competent authorities. An innovation in farmgate procurement and aggregation, introduced by the FPC is the internalization of the procurement agent function by hiring Kisan Sevaks. A Kisan Sevak is a local person who keeps track of the demand for inputs and seed by the farmers and helps in aggregation of produce for large scale procurement by public or private partners, at the doorstep of the farmers. The arrangement has been instrumental in creation of employment at the local level by engaging local youths as Kisan Sevaks who earns reasonable commission for facilitating the doorstep services.

The FPC has an agreement with local and multinational corporation buyers like ITC and B.P. Foods Pvt. Ltd. for sale of *urad* or black gram and wheat, which help the FPC earn a revenue of INR 14.3 lakhs in 2017-18, where transportation of produce is taken care of by the buyer. Typically, the credit cycle for such sale is five days for realization of payment by the farmers. The FPC has set up its own grading and processing plant and two warehouses – all managed by FPC staff. Apart from the FPO Business Facilitator and the person in charge of processing and sale of seeds, who are ASA employees, all staff are on the rolls of the FPC.

### 3. Financial performance

In terms of financial performance, the FPC was able to become profitable nominally with INR 3,760 being the profit for FY 2017-18. The same is indicated by a very low net profit margin of 0.04%, indicating that the FPC has not been able to leverage much its revenue to profits. The profit improved significantly in FY 2018-19 but the FPC made a loss of over INR 4.06 lakhs, even as the revenue figures crosses INR 75.63 lakhs in FY 2019-20.

Such a scenario highlights two points – one, the input business, as in most cases, is low on profit margins, and two, BPCL has low negotiating power while entering into agreements with large institutional buyers and suppliers.

A very low leverage ratio (0.04%) might look good, since it indicates almost zero dependence on debt for working capital requirement but might constrain the FPC's ability to pay dividend or patronage bonus

to its constituent farmer members as evidenced by the dividend and patronage payout of around INR 1000 per farmer member. An estimated 13% of the members sell their produce through the FPC, indicating poor member centrality (a measure of the relative importance of FPO as a business channel for the members vis a vis other channels). Thus, it may do well to shift its focus from seed production to sale of produce to institutional and private buyers and retailers so as to improve its profit margin which would draw more members to sell through the FPC.

Financial Year	Revenue (INR)	Profit (Loss) (INR)
2017-18	93.58 lakhs	3,760
2018-19	42.13 lakhs	50,054.60
2019-20	75.63 lakhs	(4,06,031.12)

#### 4. Capacity building and innovation

The FPC, with help from ASA organized 15 trainings for its CEO, BoD members, staff, and Village Resource Persons (VRPs). The training programmes covered various topics like business planning, finance and accounts, governance, to compliance and audit, to general exposure visits, entrepreneurship training to members and VRPs and training on gender sensitization and effective working style and confidence building.

The FPC has been very active in adopting technology innovation while managing its businesses. For example, it uses FAMIS software for maintaining financial records and an inhouse sale and purchase MIS data, closed-loop pre-loaded 'credit card' for inputs purchase introduced with help from Samunnati Finance for the benefit of its FPC members. These changes have helped the farmers come out of the vicious circle of borrowing from the local *sabukars* or moneylender cum traders for purchase of inputs before the sowing season after committing to sell the harvest to them often at lower than the prevailing market prices, and in fact, have freed the farmers to seek better bargain from the market for purchase of inputs and sale of outputs.

The most interesting innovation adoption has been the custom hiring system launched by EM3 Agriservices Ltd., an agri-tech start-up that has developed an Uber/Ola like hiring system for farm machinery or equipment for the farmer users. The FPC has also introduced strip-

based test for non-GMO quality testing for cotton procurement which is cost effective and credible. This system helped ASA to keep track of adoption and effectiveness of their training and capacity building programs for the FPC and its staff and facilitate decision making regarding incentive payments.

## 5. Reflections

The current year has been harsh and the FPC has been able to achieve just 10% of its procurement target of 500 MT for wheat. This means another bad year for the FPC and raises question about its viability of operation. Reportedly, the loss in 2019-20 of over INR 4.06 lakhs was caused by various factors including untimely rain and hailstorm damaging the standing crop, price fluctuations, high cost of seed production program and procurement at government mandated prices.

