

National Conference
on
Advancing Farmers Producer Organisations
- Issues and Challenges

21st September, 2017
Madurai



An INAFI India initiative

Madurai Symposium - 2017

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**PROCEEDINGS
AND
POLICY RECOMMENDATIONS**



INTRODUCTION

Agriculture sector in India is of paramount importance to the national inclusive developmental agenda as more than 60% of the population is dependent on agricultural livelihoods, not to speak of the food and nutrition security. Faced with multiple risks and challenges, the sector being vastly diverse, calls for multi pronged strategies and programmes to make it a sustainable livelihood for millions of farmers. From this perspective, doubling the farmers' income has been a policy priority of the nation. Small holder agriculture poses quite a challenge to this national priority what with 80% of operational land holding being marginal and small and share of marginal holdings (below 1 hectare) has increased to 92.4 million out of the total holdings of 137.8 million and there has been further decrease in the average size of the holdings itself due to fragmentation. The state of the poverty / deprivation of small farmers in Rainfed areas which form the bulk of small and marginal holdings has been well documented. Small farming suffers from several disadvantages – scale, lack of access to credit, technology and market. They remain deprived, disorganised and diffident.

Making the small farming viable and sustainable is a foremost challenge to the national policy priority of doubling farmers' income. Organising small farmers and corporatizing for efficient management of the small farms as collectives has been recognised and adopted as a key strategy and in the past five years there has been a intensive focus in organising farmers particularly small farmers as Farmers' Producer Organisations (FPOs) largely as Farmers Producer Companies (FPCs) under the company law. Small Farmers Agriculture Consortium (SFAC) of Agricultural Ministry, Govt. of India and NABARD have been investing in the promotion of FPOs / FPCs with the involvement of NGOs, Civil society groups and farming professionals.

Given the diverse context and culture, many challenges cropped up from the initial experience of FPCs / FPOs particularly ownership and governance, technologies, finance and markets including supply / value



chains. Besides lack of entrepreneurial capabilities, the small farmers betray lack of understanding of business plans and the growth trajectory for the FPOs / FPCs towards enterprise models and the different stakeholders particularly Banks, enabling NGOs do not have enough appreciation of different dimensions of nurturing and strengthening FPOs / FPCs. In this backdrop, INAFI India organised a national conference on Advancing Farmers Producer Organisations: Issues and Challenges as a part of Madurai Symposium 2017 with the support of DHAN Foundation. The conference attracted different stakeholders including FPOs /FPCs and NGOs from INAFI India network and other NGOs, Governments, Banks, Farmer Leaders, Academia, NABARD, RBI etc.

Objectives of the conference:

1. To share and learn from the experience of success and failures of FPOs / FPCs from different contexts.
2. To study the key issues in ownership and effective governance and challenges of self management.
3. To identify and evolve appropriate credit packages including risk financing based on the experience gained and make suitable suggestions to the RBI / NABARD / Banking system.
4. To share the experience of building and or linking FPOs / FPCs with supply / value chain.
5. To identify the policy gaps and constraints in providing critical support to FPCs / FPOs.
6. To look at the challenges of the integrated farming of FPOs / FPCs.
7. To identify the capacity building requirements of the FPOs / FPCs and the enabling entities

The conference had resource presentations by gleaning the experience of practising NGOs – SKDRDP, DHAN Foundation, IDF, MYRADA / Sanghamithra, PEDO, BAIF. There were resource presentations by NABARD / Nationalised Banks from development and financing perspectives.

ACKNOWLEDGEMENTS

Thanks to the participation and the contribution of a host of development stakeholders including Governments, NABARD, insurance companies, Commercial Banks, NGOs / Civil society groups, supply streams organisation supporting small farmers the deliberations of the conference has been enriched and their contributions are valuable. What is more, the generous support of sponsorship by NABARD, Canara Bank, Syndicate Bank and Pallavan Grama Bank is greatly appreciated and acknowledged.



POLICY RECOMMENDATIONS

1. The conference identified active participation of the farmers and the ownership as two key factors for sustainability and resilience of Farmers Producer Companies (FPCs) / Farmers Producer Organisations (FPOs). This calls for bottom up approach like the Self Help Groups (SHGs) with Farmers Producer Groups (FPGs) / Farmers Interest Groups (FIGs) being robust with the active contribution at the grassroots in building the institutional framework of FPOs / FPCs. In other words, FPGs / FIGs shall be the foundation pillars rather than individual member farmer based approach.
2. It is therefore imperative that FPCs / FPOs shall be promoted and nurtured as nested institutions rather than hierarchical with FPGs / FIGs setting the directions and the goals of the FPCs / FPOs rather than top down. This is similar to the SHG Federations with the mutuality and co-operation among the SHGs being the bedrock for the Federations.
3. The conference recognises that calibrating the growth trajectory of FPCs/ FPOs is quite a challenge. A gradual growth path with focus on marketing primary produce followed by a member driven supply and value chain participation of FPOs would facilitate orderly development of FPOs.
4. Technology transfer is very important to sustain the farmers interest in FPCs. Organising technology based Primary Producer Groups (FPGs / FIGs) and converging them into FPC after a year or two as has been experienced by SKDRDP, Karnataka is worth emulating.
5. For promotion of FPCs, there are two tracks of Govt. funding available now, one from SFAC and another from NABARD. And there exists great variance between these two tracks of funding in terms of coverage, eligible fund, stages of release etc. and it is not desirable when the target beneficiaries are one and the same. And this variation existing between the funding agencies has to be ironed out and made uniform.



6. The low equity base of most of the FPCs has been an inhibitory factor in availing higher credit limit from the financial institutions. Neither the farmer members are able to bring adequate additional capital from their own resources. In this background, amendment to Producers Company Act to allow Private Equity as preferential share without voting power and necessary regulatory check merits special consideration.
7. Bank linkage for credit, uninterruptedly, is a sine qua non for FPOs to thrive. The Lead Bank and the District Development Managers (DDMs) have an important role in reaching out to the FPOs / FPCs and facilitate the bank linkage for credit support. What is more, a differentiated credit purveying mechanism is absolutely necessary having regard to the diversity of FPOs and the agricultural commodities not to speak of the contexts.
8. Moreover, meeting the credit needs of farmer members of FPC should precede financing the FPC itself and the financing bankers need to appreciate this, as satisfaction of members is paramount to sustain their interest in FPC. In this regard, the approach of Pallavan Grama Bank in extending credit to individual farmers of FPCs through specialized loan products and partnership with collateral management agencies deserve commendations. KCC (Kisan Credit Card) would be an appropriate loan product for individual farmer members for FPOs / FPCs. A package of KCC for farmer members and suitable credit lines for FPOs / FPCs is strongly recommended.
9. FPC being the collective of small and marginal farmers deserves lower rate of interest and hence concessional rate of interest including interest subvention applicable to farmers upto Rs.3 Lakhs may be extended to FPC also to the extent of eligible amount calculated on the basis of number of farmer members in the FPC.
10. At State level all FPCs may be federated and the Apex Federation may have core central team to counsel the members on matters relating to finance, technology, procurement, marketing and legal.

11. Exploring inter FPC synergisation for mutual support and growth is very vital. For e.g a seed grower company can look upon other FPCs for marketing their seeds.
12. Capacity building of FPOs / FPCs is absolute pre requisite on several matters – governance and compliance requirements, business planning, accounts and auditing, appropriate technology, connecting to markets etc. So also the other stakeholders including NGOs and bankers and the role of NABARD is paramount along with SFAC to build the requisite expertise for promoting and nurturing FPOs / FPCs.
13. Besides enabling FPCs / FPOs on marketing of the produce Govt. for its part shall give priority to FPCs /FPOs for procurement form FPCs for civil supplies and other nutritional programmes. To augment the revenue generation for FPCs, a portion of seed marketing done by National Seed Corporation and State Seed Corporation may be earmarked for FPCs through Govt. regulations.
14. It is generally seen that SME sector enjoys more concessions and easier credit as compared to farm sector. FPC being an enterprise of primarily small and marginal farmers, the concessionary benefits that are available to SME cluster may be extended to FPC also.
15. While co-operatives are exempted from income tax, it is not extended to FPCs even though they are collective of small and marginal farmers who are organised on co-operative basis. FPC, though statutorily is a company it should be reckoned as co-operative for the purpose of tax benefits.
16. In fine, the conference declared that FPO is the way to go for sustaining Small holder agriculture and more importantly make them resilient in the long run.
17. There should be district level facilitation cum monitoring cell as part of Lead Bank and at the state level at SLBC to connect the FPOs / FPCs with the banking system.

