

Anubhava Reflections by Practitioners



A Compendium of APMAS Case Studies



DGRV

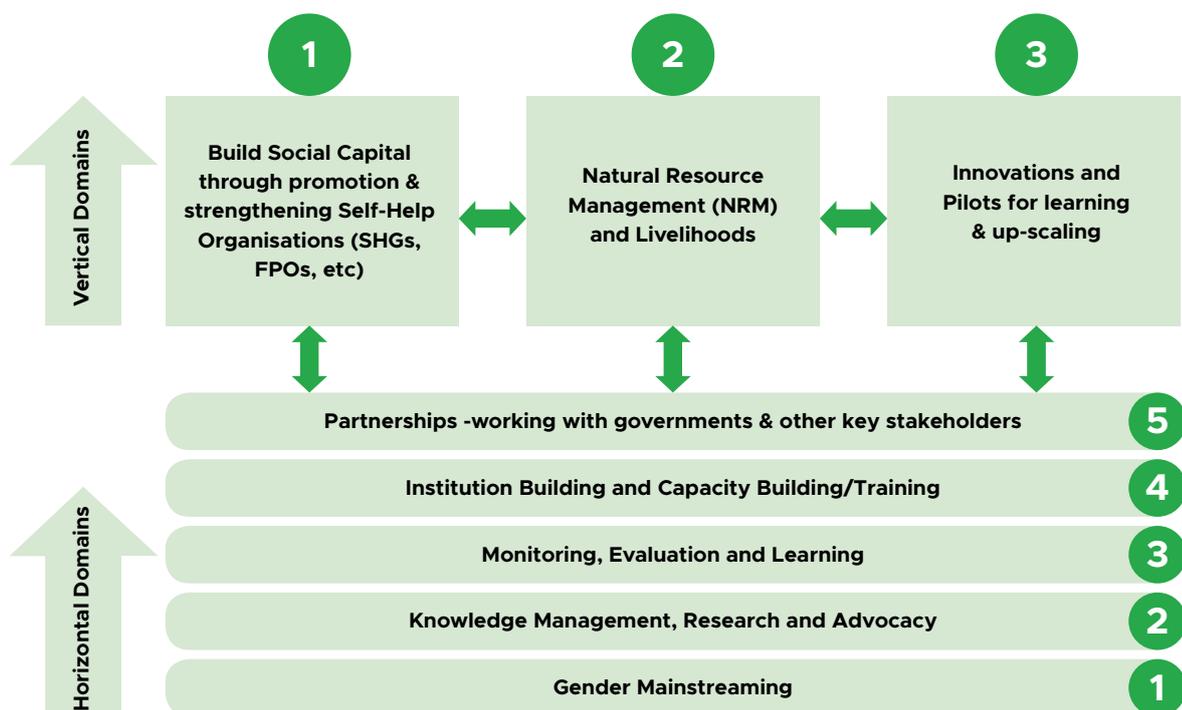
VISION

Self-reliant people's institutions result in reduced poverty and inequalities

MISSION

Promote and strengthen the institutions of women, farmers and other marginalised communities for realising their full potential towards achieving sustainable development and inclusive growth

THRUST AREAS



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A Compendium of APMAS Case Studies

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Foreword

Mahila Abhivruddhi Society, Andhra Pradesh (APMAS), since its inception in the year 2001, has been relentlessly working towards promoting and strengthening collective enterprises of the marginalized communities (SHGs, SHG federations, FPOs and federations of FPOs) built on the foundation of cooperative values and principles. In the first decade of its existence, APMAS almost exclusively focused on women Self-Help Groups (SHGs) and their federations to help them emerge as self-reliant institutions through the capacity building of SHG promoters, rating and evidence-based policy advocacy. APMAS, over the years, has played a pivotal role in facilitating Government – NGO collaboration to achieve synergies & maximise impact. In the second decade of APMAS' existence, the scope of the organization and its geographic outreach expanded to include natural resource management, agriculture-based livelihoods, promotion of Farmer Producer Organizations (FPOs) as business enterprises and agriculture-value-chain development. Over the years APMAS has engaged in diverse partnerships and alliances with national & international NGOs, State Governments, Government of India, Academic and Research Institutions, CSR Foundations, International Donors, and Networks to realize its vision of a “**self-reliant self-help movement in India**”.

