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An Exploratory Study on Farmer Producer Organizations(FPOs) in Maharashtra

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Study Team

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List of Abbreviations

ABPF	Agri Business Promotion Facility
AFC	Association of Farmer Companies
AGM	Annual General Body Meeting
APEDA	Agricultural and Processed Foods Products Export Development Authority
ATMA	Agricultural Technology Management Agency
BoD	Board of Directors
BOM	Bank of Maharashtra
CAC	College Advisory Committee
CC	Cash Credit
CEO	Chief Executive Officer
CIGs	Common Interest Groups
FAO	Food and Agriculture Organization
FCI	Food Corporation of India
FGD	Focus Group Discussion
FIGs	Farmers’ Interest Groups
FPC	Farmer Producer Company
FPOs	Farmer Producer Organizations
GDP	Gross Domestic Product
GoI	Government of India
Ha.	Hectare
HVA	High Value Agriculture
KVK	Krishi Vigyan Kendra
LHWRF	Lupin Human Welfare and Research Foundation
M.phil	Master of Philosophy
MACP	Maharashtra Agricultural Competitiveness Project
MACS	Mutually Aided Co-operative Societies
MBT	Mutual Benefit Trust
MPCs	Milk Producer Companies
MSP	Minimum Support Price
NABARD	National Bank for Agriculture and Rural Development

NAFED	National Agricultural Cooperative Marketing Federation of India Ltd.
NBFC	Non-banking Financial Company
NCEUS	National Commission for Enterprises in the Unorganized Sector
NDDB	National Dairy Development Board
NDS	NDDB Dairy Services Company
NFSM	National Food Security Mission
NGO	Non-Profit Organization
NSS	National Sample Survey
NVIUC	National Vegetable Initiative for Urban Clusters
PCs	Producer Companies
PIM	Participatory irrigation management
PIs	Promoting Institutions
PODF	Producers Organization Development Fund
POPI	Producer Organisations Promoting Institutions
POs	Producer Organizations
PRODUCE	Producers Organization Development, Upliftment Corpus
PRODUCE Fund	Producers' Organisation Development and Upliftment Corpus Fund
RBI	Reserve Bank of India
RKVY	Rashtriya Krishi Vikas Yojana
SDMT	Saraswati Devi Memorial Trust
SFAC	Small Farmers' Agri-Business Consortium
SHGs	Self Help Groups
SMEs	Small and Medium Enterprises
UNDP	United Nations Development Programme
VGAI	Vegetable Growers Association of India
VLIs	Village Level Institutions
WB	World Bank
WOTR	Watershed Orgn. Trust

Many research studies conducted in the past observed that there are varied levels of performance of FPOs in the country. A research study to understand the current status of the FPOs focusing on their business and institutional development paths and needs and policy constraints would help policy makers, including other stake holders to understand the issues and challenges at grassroots level impeding the growth of FPOs.

Therefore, as approved by the College Advisory Committee (CAC), CAB, the present study was taken up with the sole objective to examine critically the status of functioning of FPOs and analyze various issues and suggest alternative strategies for policy options. The State of Maharashtra and three districts, i.e., Pune, Nasik and Ahmednagar were purposively selected for conducting the study. Thirteen FPOs are selected based on different criteria like commodities/crops, activity and services they offer, age profile, nature of promoting institutions (PIs), etc. The findings of the study are as detailed in following paragraphs.

Major Findings

- In majority of the FPCs, farmers were mobilized at the primary village level coming together as members of different village level institutions (VLIs) as farmers' interest groups (FIGs), SHGs and Common Interest Groups (CIGs) of different kinds. Rigorous meeting by the PI and VLIs are carried for formation of FPOs.
- Board Members range from 6 to 12 with women representing in 25% of FPOs, and broadly a bottom-up election/selection process is followed, but political and community aspects, role of PI are also significantly observed. Meetings of Board is monthly and regular for majority of FPOs (84%). For majority (77%) Annual general body meetings (AGMs) are conducted once a year, mostly after annual audit and accounts. However, low participation of the shareholders is observed (25% to 70%). Annual financial audit is observed to be regular, systematic, but, conduct of audit beyond the prescribed time period is observed in majority of FPCs.
- The connection of the FPO with the majority of shareholders is observed to be weak**.** In three FPOs, the shareholders are not aware of the long term vision of the FPO. In nine FPOs (75%), the board was able to visualize the FPO over a period with key activities and the major strategy the FPO would take up in the future.
- In nine FPOs, (69%) there is a computerized accounting system and generate financial statements on a regular basis (monthly). There are eight FPOs (61%) which do not have any staff (other than CEO). For rest (39%) professional education like MBA, B. Com, M.Sc (Ag.) guide the FPO. The current level of dependence of FPO on PI is minimal.
- Grant support during the early stages has helped all FPCs to withstand the stress. Grant support has been utilized by five (38%) FPCs for developing different types of primary processing facilities and other related infrastructure. FPCs which were promoted by Government agencies with Government grants have better convergence with the Government schemes. Government schemes are tapped for creation of infrastructure facilities and better market linkage options.

- Eight FPOs (62%) have availed licenses for procuring and selling/ distributing fertilizers to its members and distribute inputs with reduced rate ranging from a 4-20 %. Ten FPOs (77%) have got direct marketing license Four FPOs (31%) have facilities for primary processing, like cleaning, sorting, grading of grains (pulses) and also sorting/grading of onion. No FPC graduated to initiate secondary processing.
- It is observed that when the FPO, diversifies its activity to aggregation and provide a collective market for produce, it achieves high turnover and profit. Three FPOs (23%) achieved high turnover (ranging from Rs. 0.99 cr to Rs. 44.31 cr.) over a period of three years. Older FPOs fare better as compared to young ones in terms of turnover and profits. FPOs who deal with high value commodity (pulses, and high-end vegetables like onions, grapes and pomegranate) attain high turnover in lesser time as compared to FPOs dealing only with input selling.
- Eight FPOs (62%) have got license, procure and distribute inputs and initiate value chain, while two have obtained license for seed making, thus further strengthening the value chain. Aggregation and outright purchase from shareholders and sold in local mandi or to wholesaler thus minimizing or completely wiping out middleman is a significant market linkage service provided by ten (77%) sample FPOs. Thus FPOs as producers, processors, whole-sale supplier, retail seller, sell to own members and strengthen the value chain significantly.
- The quantum of capital would depend on the nature and volume of the business of FPO. The equity put up by each shareholder was Rs.1000 and have been stratified based on equity as Rs. 1-3 lakhs (23%), Rs 3-6 lakhs (38%) and more than Rs.6 lakhs (38%). There are seven FPOs (54%) with equity base of Rs. 5 lakhs and for four, high-equity-high turnover is observed.
- Out of 13 FPOs, five had applied for cash credit and all had been denied loans by PSBs on account of no solid track record for three years, lack of collateral, defaulter as member of Board, etc. However, three of them received assistance from DCCB and NBFCs. Lack of awareness of bank officials, not adequate guidelines from corporate/regional office, etc. are also reasons for denial by the PSBs. FPOs find it more convenient to approach NBFCs rather than to regular banking channel. They also provide training to FPO office bearers.

Policy Suggestions:

- Governmental support in the form of grants during the early stages of the FPOs makes them stand out and need to be strengthened. A significant policy direction exempting FPO from corporate tax for five years is a welcome step as it will facilitate to strengthen internal resources. The PRODUCE Fund with NABARD need to be augmented to cover more FPOs. Fund will further enhance the business plan based loans and capacity building grants to promoting agencies.

- The Annual General Body meetings of FPos were more of compliance. It, though, conducted on regular basis were not attended by all the farmers. Even though the nomination to Board of Directors were done by any election process, the influence of the POPI and influential, politically, socially influence the decisions without involving the majority of the farmer members, which damage the confidence of the investors (farmers).

Hence, the active participation of the farmers need to be ensured for sustainability of these organizations.

- The members who had participated in the activities of FPOs were not aware of the role of the organization in its entirety. Their perception is limited as they viewed the organization similar to that SHG/JLG. To realize the full potential of FPO as a business enterprise with full legal protection, the awareness among the farmers about the role of FPOs and the benefits that they can reap from FPOs should be enhanced.
- It is argued that effective FPOs need to have clarity of mission, sound governance, strong responsive and accountable leadership, social inclusion, have high technical and managerial capacity and effective engagement government agencies, private corporates. But, even this needs to be supplemented by supportive and enabling legal, regulatory and policy environment that guarantees autonomy and level playing field. So there is a need for/*to identify* a central agency to take care of these aspects.
- The FPOs need to choose their activity portfolio carefully keeping in mind the member centrality. However, they need to diversify fast, adopt business-cum-activity-mix strategies to increase turnover. It is possible to identify new activities in local areas which are valuable for small farmers e.g. custom hiring of farm machinery and equipment which they can't afford to buy but can rent in.
- The FPOs practicing organic farming can be designated as certifying agencies for third parties and individual growers by the union government agencies like APEDA. The promotional and non-governmental organisations supporting these FPOs should be given project based grants by the state/union government.
- None of the FPOs availed bank finance from public sector banks. The inclusion of local financing agency head, may be a retired one, on the board of FPO may be explored as a policy option. Banks give collateral free loans to Small and Medium Enterprises (SMEs) which can also cover FPOs.

CHAPTER 1
INTRODUCTION

Agriculture accounted for 16 per cent of the nation's GVA in 2016–17 (down from 30% of total GDP in 1990–91), and about 12 per cent of its exports, and serves as the principal source of income for about half the country's population. At 179.9 million hectares, India holds the second largest agricultural land in the world and 4 per cent of the world's water resources, but has to support about 17 per cent of the world's human population and 15 per cent of the livestock. With 20 agro-ecological regions and 15 agro-climactic zones, all 15 major climates in the world exist in India. The country also possesses 46 of the 60 soil types in the world. In the year 2016-17, India had a record food grain production of 273 million tonnes.

1.1. Status of Small and Marginal Land Holdings in India

Agriculture is the core of planned economic development in India as Indian planning is based on the dictum that the trickle-down effect of agriculture is significant in reducing poverty and regional inequality in the country. India has over 138 million farm holdings and of this, about 92.8 million were marginal farm holdings, having individual operational land holding of less than 1 ha. while another about 24.8 million were small farm holdings with individual operational land holding size less than 2 ha. Therefore, the marginal and small farm holdings together accounted for a whopping 85.0 percent of the total farm holdings in India in 2010-11[1]. The number, operational area and average size of land holdings in India during 1970-71 to 2010-11 is depicted in Table 1.1. The average area per holding has decreased from 2.28 to 1.15 ha. during 1970-71 to 2010-11.

Table 1.1: Trends in Number, Operated area and Average size of holdings in India

Year	Number of holdings(million*)	Area operated (in mn ha.)	Average area per holding (in ha.)
1970-71	71.01	162.32	2.28
1976-77	81.60	163.34	2.00
1985-86	97.20	164.56	1.69
1995-96	115.60	163.36	1.41
2005-06	129.22	158.32	1.23
2010-11	138.35	159.59	1.15
% variation during 1970-71 to 2010-11	69.55	-2.30	
Annual growth rate	1.99	-0.07	

Source: GOI, *Agricultural Census Reports from 1976-77 to 2010-11*, All India Report on Number and Area of Operational Holdings, Agricultural Census Division, Department of Agricultural and Co-operation, Government of India, New Delhi

However, their share in the country's total operated area was only 44.6 percent. On a national average, the size of operational land holding of each farm varied from 0.39 ha. in

[1] Government of India (2014), Agriculture Census, 2010-11(Phase-I), All India Report on Number and Area of Operational Holdings, Agriculture Census Division, Department of Agriculture & Co-operation, Ministry of Agriculture, New Delhi.

the case of the marginal farm holdings to 1.42 ha. for small farm holdings to 17.38 ha. in the case of the large farm holdings, which worked out to 1.15 ha. for all farm holding groups taken together. Such is the predominance of small farms in Indian agriculture. As per estimates, about 1.5 to 2.0 million new marginal and small farms are being added every year due to continued land fragmentation. The growing number of small farms and declining average size of operational holdings indicate the weakness in their access to critical production resources.

1.2. Small and Marginal Farmers: Constraints and Enabling Opportunities

NSS, Farmers Survey of 2003[2] reported a number of issues related to small and marginal farmers. Based on this NSS Survey, NCEUS (2008)[3] observed "some of the general issues that confront marginal-small farmers as agriculturalists are: imperfect markets for inputs/product leading to smaller value realizations; absence of access to credit markets or imperfect credit markets leading to sub-optimal investment decisions or input applications; poor human resource base; smaller access to suitable extension services restricting suitable decisions regarding cultivation practices and technological know-how; poorer access to 'public goods' such as public irrigation, command area development, electricity grids; greater negative externalities from poor quality land and water management, etc."

Enabling setting is created for SMFs to raise their incomes by switching from cereal based production system to high value agriculture. Returns are high from investments in agricultural R&D, rural roads and other infrastructure and knowledge generation (Hazell, 2011)[4]. There is need for diversification as a strategy to achieve output growth, employment generation and natural resources sustainability. Small farmers have tremendous scope for increasing productivity because of natural capital such as soil; the water for bio-diversity need to be enhanced through conservation and rejuvenation. Small farmer need to intensify bio-diversity, thus improving productivity with stability and sustainability.

1.4. Integrating Small Farmers/Producers with Markets

The crux of the problems faced by small and marginal farmers may be traced to limited bargaining power and inability to benefit from economies of scale when compared to large farmers. Of several strategies developed and various methods tried across the world, group approach has proved to be effective in boosting up their bargaining power

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[2] Government of India. (2005). *Situation Assessment Survey of Farmers: Some Aspects of Farming-2003*. Reports of NSS 59th Round (January–December 2003), Report No. 496(59/33/3). Ministry of Statistics and Programme Implementation.

[3] NCEUS (2008), "A Special Programme for Marginal and Small Farmers", A Report prepared by the National Commission for Enterprises in the Unorganized Sector (NCEUS), New Delhi

[4] Hazell, Peter (2011), "Five Big Questions about Five Hundred Million Small Farms", paper presented at the Conference on new directions for small holder agriculture, 24-25 January 2011, Rome, IFAD

and scaling up the production process and in doing so can reap numerous benefits as compared to individual approach. Due to factors beyond their control and absence of institutions to safeguard their interests, they are unable to integrate with the agricultural value chains, fight the risks and vulnerabilities such as commodity price volatility, crop failure, insect pest-attacks etc. on their own. Therefore, they are operating at sub-optimal level and thus attain lower equilibrium.

Collectivizing farmers, thus, into Producer Organizations (POs) has been considered as one of the ways to overcome these challenges faced by the small and marginal farmers. The approach is considered to be helpful in integrating the farmers directly, through their institutions (producer companies/ cooperatives), to market, for both, inputs and output, collective processing and marketing whereas production is largely left to the individual small farms. This interest is primarily based on the premise that FPOs give small farmers bargaining power in the market place, enable cost-effective delivery of extension services, and empower the members to influence the policies that affect their livelihoods.

Integrating small farmer producers, however, is a challenge due to several factors like, (i) small farmers are not a homogenous group and majority of them lack entrepreneurial faculty. (ii) dispersed locations posing problems in logistics like, packaging, storing and aggregation and also in organizing them into collectives, (iii) production in small quantity and absence of primary processing and value addition weakens their bargaining power, (iv) non-existence of price discovery mechanism due to problems in access to market information, market inefficiencies. However, several initiatives have been taken by the Government of India (GoI) for collectivizing farmers into FPOs. Small Farmers' Agri-Business Consortium (SFAC), was mandated by the GoI to support formation of FPOs. NABARD as the apex financial institutions for financing agriculture created its own window as Producers Organization Development Fund (PODF) in 2011 for financing FPOs. All these in detail are elaborated in Chapter 4.

REVIEW OF LITERATURE

There is growing interest during the last couple of years in promoting, nurturing and creating an enabling environment for the small and marginal farmers integrating them into different forms of farmers' Collectives like, FPOs, FPCs, Cooperatives, Societies, etc. However, there is dearth of literature bringing out a critical account on functioning and impact of these ground level institutions.

2.1. Review of Literature

The Farmers' Producer Organizations and Producer Companies are very much beneficial to improve the value chain of agricultural produce and thereby proved to be useful in getting good prices for their produce. Voluntary member-owned, financed and controlled producer groups and farmer cooperatives have a central role to play in enabling their members, and the wider rural community, to take an active part in their own development (Millns & Juhasz 2006)[5].

The success of producer companies, however, depends on the farmers' commitment to the company. The integrity and quality of the leadership, its acceptance within the community, as well as the market environment are the most crucial factors for a successful production company (Sawairam 2014)[6]. PRADHAN (2007)[7] in a work shop on "linking small farmers to markets" concluded that the producer companies actually had a distinct advantage since it allowed professionals to take part in governance as Directors which helped bridge the information asymmetry between the producer Directors and professional managers. The Producer Company Act said that the producer institutions can even be unincorporated entities. Producer companies provided us with the opportunity of retaining the unique characteristics of a cooperative enterprise even as it enabled flexibility in business operations that was not available under the Cooperative Act. There are undoubtedly going to be challenges as in the case of cooperatives. There are other problems that would arise as a producer company created its space in the marketplace. These are only natural and only a professional management will be able to ensure that adequate commercial benefits accrue to all the stakeholders.