PROCEEDINGS

INAGURAL SESSION: Welcome and Introduction

Shri.M.Kalyanasundaram, Chief Executive, INAFI India

The programme started auspiciously with the lighting of lamp by the dignitaries. Welcoming the participants, Shri.M.Kalyanasundaram, Chief Executive, INAFI India had introduced the concept and objectives of the conference, setting tone for the proceedings to follow. He exhorted that FPO/ FPC is accepted as a system to provide remedy to the problems associated with small and marginal farmers and land fragmentation. The need of the hour is that all stakeholders should deliberate on how best FPO / FPC could be advanced to derive the maximum benefits expected out of it. He elaborated “Advancing” as one which encompasses:

- i. Organisational (Company formation, capacity building of CEOs, governance and compliance)
- ii. Technical (access to right technology, inputs and right pricing)
- iii. Financial (access to credit both for investment and working capital and insurance) and
- iv. Marketing (providing organised marketing support by weaning a way producers from intermediaries and thereby enabling the farmers to realise better price for their produce)

Recalling the journey of FPOs in the country, he lamented that brands like Amul have come only a few in agriculture co-operatives. The successful experiment made in fisheries sector by SIFF may give some insights into how a farm collective can derive the benefits of scale economy and collective bargaining with regard to availment of credit and other services.

On RBI's initiative of supporting small and marginal farmers, he highlighted the sub target of 8% of net credit to SF and MF fixed to



Commercial Banks as one in right direction. However, he anguished that FPCs are not getting adequate credit support from the banks and non collateral lending upto Rs.100 Lakhs with SFAC guarantee has not gone well down to the branch level. With regard to promotional support available for FPOs, there are two tracks namely SFAC and NABARD and their approaches are different.



He appreciated that the experience of some of the development NGOs like ASA in Madhya Pradesh and SKDRDP in Karnataka in promoting FPOs / FPCs was worth sharing and felt confident that their experience sharing in the conference would add great value to strengthen the policy frame work of FPO / FPC. He also called upon the representatives from FPCs and Banks / NBFCs such as NABARD, Commercial Banks, RRBs and NABKISAN to make use of this platform effectively for refining the policy guidelines relating to FPOs / FPCs.

Development Perspectives on Farmers Producer Organisations (FPOs) / Farmers Producer Companies (FPCs)

Shri M.P.Vasimalai, Chairperson, INAFI India, Madurai

Quoting FPOs / FPCs and its related issues as flavor of the season, he expressed that the FPO / FPC movement needs a lot more inputs to move forward with great vigour. On the experience of developmental NGOs, he said that each NGO has a different model – SIFF with Federation of members enjoying the scales of economy, ASA on seed production companies with a model of Federation of FPCs and SKDRDP with great drive on farm mechanization and other agro technology – and felt confident that their experience would provide resilience to FPO movement.



He started sharing his perspective on FPO / FPC and said that he was in disagreement with calling a collective of Farmers – Producers as organisation and he added further that they should be called only as Farmer Producers Institution (FPI) as according to him organisation is short lived

and institution would remain everlasting. To make FPI movement stronger, he suggested various Action Points

1. FPI is a social enterprise with focus on 3 objectives namely i. Social impacting ii. Economic viability and iii. Environmental sustainability and all our FPIs should get into the mould of social enterprise.
2. Social capital of FPI is not found strong at the bottom but relatively strong at the top level. The experience gained in SHG Federation model in the past 25 years can be adopted in organising FPCs as well. At the village level primary producer groups / Farmer Interest Group has to be organised and once their operations are stabilised in a period of one or two years, registration of FPC @ block / district level may be thought of. This bottom- up approach is essential to ensure sustainability for FPCs.
3. As regards credit and grant support availability, SME sector appears to have good standards and streamlined procedures as compared to farm sector. In this respect, the good features of SME sector financing may be thought of for financing FPCs by the respective stakeholders.
4. When co-operatives enjoy a lot of concessions including on income tax front, such concessions are not extended to FPCs, being a company. Though FPCs are registered as company, it is only a collective of farmers primarily small and marginal and hence FPCs are to be treated on par with co-operatives in regard to extension of concessions and income tax exemption.

5. Self rating of FPCs through score card has to be encouraged in order to assess their performance and improve it to qualify for good rating when they are required to go for external ratings.
6. Not merely confining to issues related to micro finance sector, INAFI should put up a separate pillar for FPCs to facilitate policy dialogue and capacity building for all stakeholders of FPC.
7. A working group with 7 - 8 members drawn from FPCs and NGOs may be formed and policy issues relating to FPCs may be taken up by organising round table conference at regular intervals. 5 or 6 case studies may be brought out in a book which can be used as training material in Management schools including IIMs.
8. NABARD certificate programmes organised by select NGOs for the benefit of CEOs / BOD of FPCs may be brought online for wider reach.

FPO's Speak: Leaders of FPOs

Shri.Chelladurai, Lead Farmer, Aranthangi

Shri.Chelladurai, CEO of Pudukottai Coconut Farmers Producer Company had shared his experience as to how the company has come into existence and pioneered to establish many more such FPCs in Tamilnadu. Upon superannuation from Govt. Service, Shri.Chelladurai has chosen farming as his profession declining a few other offers that have come to him from private sector. With the help of his son when he googled it was a great surprise for him that as for as coconut production is concerned India is the global leader, Tamilnadu tops in India and in Tamilnadu, southern districts occupy the top slot.

He started focusing on coconut farming and to get various concessions available from Coconut Development Board (CDB), he formed Aranthangi



Coconut Farmers Producers Society with a group of Coconut farmers and managed to get some benefits in procuring Agro inputs like fertilizers and micro nutrients. Encouraged by the success of the society which was able to pass on some monetary benefits from CDB, many coconut growers evinced interest in coming together as society and within two years Shri.Chelladurai was able to organise 51 such societies in Pudukottai district. Federating all the societies he registered a company – Pudukottai Coconut Farmers Producer Company in 2014. As of now, there are 24 FPCs on coconut in Tamilnadu and this growth was possible only by demonstrating the benefits that accrue to the farmers when they organise themselves in to a society.

Shri.Chelladurai was happy to share with the participants that his FPC was able to fight with the Govt. and lift the ban on extraction of Neera from coconut tree after a long struggle of 5 years and he attributed the success to the collective bargaining power of the company / Federation.

On promotion of Farmers Producer Societies at the village level, Shri.Chelladurai was suggesting that the initiative of NABARD in organising farmers club in each village should be got further strengthened and the progressive farmers clubs be converted into societies. As regards technology transfer, he strongly advocated for popularising drip irrigation system with Govt. subsidy covering the whole system instead of only partial cover available now which is found grossly inadequate.

With reference to FPCs taking up processing activity, he opined that it is very capital intensive and the existing equity base of FPCs may not suffice for rising larger credit from the banking system and he felt that the graduation may take a few more years from now. However, value added products like Virgin Coconut Oil which has good market potential may be within the reach of FPCs, provided adequate market support from other stakeholders is forthcoming. To improve profitability and thereby sustainability of FPCs, Shri.Chelladurai suggested that a reasonable volume of sale by National Seeds Corporation and State Seeds Corporation be routed through FPCs on the lines of GO passed in the state of Andhra Pradesh.