Over more than a decade of intensive work of field implementation & capacity building at all levels - field, state and national - has enabled APMAS to gain considerable experience and expertise in promoting, training and mentoring women SHGs and SHG federations in Andhra Pradesh, Bihar and Uttar Pradesh as sustainable collectives based on the values of self-help, mutual benefit and self-responsibility. With this foundation, we initiated the formation of farmers groups (FGs) in watershed areas of Andhra Pradesh and Telangana where APMAS performed the role of a Project Implementing Agency (PIA). To institutionalize the informal farmers groups, village level farmers associations (***Grama Rythu Sanghams***) were registered under the Mutually Aided Cooperative Societies (MACS) Act. These village level farmers associations (MACS) that cover a specified geographic area of a gram panchayat, promoted their own FPOs which have been registered either under the MACS Act or under the Producer Company Act. APMAS supported these FPOs in the areas of governance, management, systems, improved farming practices, business development and collective marketing of agricultural produce following agriculture value chain development, to transition into viable collective enterprises.

From that humble beginning of the promotion of three FPOs in watershed areas, APMAS has come a long way and to-date has promoted 47 FPOs directly, including 8 all women FPOs and one FPO Federation. Moreover, institution development and business incubation support is being provided for around 150 FPOs in the capacity of a Resource Support Agency (RSA) of NABARD, in Andhra Pradesh and Telangana. Over five years of engagement in promoting and incubating farmers' collectives, building capacities of the FPO promoting institutions, developing required training manuals and self-learning modules for the Board of Directors of the FPOs, and participating in FPO policy formulation at the State and National Level has been an enriching and rewarding learning experience for APMAS.

Our long-term strategic partnership with DGRV Germany in developing a Sector-Owned Control (self-regulatory) system for the SHG movement (called **Swayam Niyantrana Udhayamam – SNU**) in India and piloting some of those systems with the FPOs has further deepened our understanding. We placed a very strong emphasis on system-oriented approach (good governance, bookkeeping and accounting) for the promotion of FPOs which was hitherto lacking in the sector. Women’s empowerment being a non-negotiable for APMAS, we have dedicated considerable attention to women shareholding and leadership in FPOs as well. APMAS has developed six FPO Board of Directors (BoDs) self-learning modules and 15 posters in English and seven Indian languages for wide-spread use in the country. We have developed comprehensive modules on FPO bookkeeping and financial management to establish a strong foundation for the FPOs to evolve into perpetual & inter-generational organizations of farmers. We have also developed self-learning modules on collective marketing, primary processing and secondary processing by FPOs which will be available in English & other Indian languages.

APMAS strongly felt the need to document the experience and learning in building people’s institutions in the form of **“Anubhava – Reflections by Practitioners: a Compendium of APMAS Case Studies”** for internal use and wider dissemination. The compendium consists of 10 case studies focusing on different areas of our work of building self-reliant institutions, with special focus on FPOs. The unique feature of this compendium is that it is almost entirely written by the practitioners within APMAS, during the Corona-virus pandemic nonetheless, when APMAS relief operations were at its peak. With mentoring and continuous guidance from two unique professionals, Prof. Ajit Kanitkar and Prof. Shambu Prasad, the compendium was developed over a period of six months. The deep commitment and dedication shown by Ajit and Shambu in developing the compendium in a participatory manner is absolutely praiseworthy and we fondly acknowledge their contributions.

