

CASE STUDY OF DHARANI FARMER PRODUCER ORGANISATION



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List of Abbreviations:

AGM	Annual General Meeting
APMAS	Mahila Abhivuruddhi Society
CEO	Chief Executive Officer
CHC	Custom Hiring Centre
DPR	Detailed Project Report
GAP	Good Agricultural Practices
GST	Goods and Services Tax
FPO	Farmer Producer Organization
FDC	Farmer Development Centre
FFS	Farm Field School
MACS	Mutually Aided Co-operative Society
MARKFED	State Agricultural Co-operative Marketing Federation
NABARD	National Bank for Agriculture and Rural Development
NBFC	Non-Banking Financial Company
PoP	Package of Practices
POPI	Producer Organization Promoting Institution
PAN	Permanent Account Number
PPC	Primary Processing Centre
RBI	Reserve Bank of India
RM	Rythu Mithra
RF	Reliance Foundation
SHG	Self Help Group
SFAC	Small Farmer Agri-Business Consortium
SOC	Sector own control
SNU	Swayam Niyanthrana Udyamam

EXECUTIVE SUMMARY

Agriculture is a mainstay of the Indian economy and plays an important role in its growth and development. Over two-thirds of the Indian population is directly or indirectly dependent upon agriculture and its allied activities. Small and marginal farmers constitute the large group of cultivators (85%) in Indian agriculture. They have low accessibility to the technology, agriculture extension, information, credit and markets. On the other hand, the food industry finds it difficult to procure agriculture produce directly from the farmers because of the high transaction costs. This makes the supply chains inefficient and creates concerns of food safety, lack of transparency and traceability. If the increasing number of agricultural suicides is any indication, these farmers are struggling to survive. While indebtedness is often cited as the immediate reason for their distress, deeper issues are involved in this phenomenon such as low scale of operations, lack of information, poor communication linkages with the wider market etc. Alongside, these associated factors, the farmers also experience extreme exploitation by the intermediaries in procuring inputs and marketing their produce.

This situation calls for major structural reforms and transformational initiatives towards the revitalisation of agriculture both, by way of stepping up investments for productivity enhancement as well as reforms in agricultural marketing and post-harvest logistics for boosting agricultural growth at micro, meso and macro levels. Several organisational prototypes are emerging to integrate Farmers into the value chain. One such initiative is Farmer Producer organizations (FPOs) which aim to help farmers reap benefits of economies of scale via collectivisation and aggregation.

This case study attempts to document the journey of Dharani Agricultural Producers Mutually Aided Cooperation Federation Ltd. (Dharani FPO) registered in February 2018 under MACS Act 1995, and in the process, identify the key challenges, learnings at various stages of this FPO's journey and harnessing this knowledge for developing a set of guidelines for future reference in the development of FPOs.

Dharani is currently having 715 Farmer members. 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. APMAS (Andhra Pradesh Mahila Abhivruddi Society) is the promoter of this farmer producer organisation under the project 'Sector Own Control' supported by DGRV, Germany in Sadhasiva Nagar Mandal of Kamareddy District. This case study takes a deeper look in the step by step process adopted by APMAS in promoting Dharani FPO from its inception stage to becoming fully functional. This also throws light on the FPO's structural aspects and financial status. The case study is divided into two sections-the first section covers the process followed in formation of the FPO and the second section covers more about the ecosystem in which the FPO exists, concluding with the key challenges and learning picked up in the process of its formation, and the current intuitional interventions needed and recommendations going forward.

Section -1

Objective:

This case study is an attempt to understand and explore the journey that DHARANI Farmers Producers Organisation (FPO) undertook from its date of inception to reaching maturity and the various developments it underwent throughout this journey. This case study has been crafted to assist in placing a set of guidelines that can facilitate the creation of designs for the future FPOs based on the successes and learnings from the case of Dharani FPO.

Introduction:

Sadashivanagar is a Mandal in Kamareddy district of Telangana. It is spread over an area of 3,651 square kilometer. The average size of land holding is 1.53 acres and around 91% of the farmers in the area are small and marginal farmers. The soil here is either red loamy soil, medium black soils or deep black soil. The soil quality in the area is poor and lacks micro-nutrients. The main sources of irrigation are the canals followed by water tanks. Major crops grown in the area are paddy, soybean, sugarcane, cotton and maize. The deficiency in the micronutrients is widespread and has resulted in limited crop yields. The farmers there also face issues of pest and wild animals attacking the crops. Due to varied problems, farmers in the area were slowly losing interest in the agriculture and were migrating to nearby cities in search of livelihood.

APMAS is a not-for-profit national level resource organization working for the empowerment of people's institutions such as women's Self-Help Groups (SHGs), SHG Federations and Farmer Producer Organizations (FPOs) in the area for last 18 years. APMAS with technical and financial support from **DGRV** has been making effort to consolidate and up-scale Sector Own Control (SOC)/ Swayam Niyanthrana Udyamam (SNU) in to the fabric of people's organizations. SOC is essential for the sustainable progress and survival of these organizations. (Check Annexure-1 for more information about APMAS)

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).

In recent times, the government of India has also focussed its efforts on promoting and strengthening of Farmer Producer Organisations (FPOs). Reliance Foundation is actively promoting and guiding FPOs in the nearby areas but Sadashivnagar was left out of picture. Due to the past good work that APMAS has done in the area with SHG/SHG Federations, the District Collector of Kamareddy district requested APMAS to collectivize the farmers in the Mandal in to a FPO.