Ms.P.Priyanga, CEO, Salem Maize Producer Company Ltd, Attur

Ms.Priyanga, CEO of Salem Maize Producer Company Ltd, Attur narrated the difficulties which they have undergone in marketing agricultural inputs to their members at comparative rates as compared to market price which invoked great resistance from other local dealers who have hitherto been profiting with huge margin. She lamented that the FPC was not allowed to continue its business in the rented premises and after a long struggle they continue their operations by shifting to new premises. Whatsoever be the difficulties, a silver lining in their operation is that the FPC was able to make profit due to large scale economy and hence the members are convinced of its viability and sustainability.



SPECIAL ADDRESS

Shri.K.Velusamy, General Manager, Canara Bank, Madurai

Applauding the concept of FPC which facilitates large scale economy both in procurement of inputs at competitive rates and marketing of farm produce at a fair price, Shri.K.Velusamy, GM, Canara Bank exhorted the bankers to be proactive in promoting FPCs and following the extant guidelines for financing FPC like collateral free loan upto Rs.100 Lakhs with SFAC guarantee. He was drawing parallel to SHG movement which over the



years empowered rural women who otherwise remain excluded from the mainstream institutions and in the same manner FPC would also empower small and marginal farmers in strengthening forward and backward linkages and thereby making their farm operations a profitable proposition. That Shri.Chelladurai CEO of Pudukottai Coconut Farmers Producer Company Ltd, Aranthangi fighting with Govt. and getting GO in their favour is the power of FPC which needs no further elaboration. He also cited climate change as a critical factor in farming and farmers should become resilient to cope up with the challenges and in this regard all stakeholders including researchers, enabling NGOs and bankers should play a vital role.

Shri T.Manivannan, Deputy General Manager, Syndicate Bank, Madurai



Access to technology and capacity building for the office bearers of FPC are the two major challenges which need to be addressed in advancing FPCs, Shri.T.Manivannan, DGM, Syndicate Bank said. A need for an Apex level organisation which can represent FPCs

and air their views was also highlighted by him as at present their voice is not properly heard in policy making forums. He stressed that fixing of Minimum Support Price (MSP) for farm produce has to be done taking the views of FPC Federations into account. To bring greater awareness on FPC financing, workshop for bankers may also be organised preferably with the support of experienced NGOs like DHAN Foundation.

KEYNOTE ADDRESS

Ms. Milfred Xess, General Manager, NABARD, Chennai



Presenting the keynote address of the conference, Ms. Milfred Xess, General Manager, NABARD, Chennai had shortlisted the major issues and challenges that confront advancing FPCs in our country and also highlighted the proactive role being played by NABARD to put FPCs on a growth trajectory. She referred to SHG

movement which started as a pilot with NABARD's support in 1992 and has now manifested into creating a powerful social capital with over one million groups spread across the country. And she opined that in a similar fashion FPCs should take their roots from Primary Producer Groups / Farmers Interest Groups formed at the village level. In this respect converting farmers clubs organised in each village into FIG also deserves worth consideration. She shared her experience in Madhya Pradesh wherein way back in 2009 FIGs formed were federated into FPC and she got surprised to see the small and the marginal farmers actively participating in the Board meetings. Conceptually, if the FPC is understood in the right perspective – of the farmer, for the farmer and by the farmer – the sense of ownership would grow with the farmer members paving way for the success of FPC.

On a business plan drawn by FPC she commented that both the promoting institution and the Board of Directors should understand every aspect of the plan and the plan should also be realistic. In this regard a lot of financial literacy drives need to be organised to sensitize the stakeholders. She also stressed the need for capacity building of office bearers of FPC with the support of select NGOs like DHAN.

On technology transfer she emphasized that FPCs should take advantage of incubation centres run by TNAU at Coimbatore and another one shortly coming at Madurai and with their support technology has to be taken from lab to land.

On NABARD's initiatives, she mentioned that producers organization is not confined to farm sector alone but extended to non farm sector also. Instantly she quoted a case of weavers producers company organised at Salem bringing into its fold more than one thousand weavers who were in misery under the control of master weavers. Weaning them away from the master weaver itself was a great challenge and it was overcome. With the support of NABARD they have now opened a sales outlet to get rid of middle man and go for direct sale which may fetch a fair price for their saree. Such innovations including E-marketing would be on the evolutionary process of FPCs.

OPERATIONAL ISSUES AND CHALLENGES – EXPERIENCE SHARING BY ENABLING NGOs

Shri. Manas Mohan, Programme Director, ASA, Bhopal



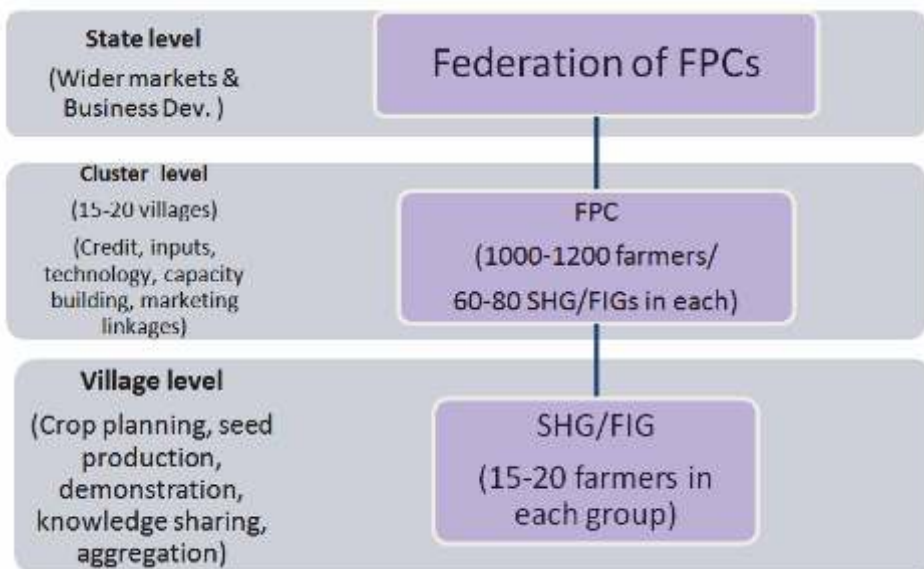
Shri Manas Mohan , Programme Director, ASA, Bopal shared his experience with regard to organising seed producer companies in Madhya Pradesh and also the way forward to sort out the challenges in promotion of FPCs and the policy initiatives required to make the movement stronger.

FPO movement – some positive trends

- Although the first experiment of FPO is about a decade old now, the model actually took off from 2013 onwards
- Estimated 4000 FPOs, pan India spread
- Many players for promotion – Govt., NABARD, Bi-lateral & Multi-lateral agencies, Foundations & NGOs
- Trade, commerce & industry engagement is increasing ...viz. FIs, trading, collateral, farm mechanization, etc.
- Hyperactive Research community
- State governments showing interest, considering policy on FPOs
- After a little lull, the 2nd generation FPOs have started showing results
- Experiment of State federation of FPOs in few states has shown tremendous potential of growth
- Recent initiative of DAC to involve FPO in pulses procurement has made significant impact in expanding reach & benefits by the FPOs
- Promoting Institutions have much better understanding about the growth path of FPOs; better equipped than before
- FPO movement – not so encouraging trends
- Govt. funding for promotion has declined- the beginning was with an experimental fund which never got mainstreamed
- Contradiction in Unit cost for promotion by two national schemes is creating confusion
- Lack of coordination among agencies – the idea of central coordination unit for FPO is yet to materialize
- Lack of funding & lack of policy measures (discussed later) are slowing down the pace
- Operational issues with the Promoting agencies (NGOs) – lack of vision & strategies, scarcity of resources to deploy quality staff, etc.

