

CASE STUDY OF DHARANI FARMER PRODUCER ORGANISATION, KAMAREDDY

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Dharani Agricultural Producers Mutually Aided Cooperation Federation Ltd. (Dharani FPO) was set up to help farmers reap benefits of economies of scale via collectivization and aggregation. It is established to help its member farmers sustainably increase their income, enhance the capacities of farmers and their institutions to manage their own affairs effectively, promote improved production practices, introduce collective procurement of inputs & marketing, network with farmer institutions and other NGOs to make collective representations to policy makers on farmers rights and entitlements.

Dharani FPO is being promoted by APMAS (Andhra Pradesh Mahila Abhivruddi Society) the project 'Sector Own Control' supported by DGRV, Germany in Sadhasiva Nagar Mandal of Kamareddy District. In the Kamareddy region, farmers are primarily production oriented instead of being market oriented. This has put farmers in a disadvantageous position as they are not engaged in the entire agriculture value-chain which leads to middlemen taking over their profit share. It has been revealed from the value chain studies conducted by APMAS in Kamareddy district that farmers are not united in resolving their issues. Unlike self-help groups and their federations, farmers lack proper institutions to come together and take up issues related to farming (pre-production, production & post-production). Thereby, upon the request of District collector, farmers were mobilized to set up Dharani FPO.

DHARANI literally means 'mother earth'. The FPO's journey began in January 2017. It was registered as company in February 2018 under MACS Act 1995. Dharani is currently having 715 Farmer members. On the structural front, premises are rooted in the principal of sustainability and self-reliance. APMAS and its team worked hard and relentlessly to enlighten to the farmers, the key benefits of collective action such as the possibility of sharing knowledge and learning for the stakeholders who take part in the collective initiatives.

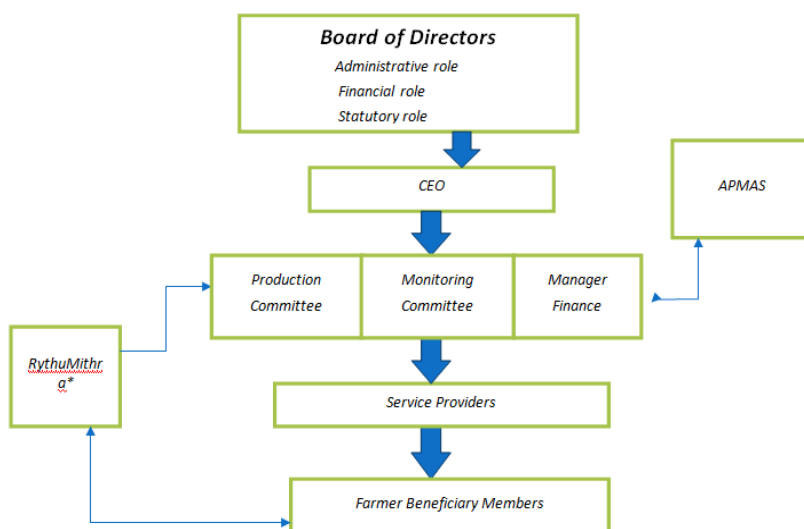
Life Journey of Dharani FPO:

Phases	Key Activities	Deliverables
Stage One: Pre-Project Implementation / Incubation Stage	This stage involved conducting a baseline study on volumes, value and market access, centrality analysis, identification of product specific clusters, feasibility Analysis- Break even estimates, and creation of project implementation plan including procurement, input, storage and marketing.	Detailed project report (DPR). List of product specific clusters identification, Database on farmers prepared
Stage Two: Enhancing capacity and Implementing of Surplus farm production Plan (Mobilisation phase)	<p>-Village meetings- identify potential farmers, identify opinion leaders</p> <p>Identification and formation of FIG(farmer interest Groups)</p> <p>Hand holding support for productivity increase</p> <p>Explaining the logic of collectivization the value proposition for setting up FPO</p> <p>Organising exposure visit of farmers and opinion leaders</p>	<p>Local resource Persons interviewed and selected (Raithu Mithras.)</p> <p>Formation of FIGs Raithu Aangams-a cluster of 10 -15 farmers</p> <p>Imparting necessary training on improved agriculture practices to FIGs through (Raitu Polam Badi) Farm Fields School-FFS</p> <p>Farmers realized benefits in terms of increased yield and less expenditure.</p>

Basic profile of Dharani FPO:

Total members	720
Date of registration	Feb -20018
Share capital 1000 Rs each (in lakhs)	720000 Rs
Main promoter	APMAS
Women member of the FPO 25%	180
No. of directors	15
RythuMithra 1 in each village paid by DGRV	10
No. of employees paid by APMAS	1
<ul style="list-style-type: none"> - Accountant(Project Associate) - Capacity builder/ non-technical - Agriculture Officer 	1
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Organizational structure of Dharani FPO:



Stage-3: Emerging and Growing Stage	<ul style="list-style-type: none"> -Gram Raithu Sangams meeting and orientation started for FPO scoping, vision building & exposure visits initiated. -Generate crop-wise household information with surplus, deficit and gap exists -Initiation of Statutory process required for formation of DHARNI. -Finalizing list of farmers willing to join FPO and start share money collection. -Framing of Bye Laws/MoA/AoA, incorporation of FPOs 	<ul style="list-style-type: none"> Business plan drafted and shared with Raithu sangam members Started collecting share money. Institutional Arrangements for Market Access and input supply agreement placed with e-Fresh ,MARKFED.
Stage 4: FPO establishment and Stabilization phase	<ul style="list-style-type: none"> Physical establishment of FPO Implementation of business plan of FPO 	<ul style="list-style-type: none"> Office, Custom Hiring centre, outlets for supply of various inputs established Obtaining necessary statutory Clearance needed to carry out business activities.