There are many positives though. BPCL seems to be doing extremely well in collaborating with other actors in the local market or ecosystem, including providing leadership to the other FPCs in sale of their produce, thus, fostering the essence of cooperation further. The FPC has been successful in winning over competition and resistance from the local traders by collaborating with them which has helped it survive in the local context. The FPC has been highly successful in forging many partnerships, for example, with four Agricultural Universities for seed supply, three Non-Banking Finance Companies (NBFCs) for flow of credit to its farmer members, Small Farmers' Agribusiness Consortium (SFAC) for bulk procurement of *urad*, local Krishi Vigyan Kendras (KVKs) for supply of inputs and new seed varieties, local and MNC buyers for sale of agri-produce, some of the Agri-Tech Start Ups like EM3 for custom hiring center, a local supplier for plant and machinery and four local FPCs for seed supply.

Overall, the FPC has the following strengths and weaknesses and operates in an ecosystem that offers the opportunities and threats as highlighted below.

The case of BPCL is interesting because it shows us the importance of cooperation and social capital in the success of a collective enterprise. Even when, the financial performance of the FPC is not very impressive, it has been able to survive due to its collaborations with various other



Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Have been able to forge multiple partnerships to advance its business interests</li> <li>▪ Provides services like doorstep information and aggregation appreciated by the member farmers</li> <li>▪ Adoption of technology solution for accounting and precise monitoring and MIS closed loop credit card for input purchase.</li> <li>▪ Test for non-GM for Cotton</li> </ul>	<ul style="list-style-type: none"> <li>▪ Over reliance on low-profit seed production business</li> <li>▪ Low participation of the farmers, only 13% sell through the FPC.</li> <li>▪ Limited ability to generate profit since most are high volume low profit businesses Limited ability to generate rewards in terms of dividend payment etc. or suboptimal benefits.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Increase in member involvement particularly in produce marketing to grow its business.</li> <li>▪ Engage in institutional arrangement with large buyers on long term basis for sale of produce to receive higher prices and earn higher profit margin.</li> <li>▪ The business of Custom Hiring Center should be hived off as a separate business vertical to grow further.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Low member centrality may result in irrelevance of FPC to its member farmers.</li> <li>▪ Low profitability and benefit flow can weaken members' interest in FPC business.</li> <li>▪ Further competition from emerging FPCs could pose existential threat.</li> </ul>

actors in the ecosystem. Innovations such as closed-loop credit cards for input purchase and tests for non-GM cotton, have been adopted by the farmers. But they need to move over their low margin business of input sales, and also approach NBFCs or banks to fulfil their capital requirements to create better infrastructure for high volume high profit businesses. Otherwise, BPCL will lose precious member centrality and will struggle for sustainability.



# Engaging members and non-members through multiple business channels: Case of Navjyoti Kishan Producer Company Limited

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## 1. Introduction

Navjyoti Kishan Producer Company Limited (NKPCL) was registered under the Companies Act 1956, on January 23, 2014. Based in Kevali *tehsil* in the Lucknow district of Uttar Pradesh, the FPC came into existence as a result of the ‘Sodic Lands Reclamation Project’ of the Uttar Pradesh Bhumi Sudhar Nigam (UPBSN). The initial work involved soil testing in the region followed by gypsum treatment. This activity was complemented by formation of Water User Groups (WUGs) for management of water and irrigation, followed by interventions to increase crop productivity and cropping intensity. As the fertility of the soil was regained and production picked up, a need was felt among the WUG members to explore linkages to the market.

Initially, NKPCL consisted of around 250 members and the Board was drawn from 5 WUGs from 4 villages. Today, it engages with farmers from 13 villages and has over 1000 members. Almost 88% of the members are small and marginal farmers, while 30% are women farmers.

Mr. Shiv Kumar is the Chairman of the Board of Directors (BoD) and is a very proactive leader. He has been leading the company for more than 5 years, increasing the membership base. The highest turnover of the FPC in the FY 2018-19 was also achieved under his leadership. The company has a CEO who is on the payroll of BASIX, that has been, till

2018, providing consultation and expertise to UPBSN on the project. The CEO has been involved with NKPCL since the very start and takes care of day-to-day operations and decision making.

## 2. Details of business and operations

NKPCL deals in staples such as paddy and wheat, mustard, and high value crop like *rajgira* or amaranth, mentha and horticultural crops like tomato. The major businesses of the FPC include linking members to buyers of agricultural produce, input supply (seeds, fertilizers etc.) and making available micro-insurance to member farmers. The FPC has obtained requisite licenses viz. seed sales license, fertilizer sales license, pesticide license, *mandi*/APMC license, LIC micro-insurance license and has registered as a MSME for mentha oil production.