Experience of FPO in M.P

FPO Network



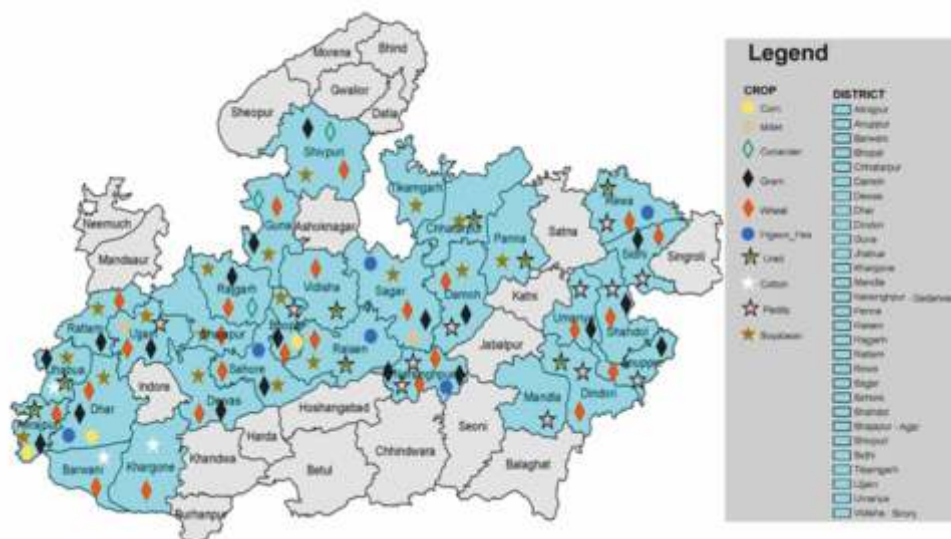
Business Mix of FPOs



M.P. Overall

- 100-110 Functional FPOs, covering > 1.5 Lakh SMF (oldest-10 yrs, youngest-<1 yr); 80% FPOs <3 yrs old
- 7-8 credible Promoting Institutions
- One FPO federation formed in Sep'2014 with 72 FPOs as shareholders
- Strong linkages with service providers, input suppliers, contract farming, technology, retailers, etc.
- Annual turnover is more than Rs. 200 Cr.

Spread of FPOs



Working with Multiple FPOs

- Core central team of Experts (Market, Finance, Compliance, Seed Production) to coordinate with FPOs
- Yearly, Business planning of FPCs and Federated Body, to ensure seamless integration of market, production and finance

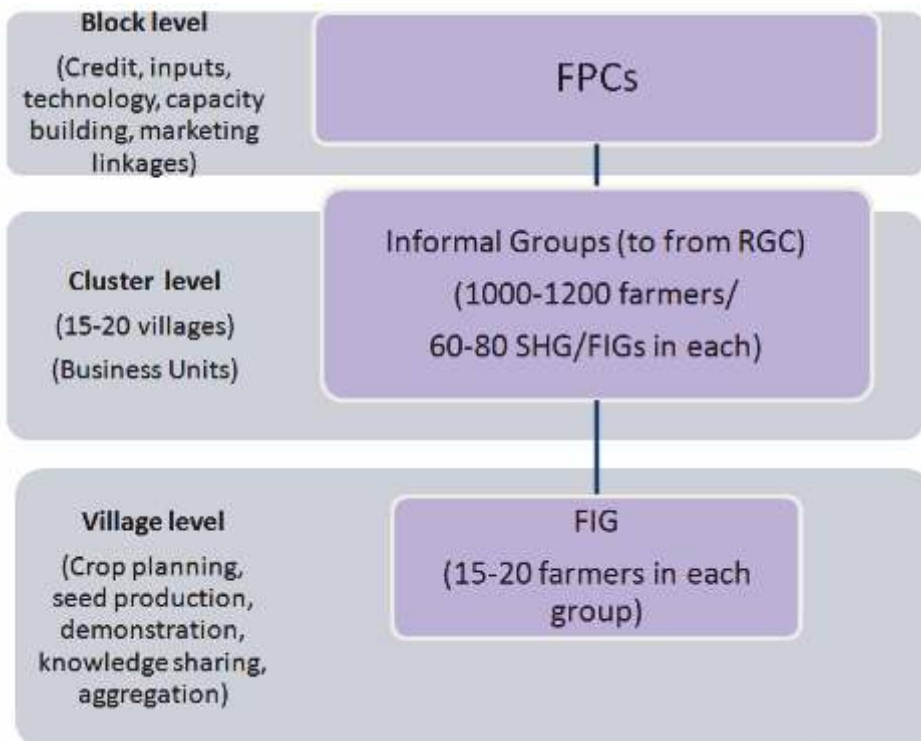
- Promotion and creation of markets for specialised products like Organic and Naturals
- Visioning FPCs as markets for other FPCs specially for Seeds
- Partnership with agencies and launch of specialised products like Credit linkage for farmers and softwares like FEMIS
- Intensive monitoring and review on monthly basis of all FPCs and Federated Body

Key learning

- The model is good, it can reduce the influence of middlemen in a significant way and thus increasing share of consumer rupee to the producer
- Members' control improves if shareholders are part of active primary groups like SHGs, FIGs etc.
- Prior investment on land, water, agriculture, CBOs helps in quick start, however not a pre-condition to start FPOs
- Policy measures like contribution to equity, working capital, cheaper credit, infra, marketing, etc. are a must.
- Real strength of FPOs is production & aggregation. Efforts should be on how to close the gap between Farm Gate & Mill Gate. Both the parties are frustrated by the inefficient and exploitative Mandi system.
- Trained human resources is a big issue. Govt. to consider Fellowship programme for FPO promotion (100 fellows per year) to be attached with the Promoting Institutions
- Equity support to be enhanced to Rs.50 lakhs in a phased manner (over a period of three years)
- Amend PC Act. to allow private equity as preference share (without voting power). Regulatory checks to avoid misuse.

- Mandatory provision in Govt. procurement from FPOs
- Centre to negotiate with States for exemption of Mandi tax for FPOs when trade is executed outside Mandi premises. This including the E-platform for trading
- Farm Mechanization Centre (Custom Hiring Centre), Warehouse, etc. should be operated thru' FPOs
- 25% of the seed production target of the NSC / State Seed Corporation should be given to the FPOs
- Rate of interest for FPOs should be @ 7% like SHGs
- Exemption from income tax for first five years or upto certain amount

Way Forward – Phase III



Shri.Manoj Menezes, Director (Agri), SKDRDP, Karnataka



Preamble:

Collectivization of producers, especially small and marginal farmers, into producer organizations has emerged as one of the most effective pathways to address the many challenges of agriculture but most importantly, improved access to investments, technology and inputs and markets.

Vision:

SKDRDP has a vision to build prosperous and sustainable farming by promoting and supporting member owned producer organizations that enable farmers to enhance productivity through efficient, cost effective and sustainable resource use and realize higher returns to their produce through collective action.

Context:

SKDRDP has educated and motivated 10000 farmers to adopt SRI method of paddy cultivation in Kundapura Taluk. The project has reduced the cultivation cost by 40% and increase the yield by 50%. Thus has helped the farmer to get Rs.5000.00 more income per acre. The effort should not be restricted to production only but also the farmers should get a reasonable price for their product, SKDRDP in association with NABARD have organized a structure to mitigate the problems.

Driving Force:

It is found that there is lack of organized structure leading to weak bargaining power. Community owned storage and processing facility were not available to the farmers. Immediate liquidity after harvest was not possible to the farming community. Moreover the conversion ratio paddy : rice is very less which is at present 100:65.

Objectives:

- Mobilizing farmers and building up their associations into Farmer Interest Groups farmers into an appropriate federating point.
- Strengthening farmer capacity through agricultural best practices to enhance productivity.
- Ensuring access to and usage of quality inputs and services for intensive agricultural production and enhancing cluster competitiveness.
- Facilitating access to fair and remunerative markets including linking of producer groups to marketing opportunities through market aggregations

Key activities: Technical - Financial - Marketing support

SRI Farmers Club: Fifty SRI Farmers club at village level with a membership of 1055 SRI farmers were formed. Each club is headed by one coordinator and assisted by assistant coordinator. A separate bank account has been opened for each club. Farmer club members were organized and educated by block level orientation and training programs, expert lectures and exposure visits. They were motivated to adopt SRI method by using modern farming methods. 1200 acres of land converted into SRI. SKDRDP has intervened by introducing paddy machineries, organic method of paddy cultivation and soil testing. The farm produce was procured and marketed in the brand name of ***Sri Mookambika Rice.***

Farmers Producer Organization: SKDRDP has organized these farmers clubs to form a FPO called Sri Mookambika Paddy Producers Federation(Ltd), its administarion office at Nagur, Kundapura Taluk, Udupi District . The FPO is registered under Karnataka Societies Registration Act 1960 Column 7 - Regn . No.UDP-S8I-2014-15 dated 04.09.2014 having its jurisdiction at Kundapura Taluk . The FPO has a general body with 24 members representing 50 farmers clubs. It has an exclusive Executive Committee with 9 directors. They are President,Vice president, Secretary, Treasurer and Five member Directors. FPO has its administration office at Nagur, . Kundapura Taluk and the service center (input supply and rice marketing) at SKDRDP Branch office.