Business of Dharani FPO:

For smooth functioning and sharing of responsibilities, there are three sub-committees to manage the whole gamut of business. The decision of the sub committees is accepted by board unless otherwise it requires any further review. Dharani management has applied and successfully secured licenses to supply pesticide, bio-pesticide, Seed license & Fertilizer, Bio-fertilizers. The main business of FPO is agricultural input supply to its members. The input supply through FDC included fertilizer, seed, bio-inputs and pesticide. The FPO has license for sale of various inputs and charges a nominal amount of Rs 10-15 on each bag of seeds and 8-10% margin on pesticide for nearly 1500 members and non-members. Its members' avail all these inputs at 85% cost on the actual market price. Non-member farmers also avail these services. This number could increase if FPO offers credit sales but currently it only sells on cash and carry basis. Dharani FPO also has a Farmer Service Centre since 30th December 2017 at Kalwaral village from where it sells inputs, rents farm equipment, extended fund for the purchase of all the Farm machinery at the Custom Hiring Centre (CHC). The farmer service centre provides essential services like land preparation, seeding, weeding and others by renting out its machinery through its CHC

Farmer Development Centre- FDC

APMAS collaborated with Agribusiness solution provider e-Fresh for the establishment of FDC which is owned and managed by DHARANI FPO. These are physical centers established in villages and towns where crops are grown by partnering with Farmers Producer Organizations (FPOs). FDCs act as all-time reliable knowledge one-stop shop centre which enables local farming communities to access knowledge, technology, inputs, financial & risk mitigation services, farm machinery hiring services (CHC) , value chain integrations and market information and linkages etc. FDC also promotes Good Agricultural Practices (GAP). The FDC conducts regular farmer's field schools called 'Polam Badi' on maize crop for the farmers of Dharani FPO. Model farms have also been set

up for teaching and demonstrating GAPs. In this, some farmers are selected as model farmers who will be supported with the advisory services, scientific methods and technology interventions. These model farmers act as brand ambassadors for showcasing the best practices to other farmers.

Dharani FPO Business Performance:

- Dharani FPO had business turnover of Rs. 51, 39,524 through their Farmer Service Centre (FSC) in the financial year of 2018-19. The FPO also made a profit of Rs. 1,68,781 through the FSC.
- The total revenue of the FPO through the sale of fertilizers and pesticides to its members and non-members in the financial year of 2018-19 is Rs. 32,05,774
- The total revenue of the FPO through renting out agricultural equipment through the Custom Hiring Centre (CHC) during the financial year of 2018-19 is Rs. 1930000.
- Maize procurement was initiated to undertake Maize procurement under Minimum Support Price (MSP). The Quantity procured in Rabi was 1219 quintals and the service charge earned by FPO was Rs. 12,230 and the quantity procured for the second time i.e., in Kharif was 7400 quintal and the turnover was Rs.1,25,00,000 and Service charge(@ 1%) earned by FPO is Rs.1,25,800 and the outreach of Farmers was around 300 members.
- Recently, as Dharani FPO prepared its Kharif action plan for the season 2019, estimate of fund requirement for input procurement was around Rs. 15 lakhs. As the FPO could mobilize only 5 lakhs on its own and weren't able to procure a loan from the banks in time due to the massive paperwork involved, they received a loan from Mr. Papi Reddy (CEO, Sadhikaratha Foundation) as he felt that the FPO had the potential to their proposal. The farmers proved him right in his assessment of their capability to return his money but they also make a profit of 1.5 lakhs on their total investment.

Challenges faced in the process of setting up Dharani and key learnings:

Constraints faced

- Mobilization of individual farmers into a formal structured organisation is big task. It requires very high skills to convince individual producers / growers to form organizations.
- As organizational development is an innovative activity, the target group is not willing to pay for services.
- After incorporation of FPO, to raise share capital and develop business plan are important challenges.
- Legal and technical knowledge about Acts and regulations is crucial; Many times expert advice is needed.

Solutions:

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

Lessons learned

- Farming communities will engage with the collective if tangible solutions to their problems are provided.
- For sustainable development of the FPO, business activities are needed to be promoted.
- Through FPO, encouraging services and infrastructure, supporting local agriculture, is an added advantage in making the FPO sustainable in the long run.
- Capacity building of an FPO is an incremental approach i.e. taking on different functions without complicating the farmer's ongoing work..Value chain development is also on-going process- procurement, sorting, grading, value addition need to have a long term horizon for it to be fruitful. An FPO needs at least 5-7 years of handholding and support to become self-sustainable organically.
- It is imperative to make the existing FPOs self-sustainable by building better business models rather than concentrating purely on scaling up.
- There are significant barriers to access to credit and regulatory compliances which are difficult for nascent FPOs to meet in lieu of the statutory compliances which FPOs are bound by under their respective registration acts. Relief to FPOs from penal provisions in case of certain non-compliances for the first five years would boost growth of the FPO.
- Treating FPOs as agri-start-ups will give a great boost to the growth of FPOs. Debt is a huge issue for FPOs as most FIs require collaterals and at least three years of balance sheets for credit assessment. There is a requirement for designing tailor-made loan products for FPOs which was done in the case of SHG-bank linkage programme earlier. Lending to FPOs needs to be seen as a business opportunity.
- Research around the performance indicators of FPOs could lead to developing a rating tool for FPOs. A rating tool would serve the dual purpose of facilitating credit-assessment and further underwriting. Rating parameters reflecting the state of governance, management, risks mitigation, and sustainability would help establish credibility with investors and formal financial institutions.