DHARANI literally means ‘mother earth’. The FPO’s journey began in January 2017. It has been promoted by APMAS and funded by DGRV Germany with the main objective of promoting and strengthening self-reliant Farmer Producer Organisation in Telangana state to engage in agriculture value-chains. APMAS has assisted Dharani FPO every stage- mobilizing, registration, business planning and operations. However, ownership control is always with farmer-members and management of the FPO is done through the representatives of the members.

A key challenge for APMAS is to act as catalysts and bring out the self-organising capacities of farmers in the most locally relevant and useful way. It is critical that there is affinity amongst the members for the group to sustain and benefit in the long run along with the concept of Sector Own Control woven in to the very fabric of Dharani. The following section provides a quick overview of the journey of the Dharani FPO.

Life journey of Dharani FPO:

Stage One: Pre-Project Implementation/ Incubation Stage

	Key Activities	Deliverables	Means of verification
1	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	Submitted DPR, Meeting minutes and photographs of meeting, Inception report.

APMAS has been working actively with SHG/SHG federations in Sadashivanagar for over 10 years in strengthening and institutionalizing self-regulatory and supervisory systems in them. Thereby, its team had access to lot of on-ground realities of its agrarian system and distressed face by them. All this information came in handy when decision to form a FPO (DHARANI) was made. In spite of APMAS proximity with the local people it faced some resistance from the farmers when the decision to form them into formal groups and later into FPO was taken up, due to their past experiences with other organisations which never delivered on their promises. APMAS organised and mobilized farmers and awareness meetings held in 10 villages of Sadashivanagar Mandal. On the technical front, APMAS conducted soil testing in the area in order to determine the soil health. The test was done for around 262 farmers in all the nine villages. Within a month of conducting these tests, APMAS shared the lab reports with the farmers, generating faith about its intentions.



Stage Two: Enhancing capacity and Implementing of Surplus farm production Plan (Mobilisation phase)

Key Activities	Deliverables	Means of verification
<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>	<p>List of Raithu Sangams.</p> <p>List of Raithu Mithra who are trained and ready for deployment.</p> <p>Training curriculum, training reports and participants list</p> <p>List of farmers adopting package of practices</p> <p>Number of farmers supported by FPO.</p>

At this stage, APMAS was faced with twin challenges. On one hand, it had to convince farmers about the viability of FPO in terms of giving them better life socially and economically. On other hand, due to presence of FPOs promoted by Reliance Foundation in the surrounding villages, farmers had unrealistic expectations about the availability of funds with the NGO.



RPs Training at APMAS
office Kamareddy



Bihar Team Exposure
visit



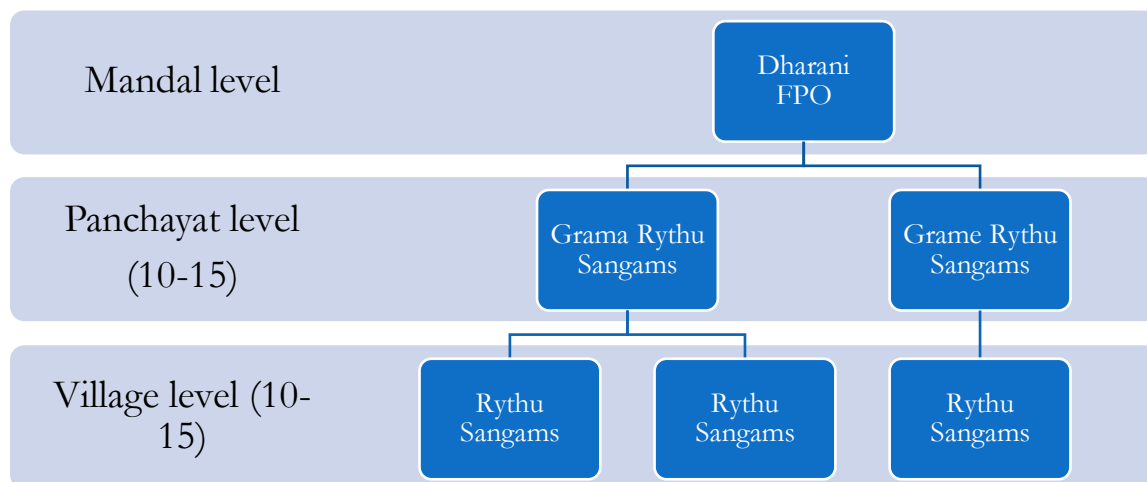
Member Education
Training at Village

The biggest differentiation between FPOs promoted by Reliance Foundation and APMAS is in the approach and the structure of the collectives. APMAS has a more hands-on approach with the pool of knowledge bank available at its disposal due to its long standing association with the SHGs and SHG federations in the Area. This information has helped APMAS in identifying the potential interventions required and understanding the specific project implementation context. 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.

APMAS also created awareness about FPOs by showing movies on the successes of existing formal collective organisation like Mulkanoor Cooperative Society, Green Foundation, Bangalore, and CCD in Ananthapur, Jai Sardar FPC, Jeevan Sangini women FPC in Maikapur Maharashtra. A cooperation approach relies heavily on the local knowledge of stakeholders and on the possibilities to integrate this knowledge into the decision-making process. Thus, collective action increases the credibility and legitimacy of decision-making, and also allows the collecting and sharing of information at lower costs compared to the individual approaches. Another important benefit of collective action is the possibility of efficiently tackling local issues.