The process of developing the case study compendium in itself has been a learning experience for all of us. On behalf of the Board of Directors and Staff of APMAS, I would like to place on record the deep sense of appreciation to more than 20 staff of APMAS and others who have been involved in the case study writing, for making this possible. As the CEO of APMAS, it has been my proud privilege to be fully involved in driving this effort to ensure that the compendium is published digitally and physically! What started as an informal conversation with Ajit and Shambu in March 2020 during a national conference on FPOs at Institute of Rural Management, Anand (IRMA) is now a publication that would hopefully be most valuable to the practitioners and policy makers!

A big thank you to Ms. Sudha Nair and her team at New Concept for editing and designing the APMAS Case Study Compendium. Ms. Varalakshmi and Ms. Kalamani need much appreciation for their continuous support, contributions and coordination in this effort.

I very much look forward to your feedback and comments and thank you for taking time to read!

CS Reddy

Founder & CEO of APMAS

Dharani FPO: Emergence of a Member - Driven Farmers Collective

3. Farmer Development Centre

APMAS collaborated with **eFresh Agri Business Solutions Ltd** for the establishment of a Farmer Development Centre (FDC) which is owned and managed by Dharani FPO. FDC acts as a one-stop centre which enables local farming communities to access knowledge, technology, inputs, financial & risk mitigation services, farm machinery through Custom Hiring Centre (CHC), value chain integration, market information and linkages, etc.

The FDC conducts regular FFS called **'Polam Badi'** on maize crop for the members of Dharani FPO. Model farms have also been set up for teaching and demonstrating good agricultural practices (GAPs). Few farmers are selected as model farmers who are supported with the advisory services, scientific methods and technology interventions. These model farmers act as

brand ambassadors to showcase the best practices to other farmers. Along with this, farmers are given training on the preparation of ghana jeevamrutham (organic pesticide) and vermicompost. Rythu Mithras are also given training on preparing Kharif action plans. Linkages have been established with agriculture universities and research stations such as Agriculture Research Station, Nizamabad to train the farmers and facilitate the extension of successful technologies and demonstrations in the village.

As a commercial entity, the FPO has to submit GST to the auditor on a monthly basis. In the first month of GST submission, Dharani faced many problems as they were not equipped with the skills and knowledge on FDC inputs and GST. With continuous handholding and inputs for three months by APMAS team, the FPO started submitting GST to the auditor accurately.

Stage 4: FPO Establishment and Stabilisation Phase



Key activities	Achievements	Means of verification
Physical establishment of FPO	Office, CHC, outlets for supply of various inputs established	Regulatory approvals for FPO activities
Implementation of business plan of FPO	Obtaining necessary licences for seeds, fertilisers and pesticides needed to carry out business activities	Farmer Field Book Increased business turnover of FPO reflected in the balance sheet

4. Procurement Business

The main business of FPO is supplying agricultural input to its 1500 farmer-members. The input supply through FDC includes fertilisers, seeds, bio-inputs and pesticides. The FPO has a license for the sale of various inputs, and charges a nominal amount of Rs. 10-15 on each bag of seeds and 8-10% margin on pesticides. Its farmer-members avail the inputs at 85% less cost than market price. Non-members also avail these services. The numbers could increase if the FPO offers credit sales, but currently, it only sells on cash and carry basis.

As Dharani FPO started taking up various business activities, the farmer-members were benefitted. The non-member farmers also came forward to pay the **share capital** and become members of the FPO, as they witnessed the benefits of being a member. During the season of Kharif 2018, Dharani FPO received a procurement acceptance letter from the State Agricultural Cooperative Marketing Federation Limited (MARKFED). A business committee was formed to oversee the procurement and other activities of the FPO. Below are the details as of June 2020:

#	Season	Commodity	Quantity in quintals	Amount (Rs.)	Beneficiaries	Service charge (Rs.)
1	Rabi-2018	Maize	1,219	12,23,000	60	12,230
2	Kharif-2019		7,400	1,25,80,000	300	1,25,800
3	Rabi-2020		3,566	62,76,160	108	60,622
4	Kharif-2019	Paddy	6,222	1,14,17,370	217	1,99,104
5	Rabi-2020		2,859	52,46,265	120	91,518
6	Kharif-2020	Maize	3,193	59,07,050	99	59,070
7	Kharif-2020	Paddy	4,397.6	83,02,669	232	1,40,723
		Total		5,09,52,514	1,136	

5. Linkage with Akshaya Patra Foundation

Dharani FPO entered into an agreement with Akshaya Patra Foundation for the supply of vegetables. On 2 June 2020, a vendor code was also created for depositing service charges to Dharani FPO. The **Akshaya Patra** Foundation is an NGO, headquartered in Bengaluru, India. Today, **Akshaya Patra** is

the world's largest (not-for-profit run) Mid-Day Meal programme serving wholesome food every school day to over 1.8 million children of 19,039 schools across 12 states and 2 Union Territories of India.

Dharani FPO supplies vegetables to Akshaya Patra kitchen situated in Kandi (mandal), Sangareddy district.

Procurement of Vegetables with Akashaya Patra Foundation- Sangareddy

#	Season	Commodity	Quantity (in kg)	Amount (Rs.)	Beneficiaries	Service charge (Rs.)
1	Rabi	Vegetables	2,280	31,920	10	18,240
2.	Rabi	Vegetables	2,043	32,688	10	12,642
3.	Rabi	Vegetables	850	13,600	5	5,200
Total			5,173	78,208	25	36,082

Table 1: Strength of Dharani FPO

	Factors	Observations
OWNERSHIP	Farmer-members are the owners of the FPO	Farmer-members claim the ownership and any member can put forth his/her views on business via representatives.
	Farmer-members manage the FPO themselves	Dharani is managed by professional, paid staff with the help of the resource institution (APMAS).
	Frequency of attendance in meetings	More than 80% attendance in sangam meetings is witnessed as per records.
	Accountability	The business decisions and monthly profit statements are shared with farmer-members.
AWARENESS OF ROLE AND FUNCTIONS OF THE FPO	Farmer-members are aware of the FPO's structure	Farmer-members are aware of the structure, role and responsibility of BODs, but not completely in tune with the management of the FPO.
	Farmer-members understand their role in running the FPO	Farmer-members consider their responsibility to produce organic and sell it to the FPO.
SATISFACTION	Satisfaction amongst farmer-members	High satisfaction based on high return on investments, and support in newer technologies of farming.
PROCESSES AND PROTOCOLS	Maintenance of records, by-laws and their effective implementation	All records of attendance, input transaction, crop procurement and business are duly maintained.
CAPITAL AVAILABLE	% of produce sold to the FPO by farmer-members	All the produce by farmer-members is sold to the FPO, except milk and vegetables, which are currently not procured by the FPO.
	Physical capital	Dharani has an FDC with operational CHC.
	Financial capital	Dharani has not yet taken loan from formal financial institutions, but took one voluntary financial help from an individual.

6. Share Capital Mobilisation

Initially, farmers in five villages were mobilised based on business activities, such as procurement of maize, paddy

and input supply, thus increasing the number of shareholders and expanding the FPO services to the remaining five villages.

Table 2: Rythu Sangams and financial status as of December 2020

Village	No. of groups formed	No. of members in groups	No. of women in groups	No. of bank accounts opened	Amount of savings (Rs.) in Sangams	Share capital (Rs.)
Modegam	7	89	16	7	1,91,500	89,000
Thimmojiwadi	9	111	46	9	2,49,280	1,11,000
Kalwaral	5	57	15	5	1,04,550	57,000
Thukkojiwadi	10	118	24	10	2,76,900	1,18,000
Daggi	3	31	12	3	40,550	31,000
Padmajiwadi	11	132	29	11	3,00,950	1,32,000
Mallupet	02	21	05	2	21,300	21,000
Kuprial	04	53	09	4	88,900	53,000
Thirmanpally	09	103	02	9	2,44,830	1,03,000
Dharmaraopet	06	71	06	6	76,350	71,000
Total	66	786	164	66	15,95,110	7,86,000