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[5] Millns, John & Juhasz, Janos (2006), "Promoting farmer entrepreneurship through producer organizations in Central and Eastern Europe" Institutions for Rural Development, Food and Agriculture Organization of the United Nations, Rome, Working Paper 6,

[6] Sawairam, P. (2014). Farmer Producer Organization-Solution to face challenges through linkages in value chain. International Journal of Combined Research and Development, Volume 3, Issue 4: 1-9, October

[7] Pradhan (2007), Producer companies linking small producers to markets, A workshop report by National Centre resource for rural livelihoods, New Delhi.

It has to be economically beneficial for the participating farmers to market their excess production through the company. The supply chain is highly consumer sensitive and supplies only those vegetables that are in demand during a particular season. The producer company monitors and supervises the entire chain very closely and efficiently. It can estimate the daily demand of a particular vegetable and can increase/decrease its supply within 2 to 3 days. This makes the whole process very dynamic and responsive to the needs of the end- consumers (Banerjee, et al.)[8]. While the provisions are certainly well-intentioned and capable of giving farmers decision making powers, the whole thing boils down to a management issue – only where there is a strong managerial support, the PCs seem to be faring well (Joglekar 2016)[9].

Rani Nidhi, et al., (2017)[10] has conducted a study to analyze the impact of formation of FPOs on the Development of Sustainable Crop Production in Karnataka and concluded that there was no regular and authentic source of information available to the farmers regarding market prices. The farmers generally relied on their own past experiences and information provided by fellow farmers. It was also concluded that the benefits after forming as FPO's were per hectare production improved by 10 per cent by the end of the study. Minimum 20 per cent rise in net income of the FPO farmers is observed.

Shah, T (2016)[11] argued that many FPCs formed under the new law do not have the organising logic like the value-addition model like AMUL. Most were started to do what traders were doing anyways, but with greater presumed efficiency and transparency. Notably, most FPCs were formed under some Government programme or the other, which offered to cover the promotional cost incurred by the promoting NGO. He highlighted the lack of design-thinking in the promotional process of the FPCs and stated that the discourse in FPCs has to garner resources and concessions from external agencies, not "mobilizing energy for growth from within." He further stated that attention was not paid to the growth trajectory of FPCs at the time of formation, and this, according to him, is the reason behind the failure of the nearly 2,000 odd NGO-promoted FPCs to take off in a big way in contrast to the milk producer companies (MPCs) promoted by the National Dairy Development Board (NDDB) Dairy Services Company (NDS).

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[8] Banerjee, Abhijit, Duflo, Esther, Glennerster, Rachel & Kinnan, Cynthia (2015), "The miracle of microfinance? Evidence from a randomized evaluation, *American Economic Journal: Applied Economics* 7(1): 22-53.

[9] Joglekar, Abha (2016), Farmer Producer Companies in Maharashtra, Azim Premji University, Report of Internship with Kalpavriksh, Pune, October (accessed http://www.kalpavriksh.org/images/ alternatives/ CaseStudies/FarmerproducercompaniesMaharashtra07Nov16Abha.pdf. Accessed on 02/04/2018

[10] Rani Nidhi, et al., (2017) Formation of Farmer Producer Organizations and Its Impact on the Development of Sustainable Crop Production in Karnataka. International Journal of Agriculture Sciences, ISSN: 0975-3710 & E-ISSN: 0975-9107, Volume 9, Issue 4, pp.-3735-3738.

[11] Shah, T (2016), "Farmer Producer Companies: Fermenting New Wines for New Bottles," Economic & Political Weekly, Vol 51, No 8, 20 February.

Sawairam (2014)[12] highlighted the benefits for the participating farmers to market their excess production through the company as the company was providing appropriate knowledge to generate excess production from within the community in order to maintain linkages to the target markets. After economic reforms with thrust on liberation, privatization and globalization (LPG) policy, the small and marginal farmers faced several constraints which included the inability to create scale of economies, low bargaining power because of low quantities of marketable surplus, scarcity of capital, lack of market access, lack of knowledge and information, market imperfections, and poor infrastructure and communications. The farmers' organization provided a wide range of services to their members related to marketing, finance, technology, production and welfare.

Ampaire et al., 2013[13] reported that marketing producer organizations, democratic governance structures and size of organizations were important in enabling effectiveness. On the other hand, factors that are known to enhance effectiveness in primary/smaller groups may have a disabling effect on effectiveness in second-tier level organizations unless deliberate efforts were made to address likely constraints. Capacity building was still important for enhancing management skills of majority of RPO leaders, which were largely inadequate. However, care must be taken such that the way the newly-learned management procedures were enforced did not hinder member participation. Darshan, *et al*,[14] on analysis of six FPOs stated that FPOs have been helping farmers in enhancing the income of farmers, enable savings by reducing the input, transportation and labour costs. It has also helped them enhancing their marketing intelligence.

Trebbin & Hassler, (2011) [15] in their paper observed as elsewhere in the developing world, in India, small farmers' livelihoods are being threatened due to the liberalization and privatization of Indian agriculture and the increasing interest of private capital in the agribusiness sector. The withdrawal of the state from productive and economic functions, and changes in the organization of marketing channels, present new challenges for small-scale farmers. In this environment of greater instability and competition, organization and collective action can help to enhance farmers' competitiveness and increase their advantage in emerging market opportunities. We build on the ideas of value-chain governance and collective-action literature and introduce the functions and

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[12] Sawairam, P (2014), Farmer Producer Organization-Solution to face challenges through linkages in value chain. International Journal of Combined Research and Development. 3(4): 1-9.

[13] Ampaire, E. L., Machethe, C. L and Birachi, E. (2013), The role of rural producer organizations in enhancing market participation of smallholder farmers in Uganda: Enabling and disabling factors. African Journal of Agricultural Research. 8(11): 963-970.

[14] Darshan, N.P., B. Rajashekar, Patil, K.V. Ravi, K.N. and Naik, J. Parameshwar, (2017), Farmer Producing Organisations for Development of Farmers in India: An Economic Perspective. *Int.J.Curr.Microbiol.App.Sci.* 6(9): 1611-1615.

[15] Trebbin, A, & Hassler, M, (2012), "Farmers' producer companies in India: A new concept for collective action?", Environment and Planning A, volume 44, pages 411- 427

organizational structure of producer companies in India within this context. On the basis of a case study of a specific producer company in Maharashtra, which produces and markets mango and cashew nuts, we discuss the potential benefits for rural communities and the reempowering effect of this form of farmer organization

Singh & Singh (2013)[16], in their comprehensive documentation and analysis of 24 producer companies (PCs) across India examines the rationale, processes, practices and performances of PCs and suggests for greater group dynamics, appropriate policy and actions for making them robust and comprehensive business entities.

A study by ICRISAT (2017)[17] observed that there was lack of convergence of government agencies in delineating their jurisdiction for either going solo or hand-in-hand with other sister-agencies to set up the PC/FPO in any district. The need for identifying right kind of support agencies with appropriate technical experts on the ground with workable and scalable business plan and management team is a key for success of any producer company.

2.2. Setting the Stage

Under the support of SFAC, altogether 712 FPCs have been registered (Annexure 1). As reiterated by many research studies conducted in past, there are varied levels of performance of FPOs in the country. A study to understand the current status of the FPOs focusing on their business and institutional development paths and needs and policy constraints, would not only help practitioners engaged in promoting such FPOs but also the policy makers who are encouraging the promotion of FPOs.

One of the major problems faced by the Producer Companies has been mobilising start-up equity capital. The small farmers by virtue of being poor are not be able to put in the required start up equity which has limited the registration of FPOs and further growth of the FPOs. There is a lack of awareness among the farmers, and financial institutions regarding the FPOs. The FPOs established have also been unable to attract institutional finance. There is also a lack of detailed information on the performance of FPOs promoted on horticulture crops, foodgrains crops, allied sectors, etc. Many agencies (SFAC, NABARD, Corporates), including international donar organisations (UNDP, World Bank, KfW, Germany, Ford Foundation, USA) are involved on promotion, hand-holding, nurturing of FPOs.

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[16] Singh, Sukhpal & Singh, Tarunvir (2013), "Producer Companies in India: A study of organization and performance, Centre for Management in Agriculture Indian Institute Management, Ahmedabad, CMA Publication No. 246, October

[17] ICRISAT (2017), "Farmer Producer Organization In Andhra Pradesh: A Scoping Study: Rythu Kosam Project" International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), ICRISAT Development Center, Research Report IDC-16, Hyderabad

There is a need to understand the various issues and challenges at grassroots level impeding the growth of FPOs. Therefore, as approved by the College Advisory Committee (CAC), CAB, the present study is an attempt to study the current status of functions of FPOs, assess their governance and management practices, examine performance and constraints in their future growth. It is in the above backdrop, the study is proposed on 'Functioning of Farmer Producers Organizations'.

Chapter 3
Objectives And Methodology

This chapter presents the objective, sample design and the methodology for the study.

3.1. Objectives/ Terms of reference

Based on the hypotheses set for the study, i.e., (i) FPO as a sustainable/viable model for integrating small and marginal farmers in the value chain and (ii) The FPO as a ground level institution for agribusiness enterprise can make significant socio, economic contribution to the farmer members, the major objective of the study is to examine critically the status of functioning of FPOs and analyse various issues and suggest alternative strategies for policy analysis. Objectives in detail include

- Assess the status of FPOs through critical examination of their performance;
- Examine FPOs, as organizations, their governance and management practices and constraints in growth of FPOs;
- Analyze various issues, including issues for financing of FPOs; and
- Suggest strategies and approaches for future policy analysis

3.2. Sample Design

3.2.1. Selection of the State and Districts

The State of Maharashtra was purposively selected for conducting the study, reasons being that (i) Maharashtra has the older and largest SFAC initiative in the country only after Madhya Pradesh, (ii) it has the State Government patronage for strengthening FPOs/FPCs in the form of grant support from World Bank aided Maharashtra Agricultural Competitiveness Project (MACP)[18].

Further, Maharashtra produces about 17.54 m. MT of horticultural produce accounting for 7.30 per cent of horticulture production in the country. Major share of production is from fruits (54.24%), the main fruits being Sapota (1st), Banana (2nd), Citrus (1st), Guava (1st), Pomegranate (1st) and Grapes (1st). The vegetable produce forms about 42.78 per cent of the horticultural production in the state. Maharashtra is also a leading producer of onions, cut Flowers and cashew. Fruits and vegetables production provides a conducive environment for formation of FPCs/FPOs.

[18] MACP and its Agri Business Promotion Facility (ABPF), basically aim at increasing farmer income by way of enabling larger aggregation of farmers'produce, its primary value addition and sale. Various other capacity building interventions are also undertaken under the project with the objective of increasing direct transactions between farmers and processors/buyers. Farmers are also assisted in establishing farmers'organizations, developing alternative market channels outside of the regulated markets, etc.

Similarly, three districts, i.e., Pune, Nasik and Ahmednagar were purposively selected based on their significance in number of FPOs/FPCs, production of major horticultural production like onion, grapes, tomato, guava, pomegranate and other vegetables.

3.2.2. Selection of FPOs/FPCs

The selection of FPOs was based on different criteria like commodities/crops, activity and services they offer, age profile, nature of promoting institutions (PIs), etc. Accordingly, 13 FPCs/FPOs were randomly selected for study as detailed in Table 3.1 and Annexure IV.

Table 3.1: Sample FPOs

Dist	No.	Name of FPC/ FPO/ APC	Date of Registration	Promoting Institutions (PI)	Donor/ Facilitating Institution
Pune	1	Junnar Taluka FPC	19.04.2013	Vegetable Growers Association of India (VGAI)	SFAC
	2	Shree Sant Satvajibaba FPC	25.07.2013	ISAF (NGO)	MACP
	3	Bahulaone Agro FPC	17.04.2015	Vegetable Growers Association of India (VGAI)	MACP
	4	Nathson FPC	23.012015	ATMA	MACP
	5	Karhamai APC	05.06.2015	ATMA, Pune and PriMove, Pune (SP)	MACP
	6	Malshej APC	14.10.2015	Lupin Human Welfare and Research Foundation	PRODUCE Fund
	7	Krishi Jeevan FPC	24.07.2014	Vegetable Growers Association of India (VGAI)	SFAC
Nasik	8	Kadava Green Future APC	18.07.2013	Vegetable Growers Association of India (VGAI)	SFAC
	9	Sinnar Poultry FPC	09.10.2014	Yuva Mitra	PRODUCE Fund
	10	Five Star Green	03.09.2016	ATMA	MACP
Ah'ngr	11	Mulla Valley FPC	20.03.2015	Watershed Orgn. Trust (WOTR)	PRODUCE Fund
	12	Garbhgiri FPC	25.08.2014	ATMA	MACP
	13	Amarsinh APC	29.04.2013	ATMA	MACP

The study covered a variety of FPCs in terms of the nature of promoting agencies to capture the differences in formation and functioning of FPCs. Also, it was attempted to cover mostly those FPCs which were at least one year old so as to get audited data base to assess the performance. But many of those contacted were not that old or had been only registered but not operationalized during the same year. Thus we have 31 per cent which are at least four years old, another 61 per cent which are more than two-three years old and eight per cent only one year old in its legal existence. It is also important to note that some of them did exist before they were formally legally registered. But, those which were not legally registered did not maintain proper legal records of their business.

3.3. Data Collection

The study was conducted using both survey and the case study methodology. In order to understand the operational modalities and the issues and challenges in the functioning of the FPCs, multiple cases of FPCs were considered in terms of types of promoters, geographic area[19], length of operation, type of promoter, number of members/shareholders, etc., as shown in Table 3.2.

Table 3.2: Distribution of Sample FPCs

Distribution of Sample FPCs in terms of Age				
Age of FPOs	FPOs (No)	Legal Form	FPOs (No)	Nature of PI
Old: 2013 and before	4 (31%)	Companies Act, 2013	4	Junnar (Farmer Grp), Satyajibaba (NGO), Amarsing (State),
Middle aged: 2014 - 2015	8 (61%)	Companies Act, 2013	8	Malshej (Farmer Grp)), Mula Valley, Sinnar (NGO), Karhmai, Nathsons (State)
Young: 2016 and after	1 (8%)	Companies Act, 2013	1	Five Star (State)
All	13		13	13

Distribution of Sample FPCs by type of Promoter				
State	Total Sample FPCs	NGO promoted	State promoted	Farmer group promoted
Pune	7	2	2	3
Nasik	3	1	1	1
Ah'nagar	3	1	2	-
All	13	4	5	4

Distribution of Sample FPCs by type of Commodity Group				
State	Total	Fruits & Vegetable (Market linkage)	Pulses/Grains (Market linkage)	Input selling (Input shop)
Pune	7	5	1	1
Nasik	3	2	0	1
Ah'nagar	3	--	2	1
All	13	7	3	3

Distribution of Sample FPCs by No. of Shareholders				
State	Total	Below 300	301 - 500	501 & Above
Pune	7	---	5	2
Nasik	3	1	---	2
Ah'nagar	3	1	2	---
All	13	2	7	4

[19] Most agriculturally developed areas like Deola, Dindori in Nasik district, Baramati and Narayangaon in Pune district, rain shadow areas like Karjat, Sangamner in Ahmednagar district and Khed and Junnar in Pune district

The study is based on both primary and secondary data. Primary information is collected through focus group discussion (FGD) with the farmer members of FPOs. Structured questionnaires were set for board members/ office bearers of FPOs. Besides, interactions were also held with external agencies such as the promoters of FPOs, office bearers, practitioners/experts, government officials, etc,. to collect information regarding the FPOs. FGD was used for collecting information from the primary members of FPOs and structured questionnaires for collecting information from the Board members of the selected FPOs, CEO/Professional Managers. The issues discussed in the focused groups and the external issues discussed with external agencies are given in the Annexure II.

3.4. Data Analysis and preparation of the Study Report

- The primary and secondary data collected were subjected to detailed analysis. The information regarding the FPO operation viz., incorporation –objectives of formation, membership profile, management representation, equity share, external support received, balance sheets, profit distribution, other indirect benefits, challenges, limitation, etc. along with observation made during the field visits were also critically analyzed using tabular presentations.
- A case study methodology was also adopted to analyze the performance of FPOs and draw comparative learning scenarios besides highlighting best practice cases.
- Attempt was made to analyze the issues of FPCs critically so as to suggest strategies/ policy directions for strengthening the FPOs.

Besides these three Chapters, i.e., Introduction, Review of Literature and Objectives and methodology, the study report contained six chapters as detailed below:

- Chapter 4 examined critically the rational, evolution and present status and policy framework concerning FPOs/FPCs
- Chapter 5 presented the findings on aspects relating governance and group dynamics among the sample FPOs etc. analysis, critical observations and
- Chapter 6 presented the aspects relating to business-mix and turnover of sample FPOs as emanated from the focused group discussions and stakeholders consultations,
- Chapter 7 dealt with aspects relating to equity capital raised by sample FPOs and their access to bank finance.
- Chapter 8 detailed the aspects relating to the involvement of sample FPOs in business processes, backward and forward linkages and their initiatives on agrivalue chain.
- Chapter 9 presented the summary and concludes the study with policy suggestion/ recommendations.