Polam Badi/Farmer Field School (FFS): FFS is basically a virtual school where the farmers are given hands-on training on various productivity enhancement technologies with primary focus on learning by doing. It includes on-farm raitu trials and demonstrations etc. The objective here is to expose farmers on various agriculture technologies, test and validate them under their own management condition so as to improve adoption of technologies by farmers.

Social mobilisation network of DHARANI



Stage-3: Emerging and Growing Stage

Key Activities	Deliverables	Means of verification
-Gram Raithu Sangams meeting and orientation started for FPO scoping, vision building & exposure visits initiated.	Business plan drafted and shared with Raithu sangam members	Gram Raithu Sangams meeting registers and shareholders list prepared.
-Generate crop-wise household information with surplus, deficit and gap exists	Started collecting share money.	FPO Bank Account Statement.
-Initiation of Statutory process required for formation of DHARNI.	Institutional Arrangements for Market	PAN Card received.
-Finalizing list of farmers willing to join FPO and start share money collection.	Access and input supply agreement placed with e-Fresh ,MARKFED.	
-Framing of Bye Laws/MoA/AoA, incorporation of FPOs		

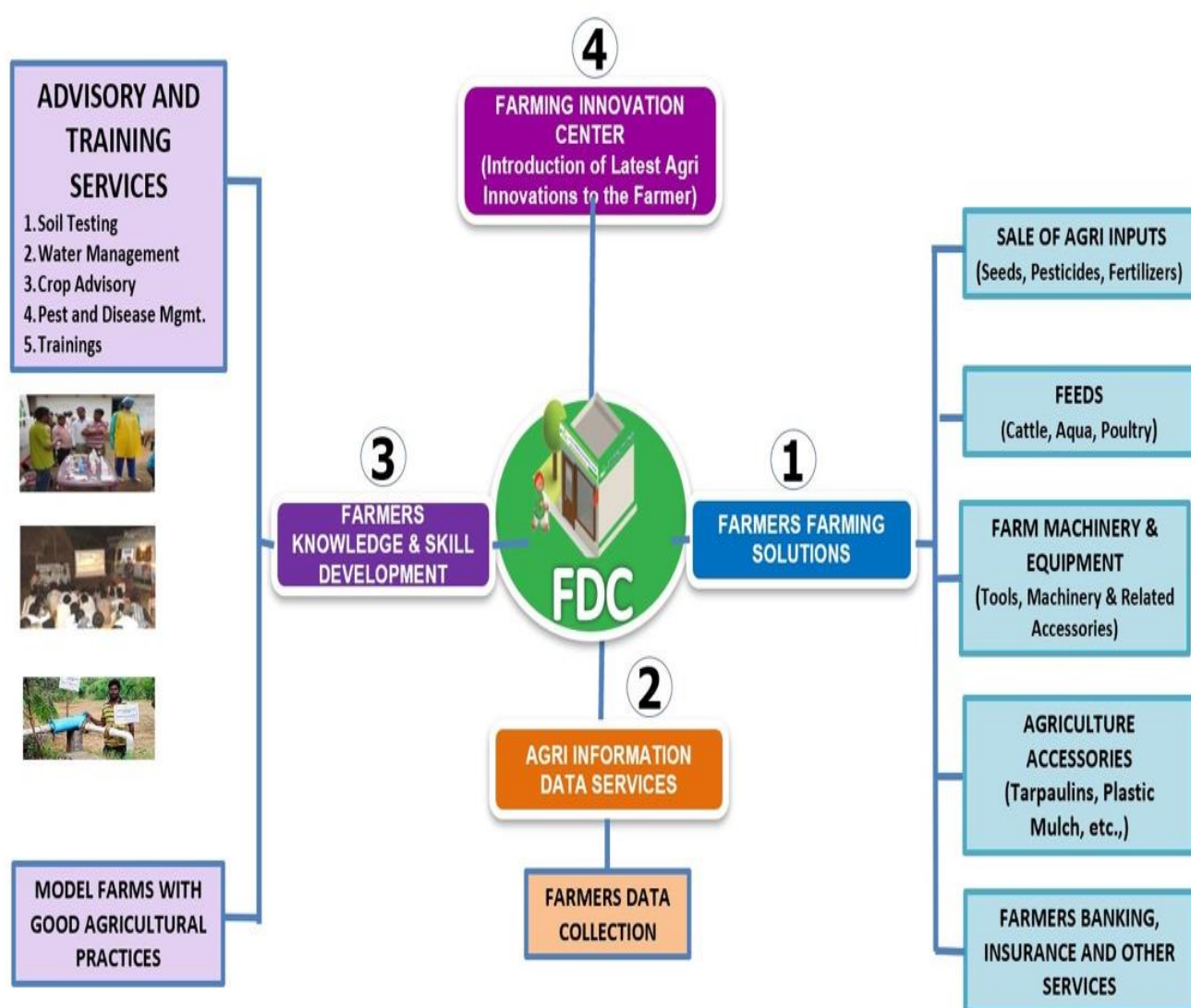
FARMER DEVELOPMENT CENTRE- FDC

APMAS collaborated with Agribusiness solution provider **e-Fresh** for the establishment of FDC which is owned and managed by DHARANI FPO. These are physical centres 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. Along with this, farmers are given training in preparation of Ghana Jeevamrutham (organic pesticide) and vermi compost. Rythu Mithras are also given training in creating Kharif action plan. Linkages have been established with agriculture universities and research stations to train the farmers and facilitate extension of successful technologies and demonstrations in the village. Farmer Development Centre provides inputs to the farmers.