FPO Action Plan(2015-18):

- Awareness creation and exposure visits to the members.
- Creation of membership wave (4000 members) .
- Identification of rice mills/ go downs based on WDRA guidelines.
- Lease based transaction with mills and go downs.
- Advance to members for storing the paddy.
- Disbursement of loan based on the stock (@ 5% to 8%)
- Supply of quality inputs viz,. Seeds, fertilizer and Plant Protection Chemicals.
- Identification and multiplication of special paddy varieties.
- Soil testing facility to 500 members and providing soil health card.
- Promotion farm mechanization.

Expected Benefits:

1. Aggregation of SRI farmers to lead better scales of economy and bargaining power.
2. Reduction in transaction cost. Liquidity would be easily available by way of post harvest loans.

3. Prevent distress selling by farmers.
4. Higher margins and higher incomes.

NABARD grant assistance: NABARD grant assistance to nurture and to handhold the FPO.

Support to FPO:

- Office expense towards furniture, postage, electricity, etc.
- Establishment/ Registration
- Primary processing /value addition/ aggregation to improve marketability

Support to POPI

- Mobilizing of Farmers (New FPOs only)
- Training to CEO in first two years
- Training & Exposure visits for farmers- Cost of two trainings & exposure visits for farmers

Achievement so far.....activities of FPO

Total members	820
Share capital	2.5 lakh
Farmer awareness programs	19
SRI area expansion -	1320 acres
Conserved 2 local paddy varieties and area expansion in	10 acres
Soil testing	312 farmers.
Farm mechanization	512 acres.
Rice marketing	31.44 tons
Seeds Marketing	1.5 tons
Paddy Marketing	146 tons
Buyer seller meet-	258qtls paddy , 129qtls rice
Annual turnover	Rs.26.36 lakhs

Shri.T.Dhanabalan, Programme Leader, DHAN Foundation



Shri. T. Dhanapalan, Programme Leader, DHAN Foundation shared the experience of DHAN Foundation and highlighted the variance that exists in two tracks of funding for promotion of FPCs.

CURRENT FOCUS –FPO PROMOTION

- POPULAR SLOGAN:
 - In Last Few Decades: “SHGs for Women”
- CURRENT SLOGAN:
 - In This Decade : “FIGs for Farmers”
- DHAN is Pioneer
 - in SHG Movement and now in FIG Movement also
- CURRENT FOCUS:
 - “Agriculture to become “Business”
 - “Farmers to become “AGRIPRENEURS”
- Promotion with Fund Support from :
 - “Small Farmers Agri Business Consortium” (SFAC)
 - New Delhi, Tamilnadu and NABARD

Stakeholders of FPO Promotion

DIRECT

- Funding Agencies
 - Resource Institutions/POPIs
 - Farmers Interest Groups
 - Governance Body-FIG leaders/BODs
 - Farmers Producer Organizations

- INDIRECT
 - Department of Agri. Marketing
 - Service providers
 - Financial Institutions
 - Government through ROC/Tax Department

Issues relating to Stake holders

Funding Agencies: I. Central SFAC:

Fund release

- for RI is not matching to deliverables in the specified time
- For FPO management only after Registration
- Salary for CEO, Rent for office etc.

Funding Agencies: II. Tamilnadu SFAC:

- Lack of concept clarity of FPO promotion in different levels
- Delay in fund release due to involvement of Hierarchical functionaries
- Interference by Field Staff in some places hindering the activities
- High expectation in the speed of FPO formation and registration
- Unrealistic Target fixation without considering realities
- Selection of crop and location for FPO promotion

Funding Agencies –III. NABARD

- Budget allocation has been reduced
- Difference in policy- No. of members/FIG

2. Resource Institutions/POPIs

- Difficulties in getting Professionals to manage the FPOs
- Continuity of professionals in the post as CEOs
- Empowering CEOs in all aspects takes time
- Young professionals not getting the support from Board
- Concept clarity in promoting FPOs among RIs

3. Farmers Interest Groups (FIGs)

- Enrollment of membership
 - I. expectation of credit and subsidies
 - ii. problems in getting credit for production from cooperatives and banks
 - iii. dominance by local leaders
 - iv. poor attendance in FIG meeting
 - v. weak group action till realizing individual benefit through group action

4. Governance Body-BODs

Dominance by some elected leaders

Lack of ownership by the BODs

Only a few are active in the Board

Lack of business skills and legal compliances

Interference in the daily routines of the office

5. Farmers Producer Organizations

A. Issues in Input Supply

- lack of ownership by the members/leaders/BODs
- delay in getting licenses for inputs

- sudden spurt and demand for inputs on the onset of monsoon
- advance payment for inputs as cash
- delay in quality supply of inputs at Right Time, in Right Place and at Right Price
- dependency on Corporates for seeds
- dealership for fertilizer is costly
- competition from local traders and dealers
- shortage of man power
- youth involvement is less

B. Issues in Technology

- absence of location specific GAP for crops
- absence of GAP for organic production of crops

C. Issues in Credit:

- inadequate working capital
- difficult terms in sanctioning credit to FPOs
- insisting for collateral security, personal guarantee by directors

D. Issues in Marketing

- lack of own infrastructure facilities
- limitation in storage, simple value addition
- distress sale
- post harvest loss
- unfair Vs Fair trade practices

E. Issues in Legal Compliances

- cumbersome process in record maintenance due frequent changes in rules by Government from multiple sectors
- Additional fees for delay in filing returns to ROC
- Exemption from income Tax

Shri. Devilal Vyas, Director, PEDO, Rajasthan shared the experience of FPO dealing with turmeric and promoted by them

Project Goal & objective



To strengthen the livelihood system of the Tribal farmers in Dungarpur by comprehensive interventions in better management practices of their Natural Resource base i.e. farm and forests.

The traditional livelihood system of tribal in Dungarpur has always revolved around their natural resource base i.e land, water and forests. However, over the years the natural resource endowments in the area have been severely degraded due to lack of attention and poor management practices followed by the Government as well as by the community. The purpose of the project is to restore and strengthen the livelihood system of the tribal in Dungarpur by improving economic returns from their farms and forests on a sustainable basis.

Objective of this initiation is - ***to increase farm income of tribal farmers through promotion of the diversified high value crop like turmeric and other spices.***

The farming activity by tribal farmers in this part of the country, as elsewhere, does not get due priority and lags significantly behind the farming done by other farming communities in the area viz. Patidars. The current farming practices followed by tribal are traditional and use of modern inputs (chemical fertilizer, and improved seeds) is minimal. This lack of seriousness towards farming as a livelihood can be attributed to various factors including undulating terrain (making irrigation

prohibitive), lack of resources, uncertain weather conditions/monsoon due to climate change, high out migration etc.

Presently, the farming carried out by the tribal farmers is geared more towards subsistence farming with a singular focus on meeting their grain and fodder requirements. Primarily, migration remittances and MNREGA wage earnings, meet the cash needs. The typical cropping pattern traditionally followed by a tribal farmer in the area includes cultivation of Maize, Paddy, Urad during Kharif season and wheat and Gram (in case of water availability).