The wheat produce aggregated by NKPCL is procured by Food Corporation of India (FCI). However, paddy is traded in the *mandi*, as FCI procures milled rice and the FPC does not want to outsource milling, neither has it sufficient funds to establish or lease a milling unit. The FPC potentially seeks to engage in commodity trading through MCX and NCDEX, especially for mentha. Tomato marketing is done through e-NAM, with FPC mostly acting as a facilitator. NKPCL sells mustard oil in the B2C space and zinc-fortified wheat among members and non-members through its own brand Kipco.

The zinc-fortified wheat sales to the rural consumers may be seen as a social responsibility as it helps provide nutrition to children for their proper mental and physical development. This multichannel approach towards marketing has been a strength for the company, even though the MCX platform for mentha is not being used to full potential.

## 3. Financial performance

The company has a good turnover at INR 68 lakhs in the FY 2018-19, however the FPC barely made any profit at INR 47,000. This contributes to an extremely poor profit margin of 0.007, indicating that the FPC is inefficient in converting revenues to profits. Similar figures are available for the year 2019-20 (see table). A working capital loan of INR 25 lakhs adds to liabilities. Once the loan has been repaid, it would be good for NKPCL to think beyond FCI procurement and APMC sales. The focus



Financial Year	Revenue (INR)	Profit (Loss) (INR)
2017-18	68 lakhs	30,000
2018-19	=70 lakhs	47,000
2019-20	=80 lakhs	50,000

should be on utilizing the MCX channel optimally and launching Kipco brand mustard oil and zinc fortified wheat for the retail market. This would help them to improve their profit margin.

NKPCL enjoys a good member centrality with 80 % members benefitting from the FPC. Non-members too get benefitted in good numbers. The reasons for this might be the multiple channels that the FPC leverages to benefit the members, also there is the advisory function that the FPC takes up, including the use of social media like Whatsapp to connect farmers to KVK scientists. Some of the goodwill also has to do with the initial land reclamation work done by UPBSN with the WUGs. This shows the importance of institution building stage in the success of collective or cooperative enterprises.

#### 4. Ecosystem support, capacity building and innovations

The FPC has experiences, both good and bad, while seeking government support. The initial equity grant of INR 5 lakh from Small Farmers, Agri-Business Consortium (SFAC) in 2012 is one scheme accessed by the FPC. During Covid19 lockdown, NKPCL tried door-step delivery of vegetables to over 4000 households in Lucknow. The city administration was very supportive in arranging for passes, even allowing the FPC to sell their produce while the pass was awaited. However, an attempt to set up a processing unit under DRISHTI Yojana of the UP Government did not end favourably.

The FPC conducts monthly BoD-meetings and has conducted 5 trainings on managerial and governance aspects, compliance requirements of FPO as well as on futures trading through various exchanges in collaboration with MCX and NCDEX. Trainings on Good Agricultural Practices, judicious use of inputs, and techniques such as line sowing of wheat, has also reduced costs by 10 %, while improving

the yields. The introduction of laser assisted land levelers have also helped in optimizing water usage during irrigation. Collaboration with MCX has also resulted in the setting up of a ticker board in the FPC office/input sales outlet that displays prices of around 40 commodities from 10 am to 5 pm every day.

NKPCL boasts of an increase of 30 % in member earnings due to increase in price realized for mentha (by INR 100/Kg) and wheat (INR 200/qt). An understanding of mentha oil extraction and quality parameters has reduced the variability in income by 5% and provided bargaining power to the farmers. NKPCL has itself been visited by members and staff of other FPOs as part of exposure visits. Mr. Shiv Kumar himself is a member of several training and advisory boards such as ATMA, BIRD Lucknow, Lucknow KVK etc.

## 5. Reflections

NKPCL, with the help of BASIX and UPBSN has been able to impact the livelihoods of the member farmers resulting from an increase

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Multiple channels leveraged to trade members' produce</li> <li>▪ Very high member centrality and patronage centrality</li> <li>▪ Use of social media to bring KVK scientists and farmers together for advisory and extension</li> </ul>	<ul style="list-style-type: none"> <li>▪ Inability to convert high revenue to profits</li> <li>▪ Need to think beyond MSP procurement and APMC sales</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Mentha oil extraction and export</li> <li>▪ Zn fortified wheat and mustard oil in B2C space</li> <li>▪ B2C sales of vegetables to housing societies and localities in Lucknow, and B2B sales to restaurants and <i>dhabas</i></li> </ul>	<ul style="list-style-type: none"> <li>▪ If the FPC is not able to improve its profit margin for long, working capital issues might lead to loss of member interest</li> <li>▪ Inability to access government grants for warehousing etc. may constraint the opportunities for the FPC</li> </ul>

of productivity, income and introduction of innovations both in production side as well as market side. Their multi-channel marketing strategies and venturing into high value produce trading is sure to benefit the member farmers even more.