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



Schematic of Farmer Development Centre

Stage 4: FPO establishment and Stabilization phase:

Key Activities	Deliverables	Means of verification
Physical establishment of FPO	Office, Custom Hiring centre, outlets for supply of various inputs established.	Regulatory approvals for FPO activities. Farmer Field Book
Implementation of business plan of FPO	Obtaining necessary statutory Clearance needed to carry out business activities.	Increased business turnover of FPO reflected in Balance Sheet. GST applied.

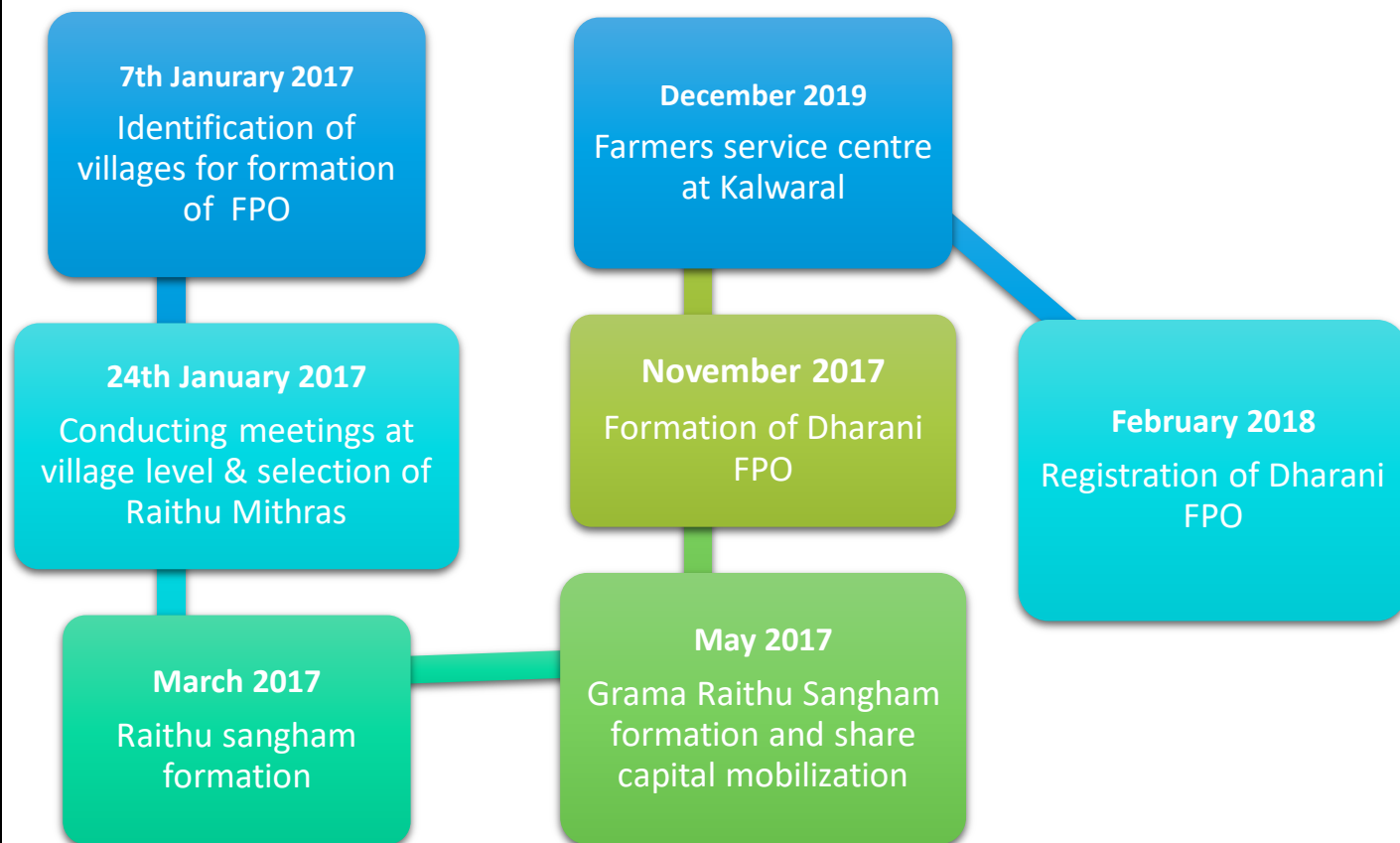
As Dharani FPO started taking up business activities, the farmers got benefitted through the services offered by the FPO. The non-member farmers also come forward to pay the share capital and become members of the FPO as they have witnessed the benefits of being a member. **During the season of Kharif 2018, Dharani FPO received procurement acceptance letter from MARKFED** and Dharani started procurement. For this, a business committee was also formed to oversee the business activities of the FPO. However, the committee was not completely involved and the activity was done by APMAS team due to which the farmers had to face issues in procurement like delay in procurement and in receiving amount from MARKFED.