Major Partners

- Maharana Pratap University of Agriculture & Technology, Udaipur, Under 'National Agricultural Innovation Project'
- Sir Dorabji Tata Trust, Mumbai
- Coca-Cola Anandana Foundation
- ITC

Preparatory Phase: Base building in the community

The project has been initiated in 25 villages in the Bicchiwara & bordering villages of Simalwara Block of Dungarpur District. The total number of farmers (and farmer families) in these 25 villages are find to be 566. A baseline survey was conducted to take a stock of the situation. 25% of the total farmer families (about 136 families) were covered under the baseline survey.

SHG leaders & Field Representatives' orientation: The Micro-finance based Self-help groups' leaders of project villages were invited to attend one-day orientation session on the project. The field representatives of PEDO (working for Microfinance operations of PEDO) also were asked to remain present for the orientation. This was one of the initial exercises and the major objective was to do a feasibility analysis of the project.

Environment Building meetings at village: This was the second step towards the bringing of the project to the ground. This was an open discussion organized at village level with all the farmers of the village. The project objectives and activities were put in front of the community for getting an acceptance and understand from the communities.

Contacting the farmers involved in Turmeric cultivation: PEDO did initiated the concept of vegetable & spice cultivation in the region as an alternative livelihood option. PEDO shortlisted the farmers who are practicing turmeric cultivation (and the villages, where the practice is prevalent).

Team Building:

Staff recruitment: PEDO's team was selected from the shortlisted experienced candidates. This team was trained in the modalities of the project. The team consists of one Program Manager (and horticulturist), one operation's in-charges and two field assistants.

Community Resource Person's selection: The major roles for the Village level CRP was Motivation figure for promotion of turmeric cultivation, identification of farmers who shall be interested in turmeric cultivation and providing technical know-how for advanced agro-practices.

Non-migrating, educated, Opinion leader and family member of SHG member were shortlisted for CRP's role. The person was expected to be practicing agriculture for at least 10 years, the experience and interest in agriculture was a vital factor for being selected as CRP. One CRP was selected from every village, in some cases more than one, depending on the area and population. The CRP members were oriented for their roles in the project. They were further trained in turmeric cultivation at Udaipur's Agriculture University (MPUAT).

Village Service Providers: A person, who is the resident of that particular village, has some technical knowledge about turmeric cultivation and has a good bond with the farmers of the village. The VSP was the person

who identifies the farmers interested in turmeric cultivation and records the requirements of seeds for harvesting. VSP also provides the technical expertise to the farmers along with the CRP. VSP also helps in recording the production of turmeric and advising people in methods of storage of turmeric, in case they want to keep some for seeds. VSP and CRP assist each other in their roles.

Promotion Camps of Turmeric Cultivation: Consultation cum promotion meeting was organized at village level, in all the 25 project villages. About 750 farmers attended this meeting. The major issue was to project turmeric as a cash crop and an alternate livelihood option.

Demonstration Farms Units: 50 farmers in the 25 project villages were initially identified and trained to cultivate turmeric on at least one Bigha (or 1600 sqmt) of farmland as demonstration plots.

Production Phase: Turmeric cultivation with community

Procurement & distribution of Seeds: Before starting the project, PEDO has already initiated the idea of high-yield, cash crop production with the local farmers- basically, cultivation of fruits, vegetable and spices. PEDO procured the Erode variety of turmeric seed from Erode in Tamil Nadu in Southern India. About 8 ton seed was distributed to the farmers on trial basis in April-June 2011. The thought was to get more seed for further expansion of project coverage and to check the quality of production from the local conditions.

Year	Seed Distributed in KG*	Seed with the community in KG	TOTAL Production in KG	PEDO's Procurement in KG	Turmeric Processed in KG	Turmeric for Seed Bank in KG	Processed and Packed Turmeric in KG **
2011-12	8,000	-	34,120	14,660	2,900	11,760	-
2012-13	8,244*	14,000	88,000	59,790	34,411	25,381	7,394
2013-14	12,680*	19,600	160,000	115,000	110,000	-	32,000

* The raw turmeric losses about 25 to 30% of its weight due to loss of moisture when stored as seed.

** The raw turmeric can produce 25% of its weight as processed turmeric, in powder form.

PEDO is estimating a production of about 175 Tons (175,000 KG) of Turmeric in January to April 2014. PEDO has also promoted the exchange of seed among the turmeric producer farmers. PEDO is targeting to discontinue its seed bank as the farmers are developing their own micro-seed-banks for themselves and sometimes for exchange. PEDO right now has about 7.4 Ton of processed turmeric in its stock. 500 KG of this processed turmeric has been packed and sold.

PEDO finalized the brand name under which it will sell the turmeric under the project; it is 'MAHI'-after the River- Mahi.



Training to farmers for improved agricultural Practices: The 'Pre-Sowing' meetings are organized at village level. The major points elaborated during the meetings are:

- I. Selection of best land for turmeric cultivation
- ii. Preparation of farm land for turmeric seed sowing
- iii. Timings of cultivation- the seasons and period of best cropping
- iv. Processing of getting right seed for cultivation
- v. Process of sowing
- vi. Irrigation requirements etc.



Training for processing entrepreneurs: The 'Post-harvesting' meetings are organized in all the project villages. Turmeric processing training has been also conducted. The main agenda of these meetings were to explain the process of post-harvesting of turmeric:

- Extraction from the farms
- Storing the raw turmeric
- Storing the seed for further cultivation
- Cleaning of turmeric
- Processing methods for Powdered Turmeric Production
- Discussions on Marketing Plan for Turmeric

Vermin-Compost Units installed in project villages: Vermin-composting is nature's recycling system, utilizes a specific type of worm to process large quantities of organic materials. After digesting the edible components, worms produce nutrient-rich remains in the form of worm castings, or vermin-compost, an extremely rich form of compost. It is a low cost, organic, high-yielder and environment friendly manure.

90 farmers were identified, in the first lot, from the project villages, for training and assistance in constructing and operating a Vermin compost unit. The 'duel-pit' model was proposed for the farmers. 80 of these farmers have completed the vermin-compost pits and have already started to use them. The community contributed the labour component in the construction and Project provided the material component of the pit construction.

Processing Unit & storage yard for 'MAHI HALDI': The space for storage, processing and other production activities has been identified and the Processing unit has been established at PEDO campus. The building has been renovated suiting to the requirements of turmeric storages, processing and production Unit. The Total area of the space for turmeric production unit is about 10,000 sqft with covered space of about 5,000 sqft.

The processing units have four major sections:

1. Turmeric Cooking Unit
2. Polishing Unit
3. Grinding Unit
4. Packaging Unit

The Processing Facility also has space for drying the cooked turmeric. Necessary storage space for keeping raw and polished turmeric is also available. The Seeds are also stored in the seed-bank at the 'Mahi Haldi' Unit.

Exposure visit to turmeric producing areas: Four-Day exposure visit was organized to Sangali, Maharashtra. The office of Agricultural Research Station, Kasabe Digraj, Sangali, agreed to coordinate the visit of a group of eight farmers and two of the project staff, where Mr. Jitendra Kadam of the institute interacted with the farmers. The visit was a mix of classroom lecture on the cultivation, processing and production aspects of Turmeric and site visits to the farms. 10 CRP members and 2 of the project staff were also given an opportunity to visit the Maharana Pratap University of Agriculture & Technology (MPUAT), Udaipur for interaction with the experts of turmeric cultivation. This was a 3-day training and orientation session for turmeric cultivation, production and processing.

Farmers' Day Gatherings: The main agenda of farmer's Day gathering was interaction with and among the farmers. The farmers were promoted to convert agriculture into livelihood earning option by cultivating high yield crops and use of latest, cost effective and environment friendly methods of cultivation. The cash-crop cultivation was also discussed thoroughly during the meeting. The best practices were exemplified during the meet. Eight champion farmers were identified and were felicitated during the meet. These farmers have been covering the maximum area under turmeric cultivation and had the best crop from past two years. These champion farmers were gifted with a mobile phone set. Government officials attended the gathering and chief guest was Director (Education Extension), Maharana Pratap University of Agriculture and Technology.