3.5. Limitations of the Study

It may be mentioned that the study and its observations were brought out based on a limited sample in three districts of Maharashtra. It is quite likely that position concerning FPCs/FPOs may vary in different states/districts and concerning various donor agencies, promoting institutions, financing banks, etc. Therefore, adequate caution needs to be exercised before generalizing/ interpreting the observations for policy actions.

Farmer Producer Organizations: Evolution And Present Status

4.1. Evolution of Producer Companies (PCs)

As experience of the performance of traditional cooperatives was not well, it was felt that there was a need to give more freedom to cooperatives to operate as business entities. This led to the amendment to the Companies Act, 1956 in 2003, which provided for PCs through a separate chapter. PCs came into existence with the amendment of Section 581 of the Companies Act, 1956, in 2003. A PC operates under the regulatory framework that applies to companies, which is distinctly different from that of the cooperatives. A PC can be registered under the provisions of part IX-A, chapter one of the Companies Act, 1956. A PC is a cooperative form of business enterprise democratically owned and controlled by active user members. It enjoys the same liberalised regulatory environment as available to other business enterprises but it has unique characteristics of cooperatives. Differences between a Co-operative and a PC in India (Table 4.1)

4.2. Status of Producer Companies

In India, first set of PCs were promoted and supported by a state government (Madhya Pradesh) under a World Bank (WB) poverty reduction project since 2005. In the case of PCs in MP, the state government which was also the promoting body provided a one-time grant of Rs. 25 lakh to each PC as fixed deposit revolving fund for obtaining bank loan against it, and also another annual grant of maximum Rs. 7 lakh per year for 5 years for administrative and other expenses in the manner of 100% in first year, 85% in second year (Rs. 5,90,000), 70% in third year (Rs. 4,90,000), 55% in forth year (Rs. 3,85,000) and 40% in 5th year (Rs. 2,80000). Further, interest subsidy upto a limit of Rs. two lakh was provided on any term loan taken by the PC and a grant of upto 75% of the cost up to a maximum of Rs. 2 lakh was given for any certification expenses like Food Products Order (FPO), Global Good Agricultural Practices (Globalgap), etc. (NABCONS, 2011)[20]. The membership/shareholding of PCs in India ranges from individual producers to informal self-help groups and individual producers, registered SHGs and individual members, and only institutional members.

Table 4.1: Differences between a Co-operative and a PC in India

Feature	**Co-operative**	**PC**
Registration under	Co-op societies Act	Companies Act
Membership	Open to any individual or co-operative	Only to producer members and their agencies

[20] NABCONS (2011): *Integration of Small Producers into Producer Companies-Status and Scope,* NABARD Consultancy Services Pvt. Ltd., Hyderabad

Professionals on Board	Not provided	Can be co-opted
Area of operation	Restricted	Throughout India
Relation with other entities	Only transaction based	Can form joint ventures and alliances
Shares	Not tradable	Tradable within membership only
Member stakes	No linkage with no. of shares held	AoA can provide for linking shares and delivery rights
Voting rights	One person one vote but RoC and govt have veto power	Only one member one vote and non- producer can‟t vote
Reserves	Can be created if made profit	Mandatory to create reserves
Profit sharing	Limited dividend on capital	Based on patronage but reserves must and limit on dividend
Role of government	Significant	Minimal
Disclosure and audit requirements	Annual report to regulator	Very strict as per the Companies Act
Administrative control	Excessive	None
External equity	No provision	No provision
Borrowing power	Restricted	Many options
Dispute settlement	Through co-op system	Through arbitration

Source: Kumar, et al, 2007[21]; Mondal 2009[22]; and NABCONS, 2011.

4.3. Farmer Producers Organisations

During the last couple of years, there has been a growing interest in promoting an enabling environment for the FPOs. An FPO is a legal entity formed by primary producers, viz. farmers. An FPO can be a producer company, a cooperative society or any other legal form which provides for sharing of profits/benefits among the members. The main aim of FPO is to ensure better income for the producers through an organization of their own. Small producers do not have the volume individually (both inputs and produce) to get the benefit of economies of scale. Besides, in agricultural marketing, there is a long chain of intermediaries who very often work non-transparently leading to the situation where the producer receives only a small part of the value that the ultimate consumer pays. Through aggregation, the primary producers can avail the benefit of economies of scale. They will also have better bargaining power vis-à-vis the bulk buyers of produce and bulk suppliers of inputs.

4.3.1. Essential features of FPO

a. It is formed by a group of producers for either farm or non-farm activities;

[21] Kumar, A, H K Deka, P Das and P Ojha (2007): *Livelihood opportunities in broiler farming-livelihood resource book*, PRADAN, New Delhi

[22] Mondal, A (2010): Farmers‟ producer company (FPC): concept, practice and learning- s case from action for social advancement, *Financing Agriculture*, 42(7), 29-33

b. It is a registered body and a legal entity;
c. Producers are shareholders in the organization;
d. It deals with business activities related to the primary produce/product;
e. It works for the benefit of the member producers;
f. A part of the profit is shared amongst the producers; and
g. Rest of the surplus is added to its owned funds for business expansion.

The ownership of the FPO is with its members. NABARD, SFAC, Government Departments, Corporates and Domestic & International Aid Agencies provide financial and/or technical support to the FPO Promoting Institution (POPI) for promotion and hand-holding of the FPO. Each agency has its own criteria for selecting the project/promoting institution to support.

4.3.2. Different legal forms of PO

FPOs can be registered under any of the following legal provisions:

a. Cooperative Societies Act/ Autonomous or Mutually Aided Cooperative Societies Act of the respective State;
b. Multi-State Cooperative Society Act, 2002;

c. Producer Company under Section 581(C) of Indian Companies Act, 1956, as amended in 2013;
d. Section 25 Company of Indian Companies Act, 1956, as amended as Section 8 in 2013;
e. Societies registered under Society Registration Act, 1860; and
f. Public Trusts registered under Indian Trusts Act, 1882.

Institutions registered as cooperative societies and producer companies have legal provisions for sharing of profit earned by the FPO by way of dividend. Other legal forms do not explicitly provide for profit sharing. However, the FPO can offer better price for the produce it procures from the members, thus, benefiting the latter. Similarly, it can procure inputs/raw material in bulk and sell to members with low margin. Such activities are permissible for POs under all legal forms. A comparative chart clarifies the details as given below. Institutions can be built for promoting common interests of members/producers. The limitation is that surplus generated by such a PO cannot be divided among members by way of dividend etc. The FPO can re-invest the surplus to grow the business.

4.3.3. Important activities of FPO

The FPO will take over the responsibility of any one or more activities in the value chain of the produce right from procurement of raw material to delivery of the final product at the ultimate consumers' doorstep. In brief, the FPO could undertake the following activities:

a. Procurement of inputs;
b. Disseminating market information;
c. Dissemination of technology and innovations;
d. Facilitating finance for inputs;
e. Aggregation and storage of produce;
f. Primary processing like drying, cleaning and grading;
g. Brand building, Packaging, Labeling and Standardization;
h. Quality control;
i. Marketing to institutional buyers;
j. Participation in commodity exchanges; and
k. Exports.

FPO will support the members in getting more income by undertaking any/many/all of the activities as listed. By aggregating the demand for inputs, the PO can buy in bulk, thus procuring at cheaper price compared to individual purchase. Besides, by transporting in bulk, cost of transportation is reduced. Thus reducing the overall cost of production. Similarly, the PO may aggregate the produce of all members and market in bulk, thus, fetching better price per unit of produce. The PO can also provide market information to the producers to enable them hold on to their produce till the market price become favourable. All these interventions will result in more income to the primary producers.

4.3.4. Optimal size of a FPO and parameters

a. It is desirable to have an FPO for farmers having their lands in contiguous micro-watersheds to address the issues relating to sustainability.

b. The productive land under an FPO may be around 4000 ha.

c. The FPO may cover generally one or two contiguous Gram Panchayats for ease of management.

d. The number of farmer producers that need to be covered may be around 700 to 1000.

e. The cost of managing a FPO of the above nature may be around Rs.2 lakh per month or Rs. 24 lakh per annum.

f. The total value of the produce of the farmers/non-farmers handled by the FPO may be around Rs.2.5 crore, assuming that approximately 10% of the total turnover of the FPO may be reasonably spent towards cost of management.

g. Further, the markets selected for the FPO for selling their produce may be within 200 KM to make their marketing activities viable.

4.3.5. Factors governing the optimal size of FPO to be sustainable

a. FPO is to be designed in such a way to cover all the lands that fall in one or two micro watersheds.

b. The sustainability of the farmers of the micro watersheds is already in existence with various types of productive activities of the farmers to take care of risk factors, like variations in the market prices of various produce, continuity of income etc. which include sustainable agricultural practices.

c. The secret to sustainability of FPO depends on comprehensive engagement of the FPO with their members throughout the year.

d. The design variables for FPO are mainly size, scope, technology, ownership of resources, management and purpose. These variables need to be aligned to meet the sustainability requirements indicated in the earlier two points.

e. The size of the FPO should be small to be able to be managed by the local talent available in the area of the FPO.

f. The scope of the FPO should be defined in such a way that there shall be good number of crops to be grown to maintain the soil health, support for allied activities like dairy, nutritional security of the local people and to mitigate risk.

g. The technology adopted by the FPO should be such that majority of the local people or members of the families of the FPO should be able to adopt to it and work with it with minimal training, effectively.

h. The management of the FPO should take into account the incubation of the local youth in such a way that in a few years' time, say in 3-7 years, local youth should be able to take over and manage the FPO effectively.

i. The purpose of the FPO at all times must be to serve the larger needs of the community and the ownership of the FPO always should rest with all its members.

4.3.6 Present Status of Formation

There is no consolidated data available on FPO numbers. However, it is estimated that about 6,000 FPOs are functional in the country (Srinivasan and Srinivasan, 2017). The section analyses the status of formation of FPOs, their geographical spread, size, distribution and members involved based on the data compiled from sources mostly from SFAC, NABARD and other sources.

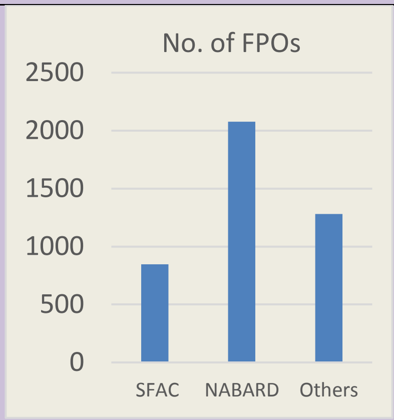
a. Promotion of FPOs: Many Agencies Involved

Many agencies (NABARD, SFAC, Corporates, State Governments with fund support from international donor organisations, like World Bank, IFAD, KfW, Germany, etc.) are involved in promotion, hand-holding, nurturing of FPOs. NABARD funded 2,154 FPOs (2,076 registered as on 31 July 2018) through (Producers Organization Development and Upliftment Corpus (PRODUCE) Fund of GoI, in 29 States and 472 districts (NABARD 2018)[i]. Small Farmers Agri-business Consortium (SFAC), was mandated by the MoA&FW, Government of India, to support the State Governments in the formation of FPOs[ii]. As of July 2018, 847 FPOs were promoted in 29 states. Many State Governments have also taken up FPO promotion on varying scales on their own and with fund support from international donor organizations[iii]. All these total to 1,280 FPOs (Table 4.2).

Table 4.2: Number of Registered FPOs- Agency-wise

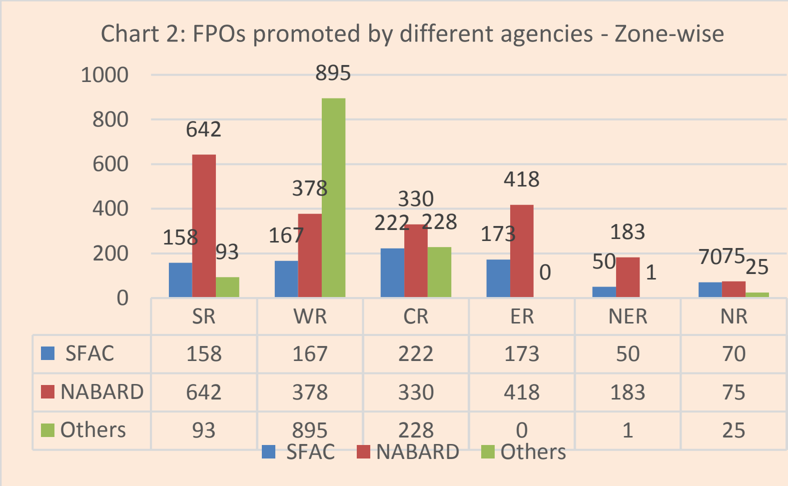
State	No. of FPOs
SFAC	847
NABARD	2076
Others	1280
Total	4205

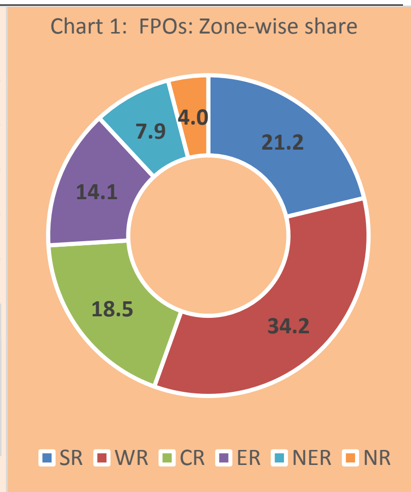
Source: SFAC, GoI



b. Geographical Spread

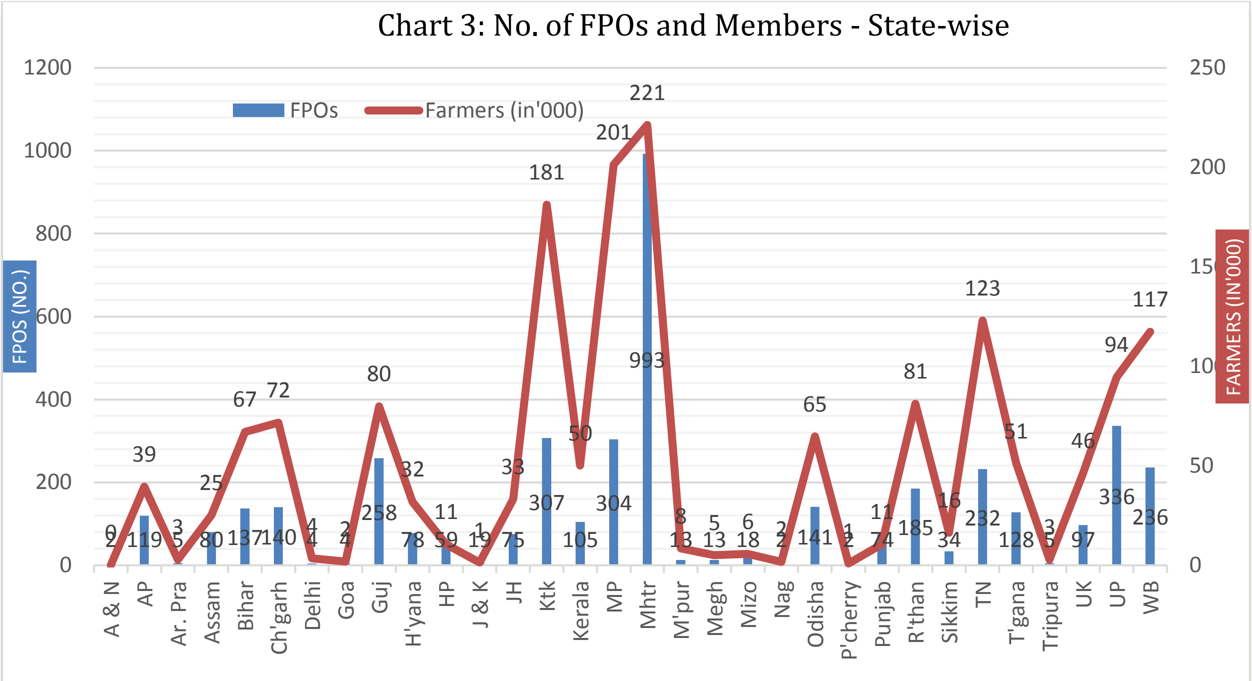
Even though the outreach of the initiatives towards promotion of FPOs have been taken up in almost all States, the Western region (34%) leads in promotion of FPOs under State Government patronage, particularly in Maharashtra through the World Bank aided Maharashtra Agricultural Competitiveness Project (MACP) along with largest self-promoted FPOs[iv] and also NGO promoted FPOs in Gujarat . Western region is followed by South (21%), Central (18%), East (14%), North-east (8%) and Northern region (4%), respectively in that order (Chart 4.1). Analysis of agency-wise promotion of FPOs in different regions revealed that SFAC promoted FPOs have largest presence in Central region (222), followed by East (173), whereas NABARD promoted FPOs are largest in Southern region (642), followed by Eastern (418) and Western regions (378) (Chart 4.2).





Source: Author's compilation from different sources, i.e., SFAC, NABARD and other State Govt. Initiatives

It is observed that there is a skewed development of FPOs in the country (Chart 4.3). State-wise, there is disparity both in promotion of and coverage of farmers as members. At all-India level, Maharashtra leads both in promotion of FPOs (993, 24%) and coverage of farmers (2.21 lakh, 11%).