Dharani FPO maize procurement operation was one of its kind in the history of Telangana state. It was initiated to undertake Maize procurement under Minimum Support Price (MSP). The Maize Procurement Centre was on the behalf of TS MARKFED under the Minimum Support Price (MSP) to support farmers to sell their produce at their Mandal level at common place. Special staff and Sub-Committee were formed and necessary training was given to them on the procurement systems to be maintained in the process and to ensure the quality, systems, bookkeeping, labour, transportation, gunny bags, submission of reports regularly etc. The operations led by the BoD made it a success story in the district.

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.

Maize procurement centre benefitted the farmers by reducing their transport costs, restricted misappropriation in the weight calculation, and timely payments were received directly by farmers in their bank account within 48 hrs of procurement from MARKFED. They no longer had labour issues as well, as the whole process was time saving.

Timeline of Dharani FPO's Journey:



Enrolment of Farmers in M-Kisan



Raithu Mitra's meeting



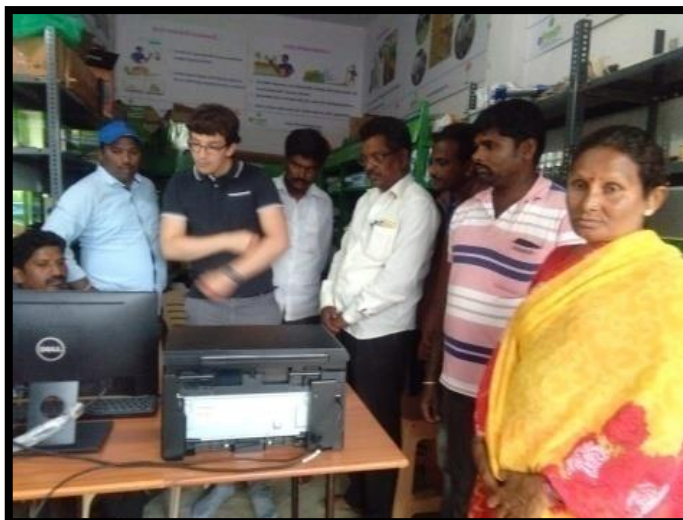
RS Leaders Training



Dharani FPO fertilizer supply in Thimnapally



Farmers preparing organic fertilizer



DGRV Team visit to FDC at Padmajiwada



FPO Board Meeting



Demo plot at Thirmanpally

Basic profile of Dharani FPO:

Total members	720
Date of registration	Feb -20018
Share capital 1000Rs each (in lakhs)	720000Rs
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
	1

Table 1: Basic profile of Dharani FPO



Female Farmers collecting soil samples

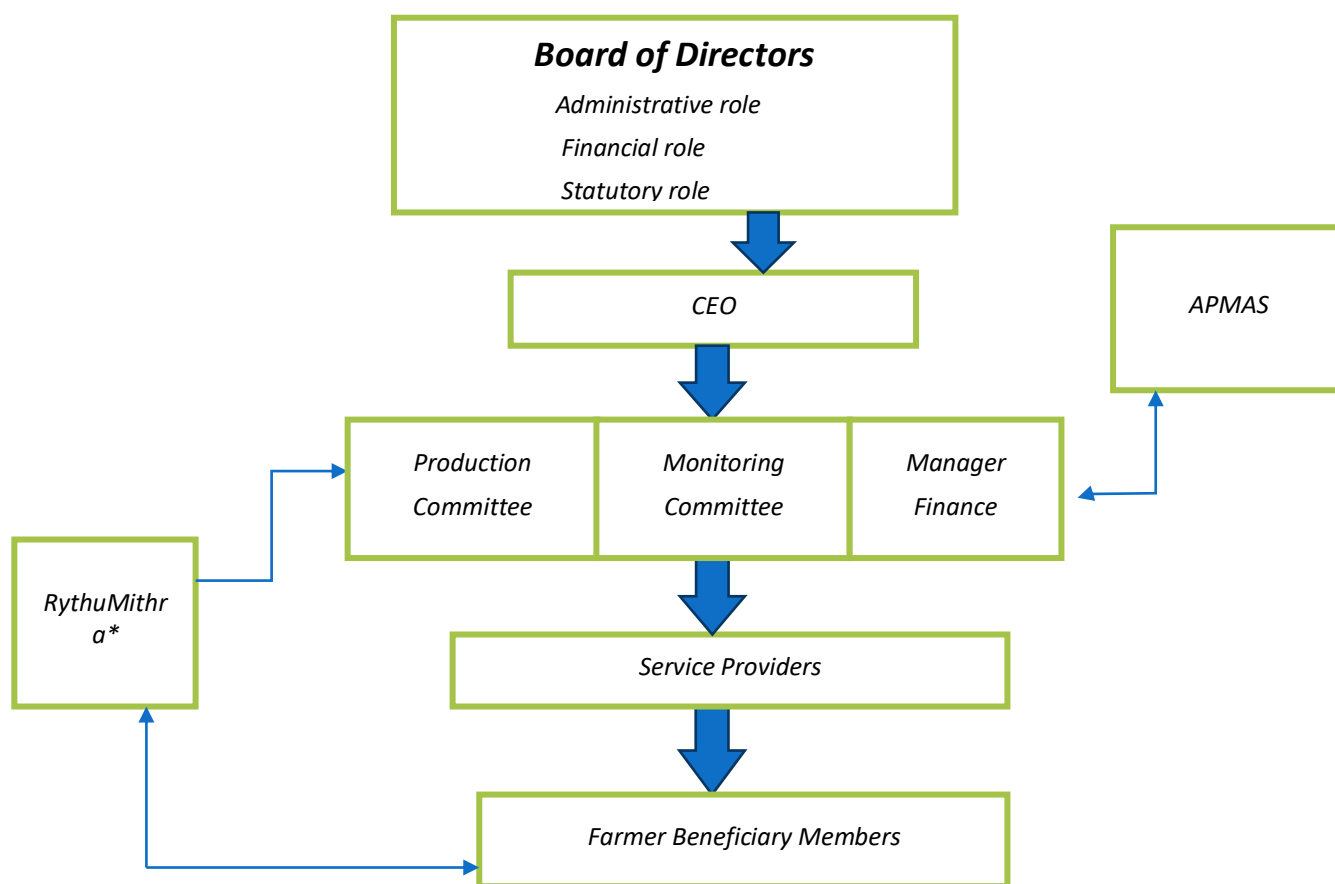
Strength of Farmers' Institution - Dharani Cooperative		
	FACTORS	OBSERVATIONS
OWNERSHIP	Farmer members are the owners of the FPO	Farmer claim the ownership and any member can put forth their views on its business via their representatives.
	Farmer members on their own manage the FPO	Dharani is managed by professional paid staff with help of the resource institution (APMAS)
	Frequency of attendance in meetings	More than 80% attendance in sangam meetings is witnessed as per records
	Accountability	The business decisions and profit statements are shared with members.
AWARENESS ON ROLE AND FUNCTIONS OF FPOs	Members are aware of FPOs structure	Farmers are aware of the structure, role and responsibility of BODs but not completely in tune with the management of the FPO.
	Farmer members understand their role in running the FPO.	Farmers consider their responsibility to produce organic and sell it to the FPO.
SATISFACTION	Satisfaction amongst farmer members	High satisfaction, based on high returns on investments and support in newer technologies of doing farming.
PROCESSES AND PROTOCOLS	Maintenance of records, bye laws and its effective implementation	All Records of attendance, input transaction, crops procurement and business are duly maintained
CAPITAL AVAILABLE	% of produce sold to the FPO by farmer member	All the produce by member farmers are sold to the FPO except for milk and vegetables which are currently not procured by FPO.
	Physical capital	Dharani has FDC with operational CHC
	Financial capital	Dharani has not yet taken loan from formal financial institutions but took one voluntary financial help from Mr. Papi Reddy.