SESSION:2

FINANCING FPOs/FPCs : PRESENTATION BY COMMERCIAL BANKS / NBFCs

Moderated by

Shri.C.R.Gopi Krishna, DGM, Indian Bank, Salem & Shri.M.Kathiresan, Advisor, DHAN Foundation



In his introductory address before the presentation by Commercial Banks /NBFCs ,Shri.C.R.Gopi Krishna, DGM, Indian bank, Salem – a development Banker with hand on experience of financing five FPCs in the past three years – has admitted that the guidelines on financing FPCs have not

percolated down to the branches and hence the onus of shouldering the proposal right from its receipt to sanction unfortunately falls on the controlling offices rather than the branches. He also shared with the participants that in one case he had to visit at least 10 times in various stages of FPC formation to make himself satisfied with the eligibility norms before sanctioning the limit and such perseverance is required while handling proposal for financing FPCs. And he cautioned the bankers not to be in hurry as FPC definitely requires a cooling period before availing credit. He further added that with the support of NABARD a new concept called **Smart Farmer 1000** is introduced wherein with the help of mobile app services like technology transfer, market information, and weather data would be provided on a daily basis. A Business Correspondent (BC) to provide doorstep banking service to the farmer members of FPCs is also contemplated.

Shri.M.Kathiresan, Advisor, DHAN Foundation

Shri.M.Kathiresan, Advisor, DHAN Foundation acknowledged that NABKISAN is the pioneer in Tamilnadu in financing FPCs to a larger extend and taking cue from their experience Commercial Banks have also started financing FPCs.



With regard to providing orientation to the bankers, he said, for any customer the first contact point for any of his business dealing is only the branch and hence any training / workshop directed towards imparting knowledge on financing FPCs should focus on branches only. Sensitizing senior officers working in the controlling offices of the Bank would also facilitate the credit proposal to traverse smoothly.

Shri.K.S.Rajesh, Assistant General Manager, Canara Bank, Madurai



He stated that Canard Bank has formulated a scheme of financing FPCs both for investment as well as working capital needs and though they are fully convinced of the advantage of FPCs the fact remains that not many proposals are referred to for their consideration. It may be due to

lack of awareness among the bankers and also the FPCs themselves and this hindrance has to be removed to ensure more credit flow to FPC sector.

Dr.K.S.Mahesh, Chief Financial Officer, NABKISAN, Chennai



Dr K S Mahesh , Chief Financial Officer, NABKISAN gave a presentation on the performance of NABKISAN with special reference to financing FPCs.

About NABKISAN

- Formerly “Agri Development Finance (Tamil Nadu) Limited”
- Incorporated under the Companies Act, 1956 on 14.02.1997.
- Rechristened as NABKISAN Finance Ltd. (NKFL) from 2014
- Non-Banking Finance Company (NBFC) - A subsidiary of NABARD
- Equity participation - NABARD, Govt. of TN, Indian Bank, IOB, TMB, Canara Bank, ICICI Bank, Federal Bank, LVB and a few Corporates / Individuals.
- Offices: Registered office at Chennai, and Corporate office at Mumbai from 10 May 2015.
- Operating States: TN, Maharashtra, MP, Rajasthan, HP, Uttarakhand, Gujarat, Karnataka expanding to Kerala, Bihar.

Objectives

- Credit for promotion, expansion and commercialization of enterprises in agri, allied and RNFS.
- Support for livelihood/ IGA by extending credit to PLFs, Trusts, Societies and Section 25 companies/ MFIs for on-lending to its member SHGs/ JLGs.
- Credit support to POs, facilitate integration with agriculture value chains

Nurturing FPOs

- Predominance of SF and MF. FPOs offer solution to problems faced by SF/ MF viz., input supply, lending to members, custom hiring, processing, warehousing, marketing.
- PODF fund by NABARD with Rs.50 crore in 2011-12.
- Setting up of PRODUCE fund with Rs.200 crore outlay in 14-15, more than 2000 FPOs promoted.
- For meeting credit needs of FPOs, NABKISAN gives specific focus with flexible policies at competitive terms.
- Last 2 years, nearly 200 FPOs are financed by NABKISAN

FPO nurturing by other institutions

- SFAC : 2 schemes – Equity Grant and Credit Guarantee.
- MP : DPIIP programme and MBCFPCL
- Maharashtra : Maharashtra Agriculture Competitiveness project
- Karnataka: Horticulture dept. allocated Rs.34.71 cr for two years under FPO Incubation and Stabilization Fund. 58 registered and 34 under registration.
- TN : Additional Rs.5.00 lakh grant for FPO is given by TNSFAC. Promotion of FPGs
- Bihar : JEEVIKA targets 100 FPOs in next three years
- Many promoting institutions, Federations, Foundations (ASA, FWWB, IFHD, CIKS, Maha FPO, Gujpro, Reliance Foundation, Mahindra, Syngenta)

Constraints in accessing institutional credit

- Nascent stage of FPOs
- Lack of ownership by members

- Inadequate capital for meeting credit needs
- Lack of resources
- Lack of collateral
- Inability to raise finance from formal banking system
- Non-availability of financial statements
- Lack of clarity on business planning

Broad norms of NKFL

- Existence of the FPO: Minimum 6 months
- Debt equity norm of 1:4 to 1:6
- Minimum paid up capital : Rs. 3 lakh
- Producer collective promoted by a reputed Promoting Institution
- Meeting credit needs: Working capital loan, Term loan
- Interest rate: Varies from 11% to 11.5%
- Grant support for capacity building, marketing, administrative cost to PO/ POPI

Loan Products at NKFL for FPOs

I. Loan Products with availability of Collateral

- Loans to POs/FPOs that are eligible for assistance from SFAC towards equity/credit guarantee cover.
- Loans to POs/FPOs that are not eligible for assistance from SFAC towards equity/credit guarantee cover and offering collaterals.
- Loans to Promoting Institutions for on lending to POs.

II. Loan Products without Collateral

- Loans to emerging POs that are not in position to provide collaterals.
- Loans to start up FPOs/POs with small size of business activities.

Loan for FPOs Eligible for SFAC Guarantee

❖ Purpose	Working capital, term loan for creation of infrastructure for storage, processing, marketing etc. Bulk loan for on-lending, loan against warehouse receipts.
❖ Eligible Institutions	FPOs existing for 1-2 years with at least one audited balance sheet for a financial year.
❖ Minimum share capital	Rs.3 lakh (minimum) for working capital loans and Rs.5 lakh (minimum) for term loans.
❖ Margin	Minimum 15% for WC and TL
❖ Security	Hypothecation/Mortgage of assets created out of loan.
❖ Rate of interest	11.00% p.a. for loans up to 3 years; 11.50% p.a. for loan term 3-5 years
❖ Repayment period	Upto 12 months for WC and 3-5 years for term loans.
❖ Loan Amount	Upto 6 times of net worth of the FPO or Rs.1 crore whichever is lower.
❖ Processing Fee	0.5% of loan amount (0.85% CG Fee to SFAC)
❖ Insurance	Assets acquired out of the loan will be insured.

Eligibility check for SFAC-credit Guarantee

❖ Registration/Incorporation	Under part IXA of Indian Companies Act and Incorporated with RoC
❖ Equity from	Raised equity from its members as laid down in AoA/Byelaws
❖ Number of Individual Share holders	Not lower than 500
❖ SF/MF and Landless tenant farmers as Shareholder members	Minimum 33%
❖ Max. shareholding by any one member (other than institutional member)	Not more than 5% of total equity of the FPC

❖ Max. shareholding by instittl member	Not more than 10% of total equity of the FPC
❖ Duly elected board of Directors	Minimum 5 members; adequate representation from member farmers; Minimum 1 women member
❖ Management committee	Duly constituted Management committee responsible for business of FPC
❖ Business plan and budget	For next 18 months

FPOs/POs not Eligible for SFAC Guarantee

❖ Purpose	Working capital, term loan for creation of infrastructure for storage, processing, marketing etc. Bulk loan for on-lending, loan against warehouse receipts.
❖ Eligible Institutions	FPOs/POs under any legal form and existing for 2-3 years with at least two audited balance sheets.
❖ Minimum share capital	Rs.3 lakh (minimum) for working capital loans and Rs.5 lakh (minimum) for term loans.
❖ Margin	Minimum 15% for WC and TL
❖ Security	Hypothecation/Mortgage of assets created out of loan. Collateral to an extent of 50-100% of loan amount.
❖ Rate of interest	11.50% to 13.00% (RoI varies depending on extent of collateral and tenure of loan)
❖ Repayment period	Upto 12 months for WC and 3-5 years for term loans.
❖ Loan Amount	Up to 6 times of the net worth of the FPO or Rs.1 crore whichever is lower.
❖ Processing Fee	0.5% of loan amount
❖ Insurance	Assets acquired out of the loan will be insured.