Source: Author's compilation from different sources, i.e., SFAC, NABARD and other State Govt. Initiatives

SFAC, with 847 FPOs, so far, covered 8.13 lakh farmers as members (SFAC 2018). NABARD, with 2, 076 FPOs covered 6.11 lakh members as members (NABARD 2018). It is estimated that other agencies with 1,280 FPOs covered about 6.23 lakh farmer members. As the regions vary in geographical area and number of cultivators, the number of FPOs has been normalized by the number of total cultivators (as per 2011 census). FPOs per lakh cultivators has been calculated as an indicator of FPO spread in the respective regions. The number of FPOs per lakh of cultivators for the Southern Region is the highest at 5.67 followed by Western region (4.54). At all-India level, it is estimated at 3.54 (Table 4.3).

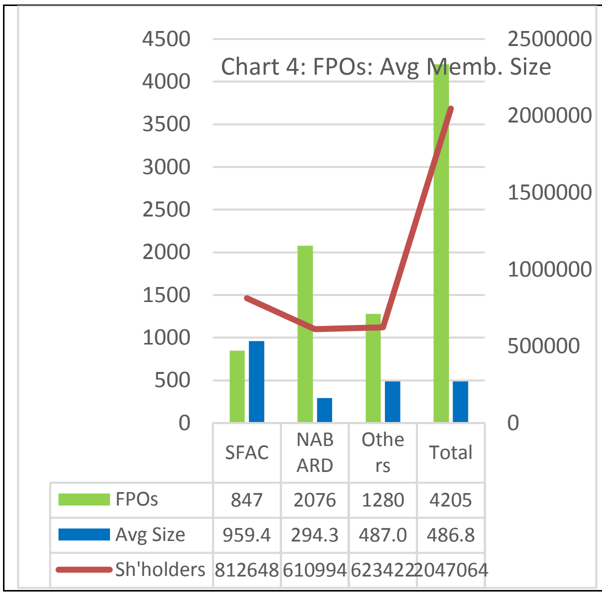
Table 4.3: FPO Promotion: Spatial Spread

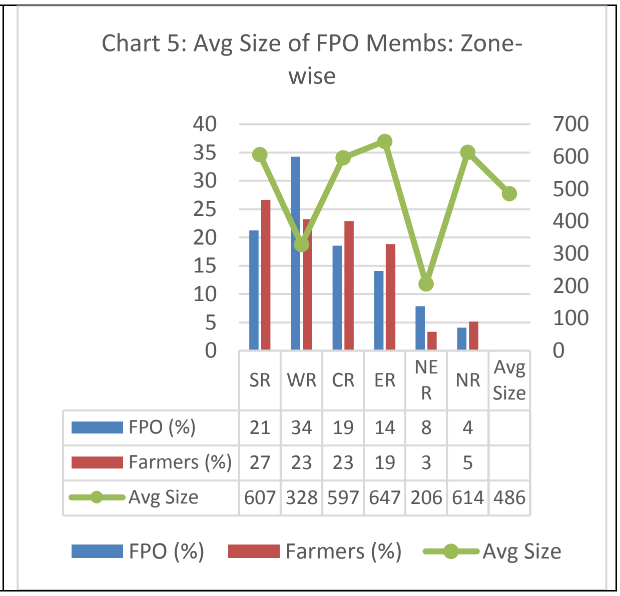
Region	Total FPOs (No)	Share holders (in lakh)	Total Cultivators (in lakh)	No. of FPOs/one lakh cultivators
SR	893	5.46	1800	5.67
WR	1440	4.84	3170	4.54
CR	780	4.67	3291	2.37
ER	591	3.65	2025	2.92
NER	331	0.68	661	2.57
NR	170	1.04	934	3.54
All India	4205	20.47	11881	3.54

Source: Author's compilation from different sources, i.e., SFAC, NABARD and other State Govt. Initiatives

c. FPO Size Matters

An FPO can be formed with a minimum of 10 producers[v]. However, in order to encourage economies of scale and promote collectivization, NABARD promotes FPOs with a minimum of 50 members, which later is scaled up to 1,000 members or more over three years. Of the FPOs promoted by NABARD, majority are still in the emerging stage with an average size of 294 farmers (Chart 4). SFAC covered 8.12 lakh farmers averaging 959 members per FPO. Since the objective of an FPO is to increase the income of farmers with enhanced marketable surplus and economies of scale, higher the number of members, better the pooling of produce and efficiency in using inputs for farming operations.





Source: Author’s compilation from different sources, i.e., SFAC, NABARD and other State Govt. Initiatives

4.3.7. Creating Enabling Environment for FPOs: Policy Support

Under the 12th Five Year Plan of the Government of India, promotion and strengthening of FPOs has been one of the key strategies to achieve inclusive agricultural growth. In the last three years, the growth of the FPOs has witnessed a big spurt in the formation of FPOs. With large scale promotion of FPOs, the Government of India has initiated the following policies to create an enabling ecosystem to strengthen the FPOs

1. Small Farmers Agribusiness Consortium (SFAC)

SFAC, an agency under Department of Agriculture and Cooperation and Farmers’ Welfare, was mandated to support formation of FPOs. SFAC’s initiative, started in 2011-12 under two Central Government Schemes - the National Vegetable Initiative for Urban Clusters (NVIUC) and the Integrated Development of 600,000 pulses villages in rainfed areas – has since expanded its scope, and includes Special FPO projects being taken up by some State Governments under the Rashtriya Krishi Vikas Yojana (RKVY) funds and the National Demonstration Projects under the National Food Security Mission (NFSM).

Mainly two types of support are available to the FPOs from the Small Farmers Agribusiness Consortium (SFAC). They are (a) SFAC operates a Credit Guarantee Fund to mitigate credit risks of financial institutions which lend to the Farmers Producer Companies (registered as Producer Company under Part IX-A of Companies Act) without collateral. This helps the FPCs (one form of PO) to access credit from mainstream financial institutions for establishing and operating businesses, (b) SFAC provides matching equity grant up to Rs. 10 lakh to the FPCs to enhance borrowing power, and thus enables the entities to access bank finance.

2. NABARD

NABARD provides financial support to the FPOs only through project mode through two financial products. A fund titled "Producers Organisation Development Fund" was created by NABARD towards this end in 2011. PODF, mostly provided (a) loans/grants to POs for contribution towards share capital on matching basis (1:1 ratio) to enable the PO to access higher credit from banks. This is a loan without collateral which will have to be repaid by the PO after specified time. The maximum amount of such assistance is Rs. 25 lakh per PO with a cap of Rs. 25,000 per member, (b) Credit support against collateral security for business operations. Also, credit support without collateral security for business operations to FPCs which are eligible under Credit Guarantee scheme of SFAC. The credit product can be customised as per requirement of the business. In general, credit support is available for business activities and creation of assets like building, machinery, equipment, specially designed vehicles for transportation etc. and/or working capital requirements including administrative and other recurring costs connected with the project as composite loan. Capital expenditures like purchase of land, vehicles for general transportation & personal use, etc., will not be considered for support.

GOI also created a Producers' Organisation Development and Upliftment Corpus Fund (PRODUCE Fund) of Rs.200 crore in NABARD, to be utilised for the formation of 2,000 FPOs. NABARD has promoted 2,173 FPOs under PRODUCE Fund as at end March 2017.

3. Government of India

Government of India provides budgetary support to SFAC for its Equity Grant and Credit Guarantee Fund Scheme for the Farmer Producer Company. For creation of storage and other agricultural marketing infrastructure under the Integrated Scheme for Agricultural Marketing (Ministry of Agriculture, Government of India), FPOs are eligible to get higher subsidies. CAPART, Ministry of Rural Development also operates schemes through which support for some activities can be obtained by the PO. Training institutions supported by the Ministry or Rural Development, Government of India also impart skill and capacity building training which can be made use of by the PO for its members.

4. RBI's PSL guidelines supporting FPOs

RBI included financing to FPOs up to Rs.2.0 crore under Direct Agriculture finance under PSL.

STUDY OBSERVATIONS: SOCIAL CAPITAL AND GOVERNANCE

Maharashtra is well-known for its horticulture. Onion, pomegranate, grapes, milk, cotton are all instances of the state's horticultural and processing prowess. The state is noted for its sizable sugar and milk industries, where agricultural co-operatives have long been preponderant. In recent years, the state has witnessed an impressive spurt in the registration of FPOs/FPCs as well (Annexure III – IV). This chapter details field level observations on various aspects of governance of FPOs/FPCs. The first section discusses issues of formation, reach and coverage, followed by a section on governance, Board of Directors, General Body of the FPO and the third section on capability and sustainability of FPOs.

5.1. Formation, Reach and Coverage

This section describes the membership of the FPOs/FPCs studied as well as their operational area. It also details the usage pattern of the services rendered by the FPOs/FPCs, both by members as also by non-members.

5.1.1. Operational Area, Coverage of Members and Shareholders

Most FPCs were born when various Farmers' Interest Groups (FIGs) in the villages decided to coalesce into an FPO, with PIs playing the role of midwives. Table 5.1 contains the details of composition of FPOs.

Table 5.1: Composition of Sample FPOs

Dist.	No.	Name of FPOs	No of FIGs (SHGs)	Primary Members
Pune	1	Junnar	28	1100
	2	Sant Satvajibaba	1 SHG +Farmers	470
	3	Bahulaone	NA	310
	4	Nathsons	17	485
	5	Karhamai	28	650
	6	Malshej	3 (26) ,5 (JLGs)	500
	7	Krishi Jeevan	12	800
Nasik	8	Kadava Green Future	25	510
	9	Sinnar Poultry	10 CIGs	256
	10	Five Star	25	510
Anagar	11	Mulla Valley	20	412
	12	Garbhgiri	20	418
	13	Amarsing	10	280

Basic profile of each sample FPO has also been detailed in Annexure V. The implication is that there is much scope for increasing the shareholder-base of the FPOs. This would also strengthen the capital base of the FPOs. As can be seen from the table, the majority of FPCs covered less than 25 villages, dispersed in one or two blocks of a single district. Sinnar Poultry, spread over 3 blocks in Nasik district, was the exception.

5.1.2. Use of Services by Members and Non-Members

There were three categories of users of FPO services – Member, Shareholder and other villagers (who were neither members nor shareholders). Two important proportions were derived from the study on the use of the FPO services by members and non-members. Though exact information was not available to differentiate a non-member user and a member/shareholder user, rough estimation on total number of users, shareholders as users and non-shareholders as users was made based on individual/FGD interviews, along with broader estimates given by board members and FPO staff. It was found that, on an average, 60% of total members availed the FPO services and around 40% of the total users were non-members (Table 5.2). There were only three FPCs where 100% of total shareholders availed the services (Sant Satyajibaba, Karhmai and Malshej). This was enabled by the continuous engagement of the PIs with the community. All FPCs were eager to encourage (a) non-members to become members; (b) to encourage existing shareholders to avail of the FPO's/FPC's services if they were not doing so; and (c) to encourage users into shareholders.

Table 5.2: Users of Services offered by FPCs

No.	Name of FPOs	Total users		% of total business from non-membs.	Avg. Land holding of memb (range in ac.)	Primary Members
		Memb	Non-memb			
1	Junnar	800	300	20	1.0 to 5.0	1100
2	Sant Satvajibaba	470	400	40	1.0 to 12.0	470
3	Bahulaone	500		25	1.0 to 5.0	310
4	Nathson	400	120	40	1.0 to l 5.0	342/485
5	Karhamai	650	200	25-30	1.0 to > 5.0	650
6	Malshej	500	400	40	1.0 to 5.0	500
7	Krishi Jeevan	700	300	20-25	1.0 to 5.0	800
8	Kadava Green	400	150		2.5 to 5.0	510
9	Sinnar Poultry	200	100	30	1.0 to 3.0	256
10	Five Star	430	200	40	2.5 to 5.0	510
11	Mulla Valley	270	100	25	1.0 to 15.0	412
12	Garbhgiri	380	200	30	2.0 to 10.0	418
13	Amarsinh	240	100	40	5.0	280
	Average	426	195	31	---	482
	Per cent	60	40	--	---	100

5.2. Governance

This section delves deeper into the issues of the constitution of the FPO's/FPC's Board of Directors and the Boards' activities. It also discusses the Annual General Body Meetings of the FPOs/FPCs, their audit and compliance.

5.2.1. Board of Directors – Constitution

Boards are key decision making bodies in FPCs. It is the lynchpin for proper corporate governance in such institutions. Table 5.3 summarizes information on various aspects of FPC Boards. As can be seen from the table, most FPC Boards have between six to 12 members (CEOs are included in the Boards' strength).

Table 5.3: Strength of Directors, CEO and other Staff in Sample FPCs

No	Name of FPC	No. of Dirs	Edn of CEO	Salary paid by	Other employees
1	Junnar	5+1	NA	FPC	NA
2	Satvajibaba	9+1	12TH PASS	FPC	2 lbrs
3	Bahulaone	5+1	Ph.d	FPC	
4	Nathson	5+1	B Com.	MACP	2
5	Karhamai	6+1(3 woman)	MA, M.phil	MACP	2 Staff+ 2 lbrs
6	Malshej	10+1	Dip in agri	PRODUCE Fund	No
7	Krishi Jeevan	12 (2 women)	MBA	FPC	3
8	Kadava G Future	10	B.A	FPC	No
9	Sinnar Poultry	10 +1(1 women)	B.Com	PRODUCE Fund	No
10	Five Star	5 +1	B Com	NO	No
11	Mulla Valley	10	Dip in agri	PRODUCE Fund	No
12	Garbhgiri	10 & 10 Promoters	B.SC (Agri)	No	No
13	Amarsinh	5+1	B.Com	FPC	20

The Boards also included one or two *external professionals,* such as agricultural expert/senior staff of PI/representative from KVK. In three FPOs – Karhamai, Krishi Jeevan and Sinnar Poultry - women members had been inducted to comply with SFAC (Small Farmers' Agribusiness Consortium) guidelines. In the case of one FPO (Garbhagiri), a ten-member Promoters' Committee has been constituted to oversee the functioning of the Board.

Two models of Board constitution could be seen in the FPOs/FPCs studied: in the first ("bottom-up") model, board members come through a process of elections starting at the base (village) level. Members of the different FIGs which form a part of the FPC, elect a representative who becomes member of an intermediate body, namely, the "Cluster". Usually, each FIG sends a representative to the Cluster, which may end up with as many as 60-75 members. Then, representatives at the cluster level hold elections to decide who among them can become a part of the Board of the FPC. Ten of the thirteen FPCs followed this model. In the second ("nomination by jury") model, the Board members get selected by a jury which consists of PIs, local KVKs or other government agencies. The jury might determine the criteria for Board members, hold interviews or decide on some other method for nominating Board members. The remaining three FPCs in the sample followed this model.

The major observations made in connection with the Boards are:

- Wherever the "bottom-up" model was followed, the level of trust among shareholders and FIGs regarding governance of the FPCs was quite high;
- The problem of the Chairman receiving undue favors from the Board was not observed in any of the FPCs studied;
- In general, Board members need to invest significant time and energy for the FPC. Consequently, only the more influential and resourceful shareholders in the FPC can realistically be a part of the Board. However, in the FPCs under study, the phenomenon of capture by the elite was not apparent, i.e. business activity did not appear to be hampered due to this phenomenon. However, in case of two FPCs (Krishijivan and Kadva Green), it was seen that the Chairman and a few board members were politically active persons and they all belonged to a single community; and
- In three FPCs (Kadva Green, Five Star, Krishijivan), although the elections occurred without controversy in the Annual General body Meetings (AGM), the members of the Board of Directors came from a few select FIGs. It appears that only these few FIGs were involved in the governance, business and institutional activities, and were deriving most of the benefits from the FPC. While the business activity of these FPCs were running well, but they resembled private limited enterprises rather than FPCs.

The Table 5.4 summarizes the governance and group dynamics among sample FPOs stratified age-wise.

Table 5.4: Governance and Group Dynamics

Parameters	Old: 2013 and before (4)	Middle aged: 2014-2015 (8)	Young: 2016 and after (1)
Registration of FPOs	Companies Act, 1956 (as amended in 2013)		
Shareholders (Avg. size)	590	504	510
Composition of Board	9	9	6
Board Meeting	Regular/Monthly		
General body Meetings	Regular/twice a year (except one)	Regular/ Once a year	
Attendance by Membs.	25-60	30-70	50
Business Plan & Long-term vision	A strong five year vision	Two yr. business plan	No any LT Vision
Annual Audit/ Compliance	Regular/Systematic for all	Regular/Systematic for all except one	Regular/ Systematic

5.2.2. Board of Directors - Roles and Responsibilities

The Boards of FPCs are meant to keep an oversight over the functioning of the FPCs. The study revealed that in the Board meetings, the topics that come up for discussion include various issues related to monthly business transactions, seasonal planning, long-term business planning, membership expansion, fund mobilization and other general and miscellaneous matters. Further, in most of FPOs studied, it was found that the Board members were involved in day-to-day activities such as input demand generation, distribution, stock maintenance etc. It was found that only two FPCs had employed professional staff.

Most FPC Boards were found to meet once each month. However, a few FPCs (Karhmai, Five Star) follow a different pattern. In the case of Karhmai FPC, Board meetings are being held twice every month (on 1st of every month, for decisions on new initiatives, and on 25th, for monthly review). On the other hand, in a few other FPCs (Krishijeevan and Bahulaone), Board meetings were not being held regularly. The impact of weak oversight by the Board was reflected in poor business performance of these FPCs. Worryingly, important Board-level decisions (e.g. appointment, reappointment or termination of a Board member) were being taken by a handful of active Board members, leading to questionable corporate governance practices.