Table 2: Strength of Farmer's institutions: Dharani FPO

Village	No. of Groups formed	No. of members in groups	No. of women in groups	No. of Bank accounts opened	Amount of Savings (Rs) in RS Groups	Share capital
1. Modegam	15	194	31	15	180000	89000
2. Thimmojiwadi	9	111	47	9	113380	111000
3. Kalwaral	5	57	14	5	55800	57000
4. Thukkojiwadi	13	155	31	13	138550	130000
5. Padmajiwadi	17	191	35	17	162750	131000
6. Mallupet	03	32	06	03	9600	0
7. Kuprial	04	53	02	4	9600	0
8. Thirmanpally	07	80	01	07	55100	41000
9. Dharmaraopet	04	49	07	4	3400	0
TOTAL:	77	922	174	77	728180	559000

Table 3: Rythusanghams and Financial Status as on December 2018

Organizational structure of Dharani FPO:



Rythu Mithra (RM)*

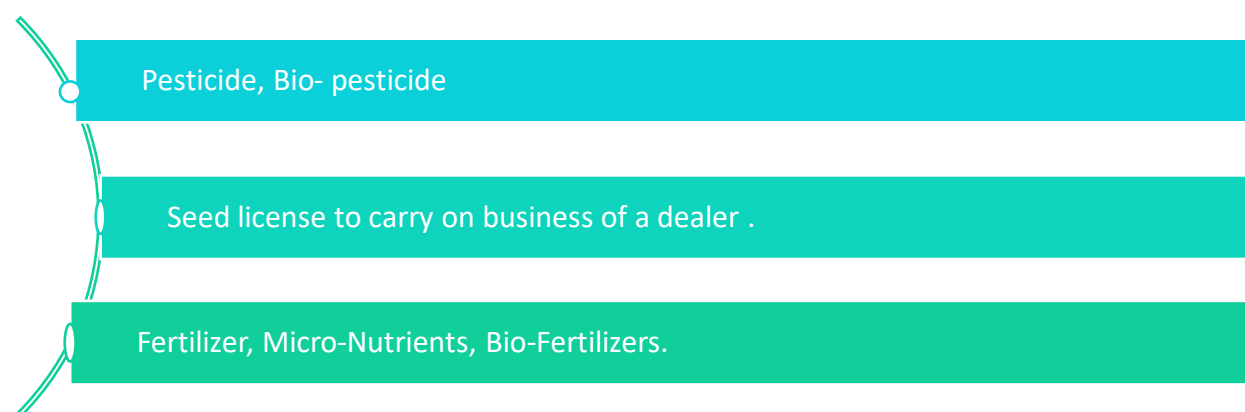
There are 10 RMs, one each at village level. Rythu Mitras (RMs) maintain books at village level. RMs collect information from the member farmers about their need for seeds and fertilizer in there Rabi and Kharif action plan and communicate the same to the governing body in their monthly review meeting. On the basis of this report, FDC makes arrangements for the purchase of seeds and fertilizers to be dispensed at its store to the member farmer.