Bulk Lending to PIs for on lending

❖ Purpose	For on lending to FPOs/POs for working capital, pledge loans and term loans.
❖ Eligible Institutions	Promoting, Institutions, Resource Institutions with good track record and experience.
❖ Minimum share capital	NA
❖ Margin	15% of the Project Cost
❖ Security	Hypothecation/Mortgage of assets created out of loan. Collateral to an extent of 50-100% of loan amount.
❖ Rate of interest	11.50% to 13.00% (RoI varies depending on extent of collateral and tenure of loan)
❖ Repayment period	Upto 12 months for WC and 3-5 years for term loans.
❖ Loan Amount	Depending on the project cost and merit of the proposal.
❖ Processing Fee	0.5 % of loan amount
❖ Insurance	Assets acquired out of the loan will be insured.

Emerging FPOs/POs with promising prospects

- Organizations which are emerging and in nascent stage but with promising prospects.
- Not in a position to provide any collateral.
- Proposals of such organizations depending purely on the merits and prospects of the proposal will be supported subject to following minimum norms:
 - PO/FPOs generating surplus through operations.
 - PO/FPOs having professional management team.
 - Active involvement of members

- §PO/FPOs promoted by promoting institutions of high repute
- §PO/FPOs with sound business plan based on market linkages
- Such proposals are covered under Credit Guarantee funds to the extent possible

Start-up FPO/PO

- Normally, FPOs/POs have to mobilise a minimum capital of Rs.3-5 lakh
- The newly formed FPOs plan initial activities on a very small scale
- Demonstration of active business activities by the FPOs even on small scale, would facilitate the FPOs to enlarge membership and also increase equity participation by existing members.
- Initial loan based on the capital of the FPO/PO will be provided on select basis without any collateral as per the following norms:
 - PO/FPOs promoted by promoting institutions of high repute
 - To have minimum net worth of Rs.1 lakh; Debt equity ratio of 1:4
- Such proposals are covered under Credit guarantee funds to the extent possible

Collaborations/ Partnerships



Challenges

- Quality Human Resources
- Vision for the FPO
- Capacity Building of BoDs
- Demand assessment
- Dependence of market intermediaries
- Lack of Planning for risk
- Lack of credit history

Way forward

- Associating with reputed partners/promoting institutions who have promoted good number of FPOs
- Explore partnership for Business Facilitator Model
- Associating with central govt programme of doubling farmers' income and state govts' programmes
- Exploring partnerships with Corporates, NABARD, FIs, etc., for leveraging grant support, creation of risk fund
- Explore geographical expansion
- Designing new products in emerging sectors
- Bringing out web portal dedicated for FPOs and rating tool for FPOs. FPO manual released.
- Exploring tie ups with corporates for backward and forward linkages, NCDEX platform.
- NABARD is promoting another 3000 FPOs offering business opportunity

Shri.V.Ramasamy, Senior Manager, Syndicate Bank, Madurai



Shri. V.Ramasamy, Senior Manager, Syndicate Bank, Madurai explained briefly about various credit products and services available to the farming community from Syndicate Bank and also expressed optimism over financing FPCs as well. He called upon the promoting

institutions and FPCs to approach them for the credit needs of FPCs.

Shri.C.G.Karthikeyan, Manager (Agri Credit), Head Office, Pallavan Grama Bank, Salem

To meet the individual credit needs of the Primary Producer Groups / FPCs was the main focus of Pallavan Grama Bank, Shri.C.G.Kathikeyan said.



He added that in Tiruvannamalai district they were able to meet the credit needs of 400 – 500 farmers of one FPO with guarantee backup from an NBFC. Similarly, in respect of a dairy producers company formed near Bethanayakanpalayam the Bank financed 1000 dairy farmers by way of KCC / OD with NABARD's support as the Bank strongly believes financing individual farmers should proceed before financing the company for procurement or marketing.

In another instance, the Bank tied up with National Collateral Management Services Ltd and financed two FPOs as produce marketing loan for keeping paddy in the warehouses / godowns approved by the

collateral agency. He also shared with participants that financing one FPO for their Dhal Mill project to the tune of Rs.80 Lakhs and another FPO of vegetable farmers are under way.

Valedictory

Shri.Vivekanand N Salimath, Managing Trustee, Initiatives for Development Foundation (IDF), Bengaluru



He appreciated all speakers who deliberated the issues and challenges in Advancing FPC with passion and in particular he endorsed the views of Mr. Vasimalai on the organisational structure of FPC which should be in the nature of a nested institution with bottom- up

approach. He added that IDF will have in its fold 18 functional FPCs by next year end.

When there are many challenges that confront the growth of FPCs, according to Mr. Salimath, **Financial Risk** and **Production Risk** are two major risks which inhibit the progress of FPCs. As for Financial Risk is concerned, most of the farm loans slipping into NPA due to farmers anticipating loan waivers is a dampener in bankers not showing keen interest in financing FPCs. The climate change causing great shift in Rainfall pattern and consequently cropping pattern also is the **Production Risk** which the entire farming community including FPCs has to address. Not to speak of less, with younger generations not turning to agriculture and the average age of agriculturists increasing year after year, he lamented that no one would be available to do farming in our country.

Shri.M.V.Ashok, Development Consultant,

With his experience as an ex-banker having worked both in a commercial bank as well as NABARD, Shri.M.V.Ashok shared his thoughts on the challenges which FPCs encounter in their journey towards faster growth.



- Lack of emotional attachment of present day bankers to their customers, especially farmers unlike in the past is a major hindrance.
- Sensitising Branch Managers on FPO concept and organising exposure visit for them may result in some improvement.
- NABKISAN having done pioneering work in FPO financing has created some models and with other commercial banks also getting into fray, a healthy competition may arise which is advantageous for FPCs to avail credit in better terms.
- FPCs being in nascent stage of development cannot venture into capital intensive processing activities and it is better for them to confine themselves to procurement, aggregation and marketing.
- Enlarging farmer membership at the bottom of the organisational pyramid can be ensured by converting farmers clubs organised with the support of NABARD as Primary Producer Group / Farmer Interest Group
- FPCs should graduate in marketing through NCDEX both on spot and future basis.

- Wherever FPCs are located near Urban and Metropolitan centres, they can be encouraged to go for direct marketing as the experience shows great success
- The training module given by Bankers Institute of Rural Development (BIRD), Lucknow for imparting knowledge to CEOs, BODs and members of FPCs through select NGOs may be further facilitated by the concerned Regional Office of NABARD to suit the given contexts.
- To have successful FPCs, all four legs of FPCs are to be strengthened

1. Finance 2. Inputs 3. Technology 4. Marketing



About INAFI India

Inafi India (International Network of Alternative Financial Institutions - India) is a network of Development NGOs involved in enabling and supporting development programmes/livelihood interventions of the member organizations in India. Inafi India is affiliated to global network of Inafi and being country chapter in India, the network is working on the vision of Inafi for development with dignity for poor and enabling access to basic services including financial services. The collective outreach of members is more than 10 millions across the states. Inafi spearheads the SHG bank linkage and financial inclusion, advancing the microfinance sector, capacity building programmes for members and policy advocacy for pro-poor microfinance services are the twin mandate of the Inafi India.



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