Going ahead, NKPCCL needs and aggressively pursue trading and export route for high value products. The experimental B2C delivery of vegetables during lockdown may be explored as a permanent model and may be complemented with B2B sales to institutional buyers like *dhabas*, restaurants etc. This would enhance profit margins for NKPCCL and reduce their dependence on loans for working capital. It would do good to buy or rent a warehouse as the FPC is dealing in staples and futures trading would make little sense without a warehouse.





# Planning for future with a focus on long-term investments: Case of Banas Farmers Producer Company

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## 1. Introduction

The farmers of Radhanpur and Santalpur blocks in Patan district of Gujarat with support from Reliance Foundation organised themselves into Banas Farmers Producer Company Limited (BFPCL) to collectively market their produce and get access to remunerative markets. The BFPCL was registered on 22 April, 2016 under the Companies Act 1956. Since its establishment BFPCL has expanded from 21 villages to 32 villages recently. The FPC is supported under the BIJ programme of Reliance foundation that promotes sustainable agriculture. Since its incorporation, BFPCL has increased its membership to 1086 farmers and has total share capital of INR 16.44 lakhs (as of May 2020).

BFPCL has seven members in their Board of Directors, including two women directors. The CEO of the company has completed his Bachelors degree in Commerce and is trained by Reliance Foundation in FPO management.

## 2. Details of business and operations

BFPCL aims to introduce organic farming in the region. However, due to low volumes and not enough market for organic produce, it began with crops grown using integrated pest management (IPM) practices, maintaining residue limits lower than 0.01ppm. Cumin, castor, cluster beans and cotton cakes are the major commodities that the FPC deals in. The major activities that the FPC undertakes are input supply, produce

marketing and processing. More than 65% of the revenue in the FY 2017-18 came from the input business contributing INR 53.74 lakhs. Cumin harvesting was in full swing when the FPC was set up in 2016. To start with, 12 tonnes of Jeera were procured from 32 farmers belonging to village Varnosari. The procured commodity was stored in a community hall in the village and sold after a fortnight. This simple act fetched them an additional revenue of INR 2250 per quintal. BFPCL also engages in Cumin trade, in collaboration with GujPro Agribusiness Consortium (the state level FPO federation in Gujarat), contributing over INR 8 lakhs to the revenue in the FY 2018-19. The FPC has rented a warehouse and a cumin processing plant for the same. Cumin has increasingly become an important commodity for the BFPCL, with ITC, Olam International, IFFCO and smaller value chain players from Tamil Nadu and Odisha being the clients. The FPC also hedges its commodities on NCDEX and tried spot market sales of cluster beans (guar) through e-NAM, although in small quantity. For castor, Gokul Agri International Ltd. is the major buyer, facilitated by Samunnati Agro, and there are plans to approach Adani Wilmar Ltd. Other minor crop being introduced includes carom or *ajwain*.

FPC also plans to begin a custom hiring center for which it sought INR 12 lakhs loan under Agro-service provider scheme of Government of Gujarat to purchase tractor and several attachments like thresher, rotavator, seed drill. Over 5 years, 70% of the cost would be paid by the government in tranches.

The FPC collaborates with several seeds and agro-chemical companies like IFFCO, GSFC, Satvik Ecologicals, Jai Lakshmi Industries, Maharashtra Biofertilizers and Western Seeds and Biofertilizers. The input supply shops, one in each cluster of 5-7 villages, caters to both members and non-members. Almost 950 members do regular business with BFPCL. Since the FPC is just 4 years old, it is only last year that it paid bonus amounting to INR 1.5 lakhs to 70 farmers.

### 3. Financial performance

Analysing the financial performance of the FPC, it was unprofitable till FY 2018-19. However, 2019-20 has been a decent year. Covid19 has impacted the cumin trade adversely but the FPC has managed to match last year's performance in 2020-21 with a quarter still remaining.