APMAS**

APMAS facilitate GRS to conduct Annual General Board Meetings. It facilitates them to prepare their annual reports, internal audit reports, yearly action plan & budgets. It also supports them in mobilising funds from banks or other financial institutions. APMAS personnel also inform the FPO members about various government schemes and programmes benefitting them. APMAS works in every way to make the farmers self-reliant.

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:



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. Its member avail all these inputs 85% less cost on the market price. Non-member farmers also avail these services. This number could increase if FPO offers credit sales but currently its 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

The main crops grown in the area are Maize, Paddy, Cotton, Soya bean. The FPO is involved in procurement of maize with support from TS Marked and establishment of farmer service centre. Other than these activities FPO also provides small farm equipment's for farmers. To meet the demand for sprayers, FPO supplies sprayers to the member farmers at 30% lesser price compared to the market. Non-member business forms 83% of their business turnover. The FPO did not get any grants or bank loans but have had market linkages with some success. The member patronage and satisfaction level is fairly high.

S. No	Item Name	Charges Per Hour	Quantity	Revenue
1	Power Weeder	500	2	400000
2	Power Tiller	500	2	320000
3	Rotovator	1000	1	400000
4	Brush cutter	200	2	160000
5	Maize sheller	1000	1	300000
6	Tractor	700	1	350000
	FSC Equipment's: Total		9	1930000

Table 4: Farm equipment in the CHC

Farmer service centre, Dharani Profit and Loss Details for the financial year 2019-20

<i>Year (2019-20)</i>	
Turnover (Rs. Lakh)	51,39,524*
Profit(Loss)in Rs.	1,68,781

Table 5: Business Performance of the FPO

Revenue from fertilizers and pesticides for the year 2019-20		
s.no	Item name	Year 2019-20
1	Fertilizers	2013440
2	Pesticides	1192334
	Total Revenue	32,05,774

Table 6: Turnover comprises of Revenue from Equipment, Farm Implements, Fertilizers and Pesticides

Parameters	
Total users	1320
-Members	720
-Non members	600
% of total business from non-members	83%
Avg. size of holding of member (range)in Ha	1.5-2Ha

Table 7: Profile of membership of Dharani

An incident in the evolution of Dharani FPO warrants a special mention. Dharani FPO prepared its Kharif action plan for the season 2019 i.e. input requirement (seeds), utilization of agri-machinery estimate of fund requirement was around Rs 15 lakhs. The FPO could mobilize only 5 lakhs on its own. They decided to approach banks and financial instantiations to get a loan of Rs. 10 lakhs to bridge the gap. They prepared a detail project report for the proposal and submitted it to Andhra Bank in Kamareddy, Telangana State Cooperative Apex Bank (TSCAB) and Stree Nidhi, state level federation promoted by SHG federations in Hyderabad for providing supplementary loans to SHGs. But they could not succeed in securing a loan. The procedures needed to be followed by banks were voluminous and needed lot of paper work following which would have meant lapsing the sowing season. This would have amounted in to huge losses for the farmers. During the same time FPO conducted its board meeting which **Mr. Papi Reddy (CEO, Sadhikaratha Foundation)** attended as a formality to be inducted in to the formal structure of APMAS. When he recognized the farmers' plight and studied their detailed project report, he could see lot of potential in their proposal and agreed to lend the amount of Rs 10 lakhs immediately. His timely action saved the farmers from suffering huge loss. 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. Today not only farmers have returned the principal mount in full to Mr. Reddy but they also paid him additional token amount as gratitude for his believe in them and the help extended when it was most needed.

CAPITAL	FACTOR	OBSERVATIONS
NATURAL	Water availability	Choice of crop maize ,cotton, soya is done keeping water availability in the region
	Soil quality	Organic practices promoted by Dharani focuses in maintaining and nourishing nutrients of soil
HUMAN	Knowledge of practice	Support of regular training and technical expertise is always available.
	Weather information, Mandi/market price knowledge	M-kisan to get information on weather, pest management market locations, dealers and prices.
FINANCIAL	Increase in income by reducing costs	Locally produces manure reduced the costs of inputs, also fixing of M.R P for each crop prior to the harvest helps in security of income.
	Increase in income by rise in price	Value addition to the produce and better market linkages has lead to higher price offered for the produce.
PHYSICAL	Agriculture equipment	FDC has custom Hiring Centre- CHC. Through which Dharani is providing equipment to its member along with other agriculture inputs.
SOCIAL	financial inclusion	About 33 Rythu Sangams formed 26 of them have opened bank accounts and are operational.
	Enhanced capabilities	Networking with farmer institutions and other NGOs to make collective representations to policy makers on farmer's right and entitlements.