5.2.3. Annual General Body Meetings

It was found that AGMs were being conducted once in a year for majority of FPCs (77%), mostly, after preparation of annual report. For remaining FPCs, AGMs were being conducted twice a year (once after annual audit and once at the beginning of the crop season). However, it appears that AGMs were held just for the sake of compliance. This is evidenced by the low turn-out of the shareholders in these meetings (50% for 5 FPCs and 50-70 % for the rest). Another evidence is that many shareholders reported that they could not participate because they were informed just one day before the AGM. Most AGMs were one-sided affairs, with the CEO/PI presenting the audited financial statements and the auditor's report. Table 5.5 contains important data on the periodicity and attendance in the board meetings.

Table 5.5: Periodicity of Board and Annual General Body Meetings

No	Name of FPC	Board Meetings	AGMs/Yr.	% of Members attend AGMs
1	Junnar	Monthly	Once a Yr	25-30
2	Satvajibaba	Monthly	Once a Yr	50-60
3	Bahulaone	Monthly	Once a Yr	50
4	Nathson	Monthly	Once a Yr	30-40
5	Karhamai	Bimonthly (1st & 25th)	Once a Yr	70
6	Malshej	Monthly	Twice/Yr	60-70
7	Krishi Jeevan	Monthly	Once a Yr	30
8	Kadava G Future	Monthly	Twice/Yr (	25-30
9	Sinnar Poultry	Monthly	Once a yr (Sept. 1st /2nd Week))	80
10	Five Star	Quarterly	Once a Yr	50
11	Mulla Valley	Monthly	Once a Yr	50-60
12	Garbhgiri	Monthly	Once after Audit & Special AGMs for crucial decisions	50
13	Amarsinh	Monthly	Once/Twice	50-60

5.2.4. Compliance:

It was observed that annual financial audit was being conducted regularly in all FPCs, except one (Krishi Jeevan). In fact, Krishi Jeevan FPC had been slapped with a penalty (Rs. 1.5 lakh) by the Department of Company Affairs for non-submission of the audit report. Another lacuna observed was that audits were being conducted beyond the prescribed time period in many FPCs.

5.3. Capability and Sustainability

5.3.1 Mismatch between Shareholding and Membership

In most cases, not all FIG members in an FPO/FPCs had become the latter's shareholders. The reasons for this could not be systematically analyzed. Broadly, two hypothesis emerged: (i) low level of awareness or interest among FIG members (not becoming a shareholder did not prevent a members from availing FPO services); and (ii) prevailing social and political divides.

5.3.2 Low Level of Shareholders' Involvement

Participation in AGMs was quite low, a symptom of shareholder apathy. Only in a few (23%) FPOs (Karhmai, Sinnar, Malshej) could active and democratic participation in the AGM be discerned. In most cases, the awareness level of the shareholders about FPO activities was found to be abysmally low. Many shareholders tended to equate FPOs with input supply shops. In three FPOs, the shareholders were unaware of the long-term vision of the FPO. Training received by the shareholders was mostly on the topic of productivity-enhancement, usually imparted by the PIs. As far as training programmes or exposure visits for enabling shareholders to understand FPO functioning was concerned, only at two FPOs was anything like that undertaken.

5.3.3 Village Level Institutions (VLIs, e.g. FIGs, SHGs, CIGs, etc.)

The foundation for FPOs/FPCs are small, village-level producer groups. These are known variously as producer groups, Farmer Interest Groups (FIGs), Kisan clubs, and Common Interest Groups (CIGs), etc. The building blocks of the FPOs/FPCs yielded the distinct characteristics of individual FPOs/FPCs. For instance, a few FPOs (15%) also had women farmers because their building block consisted on SHGs fostered and developed long back by the PI (e.g. Malshej FPC). As another example, a few other FPOs (15%) had been formed from two different types of VLIs (FIGs and SHGs) so that in the FPO/FPC, both these types of members were visible. In one case (Sinnar Poultry), the CIGs which had once been prominent had withered away as the company format of the FPO was found to work better.

A few (15%) FPCs (Junnar and Krishi Jivan) were set up in vegetable clusters and Vegetables Growers Association of India (VGAI) played an active role. In these FPCs, the FIGs/VGAI remain connected with the FPO. These FPOs enjoyed high support of the members (around 30-60% of members had become shareholders). In another case, FIGs had continued their work with regular savings and meetings, while the principal activity of the FPOs/FPCs was input demand estimation and distribution. In the case of those FPOs where the building blocks were SHGs, the SHGs had continued to remain active, due to the efforts of the PI and the donor agency (PRODUCE Fund of NABARD). In both cases, the PI had been in constant touch and secondary level institutions of SHGs such as SHG federations. This had made all the difference and ensured the SHGs' continued existence.

5.3.4. Long-Term Vision

Out of 13 FPOs studied, long-term business plans were found to have been formulated in many FPOs (69%). Details of the Long-Term Vision are contained in Table 5.6.

Table 5.6: Long-Term Vision (LTV) and Strategy of Sample FPOs

No.	Name of FPO	LTV and Strategy
1	Karhmai	• to scale up operations (target: 1,000 members in the next year) • to erect a unit with a larger Dal Mill and flour making facilities • to build a storage facility and purchase a vehicle to save on transport costs as in the last financial year, 1 lakh Rs (£1,200) had been spent on transportation • to open an auction facility in the next 2 years
2	Nathsons	• to undertake the processing of ladies finger, beetroot and banana, upon the receipt of the second tranche of subsidy from MACP (Rs 12 lakh) • to enter into contract farming arrangement with KVK for growing of red capsicum, yellow capsicum and broccoli (50 members had already obtained certification in organic farming) • to open three outlets in Pune for direct marketing of vegetables
3	Malshej	• to set up a soybean oil extraction unit
4	Sinnar Poultry	• to establish a sale outlet in Nasik • to enter the field of trading • to approach Nabkisan Finance Ltd for finance
5	Mulla Valley	• to further strengthen Quinoa cultivation under tie-up agreement with Saraswati Devi Memorial Trust, Delhi • to set up food processing units for making – Moong dal Wadi (through SHGs) and packaged spices (ready-to-cook)

6	Five Star	• to enter the field of organic farming • to install machine for onion grading
7	Garbhagiri	• to strengthening participation in Dhanya Mahotsav and to go for direct sale of output to consumers • to set up a common retail outlet in Ahmednagar for output sale • to enter into an agreement for digitalization of input needs of farmers and their land holdings (with help from Rural Development & Agri Business, Bengaluru)
8	Amarsing	• to go for aggregation and sale of onion, through tie-up with Walmart and the Future group, FPC was in process for tie-up with D'mart and Big Basket and there was also Pomogranade Export Tie up under contract • to enter into an arrangement with Wipro for creating an app and a database of members, their input requirements, etc.
9	Kadva Green Future	• to complete a project for packing, grading and cold storage which was under process

5.3.5. CEO, Board of Directors and Other Staff

Running an FPO involves a measure of operational expertise and financial acumen. Ability to analyze the business, to grasp the company's financial performance and to visualize and plan for the future are critical skills in running business institutions.

However, the study revealed that of the 13 FPOs/FPCs, many (69%) had not appointed anyone as CEO. In these FPOs/FPCs, the Chairmen performed executive functions. Only in a few (23%) FPOs (Malshej, Sinnar Poultry, Mulla Valley), CEOs had been appointed. (Their salaries were being paid out of the grant from PRODUCE Fund maintained by NABARD).

Another differentiating factor was the extent of training undergone by the CEOs/executive chairmen and the board members. It was observed that the CEOs had undergone a good deal of training while the executive chairmen had not received training. Moreover, in all but one FPC, the board members were not aware of the Memorandum of Association and Articles of Association of their FPC. In most cases, these two foundational documents had been formulated by the PI, using the standard formats. Furthermore, in all but four cases, the board members were not in a position to make sense of the financial statements. The training inputs received by board members was minimal: in a few FPOs/FPCs (46%), board members had been taken for exposure visit. In case of other FPOs (54%), no training had been organized on FPO functioning. In about 46 per cent FPOs, only one training programme was arranged since their inception. No training programme in any FPO covered the concepts of financial statement analysis or the understanding the FPO business.

In many FPOs/FPCs (69%), computerized accounting systems had been put in place. Of these, 55 per cent FPOs were actively using them and rest 45 per cent were not using quite often. One of the 13 FPOs, audit had not been undertaken in the past two financial years.

Only a few FPOs (23%) had women members on their boards. The women were also part of the finance committee; they clearly held important positions in the board. The literacy level of these women board members was secondary to graduation level.

5.3.6. Staffing, Dependence on PIs

In many sample FPOs (62%) did not have any staff, excluding the CEO. In the remaining 38 per cent sample FPOs, the staff-strength varied from 1 to 20. Amarsing was the best staffed FPO/FPC, with twenty staff-members.

PIs were mostly involved in facilitating the legal processes and registration, in filing of documents to donor institutions (for grants) and in preparation of the long-term vision document. However, in a few FPOs (15%), professionally educated staff members (MBA, B. Com, M.Sc- Ag) enabled the FPO/FPC to carry out these activities without PI support. One of these FPOs was doing quite well (in terms of turnover and profits); it had even hired a professional as its CEO (MBA) and was able to bear the cost of its entire staff (20). However, in other cases, PIs were very closely connected to the FPO.

Thus, if an FPO/FPC is adequately staffed, it will be able to achieve independence from PI within two years of its founding. Further, FPOs with professional CEOs are more likely to stand on their own feet and sooner compared to ad hoc arrangements.

It was also observed that in a few cases (23%), where renowned PIs were involved, the FPOs/FPCs had attained financial viability, still the involvement of PIs was quite high. The reason is the style of operations preferred by these organizations – they prefered working closely with the same community over a long period. On the other hand, where FPOs/FPCs were promoted under PRODUCE Fund/SFAC, the project period was a given and the PIs were able to put in place systems and personnel within the time frame and withdraw to some extent.

Chapter 6

Study Observations: Business Mix And Turnover

This chapter analyzes various aspects of business/activity-mix carried out by sample FPOs. It also dealt with supports received in the form of government grants and corporate, market linkage arrangements /tie-ups and impact of all business activities on turnover of FPOs.

6.1. Business-Mix

This section describes aspects of business/activity-mix carried out by sample FPOs. It also dealt with supports received in the form of government grants and corporate, market linkage arrangements /tie-ups. The business profile of sample FPOs are detailed in Annexure VI.

6.1.1. Input Procurement and Selling

Sixty-two per cent of FPCs had obtained licenses for procuring and selling/ distributing fertilizers to its members and a few FPCs (46%) had got license for procuring and growing crops for the purpose of seeds (Table 6.1). However, only two (15%) FPCs (Karhamai, Amarsinh) had storage structures for storing inputs and they order fertilizers and other inputs in bulk and farmers were purchasing from FPCs as and when they required.

Table 6.1: Status of Licenses for handling Input Supply Services by Sample FPOs

No.	Name of FPOs	Licenses availed			Input supply services/ storage/Input Shop
		Fertilizer	Seeds	Pesticides	
1	Sant Satvajibaba	Fertilizer	Seeds	Pesticides	Input supply services
2	Bahulaone	Fertilizer	---	---	Input supply services
3	Nathson	Fertilizer	Seeds	Pesticides	Input Shop
4	Karhamai	Fertilizer	Seeds	Pesticides	storage
5	Malshej	Fertilizer	Seeds	---	Input Shop
6	Sinnar Poultry	Fertilizer	----	Pesticides	Input Shop
7	Mulla Valley	Fertilizer	---	Pesticides	Input Shop
8	Amarsinh	Fertilizer	Seeds	Pesticides	Input supply services storage

A few (17%) FPCs (Nathsons, Sinnar Poultry, Mula Velley and Malshej) had taken input shops on rent for the purpose of selling inputs. It was also observed that farmers got inputs like fertilizer, seeds, small agricultural implements like pump sets, drip irrigation sets, mulching papers, tarpaulins, etc. at a reduced price ranging from a 4.0 per cent to 20.0 per cent compared to actual market price. It was observed that across all sample

FPCs, only 50-60 per cent of the total requirement of a shareholder is fulfilled through the FPCs. However, financial incapability of FPCs was one of the contributing factors. This provides an opportunity for the FPCs to scale up their input supply services in future.

6.1.2. Market Linkage

More number of FPCs (77%) had performed the role of an aggregator and provide market linkages for commodities produced by FPC members (Table 6.2). While a few (46%) FPCs had market linkage for perishables, other few (30%) FPCs (Karhamai, Garbhgiri, Amarsinh and Five Star) had market linkage for non-perishables like grains and pulses. These FPOs had primary processing facilities, like cleaning and grading. These products were procured and after primary processing, were channeled to markets with proper packaging.

Table 6.2: Services and Infrastructure available with Sample FPCs

No	Name of FPOs	Input selling	Market linkage	Storage facility	Primary Processing	Pick-up Vans
1	Junnar	---	Market linkage	Storage	---	---
2	Satvaji baba	---	Market linkage	---	---	---
3	Bahulaone	---	Market linkage	---	---	---
4	Nathson	Input selling	Market linkage	---	---	Pick-up Van
5	Karhamai	Input selling	Market linkage	Storage	Processing	---
6	Krishi Jeevan	---	Market linkage	---	---	---
7	Kadava G	---	Market linkage	---	---	---
8	Five Star	---	Market linkage	---	Processing	---
9	Garbhgiri	---	Market linkage	Storage	Processing	---
10	Amarsinh	Input selling	Market linkage	Storage	Processing	Pick-up Van

Five Star has the sorting and grading facility for onion. With fund support from MACP, along with an input selling shop, Nathsons had also set up its pack house for sorting and grading fresh vegetables and a vehicle for transportation of fresh vegetables. Amarsing had also its own pick-up van for the transporting produce for cleaning and grading and direct or contract selling. Karhmai and Amarsing were the two leading and progressive FPCs in terms of procuring inputs, providing market linkage to the produce and also installing primary processing facilities for cleaning, grading of grains, particularly pulses produced by members and non-members. With fund support from World Bank aided MACP, both had set up cleaning, grading unit and also Dal milling units.

Grant support during the early stages had helped all FPCs to stand out. Many FPCs (69%) were promoted/formed under MACP grant support. Out of these, a few (55%) had availed second phase MACP support and set up primary processing facilities like cleaning, grading units, pack houses and other related infrastructure. A few FPCs (23%) had availed grant support from PRODUCE Fund implemented by NABARD under which Producer Organisations Promoting Institutions (POPIs) were engaged for promotion and nurturing of FPCs, Grant support was provided over a three-year period to the tune of Rs

5.00 lakh to FPOs/FPCs for registration, salary of CEO, administrative expenses and revolving fund and Rs 4.00 lakh to POPIs for mobilization of farmers, training/ exposure visits, training of POPI staff, FPC directors, CEO of FPCs , administrative expenses, etc.

6.1.4. Government/ Corporate Arrangements /Tie-ups

A few (38%) FPCs (Junar, Karhmai, Krishi Jeevan, Garbhgiri and Amarsing) had got SFAC-MSP linkage for procurement and marketing of pulses. A few (15%) other FPCs (Five Star and Krishi Jeevan) had a SFAC order for procurement and supply of onion to NAFED. Corporate tie-ups/ arrangements were also observed. One FPC (Sri Sant Satvajibaba) had a corporate tie up for potato with PepsiCo which took care of the packaging and transportation from the individual farmers. However, there was no contractual agreement with the company. It had a similar kind of arrangement with Amul for procuring milk from farmer members having milch animals. About 197 members owning dairy had an agreement with Amul for sale of milk. A chilling plant had been provided by Amul in the godown belonging to FPO. The vegetable output like, tomato, cabbage, capsicum, cauliflower, onion, etc. were aggregated by Kadva Green FPC and supplied to Star Bazar and Reliance Fresh. For table grapes, it had an agreement with Monsoon Foods. Details of business mix /corporate tie-ups by FPCs is elaborated in Table 6.3.