7. Organisational Structure of Dharani FPO

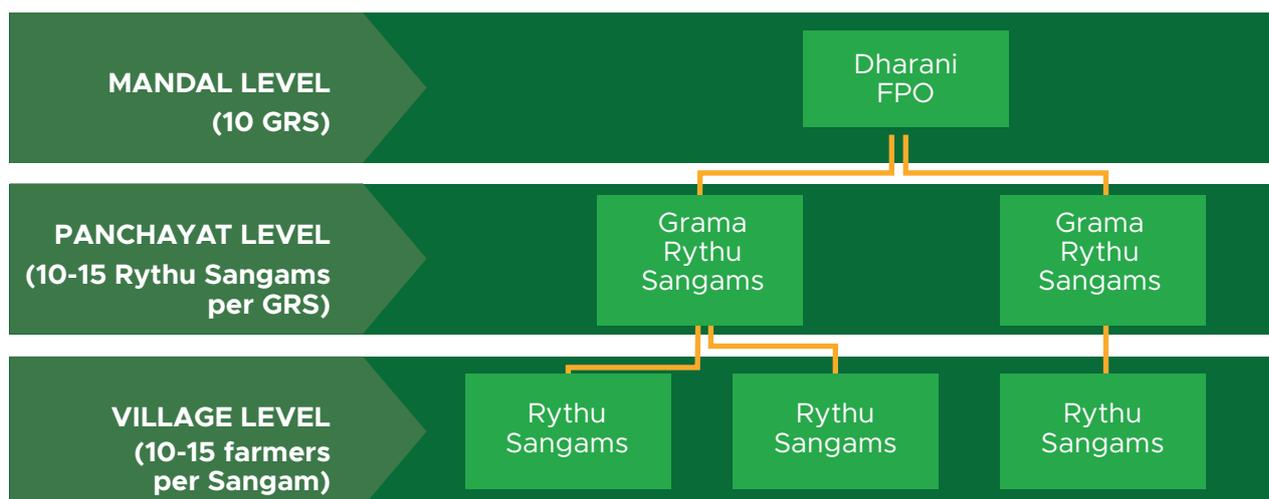
Village level Rythu Mithra (RMs)*

There are 10 RMs, one for each village. They maintain books at village level, collect information from the farmer-members about their need for seeds and fertilisers as per Rabi and Kharif action plans, and communicate it to the

governing body in their monthly review meeting. On the basis of this report, FDC makes arrangements for the purchase of seeds and fertilisers, to be dispensed later at its store to the farmer-members.

Business committee of Dharani FPO

For smooth functioning and sharing of responsibilities, there are three sub-



committees. The decision of the sub-committees is accepted by the board, unless it requires any further review. Dharani management has applied and successfully secured licenses to supply fertilisers, pesticides and seeds to the FPO members:

Dharani FPO also has a Farmer Service Centre (FSC) since 30 December 2017 at Kalwar village where it rents farm equipment. It extends funds for the purchase of all the farm machinery at the CHC. The FSC provides essential services like land

preparation, seeding, weeding, etc. by renting out its machinery through the CHC.

The FPO is involved in the procurement of maize with support from TS MARKFED. To meet the demand for sprayers, the FPO supplies sprayers to the farmer-members at 30% lesser price compared to the market. Non-member business forms 83% of their business turnover. The FPO did not get any grants or bank loans, but has had market linkages with some success. The member patronage and satisfaction level is fairly high.