Financial Year	Revenue (INR)	Profit (Loss) (INR)
2017-18	28.36 lakhs	4080
2018-19	80.27 lakhs	47,000
2019-20	312 lakhs	1.58 lakhs

The FPC has taken credit from several institutions, informal and formal such as village associations, Samunnati Finance, Nabkisan, GujPro for general and specific purposes. Some of them are:

Financial Year	Organisation	Loan amount	Purpose
2019-20	NabKisan	25 lakhs	Working Capital
2019-20	Samunnati Fin	30 lakhs	Working Capital (repaid)
2019-20	GujPro	25 lakhs	Cumin trading
2020-21	Samunnati Fin	85 lakhs	Working Capital
2020-21	NabKisan	50 lakhs (25+25)	Working Capital + Term loan for vehicle purchase
2020-21	IFFCO Kisan	25 lakhs	Working Capital

Although the company has been able to repay most of the loans taken in the last few years, working capital seems to be the issue that Banas FPC seems to be facing.

#### 4. Innovations and value creation for farmers

Benefits other than economic and the value addition in the local context has been tremendous due to BFPCL's interventions. The FPC has been able to connect the farmers with KVK and introduced Trichoderma as a fungicide among farmers who used to apply chemicals indiscriminately to even IPM crops, thus losing market value. Female participation has gone up in the FPC and directors and other prominent members of the community have been brought together irrespective of caste differences due to the FPC and even started sending girls to school in the area. Job creation has happened too, as packaging of cotton cakes and cumin happens, under the Chorad brand, manually.

## 5. Training and HR aspects

With no external support, the staff of 7 people including acting CEO, storekeeper, agri-expert, field officer and two drivers and warehouse manager are on FPC rolls. Trainings undertaken include online training on commodity trading by NCDEX, workshop on credit linkages by Samunnati Microfinance and an organic farming orientation workshop by Satvik Ecologicals. The BoD and managerial staff have been trained in management and governance, while farmers have been trained in price discovery and trading on NCDEX platform, IPM practices, and use of biopesticides and biofertilizers.

## 6. Reflections

Members' plea from one of the clusters during lockdown compelled BFPCL to make decisions over engaging in castor trade over digital platforms, to check unfair practices by local traders. This instance in the current pandemic situation shows that the FPC has a strong member centrality. The company has plans to market vermicompost and is setting up a plant on a land purchased recently. Apart from that, other investments include a processing plant for cumin and a packaging machine to reach volumes that will help in realizing more revenue, and lower cost in the long run. The FPC is trying to internalize processing and logistics functions, as there were quality issues with outsourcing the former and cost issues with latter. Overall, BFPCL has the following strengths and weaknesses and needs to look out for the following opportunities and threats.

BFPCL, thus, has long term viability in mind and it shows in their investments, working capital loans and decisions regarding vehicle purchase and renting a warehouse and cumin processing plant. However, they need to make sure that they are able to pay their loans back and stay clear of a debt trap.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Linkages to several channels both for credit and marketing</li> <li>▪ Other benefits beyond economic benefits such as IPM/organic agri-practices, employment generation second line leadership development among women and social changes among others</li> <li>▪ Focus on long term investments in terms of plant and machinery, land for vermi compost</li> </ul>	<ul style="list-style-type: none"> <li>▪ Working capital issue</li> <li>▪ Over dependence on input supply business</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Custom hiring centre</li> <li>▪ Investment for setting up of vermi compost plant might push organic production and jobs</li> <li>▪ Use of e-NAM platform for spot market trade</li> <li>▪ Value addition to improve profit margin</li> </ul>	<ul style="list-style-type: none"> <li>▪ Too much dependence on input supply may keep the profits low in the long run</li> <li>▪ Debt funding the working capital requirement may increase the risk for FPO given that it operates in a rain fed region prone to droughts and floods</li> </ul>





# Ramanar Millets Farmer Producer Company Limited Tiruchuli Block, Virudhunagar District, Tamil Nadu

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## 1. Introduction

It all started with farmers' awareness efforts initiated by the NGO Social Education Economical Development Society (SEEDS) in Tiruchuli block of Virudhunagar District in Tamil Nadu. Agriculture in this region is mostly rainfed, with millets and pulses being the major cultivated crops. As a part of their work, SEEDS regularly took up farmers' issues for discussion in their meeting with CBOs. Based on these discussions, the CBOs approached SEEDS to ground a special initiative with the farming community of the region. The federation conducted a general body meeting and resolved to set up an FPO with guidance from SEEDS and support from NABARD. Tiruchuli being the birth place of Ramana Maharishi, the Ramanar Millet Farmer Producer Company Ltd. was named after him and registered under the Companies Act 2013 on April 22, 2016.