Table 6.3: Business Mix/Market Linkage through Govt./Corporate Tie-ups by sample FPCs

No	Name of FPCs	Main Business	Market Linkage through Govt./Corporate Tie-ups
1	Junnar	Selling of organic inputs, Direct marketing of vegetables	-----
2	Satvaji baba	Aggregation of Potato and Milk	Arrangement with PepsiCo (Potato) and Amul (Milk)
3	Bahulaone	Aggregation of outputs	-----
4	Nathson	Marketing of inputs aggregation of outputs	-----
5	Karhamai	Agri input supply centre, Cleaning and Grading unit, Mini dal milling unit	SFAC-MSP order for procurement/ marketing of pulses
6	Malshej	Input Service Centre	-----
7	Krishi Jeevan	Direct Marketing of F & V, Custom hiring of farm machinery	SFAC-MSP order for procurement/ supply of onion, tur dal, chickpea, etc.
8	Kadava G Future	Aggregation of vegetables Drying and processing of Grapes.	Supply contract with Star Bazar, Reliance Fresh for vegetables and Monsoon Foods for Table Grapes
9	Sinnar Poultry	Input shop for Feed, Medicines, Bio Security sanitizers, Poultry equip, etc.	-----
10	Five Star	Sale of aggregated onion and vegetables under tie up	SFAC order for procuring and supplying Onion to NAFED
11	Mulla Valley	Input Service Centre	Quinoa in tie-up with Saraswati Devi Memorial Trust (SDMT), Delhi
12	Garbhgiri	Cleaning and Grading Unit Crops: Cereals & Pulses	SFAC-MSP order for procurement/ supply of chana dal. Quinoa cultivation in tie-up of SDMT, Delhi

13	Amarsing	Cleaning, grading and sorting and seed production, Crops: Soyabin, Gram, Tur, Oilseeds	SFAC-MSP linkage for procurement and supply of chana dal

The major observations made in connection with the role of FPOs in input procurement and market linkage of the produce of members are:

- Majority FPCs (77%), who had initiated direct marketing of the produce of the shareholders, were *able to provide marketing services only to a limited number of their farmers because of the financial constraint.* In operational area of some of the FPOs, the real need of the area as expressed by the shareholders was to provide marketing support to the farmers with required infrastructure like cold storage, warehouses, etc. But, except those FPCs who availed MACP grant for primary processing, all others were struggling to establish their business because of lack of capital.

- FPCs which were promoted by Government agencies *with Government grants had better* convergence *with the Government schemes. As observed in previous paragraph,* Government schemes were tapped for creation of infrastructure facilities like sheds and storage structures, pick-up vans, primary processing facilities, etc.

6.2. Activity Mix and Turnover

In order to analyze FPCs in terms of their age profile, sample FPCs were categorized as older (incorporated in 2013 and before), middle-aged (incorporated in 2014 and 2015) and young (incorporated in 2016 and after).

The study observed that among the older FPCs (4), information could not be ascertained for two. For one FPC, the annual turnover (Satvajibaba) increased from Rs.33 lakh (2014-15) to Rs.56 lakh (2016-17) in two years' time period. For the other FPC (Amarsing), the annual turnover jumped from a very negligible amount in 2014-15 to 0.50 cr. in 2015-16 and multiplied to a staggering Rs.44 cr. in 2016-17. Bulk order for MSP procurement from Central Government for procurement of soyabean, gram and tur, assured market for its seed production activity, collective market linkage for onion and pomegranate had contributed to the high turnover of the FPO in a span of three years' time. The FPC, after cleaning, grading of procured pulses, could supply to FCI, Maharashtra Civil Supply Corporation, NAFED (onion), etc. For seeds, linkage with cooperatives, and agriculture departments to supply seeds produced by its members yielded significant returns.

Among the middle aged FPOs (8), data/information were ascertained for six FPOs. One FPO (Karhmai) could cross the one crore limit and reached Rs.1.24 crore followed by another (Bahulaone) reaching Rs. 98.6 lakh during 2016-17 challenging even older FPOs*. Garbhgiri FPC has also experienced a significant jump from Rs.1.8 lakh (2015-16) to Rs.28.5 lakh in 2016-17. No* FPO experienced a dip in their turnover over last two-three years.

Five star was the lone FPC under the young category didn't have any published figures and is to bring out its first balance sheet/audit/annual report during 2017-18, but performing exceptionally well, as informed by the Board Members. Onion, Maze, Chilli, Tomato and Cabbage are the main crop of all members. The FPC took a plot on lease for 29 yrs @ rent of Rs. 6000/- pm and constructed a shed. It availed first tranche of MACP grant and erected shed and recently installed a machine for cleaning and grading of onion.

Out of the total expense of Rs.16.50 lakh for shed and machine for cleaning and grading onion, it availed 80 per cent as grant from MACP (Rs.13.5 lakh) and rest Rs.3.0 lakh was spent from their own equity fund. The FPC was yet to obtain its input sale license and so far procured inputs from another FPC (Sahayadri FPC). All members' raised onion on contract arrangement and supplied to NAFED on advance payment. FPC had a vision to focus more on organic farming in future and to open individual outlets in Nasik and Mumbai city to sale organic crops. Turnover by all eight sample FPCs is as presented in Table 6.4.

Table 6.4: Turnover by sample FPCs

No	Name of FPOs	Date of Registration	2014-15		2015-16		2016-17	
			Turnover (Rs. Lakh)	Profit/ Loss (Rs. Lakh)	Turnover (Rs. Lakh)	Profit/ Loss (Rs. Lakh)	Turnover (Rs. Lakh)	Profit/ Loss (Rs. Lakh)
1	Satvaji baba	25.07.2013	32.77	0.20	37.69	0.11	56.04	0.22
2	Bahulaone	17.04-2015	---	---	NA	NA	98.59	0.64
3	Nathson	23.01.2015	---	---	46.31	0.14	71.16	0.09
4	Karhamai	05.06.2015	---	---	6.30	0.62	124.15	0.05
5	Malshej	14.10.2015	---	---	10.32	0.05	37.59	0.05
6	Sinnar Poultry	09.10.2014	---	---	3.48	-0.63	32.92	-0.33
7	Garbhgiri	25.08.2015	--	-0.20	1.82	-1.18	28.53	-0.11
8	Amarsing	29.04.2013	NA	-0.17	48.65	0.20	4431.41	4.48

The major observations made in connection with activity-mix and impact on business turnover are:

- FPCs were involved in more than one activity, like, input procurement and selling, market linkage for the commodities produced by the member farmers, primary sorting and grading of the commodities, Government and corporate tie up for supply of crop output, mostly pulses and onion, etc. It was observed that when the FPC, along with procuring inputs, diversified its activity to aggregation of produce and provide a collective market linkage, it achieved high turnover leading to breakeven. The earlier *the FPO diversified its member-centric services from input procurement and distribution to aggregation of produce* and linking to *market, the sooner it achieved high turnover leading to attaining break even.* Three FPCs (Karhmai, Amarsing, Nathsons) had achieved high turnover (ranging from Rs. 0.99 cr to Rs. 44.31 cr.) over a period of three to four years.

- The ability of CEO /Board Members to take correct strategic decisions, quick and smart strategies, appropriate pricing policy/sales policy were few critical factors that contributed to increase in the business and turn over.
- It was also observed that FPOs which were primarily dealing with high value commodity (pulses, and high-end vegetables like onions, grapes, pomgranate) as their major commodities attained high turnover in lesser time as compared to FPOs dealing only with input procurement and selling.

FPOs as stratified in terms of age and their business-mix and turnover details have been summarized in the Table 6.5.

Table 6.5: Business Mix and Turnover

Parameters	Old: 2013 and before (4)	Middle aged: 2014-2015 (8)	Young: 2016 and after (1)
Input procurement and supply service and availability of Storage Infrastructure	Available	Available for six FPOs	Not Available
Aggregation of Produce and Market Linkage, storage and vehicles	Market linkage, storage and pick-up van available	Market linkage for all FPOs	Market Linkage
Primary processing: cleaning, sorting and grading	Available for one FPO	Available for three FPO	Not Available
Government / Corporate tie-up for primary produce	PepsiCo (Potato) and Amul (Milk, contract with Star Bazar, Reliance Fresh for F & V and Monsoon Foods for Table Grapes, SFAC-MSP procurement of red gram	SFAC-MSP procurement of pulses, Quinoa in tie-up with Saraswati Devi Memorial Trust (SDMT), Delhi	SFAC-MSP procurement of Onion and supply to NAFED
Annual Turnover of sample FPOs (₹ Lakh)	2243.72	65.49	3.29

Chapter 7
Study Observations: Capital and Access to Bank Finance

This chapter details various aspects related to the equity capital raised by sample FPOs/FPCs. The first section discusses the nature and mode of equity contributed by FPC members followed by a section on financial needs of FPOs and field observations on bank linkage by sample FPOs.

7.1. Equity Capital

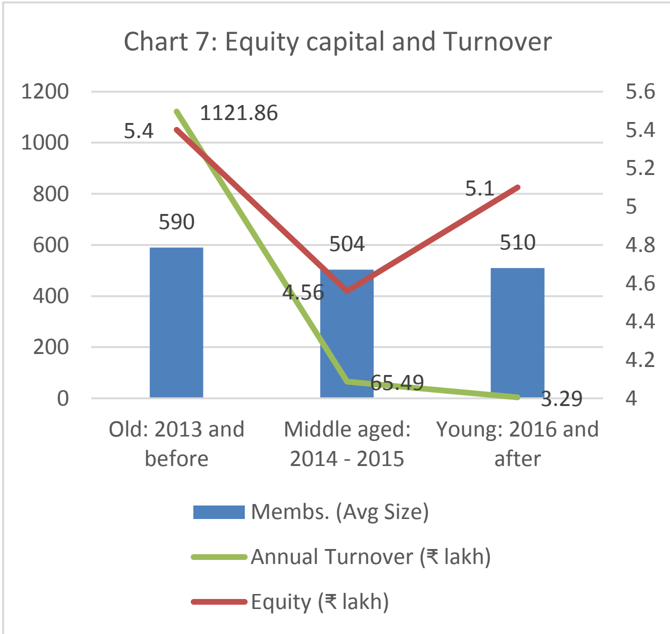
In all sample FPOs, shareholders contributed Rs.1000 as equity. Distribution of sample FPCs based n amount of paid up equity contributed by shareholders, it is observed that three FPOs are in the range Rs. 1-3 lakhs, five each in the range of Rs 3-6 lakhs and above Rs.6 lakhs, respectively (Table 7.1).

Table 7.1: Distribution of Sample FPCs by Paid up Equity of Shareholders

State	Total	1.0 -3.0 lakh	3.1 – 6.0 lakh	6.1 lakh & Above
Pune	7	2	5	---
Nasik	3	1	2	---
Ah'nagar	3	---	2	1
All	13	3	9	1

The low equity base for start-up of the FPOs got reflected on the low turnover of the FPO in the beginning years. *FPOs with low equity base are struggling to establish themselves and fulfilling the needs of their shareholders on time.* Older FPOs had an average turnover of Rs. 1121 lakh during 2016-17 as compared to younger FPOs (Rs.65.5 lakh for mid-aged and Rs.3.3 lakh for new FPO).

Age of FPOs	Membs. (Avg Size)	Equity (₹ lakh)	Annual Turnover (₹ lakh)
Old: 2013 and before	590	5.40	1121.86
Mid. aged: 2014-15	504	4.56	65.49
Young: 2016 & after	510	5.10	3.29



Many FPOs (54%) had the equity base of above Rs. 5 lakhs (Table 7.2). An analysis of high equity with institutional capability of the FPO with respect to robustness of its VLIs showed that *as many as a few (38%) FPOs (had fairly active VLIs* and a few other (15%) FPOs (Karhmai & Amarsing) with the highest turnover (of > Rs. 1 Crore). *These FPOs were common in the list of FPOs performing better in all three parameters of high turnover, active VLIs and high equity base. It may be* observed that wherever the "bottom-up" model was followed with active VLIs, the level of trust among shareholders, and efficient governance mechanism adds to high turnover of FPCs.

Table: 7.2: High Equity FPOs and comparison with Turnover Performance

No.	Name of FPOs	No. of Share holders	Equity Capital/ Shareholder	Equity (Rs.)	Turnover (Rs. Lakh)
1	Bahulaone	310	1000	583000	98.59
2	Karhamai	650	1000	534000	124.15
3	Malshej	500	1000	500000	37.59
4	Kadava Green	510	1000	510000	NA
5	Five Star	510	1000	510000	NA
6	Mulla Valley	412	1000	618000	NA
7	Amarsinh	280	1000	500000	4431.41

7.2. Financial Needs of FPOs: Field Observations

The financial needs of the FPOs in the initial stage revolve around the mobilising of farmers, registration cost, costs of operations and management, training and exposure visits. Later, in addition to short term working capital, term loans are also required to build infrastructure when FPOs want to move up the value chain. This section discusses the assessment of financial needs of FPOs and field observations on credit linkage by sample FPOs.

7.2.1 Grant Support to FPOs

In the initial stage, a major challenge for FPOs is to mobilise farmers, register FPOs, costs of operations and management, training and exposure visits, etc. Therefore, the financial need revolved around these aspects. Accordingly, PIs required grant support to set up the FPOs, took them through the various systems and process, including most importantly governance, self-management, etc. For this purpose, grant support was received by a few (23%) sample FPOs (Malshej, Mulla valley, Sinnatr Poultry) from PRODUCE Fund managed by NABARD (Table 7.3). From this Fund, assistance of Rs 5.00 lakh to FPOs and Rs 4.00 lakh to PIs was provided over a three year period. The grant to PIs was utilized for mobilization of farmers, training/ exposure visits, training of PI staff, PO directors, CEO of POs, administrative expenses, etc. The grant to FPOs was utilized for registration, salary of CEO, administrative expenses and revolving fund. For three FPOs, the grant support was availed from SFAC through PIs/resource support institutions. Seven FPOs got fund support under MACP from Government of Maharashtra in the range of Rs.6.5

lakh to Rs.13.5 lakh as handholding support as also for creating primary processing facilities.

Table 7.3: Sample FPOs and Facilitating Institutions

No.	Name of FPC/ FPO/ APC	Year of Registration	Donor/ Facilitating Institution
1	Malshej MPC	2015	PRODUCE Fund
2	Mulla Valley FPC	2015	PRODUCE Fund
3	Sinnar Poultry FPC	2014	PRODUCE Fund
4	Shree Sant Satvajibaba FPC	2013	MACP
5	Bahulaone Agro FPC	2015	MACP
6	Nathson FPC	2015	MACP
7	Karhamai APC	2015	MACP
8	Five Star Green	2016	MACP (Rs. 13.5 lakh)
9	Garbhgiri FPC	2014	MACP (Rs. 7.5 lakh)
10	Amarsinh APC	2013	MACP Support (Rs. 13.5 lakh)

It was observed that after the use of the promotional grant support, FPOs faced challenges in meeting the operating expenses of the FPOs. FPOs required working capital to begin early stage business activities such as the bulk purchase of inputs for members. However, the equity contributions were often insufficient to sustain operations. It was also observed that for FPOs, it appeared, those dealt with non-perishables (Karhmai, Amarsing, Nathsons and Garbhgiri) stabilized faster than those dealing with perishables.

7.2.2 Assessing the credit requirement of FPOs

As FPOs expand they need finance to improve product and service quality. In addition to short term working capital, term loans are required to build infrastructure when FPOs want to move up the value chain. The quantum of capital depends on the nature and volume of the business undertaken by FPOs. Consideration of the following components is critical for planning and optimum utilization of financial resources by FPOs. A critical evaluation of these aspects would provide a reliable estimate of capital requirements.

- Number of primary producers/acreage/products and its month wise availability
- Total expected volume of raw produce to be handled
- Time lines of the activities
- Purchase and sales price
- Existing Credit limits with the member farmers of FPO
- Storage requirements of the produce
- Packaging and transportation costs
- Grading/processing facilities required
- Insurance and marketing costs

FPOs require working capital for procurement of inputs and aggregating, storing and marketing of the produce. Term loan is required for creating infrastructures like warehouse, cold storages, farm tools & machineries based on scale of operations and value addition requirements. However, FPOs face challenges in mobilization of both working capital and term loans. For banks, FPO is a commercial entity and therefore they require (i) margin money contribution to the working capital limit, (ii) provision of collateral security for the loans sanctioned. Initially, FPOs also do not have credentials for showcasing their successful businesses, which also makes the banks uncomfortable for initial financing.

7.2.3. Access to credit –Observations from Sample FPOs

The field study observed that only 38 per cent sample FPOs applied for credit (Table 7.4). Out of these, a few (60%) FPOs received credit (Karhmai by Pune DCCB, Sinnar Poultry by Nabkisan and Amarsing by Sannunmati Finance) and for other few FPOs (40%), banks were approached for loan, but turned down on account of non-submission of three years balance sheet (Bahulaone, Union Bank of India) with good track record and one Board Member was a defaulter for his earlier loan (Nathson, UCO Bank). Many sample FPOs (62%) did not apply for any loan, reason being that vegetable was the major commodity. Because of the nature of commodity, these FPOs were able to generate enough working capital and hence did not feel the necessity of applying for a loan.

Table 7.4: Status of Bank Finance for Sample FPOs

No.	Name of FPOs	Bank with Current Account	Applied for Loan (Yes or No)	Status of appln.
1	Bahulaone	Union Bank	Yes (Rs.10.lakh)	Not sanctioned. (Rqd 3 yrs audited BS)
2	Nathson	UCO Bank	Yes (Rs.10 lakh)	Not Sanctioned. (One Board Memb, a defaulter
3	Karhamai	Pune DCCB	Yes (Rs.5 lakh	Sanctioned
4	Sinnar Poultry	BoM & IDBI	Yes (Rs. 25 lakh)	Sanctioned by Nabkisan
5	Amarsinh	Union bank, BoM & SBI	Yes (120 lakh)	Sanctioned by Sannumati Finance)

Lack of solid track record for three years was one of the major reasons of rejection of credit application by public sector banks. FPO/FPC directors were unable to provide immovable assets as collateral. In most of FPOs, the immovable assets, i.e., land (plot used for sheds), input shops, storage structures, etc. were on long-term lease of 30-35 years). Further, while FPOs had low internally generated funds, as against which cash credit limit required by FPOs were double or more than double of their contributed equity. As compared to the cash credit limit, banks felt more comfortable where the FPOs had put in good amount of their capital. Bank branches were also not aware of details of FPO related schemes, but when approached by the study team they showed positive response to finance the FPOs. FPOs found it more convenient to start their relationship with NBFCs like Sannunmati Finance and Nabkisan, rather than going through the grind of regular banking channel. An amount of Rs.120 lakh was sanctioned by Sannunmati Finance to Amarsing FPO. Sannunmati Finance provided working capital without collateral @ 20 per cent interest. They also provided training to to FPO office bearers.