Table 3: Farm equipment in the CHC

Farmer Service Centre, Dharani as of December 2020

S. No.	Particular	2018-19 (Rs.)	2019-20 (Rs.)	2020-21 (Rs.)	Total turnover (Rs.)
1	Farmer Service Centre	84,053	68,011	47,695	1,99,759

Table 4: Business performance of the FPO (input & output marketing) as of December 2020

S. No.	Particular	2017-18 (Rs.)	2018-19 (Rs.)	2019-20 (Rs.)	2020-21 (Rs.)
1	Purchase		2,80,444	65,29,744.9	53,81,168
2	Sales		1,48,023	63,87,316	56,60,576
3	FSC		84,053	68,011	47,695
4	Turnover	8,69,202	24,86,904	1,16,84,588	57,08,271
5	Profit/Loss	14,034	-1,10,621	3,17,900	2,50,369

Table 5: Output (maize & paddy procurement): 2017-20 (Turnover Rs. 36742795/-)

S. No.	Output (maize & paddy procurement)	2017-18	2018-19	2019-20	June 2020
1	Maize & paddy procurement Commission from Civil Supply Dept and TS MARKFED	Maize Rs. 14,230	Maize Rs. 1,25,800	Paddy Rs. 1,99,104	Paddy & Maize Rs. 1,52,140 (Rabi)

Table 6: Performance on benefits to farmer members by Dharani Farmers' Cooperative

Capital	Factor	Reflections
NATURAL	Water availability	Choice of crop - maize, cotton, soya - is done keeping in mind the water availability in the region
	Soil quality	Organic practices promoted by Dharani focus on maintaining and nourishing the soil with nutrients
HUMAN	Knowledge of practice	Support for regular training and technical expertise is always available.
	Weather information, mandi/market price knowledge	M-kisan gives information on weather, pest management, market locations, dealers and prices.
FINANCIAL	Increase in income by reducing costs	Locally produced manure has reduced the costs of inputs; fixing of MRP for each crop prior to the harvest helps in income security.
	Increase in income by rise in price	Value addition to the produce and better market linkages have led to higher price offered for the produce.
PHYSICAL	Agriculture equipment	FDC has a CHC through which Dharani is providing equipment to its farmer-members along with other agriculture inputs.
SOCIAL	Financial inclusion	About 33 Rythu Sangams have been formed; 26 of them have opened bank accounts and are operational.
	Enhanced capabilities	Networking with farmer institutions and other NGOs to make collective representations to policymakers on farmer's rights and entitlements.

8. Challenges and Key Learnings

Constraints faced

- ⦿ Mobilisation of individual farmers into a formal structured organisation is a huge task. It requires high skills to convince individual producers/growers to form organisations.
- ⦿ As organisational development is an innovative activity, the target group is not willing to pay for services.
- ⦿ After the incorporation of the FPO, raising share capital and developing a business plan are important challenges.
- ⦿ Legal and technical knowledge about acts and regulations is crucial; many times, expert advice is needed.
- ⦿ There is competition with other FPOs that are promoted by National Bank of Agriculture and Rural Development (NABARD).

- ⊙ Establishing a procurement centre was difficult due to existing Primary Agriculture Cooperative Society (PACS) in the project area.
- ⊙ Competition due to unstable cost price on the products and credit system with the existing local dealers.

Solutions

- ⊙ It is imperative to provide a vision regarding the benefits of an organised farmers' institution to the farmers. Once they are convinced about the benefits of a collective, they are ready to go the extra mile to make the FPO a success.
- ⊙ Initiate short term, financially viable activities with small changes in the existing production practices, such as cluster-based approach, to determine potential business plan.
- ⊙ An integrated frame of looking at agriculture from the point of view of business, environment sustainability and livelihood of the farmers is making Dharani FPO a win-win in all dimensions of sustainable development.
- ⊙ Strong awareness, involvement and ownership among farmers, as indicated by regular attendance, transparency and faith in communities regarding the FPO, are enablers to a strong institutional foundation of the FPO.