The Vision of Ramanar Millet Farmer Producer Company Ltd is to provide livelihood sustainability to farmers through traditional agriculture.

The Mission of Ramanar Millet Farmer Producer Company Ltd. is to mobilise 5000 farmers as shareholders in 5 years and provide handholding support on soil testing and price fixation besides facilitating access to agricultural inputs, credit facilities, marketing and livelihood activities to them.

The company has been promoted with the following specific objectives:

- To collectivize small and marginal men and women farmers into FIGs (Farmers Interest Groups) for taking collective decision making and action in agriculture
- To provide periodical training and capacity building on technology and governance
- To provide timely supply of inputs for crop cultivation at the right price at the right time
- To create direct market linkage for their produce
- To extend support for promoting livestock and nonfarm value chain interventions.

As on December 31, 2020, Ramanar FPO had mobilized 2943 shareholders from 105 villages in 49 Gram Panchayats of Tiruchuli, Narikudi and Kariyapatti blocks of Virudhunagar and Kamuthi block of Ramanathapuram Districts. Of these, 836 are men and 2107 are women farmers. Further, among the members, 226 are landless/agricultural labourers, 1866 are small farmers, 694 belong to marginal farmer category and 157 are large farmers.

## 2. Details of business and operations

The major activities of the FPC include bulk purchase of inputs like seeds and fertilisers and supply to members through two input shops in the area of its operation, facilitating credit linkage for its member farmers and linking them to institutional buyers for sale of produce. Ramanar has arranged input support cumulatively worth INR 2.6 crores over the last four years. Till date, the FPO has facilitated credit linkage for 2864 for member farmers to the tune of INR 1058 lakhs.

The FPO is involved in procurement of agri produce such as cereals, pulses, chilli, coriander and millets directly from farm gate. The produce is weighed using an electronic scale in front of the farmers and on the spot payment made to them. This way, the farmers get a better price for their produce in a transparent manner with reduced transport costs. Over the last four years, Ramanar FPC has carried out business worth INR 21 Crores in farm gate purchase of agri commodities. Once the farmers in the area started realising the benefits from being a part of the FPO, many non-member farmers also came forward to join as shareholders.

Black gram and green gram are cleaned, graded, sorted and sold to the members after value addition. This led to the idea of setting up Agri Business Centres for sale of grocery items. Currently, the FPO has set up cluster level Agricultural Business Centres (ABC) in five clusters.

### 3. Financial performance

The company has grown tremendously since its incorporation in 2016. The annual turnover of the FPC was 184.51 lakh in 2019-20 while it had already achieved a turnover of 112.92 lakh by December 2020.

Financial Year	Revenue (INR)	Profit (Loss) (INR)
2017-18	137.41 lakh	13.18 lakh
2018-19	266.47 lakh	7.30 lakh
2019-20	287.15 lakh	19.14 lakh

The FPC has also made its name amongst financial institutions that support FPOs and have received a cumulative loan of over INR 25 crores from these institutions.

Financial Year	Source	Amount Received in Crores	Purpose
2017 to 2020	NABKISAN	0.69	Working Capital
2017 to 2020	ANANYA	5.50	Working Capital & On lending
2017 to 2020	SAMUNNATI	15.05	Working Capital & On lending
2019-2020	AVANTI	3.80	On lending

In this short time, the FPC has been able to create a number of assets. They have purchased 7500 sqft land for office building and cattle feed processing centre at the cost of INR 12 lakhs. They have also constructed a storage godown at the cost of INR 50 lakhs. Pulses processing machineries at a cost of INR 23.8 lakh have been leveraged for the FPC through a Government Scheme.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Quality produce, right weight and better prices to farmers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Scattered farm lands make it time consuming to procure at farm gate, giving advantage to local traders</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Creation of facilities like rest room, weigh bridge, godown and other infrastructure facilities</li> <li>▪ Sale of value added agri products through Agri Business Centre</li> <li>▪ Tie up with bulk milk procurement agency</li> <li>▪ Value addition of milk and milk by-products</li> </ul>	<ul style="list-style-type: none"> <li>▪ High Credit for on-lending</li> <li>▪ 40% of business still is conducted with non-members</li> </ul>

For its exceptional service to the member community, Ramanar FPC has won numerous accolades. In 2018, Ramanar won the ‘Best Performer’ Award from NABARD for farm gate procurement. Also, in 2018, Ramanar won in FPO of the Year category under the FPO Impact Awards instituted by ACCESS. In 2019, Ramanar won ‘The Achiever Award’ from Tamil Nadu Agricultural University, Madurai as well as the ‘Best Impact Creating FPO’ as part of the Economic Times Samunnati FPO Awards. In 2020, Ramanar FPC was adjudged as the Best Performer in Business Turn over small category from NABARD.