However, FPOs try to overcome these challenges by (i) effective liasoning with input suppliers for availing input credit, (ii) networking and utilization of nearby warehouses/cold storages and hiring of farm machinery, (iii) initially starting with limited number of member producers and showcasing its successes in the first or second year of operations to the banks, which provides a positive outlook for finances, (iv) exploring various other financial support from government and other agencies, and (v) approaching other financial institutions, particularly NBFCs for creating need based infrastructure.

STUDY OBSERVATIONS: BUSINESS PROCESSES AND AGRIVALUE CHAIN

One of the major objectives of integrating farmers is to make agriculture profitable by involving farmers along the entire agricultural value chain through FPOs. This chapter details the involvement of sample FPOs in business processes with both backward and forward linkages thus initiating value chain in agriculture.

Sample FPOs undertook more than one activity, dealt with more than one commodity thus ensuring year-round sustainability. The FPOs provided necessary inputs to the members thus initiating backward linkage and later provided forward linkage by facilitating market linkages for the farm produce. The scale of operations enabled members to save money on inputs and also get a better share of the market price by working directly with corporates. In the process, these FPOs also served as knowledge delivery institutions for the farmers

8.1 Seed Production and Marketing

The business of seed production and marketing requires assured availability of storage facility, stock-holding and management capacity. The certification process also involves various stages over almost 6-7 months' time,. Only selected farmers can be seed producers. The selection is based on various factors like, the land availability of the farmer, irrigation facilities available to the farmer, financial capacity of the farmer. They need to be registered, trained and follow a strict protocol. FPOs in seed production can get into assured govt. market by becoming seed wholesaler to govt agencies and sellers to other cooperative societies, etc.

Among the sample FPCs, a few (30%) FPCs (Karhmai, Kadva Green, Garbhagiri and Amarsing) had obtained license for seed making. However, Kadva Green had not initiated the process of seed making. In case of two FPOs (Karhmai and Amarsing), the FPO business activities revolved round the seed value chain. Three other FPOs also had a vision to initiate seed production and sale business line in near future. Another FPO (Satwajibaba) had benefitted from the backward linkage in procurement of high yielding potato varieties such as Atlanta, 1533, FC3, FC5, etc., The FPO was involved in production of seedling/ saplings for sale to shareholders. They operate a central Nursery and seedlings were prepared based on prior collection of shareholders demand.

8.2 Procurement of Inputs

Sample FPOs procured seeds from one or more of these sources – Local Traders, Dealers, Govt. Department, or by own seed production. Fertilizers and Pesticides were procured from one or more of these sources – Local Traders, dealers, getting a sub-dealership for a larger dealer, getting a company dealership. Sixty-two per cent FPOs had got licensees, out of which four had got direct dealership from the manufacturing company. Dealership license direct from company gave better margins to FPO but usually a company dealership was given for a whole area and on outright cash purchase of stock. Thus, this required selling to all people in the area and not limiting it to members and shareholders. Purchasing from local dealer gave lesser margin but it had the merit of buying on credit basis and returning unsold stock.

For procuring inputs to sell over and above members' demand, estimates and targets were set centre-wise, based on cluster size. A few (15%) FPCs (Amarsing and Garbhagiri) have a vision to develop apps and also a software to capture data on farmers, their input requirements, period wise. The procedure for payment for inputs ordered by the members varied across FPOs. Two FPOs took a partial advance from members at the time of collecting indent, while others sold inputs to members on cash-and-carry basis.

Thirty per cent FPOs had opened separate outlets/shops and the other thirty per cent distributed inputs from their godown/office premises. The separate outlets worked as functional sales shops for purchase by shareholders and non-shareholders. In the case of a few (23%) FPOs, the sales outlet were conceptualized as a complete Agro-service Centre (Nathsons, Malshej, Mulla valley). The FPO (Nathsons) used its input shop for marketing all agricultural inputs (Seeds, Fertilizers, Pesticides, Insecticides and weedicides) to both members and non-members at a margin of five per cent. One FPO (Sinnar Poultry) sold inputs at a rate slightly lower than the market rate to shareholders (Cost + 8%) and kept a higher price for non-shareholders (Cost +13 %). Inputs consisted of feed supplement medicines, bio security sanitizers, rice bran pots, poultry equipment and curtains for poultry. The FPO also engaged in facilitating trading for poultry infrastructure. Malshej FPC had established an outlet (Agriculture Service Centre) and a CEO was appointed and trained for overall management of the outlet. All the purchases were done through the procurement committee comprising of two Directors and one representative of the PI (LHWRF). Farmer members and non-members were getting quality input materials in their own village with a benefit of reduction in cost as the selling price of material was much lesser than market value. Karhmai FPC had contracted with 26 companies for bulk procurement of agri inputs.

The major observation made on the input procurement mechanism by eight FPOs are that these FPOs provided necessary inputs to the members and non-members thus initiating backward linkage and the scale of operations enabled members to save money on inputs.

8.3 Aggregation of Output

Aggregation or outright purchase from shareholders and sold in local mandi or to wholesaler thus minimized or completely wiped out middleman, which was a significant market linkage service provided by majority (77%) sample FPOs. All had direct marketing licenses from appropriate authorities. Six FPOs were involved in wholesale marketing, tie-up arrangement with big retail outlets, like Walmart, Reliance Fresh, Star Bazar, Big Basket, etc. They also had retail sale business at the local mandi or to a local wholesaler. Mulla Valley and Garbhagiri FPC members were doing Quinoa cultivation and were supplying to Saraswati Devi Memorial Trust, Delhi under a contractual agreement. Aggregating, storing and selling the commodity when the prices are optimum, in peak season was undertaken only by two FPOs. In such cases, when large quantities need to be aggregated, only part payment was made immediately to the shareholders from whom it had been procured. The remaining amount was paid later after the sale.

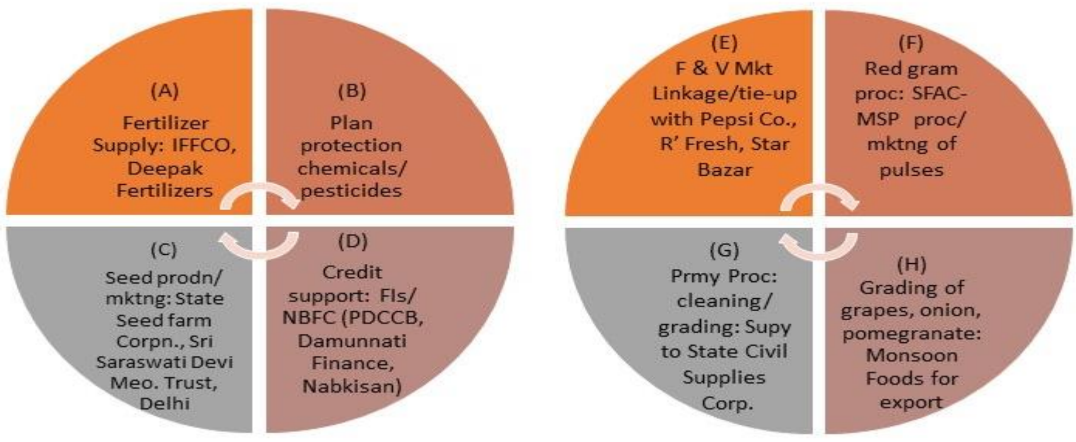
In case of one FPO (Amarsing), involved in soyabean purchasing/warehousing and receipt financing made significant turnover since 2014-15. It is worth mentioning that the FPO had a dual marketing model for the procured output – 30 per cent of the total procurement was bought by the FPO from farmers and then sold in the market and other 70 per cent was bought from the farmers by paying cash at 70 per cent of the cost. This quantity was further stocked in the warehouse which was sold in peak season and some quantity was also traded through NCDEX during lean season.

Fortry-six per cent FPOs (Junar, Karhmai, Krishi Jeevan, Garbhgiri and Amarsing) had participated in MSP procurement order through SFAC. A few (15%) FPCs (Five Star and Krishi Jeevan) had order for procurement and marketing of onion to NAFED. These FPOs involved in large scale aggregation and sale, had also bought from non-shareholders or even from the mandi to make up for large quantity commitments.

8.4 Processing and Value addition

A few (23%) FPOs (Karhmai, Garbgiri and Amarsingh) involved in grains and pulses had primary processing facility as cleaning and grading units. They have also dal mills.
No FPOs had initiated any secondary processing facility.
A chart below summarizes the backward and forward linkages experienced by sample FPOs.

Chart 6: FPOs: Reaping the benefits of Agri value chain - Backward (A, B, C, D) & Forward (E, F, G, H) Linkages



The conclusion drawn on the analysis of the observations is that the major objective of integrating farmers to make agriculture profitable by involving farmers had been attempted by majority of FPOs, who had been into business processes of both backward and forward linkages along the entire agricultural value chain of procurement of inputs, aggregation of output, providing direct market linkage and also initiating primary processing for making available remunerative prices to primary producers.

CHAPTER 9
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The present study is an attempt to understand the current status of functioning of FPOs, analyze their governance and management practices and examine their performance and constraints in future growth. The State of Maharashtra was purposively selected for conducting the study. Similarly, three districts, i.e., Pune, Nasik and Ahmednagar were purposively selected based on their significance in number of FPOs/FPCs, production of major horticultural crops Thirteen FPOs were selected for study based on different criteria like commodities/crops, activity and services they offer, age profile, nature of promoting institutions (PIs), etc.

A. Major Findings:

The findings of the study are as detailed in following paragraphs.

1. Governance and Group Dynamics

- The study observed that the group dynamics and the governance aspects of sample FPCs were quite encouraging. In all sample FPCs, farmers were mobilized at the primary village level coming together as members of farmers' interest groups (FIGs) of different kinds with an average of 25 to 30 members per FIG. Rigorous meetings by the PIs in each FIG was done before formation of FPOs.
- The study also observed that the constitution of Board in all FPOs was in the range of 6-12 and majority followed a bottom-up approach. Wherever the "bottom-up" model was followed, the level of trust among shareholders and FIGs regarding governance of the FPCs was found to be quite high. Board Meetings were monthly and regular. Annual general body meetings (AGMs) in majority of FPOs (77%) were conducted once a year, mostly after annual audit and accounts reports are prepared. However, mostly, AGMs were reportedly held for the sake of compliance. Low participation of the shareholders in the annual general body meetings was also observed.
- It was observed that for all FPCs, except one, the annual financial audit was observed to be regular and systematic. In majority FPOs (69%) there was a computerized accounting system. The training inputs received by the board members were quite minimal. In about six FPOS (46%), the board members had undertaken exposure visit.

2. Business Mix and Turnover

- The business processes initiated by sample FPOs were quite inspiring. Majority (62%) had availed licenses for procuring and distributing (selling) of fertilizers to its members. It was also observed that farmers were getting inputs like fertilizer, seeds, small agricultural implements like pump sets, drip irrigation sets, mulching papers, tarpaulins, etc. at a reduced price (ranging from a 4.0 % to 20.0 %) as compared to actual market price.

- Majority of FPOs (77%) were performing the role of an aggregator and were collecting the produce from farmers for providing direct market linkage. However, a few FPOs (31%) had installed facilities for primary processing, like cleaning, sorting, grading of grains, mostly pulses and also sorting and grading of onion. No FPC had initiated secondary processing.
- All FPOs had received grant and handholding support during the early stages. Majority of sample FPOs (69%) were promoted/formed under MACP, a project by Govt. of Maharashtra with fund support from World Bank. Five (38%) FPCs had utilized the grant support for developing different types of primary processing facilities and other related infrastructure. A few sample FPCs (23%) had availed grant support from PRODUCE Fund implemented by NABARD.
- The study observed that FPCs which were promoted by Government agencies with Government grants had better convergence with the Government schemes. Government schemes were tapped for creation of infrastructure facilities like sheds and storage structures, pick-up vans, primary processing facilities, etc.
- It was reportedly observed that FPOs which were primarily dealing with high value commodity (pulses, and high-end vegetables like onions, grapes, pomegranate) as their major commodities had attained high turnover in lesser time as compared to FPOs dealing only with input procurement and selling.
- Another major observation of the study was that older FPOs performed better as compared to young ones. The ability of CEO /Board Members to take correct strategic decisions, quick and smart strategies, appropriate pricing/sales policy were few critical factors contributed to the growth in business turnover of sample FPOs.
- The study also observed that when the FPCs, along with procuring inputs, diversified its activity to aggregation of produce, provided a market linkage to the produce aggregated, it achieved high turnover in shorter span of time leading to breakeven. The earlier the FPO diversified its member-centric services from input procurement and distribution to aggregation of produce and linking to market, the sooner it achieved break even with high turnover.

3. Agrivalue Chain Systems

- The major objective of integrating farmers into FPOs is to make agriculture profitable by involving farmers along the entire agricultural value chain. Majority FPOs (62%) had involved in procurement of inputs for members. However, only a few (23%) FPOs had sales outlets conceptualized as complete Agro-service Centre.
- Aggregation and outright purchase from shareholders and sold in local mandi or to wholesaler thus minimizing or completely wiping out middleman is a significant

market linkage service provided by about 77% of sample FPOs. All they had direct marketing licenses from appropriate authorities. In six FPOs, where farmers having vegetable farming were involved in wholesale marketing, tie up arrangement with big retail outlets, like Walmart, Relience Fresh, Star Bazar, Big Basket, etc.

- Only 23% FPCs had availed license for seed making and the FPO business activities revolved round the seed value chain. These FPOs played their role as producer, processor, wholesaler, retailer thus actively participating in the entire agrivalue chain system.

4. Capital and Access to Bank Finance

- The field study observed that equity capital @Rs.1000/- was contributed by each farmer shareholder in all FPOs. Distribution of FPOs in terms of equity amount raised was Rs. 1-3 lakhs in three FPOs (23%), Rs 3-6 lakhs in five FPOs (38%) and more than Rs.6 lakhs in other five FPOs (38%). *FPOs with low equity base are struggling to establish themselves for fulfilling the needs of their shareholders on time.*
- There were seven FPOs (54%) with equity capital of Rs. 5 lakhs and more. FPOs had low internally generated funds, as against which required CC limit were double or more than double of their contributed equity. However, FPCs were unable to provide immovable assets as collateral required by the banks. In majority FPOs, the immovable assets, i.e., land (plot used for sheds), input shops, storage structures, etc. were on long-term lease of 30-35 years).
- Only five sample FPOs (38%) applied for credit. While three FPOs received credit by Pune DCCB and NBFCs (Nabkisan and Sannunmati Finance) for other two, banks were approached for loan, but turned down on account of non-submission of three years balance sheet with good track record and one Board Member was a defaulter for his earlier loan. Eight sample FPOs (62%) did not apply for any loan, reason being that vegetable was the major commodity. Because of the perishable nature of the commodity, these FPOs were able to generate enough working capital and did not feel the necessity of applying for a loan.

B. Policy Recommendations:

- Governmental support in the form of grants during the early stages of the FPOs makes them stand out and need to be strengthened both by State and Central Govt. A significant step announced by Govt. is exemption of FPO/FPC from corporate tax for five years and need to be continued as during initial years it will facilitate FPOs to strengthen their internal resources.

- The PCs suffer from lack of finance in the formative years. Many State Govts, like MP, Maharashtra have their own support mechanism for FPOs. The PODF/PRODUCE Fund of NABARD need to be further strengthened to cover more FPOs. SHGs play a big role as VLIs for strengthening FPOs. Fund will further enhance the business plan based loans and capacity building grants to promoting agencies.

- The Annual General Body meetings of the company is more of compliance. It, though, conducted on regular basis are not attended by all the farmers. Even though the nomination to Board of Directors are done by any election process, the influence of the POPI and influential, politically, socially influence the decisions without involving the majority of the farmer members, which damage the confidence of the investors (farmers). Hence, the active participation of the farmers need to be ensured for sustainability of these organizations.
- The members who had participated in the activities of the company were not aware of the role of the organization in its entirety. Their perception is limited as they viewed the organization similar to that SHG/JLG. To realize the full potential of FPO as a business enterprise with full legal protection, the awareness among the farmers should be increased about the role of FPOs and the benefits that they can reap from it.

- It is argued that effective farmer producer organizations need to have clarity of mission, sound governance, strong responsive and accountable leadership, social inclusion, have high technical and managerial capacity and effective engagement government agencies, private corporates. But, even this needs to be supplemented by supportive and enabling legal, regulatory and policy environment that guarantees autonomy and level playing field So there is a need for a central agency to promote PCs with grants and disseminate awareness about the concept and practices of FPOs among farmer producers and other stakeholders

- The FPOs need to choose their activity portfolio carefully keeping in mind the member centrality. However, they need to diversify fast, adopt business-cum-activity-mix, to increase turnover and garner profits. It is possible to identify new activities in local areas which are valuable for small farmers e.g. custom hiring of farm machinery and equipment which they can't afford to buy but can rent in.