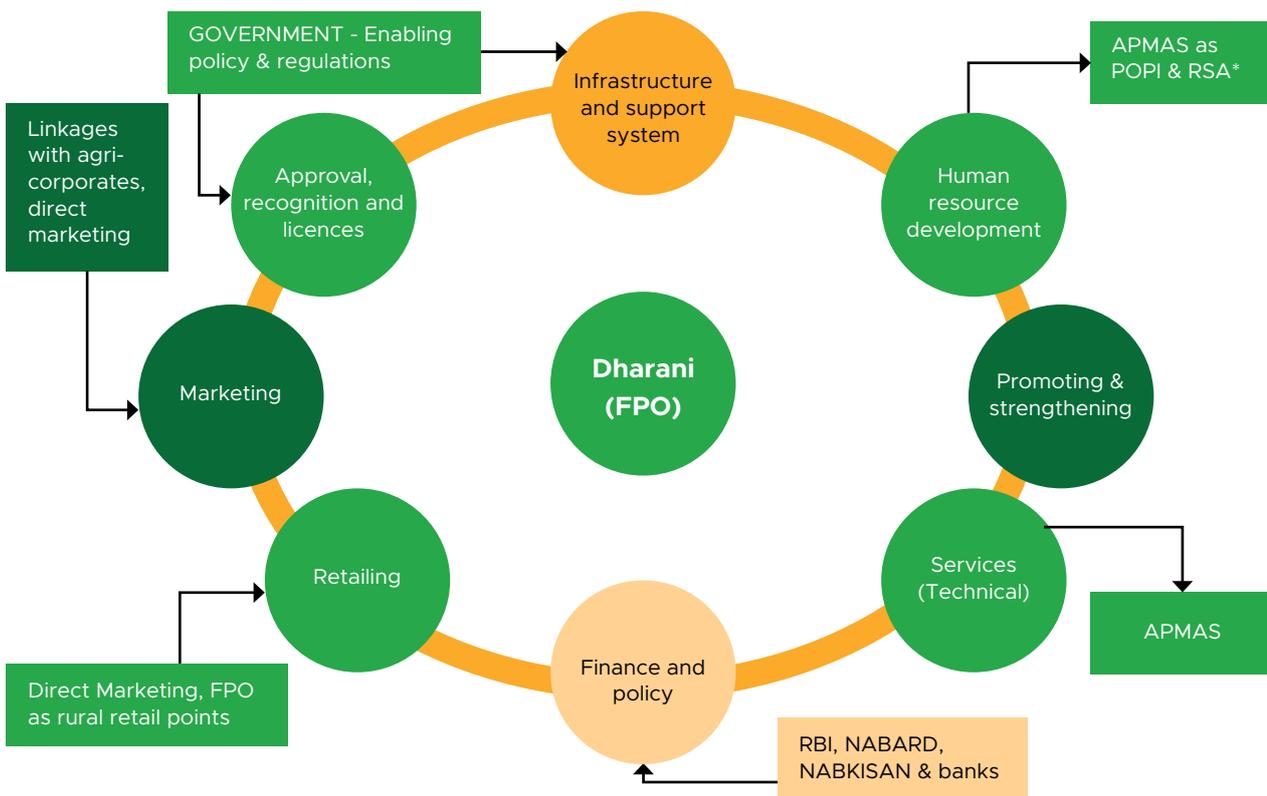
Lessons learned

- ⊙ Farming communities will support the collective if provided with tangible solutions to their problems.
- ⊙ For sustainable development of any community organisation, small fund generating activities are to be promoted.
- ⊙ Through community organisations like Society for Elimination of Rural Poverty (SERP), NABARD, Reliance Foundation, PACS and local governing bodies, encouraging services like capacity building to strengthen the institutions, providing farm equipment (CHC),

supporting local agriculture by focusing on maize, paddy, soya, and marketing will help make the FPO successful and sustainable in the long run.