During the COVID 19 lockdown, Ramanar FPC did a great job in assisting the rural and township community in getting vegetables and essential food commodities through their volunteer supply programme. This service was also extended to in-quarantine households. Further, the FPO Board decided to give INR 1000 worth essential food commodities free to each vulnerable household. Appreciating the initiative, the District Collector gave an order to Ramanar FPC to provide groceries to nearly 2500 health workers family through District Collector’s fund.

Ramanar FPC has ambitious plans going forward. In order to promote

sustainable agriculture, the FPC will undertake soil protection activities. It will also encourage member farmers to venture into organic farming, besides enabling a few youth to undertake organic farming. In terms of expanding its business lines, Ramanar plans to get into direct procurement of vegetables and fruits from farmers' field and sale of value added products to market. Value addition of minor and small millets is also being planned. FPO plans to tie up with bulk milk procurement agencies for sale of milk from its members. Ramanar is also working on value addition of milk and milk by-products. Other planned activities include plans for production and sale of animal feed through procuring raw material from shareholder farmers. Going forward, it is also planned to set up agri clinics for sale of inputs on a cluster basis. To ensure that the farmers make informed choices, it is planned to use mobile messaging to disseminate information on pricing, weather etc.



# Kalmeshwara Farmer Producer Company Ltd Navalgund Taluk, Dharwad District, Karnataka

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## 1. Introduction

Kalmeshwara Farmer Producer Co. Ltd. was registered on May 25, 2016 at Navalgund taluka in Dharwad district, with 50 farmers as shareholder. Promoted by Deshpande Foundation and supported by NABARD, the Kalmeshwara Farmer Producer Co. Ltd. covers 40 villages of the rainfed area where the demand for water for agriculture and household purposes is very high. The major crops grown in the area are green gram, bengal gram, maize, chilli, cotton and safflower.

The agricultural initiative at Deshpande Foundation has been designed as a holistic programme that brings together the best practices in water management, sustainable cropping and collectivization of producers into the FPC model. To tackle the problems with rain-fed agriculture, Deshpande Foundation started the Farm Pond program in 2014 from Alagwadi village at Navalgunda taluka. Once the farmers in the region had additional water through Farm Ponds, a need was felt for an institution which could help them have access to the right inputs for agriculture as well as technical and marketing support. This is when Kalmeshwara Farmer Producer Co. Ltd. (KFPCL) came into existence, with the objective to creating an institution of farmers, which in future would be managed by the farmers themselves and work towards agriculture sustainability as follows:



- Kalmeshwara FPCL would be different from others FPO by its versatility in agribusiness
- Kalmeshwara FPCL should be able to engage towards sustainability, disseminating knowledge of best practices to other FPOs
- It should develop the capacity to absorb business shocks/losses and still be capable enough to undertake business activities and keep track of learnings
- It should be able to foster innovations and pass on the knowledge to other FPOs while facilitating linkages to shareholders
- It should be able to create an ecosystem for doubling farmers' income

There are 12 Directors on the Board of the FPO, each of whom hold the responsibility for different areas of FPO activity/ services such as farmer mobilisation, extension services, input business, output marketing, seed production and admin and accounts. KFPCL is fully compliant to all statutory requirements and follows transparency in financial management through delegation of authority.

The FPO day-to-day activities are managed by CEO with support of Directors/Director committees. Directors/Director Committees in coordination with Technical team work on various activities of the FPOs. The forward and backward linkages are made available to the shareholders in communication through FIGs, Resource/Lead farmers.

## 2. Details of Business and Operations

As of now, KFPCL is working with more than 42 vendors covering input supply and output market linkages. KFPCL is empaneled with 3 institutional buyers that include Karnataka State Cooperative Marketing Federation, Reliance Retail & Roquette Ridhi Siddhi. Nearly 80 % of the turnover of KFPCL comes from output marketing that includes Minimum Support Price sales.