- The FPOs practicing organic farming can be designated as certifying agencies for third parties and individual growers by the union government agencies like APEDA. The promotional and non-governmental organisations supporting these FPOs should be given project based grants by the state/union government.

- Both the state and the union governments in India should recognise FPOs as producer cooperatives and extend all support as extended to traditional cooperatives in terms of credit, licenses for inputs and output sale and purchase. They should be considered eligible for investment and working capital grants for processing and marketing infrastructure creation.

- None of the FPOs availed bank finance from public sector banks. The inclusion of a local financing agency personnel, may be a retired official on the board of FPO can facilitate in the direction of bank linkage, which may be explored as a policy option. Banks give collateral free loans to Small and Medium Enterprises (SMEs) which can also cover FPOs. It is also suggested that high equity-turnover FPOs/FPCs can be treated as NBFCs to provide loans to farmer members.

Annexure I
State-Wise Total No. FPOs Promoted by SFAC

State	Total FPOs/FPCs	No. Regd before 2013	No. Regd after 2013
Andhra Pradesh	07	05	02
Arunachal Pradesh	02	02	00
Assam	12	00	12
Bihar	19	12	07
Chhattisgarh	18	05	13
Delhi	04	04	00
Goa	02	00	02
Gujarat	20	08	12
Haryana	23	13	10
Himachal Pradesh	05	00	05
Jammu (Division)	01	01	00
Srinagar (Division)	01	00	01
Jharkhand	08	08	00
Karnataka	115	14	101
Madhya Pradesh	127	34	93
Maharashtra	85	34	51
Manipur	04	02	02
Meghalaya	03	02	01
Mizoram	01	00	01
Nagaland	02	01	01
Odisha	33	06	27
Punjab	07	07	00
Rajasthan	40	22	18
Sikkim	29	02	27
Tamil Nadu	11	01	10
Telangana	20	05	15
Tripura	04	03	01
Uttarakhand	07	07	00
Uttar Pradesh	34	27	07
West Bengal	68	08	60
Total	712	233	479

Annexure II
Level of Enquiry through FGD at the Farmer Member Level.

Levels of Enquiry	Issues
Factors internal to the organization	
Producer member level	• Key drivers for producers to come together to form FPC – priorities, capabilities, resources, entrepreneurship, leadership skills • Keeping focus on small and marginalized producers and women • Mobilization of initial equity capital and quasi equity • Ensuring increase in economic benefit, access to market, employment generation, impact on productivity • Challenges and barriers – structural, social, economic, political, geographical
Factors internal to the organization	
Organization level	• Ownership - representation of small producers, equity, profit sharing, • Management – structure, inclusion of producers in decision making process, • Objectives –maximizing benefits and profit for the members? How realized? • Efficiency – operational, conflict management, balancing conflicting demands • Challenges and Barriers – legal, political, social, administrative
Business operation level	• Management – leadership, human resources, risk bearing capacity, business strategy, marketing strategy, • Critical factors for achieving financial viability /profitability – scale of operation, fixed costs, operation cost, breakeven point, ROI, working capital management, access to financial resources, operational efficiency, external grant, profit/loss, • Value chain integration – efficiency through backward integration, scaling up in value chain- processing, • Making institutional finance happen – term and working capital • Access to market – local, national, export, • Access to technology, institutional linkages, custom hiring, if any • Partnering with corporates/retailers, tie up arrangements
Key external issues affecting the existence of FPOs/PCs	

Business environment level	• Competition – from private player, traders • Legal • Consumers • Barriers to operation and growth
Government policy	• Policy enables • Growth prospective and position in relation to FPOs • Policy barriers • Concerns and questions
Promoting organizations	• Role of Promoting organization –facilitation, policy advocacy, interference, dominance • Funds for promotion, policy advocacy • Capacity building of members and board of directors • Professionalizing the management of PC • Exit strategy of the promoting companies
Overall outcomes	• Economic, Social and Sustainability

FPOs promoted in Maharashtra through SFAC - District-wise

Maharashtra State	Total FPOs/FPCs	No. Regd before 2013	No. Regd after 2013
Ahmednagar	04	04	00
Akola	02	02	00
Amravati	05	02	03
Aurangabad	05	00	05
Beed	00	00	00
Bhandara	01	01	00
Buldana	05	03	02
Chandrapur	06	02	04
Dhule	00	00	00
Gadchiroli	00	00	00
Gondia	06	01	05
Hingoli	00	00	00
Jalgaon	02	00	02
Jalna	00	00	00
Kolhapur	00	00	00
Latur	03	03	00
Mumbai City	00	00	00
Mumbai Suburban	00	00	00
Nagpur	01	01	00
Nanded	03	03	00
Nandurbar	00	00	00
Nashik	05	03	02
Osmanabad	03	03	00
Palghar	03	00	03
Parbani	00	00	00
Pune	07	06	01
Raigad	01	01	00
Ratnagiri	00	00	00
Sangli	01	01	00
Satara	01	01	00
Sindhudurg	00	00	00
Solapur	01	01	00
Thane	02	02	00
Wardha	03	03	00
Washim	00	00	00
Yavatmal	15	09	06
Total	**85**	**52**	**33**

Annexure IV
FPOs Promoted in Maharashtra through Grant Support From MACP And PRODUCE Fund - District-wise

State	Total FPOs/FPCs promoted PRODUCE Fund	Total FPOs/FPCs promoted MACP
Ahmednagar	5	14
Akola	0	13
Amravati	3	14
Aurangabad	22	14
Beed	19	14
Bhandara	0	10
Buldhana	7	13
Chandrapur	1	2
Dhule	3	14
Gadchiroli	2	2
Gondia	0	6
Hingoli	0	14
Jalgaon	15	12
Jalna	1	13
Kolhapur	0	14
Latur	0	14
Nagpur	1	10
Nanded	0	14
Nandurbar	2	10
Nashik	15	14
Osmanabad	0	14
Parbhani	0	12
Pune	1	14
Raigad	1	7
Ratnagiri	0	3
Sangli	0	14
Satara	0	13
Sindhudurg	0	8
Solapur	0	13
Thane	0	4
Wardha	12	10
Washim	2	10
Yavatmal	1	11
Total	113	364

ANNEXURE V
SAMPLE FPOs SELECTED FOR STUDY

Dist	No.	Facilitator	Name & Address	Primary Membs.	Year of Regn.	Commodities handled	Forward linkage activities
Pune	1	MACP	Junnar Taluka Farmer Producer Co.,	1200		Tomato, Cabbage, Cauliflower, Onion, Sweet Corn, Funugreek, Pomogranate, Methi, Fenugreek, watermelon	1) Veg Pack House 2) Cleaning & Grading Unit
	2	MACP	Shree Sant Satvajibaba Farmer Producer Co., (Exisiting)	470	2013	Tomato, Cabbage, Cauliflower, Onion, Sweet Corn, Funugreek, Pomogranate, Methi, Fenugreek, watermelon	1) Pomogranate Cleaning, Grading & packing 2) Clenaing & Grading Unit
	3	MACP	Bhimaghod Agro Producer Comapany Ltd.	399	2015	Tomato, Cabbage, Cauliflower, Onion, Sweet Corn, Funugreek, Pomogranate, Methi, Fenugreek, watermelon	1) Fresh Termeric Processing 2) Input Service Center
	4	MACP	Bahulaone Agro Producers Company Ltd	310	2015	Tomato, Cabbage, Cauliflower, Onion, Sweet Corn, Funugreek, Pomogranate, Methi, Fenugreek, watermelon	1) Maize Processing(chunni) 2) Tamarind Processing(0.9)
	5	MACP	Nathson Farmers Producers Company Ltd	343	2015	Brijal, Tomato, Okra, Cabbage, C. Flower	1) Vegetable Processing 2) Vegetable Pack House (0.20 TPH) 3) Input Service Center
	6	MACP	Karhamai agro Producer Co. Ltd, A/P- Karhati, Tal. Baramati, Dist. Pune	570	2015	Soyabean, Wheat, Groound Nut, Gram, Bajra	Input procurement, Output Cleaning, Grading & marketing
	7	NABARD	Malshej Agriculture Producer Company Limited.	500	2015	Input supply, procurement, Marketing	Input supply, procurement, Marketing
A. Nagar	8	NABARD	Mula Valley Farmer Producer Company Ltd,	506	2015	Input Shop at Varudi phata Sangamner-Fertilisers, Pesticides, Seeds and Drip irrigation	Input Shop: Fertilisers, Pesticides, Seeds and Drip irrigation
	9	MACP	Garbhgiri Farmers Producer Company Ltd., A/P- Vambori, Tal. Rahuri	353	2014	Grain	Cleaning Grading Unit

	10	MACP	Amarsinh Agro Producer Co. Ltd., Tal. Karjat, Dist. Ahmednagar.	253	2013	Grain	Cleaning & Grading Unit
Nasik	11	SFAC	Kadava Green Future A.P.C.		2013	Custom hiring of spraying machine	
	13	NABARD	Sinnar Poultry Producer Co. Ltd.	314	2014	Input supply, procurement, Marketing	Poultry Input supply, procurement, Marketing
	14	MACP	OM Gaytri farmers Producer Company Ltd.Ungaon Tal-Niphad	300	2016	Grapes, Tomato, Soyabean, Bajra, Wheat, Onion, Maize	1) Grapes Cleaning & Grading Packing 2) Vegetables Processing (1 TPH) 3) Input Service Centers

Annexure VI
Basic Profile of Sample FPOs

Producer Co. > Parameter	Nathson	Karhmai	Satvaji baba.	Malshej	Bahulaone	Junnar	Krushije evan	Kadava	Sinnar Poultry	Five Star	Mula Valley	Garbhgiri	Amarsinh
Established from	FIGs	FIGs	1 SHG & 10 FIGs	SHGs, JLGs & FIGs	FIGs	FIGs	FIGs	FIGs	FIGs	FIGs	FIGs	FIGs	FIGs
Date of registration	23.1.15	5.6.2015	25.7.13	14.10.15	17.4.15	19.4.13	24.7.14	11.7.2013	09.10.14	3.9.16	20.3.15	25.8.15	29.4.13
Authorized capital (Rs.lakh)	10.00	10.00	10.00	5.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Share capital (Rs. lakh)	3.37	5.34	1.50	5.00	5.83	1.00	3.50	5.10	3.10	5.10	6.18	4.18	5.00
Main promoter/ facilitator	MACP ATMA	MACP ATMA, PriMove,	MACP ISAF (NGO)	MACP/ & LHWRF	MACP	SFAC & VGAI	SFAC	SFAC	PRODUCE Fund	MACP	PRODUCE Fund	MACP	MACP
Shareholding Pattern	Individual	Individual	Individual	Individual	Individual	Individual	Individual	Individual	Individual	Individual	Individual	Individual	Individual
Share (Rs.)_	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
Education profile of main farmer promoter	B Com.	MA, M.phil	Secon dary	Diploma	Ph.d		B.Sc., MBA	B.A.	Secondary	B Com	Diploma	B.SC (Agri)	B.Com
No. of directors	5+1	6 (one woman)	9 + 1	10 +1	5+1		12 (2 women)	10	10+1(1 women)	5 +1	10	10 (10Promo ters	5+1
No. of Prof. Managers Payment of salary by whom	1 – MACP (65,000 / Annum) & FPO (RS 5,000)	One manager MACP provides salary (Rs 4,000/ month)	NO Manager One member is doing the job. as	One manager salary by NABARD 7500	Nil	Nil	FPO ONE CEO, one accountant	CEO Salary paid by FPC	CEO Salary Paid by NABARD	Nil	Nil	Nil	Chairman / manager is drawing Rs.50,000/- pm

													+ 20staff @ Rs10K pm
No. of employees ➢ Professional/ ➢ Managerial ➢ Other/technical ➢ Total	1 in input centre + one manager	One manager, One machine operator, 2 labourers And on temporary basis, two labourers)	Two labourers	CEO SITS IN THS SHOP,	NIL		Two assistants, One CEO, One marketing person	One CEO	One CEO manages input store	Chairman manages	Chairman manages	Chairman manages + hires staff as and when needed	Chairman / Mgr +20 Staff for cleaning grading and office

Annexure VII
Business and Membership Profile of Sample FPOs

Producer Co. > Parameter	Nathson	Karhmai	Satvaji baba.	Malshej	Bahulaone	Junnar	Krushijeevan	Kadava	Sinnar Poultry	Five Star	Mula Valley	Garbhgiri	Amarsinh
Total users ➢ Member ➢ Non-member	500 Members	650 Members	470 Members 400 Non Members	500 Members 400 Non Members	500 members	1100 Members	800	510 Members	256 Member	510 Members	412 Members	418 Members	270 Members
% of total business from non-members	40%	25-30%	40%	40%	25%	20%	20-25	--	30%	--	25%	30%	40%
Size of holding of member(Range) in Ha	One acre to l 5 acres	One acre to less than 5 acres	One acre to 12 acres	One acre to 5 acres	One acre to 5 acres	One acre to 5 acres	1 acre to 5 hectare	2.50 acre to 5 acres	One acre to 3 acres	2.50 acre to 5 acres	One acre to 15 acres	Two acre to less than Ten acres	5 acres
Main business	Marketing of inputs (Seeds, Fertilizers, Pesticides, Insecticides and weedicides)	Agri input supply centre, cleaning and grading unit, Mini dal milling unit	Sale of aggregated potato to PepsiCo and Milk supply to AMUL	Agricultural Input Service Centre	Manufacture and selling of organic inputs like soil condtioners, Till October 2017, direct marketing of vegetables	Direct Marketing of vegetables Cleaning and Grading Unit, Pack House,	Direct Marketing of vegetable and fruits, supply of onion, tur dal, chickpea, and black gram to Central Government under Price Stabilization Fund. 2 tractors,	The vegetables output is aggregated and is being supplied to Star Bazar and Reliance fresh. Table Grapes output tie up with the exporter. Drying	FPC sells inputs, consisting of 1. Feed supplement 2. Medicines 3. Bio Security – sanitizers 4.Rice Bran 5. Poultry equipment	Sale of aggregated onion and vegetables under tie up	Agricultural Input Service Centre	Cleaning and Grading Unit, Pack House,	cleaning, grading and sorting of pulses and seed production

							spraying machine, potato planter, mulching paper laying machine given for rent.	and processing of grapes.	6. Curtains for poultry 7. Trading for poultry infrastructure				
	23.0115	05.06.15	25.07.13	14.10.15	17.04.15	19.04.13	24.07.14	11.07.13	09.10.14	03.09.16	20.03.15	25.08.15	29.04.13
2014-15	NA	NA	3,276,987 (T) 19386 (P)	NA	NA	No annual report	NA	NA	NA	NA	NA	NA	NA
2015-16	46,31,383 (T) 13,484 (P)	(62,188) (P)	3,768,974 (T) (11,377) (P)	1,032,025 (T) 5195 (P)	NA	-	-	-	3,48,525 (T) 63,381 (L)	2,99,293 (T) 6,210 (P)	-	1,82,000 (T) 1,18,000 (L)	48,65,000 (T) 20,000 (P)
2016-17	71,15,931 (T) 8,800 (P)	124,15,020 (T) (5523) (P)	5,604,260 (T) 21,827 (P)	3,759,010 (T) 4939 (P)	98,59,226 (T) 64,054 (P)	-	-	-	32,92,089 (T) 33,065 (L)	3,29,222 (T) 9,788 (P)	-	28,53,000 (T) 11,000 (L)	4,423,1410 (T) 4,48,000 (P)
Corporate and Government linkage, if any	Pune, Nashik, Bangalore	With SFAC for Procurement of Tur Dal	Forward Linkage with PepsiCo for sale of Potato but there is not contract between the parties.	Contract Farming arrangement with KVK	No linkage	-	Central Government under Price Stabilization Fund	Deloitte for project consultancy for pack house and cold storage	Tie up with corporates for sale of Layers	Contract Farming of onion with NAFED	Contract farming Pomogranade, Quinao and Pulses	Contract farming Quinao and Pulses	Sale of onion tied up with Walmart and Future group, Tur Procurement and sale to NAFED

[i] Besides, 1,850 FPOs were promoted out of resources under various promotional and developmental schemes like Watershed development programs, other tribal development projects like Wadi Projects, etc.

[ii] http://pib.nic.in/newsite/PrintRelease.aspx?relid=112909

[iii] State governments of Tamil Nadu, Rajasthan, Maharashtra, and Karnataka have also taken up FPO promotion on varying scales. There are attempts to form FPOs out of SHG federations in Andhra Pradesh, Kerala, and Telangana. The Uttar Pradesh Sodic Lands Reclamation Project has also formed FPOs under agriculture and capacity building for market access components. FPO formation is supported by externally aided projects. Maharashtra promotes FPOs under its World Bank assisted Maharashtra Agriculture Competitiveness Project (MACP). The Rajasthan Agriculture Competitiveness Project also promotes FPOs. The Mahila Arthik Vikas Mahamandal (MAVIM) has promoted livelihood improvement initiatives with assistance from International Fund for Agriculture Development (IFAD).

[iv] Maharashtra probably has the highest numbers of self-promoted FPOs; 324 FPOs are reported to have been self-promoted.

[v] http://www.mca.gov.in/Ministry/pdf/Producer_Company.pdf