- ⊙ FPO capacity building is an incremental approach, i.e., taking on different functions without complicating the work. The FPO should enjoy small success before taking on more complicated issues, for instance, the FPO can be a procurement centre and sell products at Minimum Support Price (MSP).
- ⊙ Value chain development is an ongoing process - procurement, sorting, grading, value addition need to have a long-term vision to be fruitful. An FPO needs at least 5-7 years of handholding and support to become self-sustainable organically.
- ⊙ It is imperative to shift towards making the existing FPOs self-sustainable by building better business models, rather than concentrating purely on scaling up.
- ⊙ There are significant barriers to access credit and regulatory compliances which are difficult for nascent FPOs to meet. The FPOs are bound by the statutory compliances under their respective registration acts. Relief to the FPOs from penal provision in case of certain non-compliances for the first five years would boost growth.
- ⊙ Treating FPOs as agri-start-ups will give a great boost to the growth of the FPOs. They should thus be given access to similar benefits as start-ups. Debt is a huge issue for the FPOs as most financial institutions require collaterals and at least three years of balance sheets for credit assessment. There is a requirement for designing tailor-made loan products for the FPOs which was done in the case of SHG-bank linkage programme earlier. Lending to the FPOs needs to be seen as a business opportunity.

Ecosystem of Dharani FPO



Research around the performance indicators of the FPOs could lead to developing a rating tool for the FPOs. A rating tool would serve the dual purpose of facilitating credit assessment and further underwriting. Rating parameters reflecting the state of governance, management, risks mitigation and sustainability would prove very beneficial. These scores would help establish credibility with the investors and formal financial institutions.

*POPI-Producer Organisation Promoting Institution

An FPO requires an effective and responsive ecosystem of support to prosper and provide wide-range of services to its members. It has to deal with the most vulnerable part of the agri-value chain, i.e., from farm to processing and then the far-away markets. The success of an FPO will depend on establishing backward and forward linkages with various stakeholders

such as banks, retail-chains, corporate sector, government agencies, supply chain management agencies, academic and research institutions, etc. The agriculture value chain required for the effective functioning of the FPOs as business entities cannot be done by one player. It is a transformative tool which has the potential to achieve the visionary goal of doubling farmers' income in the coming years. The key staff of FPOs must view themselves as members of a start-up imbibing the lessons of being lean and nimble so that they adapt, respond and innovate in a rapidly changing external environment.

NABARD, Small Farmers Agri-business Consortium (SFAC), state departments, a large number of NGOs, technical resource agencies and private agencies have been facilitating training programmes for the Board of Directors (BoD), office bearers and managerial staff (CEO, technical team)

of FPOs. These training programmes will have to be provided over a period, as FPOs emerge from a nascent stage to sustainability phase.

In addition to the continuous capacity building and capability development of the FPOs, there is a need for a strong financial linkage to access required capital for investment and working capital to effectively develop and implement the business plan. There is a need for a strong policy from the Reserve Bank of India (RBI) directing banks to finance the eligible FPOs as per their business plans. Other innovative financial instruments like credit guarantee, re-financing, risk management need to be offered. The FPOs require mentoring and incubation support for longer periods of time to evolve into sustainable business enterprises. Such incubation support shall be provided by professional agencies that

have business orientation, and the ability to serve as a sensitive support system for FPO development based on the values and principles of the cooperative enterprises. Such agencies are called Producer Organisation Promoting Institutions or POPIs.

The FPOs also require necessary infrastructure like CHC, Primary Processing Centre (PPC), FSC, warehousing facilities, etc. Infrastructure needed by the FPOs will have to be supported by the national and state governments through various schemes and programmes - Rashtriya Krishi Vikas Yojana (RKVY), Mission for Integrated Development (MIDH) of Horticulture, etc). Governments will have to recognise the FPOs as legitimate agencies for input supplies to farmers and also as procurement agencies of farm produce under MSP/Price Support Scheme (PSS), on their behalf.