KFPCL is also an APEX FPO supporting 15 other FPOs under major 4 verticals viz. Compliances, Good Governance, Capacity Building & Market Linkages. KFPCL is the first FPO in Karnataka to be a Certified Seed Producer, with support of Seed Unit, University of Agriculture Sciences, Dharwad. As a part of this, KFPCL has taken up green gram seed production, through which 7 tons of high-quality green gram

seeds have been obtained. In Rabi 2020, 50 acres of Bengal gram and 10 acres of Jowar seed production has been taken up covering 2 talukas.

KFPCL major activities/services;

- Procurement of inputs
- Disseminating market information
- Dissemination of technology and innovations
- Facilitating finance for inputs
- Aggregation and storage of produce
- Quality control
- Marketing to institutional buyers
- Seed production (KFPCL is a Certified Seed Producer)

KFPCL is working with more than 42 vendors which covers both inputs and output market linkages. KFPCL is empaneled with 3 major institutional buyers Karnataka State Cooperative Marketing Federation, Reliance Retail & Roquette Ridhi Siddhi. Major business transaction nearly 80% of KFPCL covers output market linkages, Minimum Support Price, sales to buyers as per the FAQs etc are the highlights.

Going forward, the plans of KFPCL include setting up of a storage facility and processing and value addition center with an objective to create a brand so that a higher share of the value chain accrues at the end of primary producers, KFPCL undertakes sustainable trade with institutional buyers and it engages with knowledge dissemination on innovative farm practices and seed production.

One of the important factors contributing to overall success of KFPCL is a highly active and involved BOD, with participation of Lead Farmers and shareholders. Board Committees like Sales & Marketing, Admin & Accounts and Operations help in FPO activities.

KFPCL has seasonal business models which will facilitate the team and KFPCL itself to involve with farmers round the year. KFPCL extends support in water management practices through formation of Farm Ponds from October to May and from June to April participates in inputs (seeds, fertilizers and chemicals) and outputs business (trading of farm produce).

The farmer members are getting incremental benefits from the FPO activities. The FPO not only enables the member-farmers to reap the benefits of economies of scale in purchase of inputs but they also facilitate access to member-farmers for higher value markets and timely and adequate credit. Seed production activities itself fetches an incremental income of 18 to 23 % more money to the farmer for his/her produce.

### 3. Financial performance

The company has grown tremendously since its incorporation in 2016. The annual turnover of the FPC was INR 197.50 lakh in 2019-20. The FPC has been profitable since 2017 and has high net profit margin of 4.71%.

Financial Year	Revenue (INR)	Profit (Loss) (INR)
2018-19	102.77 lakh	14.80 lakh
2019-20	197.50 lakh	9.29 lakh

The FPC has received a loan of INR 50 lakh from NABKISAN. They have been regular in repay and timely in repaying the loan.

### 4. Major activities during Covid 19 period

- Participation in Minimum Support Price (MSP) activity with support of Karnataka State Cooperative and Marketing Federation (KSCMF)
- The FPC facilitated market linkages to member FPCs through empanelment with institutional buyers and direct market linkages for perishables like Mango and Banana
- Kalmeshwara FPCL with support of its shareholders distributed food during COVID 19 pandemic to municipal workers and poor patients in Government Hospitals in Navalgund taluk of Dharwad district and Nargund taluk of Gadag district

FPOs are institutions to facilitate the farming community and enable them to have power of negotiation while purchasing inputs and selling their produce. Many FPOs lack technical and marketing support, because they cannot hire professional staff due to financial constraints. Under the Apex FPO model, Deshpande Foundation with

its highly trained and dedicated team, support member FPOs including Kalmeshwara to become business viable, remain compliant and follow good governance, and at the same time build capacities of the BOD and CEO for directly negotiating with the market.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Diversified Business that helps in risk mitigation</li> <li>▪ Engaged at various level of Value chain that helps give incremental income to members</li> <li>▪ Mentor to upcoming FPCs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Have not started sharing profit with farmers</li> <li>▪ Do business with high number of non-member farmers</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Village level mini agri input store for providing timely and quality agri inputs to the farmer members</li> <li>▪ Developing rural godown and processing units</li> <li>▪ Opening up of wholesale farmer mart</li> <li>▪ Technical training and skill development to create rural entrepreneurs</li> </ul>	<ul style="list-style-type: none"> <li>▪ FPC does business with twice as many non-member farmers than with member farmers</li> </ul>