Table 8: Performance on benefits to farmer members by Dharani Farmers' Cooperative

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

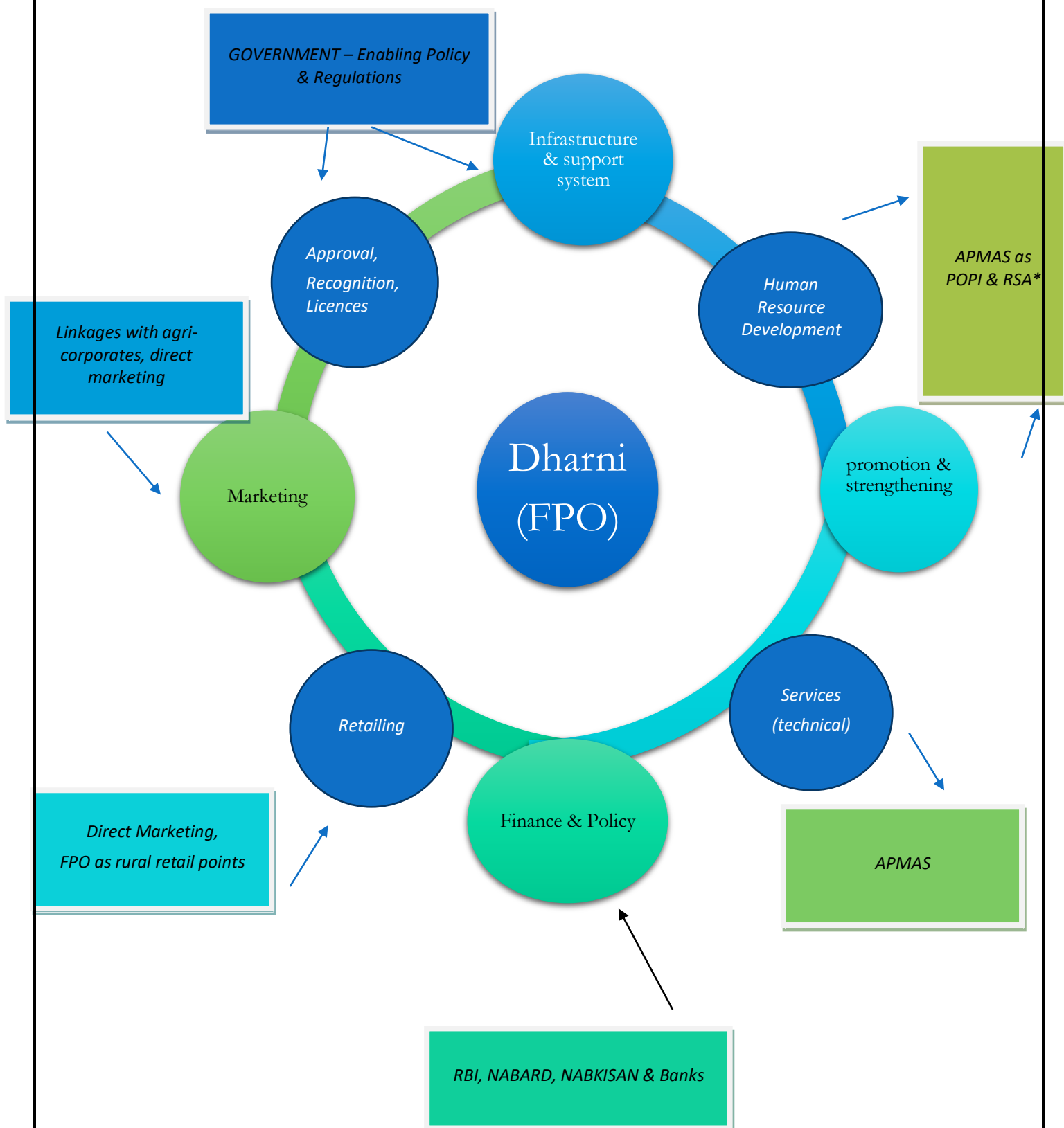
- Farming communities will support the collective if provided with tangible solutions to their problems.
- For sustainable development of any community organization, small fund generating activities are needed to be promoted.
- Through community organizations, encouraging services and infrastructure, supporting local agriculture, is an added advantage in making the FPO success and sustainable in the long run.
- FPO capacity building is an incremental approach i.e. taking on different functions without complicating their working. They should enjoy small success before taking on more complicated issue for instance-FPO can be a procurement centre and can be dispensing MSP.
- Value chain development is 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 shifting towards making the existing FPOs self-sustainable by building better business model 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 a penal provision in case of certain non-compliances for the first five years would boost growth.

Treating FPOs as agri-start-ups will give a great boost to the growth of FPOs. They should thus be given access to similar benefits as start-ups. 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 prove very beneficial. These scores would help establish credibility with investors and formal financial institutions

SECTION- 2

ECO-System of Dharani FPO



***POPI- Producer Organization Promoting Institution**

A FPO requires an effective and responsive ecosystem of support to prosper by providing wide-range of services to their members. FPO will have to deal with the most vulnerable part of Agri-value chain, which starts from the farm and goes on till processing and the far-away markets. The success of an FPO will depend on establishing backward and forward linkages with various stakeholders such as banks, retail-chains, corporate sector, government agencies, supply chain management agencies, academic & research institutions, etc. The agriculture value chain required for the effective functioning of FPOs as business entities cannot be done by one player. It is a transformative tool which has the potential of achieving the visionary goal of doubling farmers' income in the coming years. The key staff of FPOs must view themselves as members of a start-up imbibing the lessons of being lean and nimble so that they could adapt, respond and innovate in a rapidly changing external environment.

National Bank of Agriculture and Rural Development (NABARD), Small Farmers Agri-business Consortium (SFAC), state departments, a large number of NGOs, Technical Resource Agencies and private agencies have been facilitating training programmes for Board of Directors (BoD), Office Bearers and managerial staff (CEO, technical team) of FPOs. These training programs will have to be provided over a period as FPOs emerge from a nascent stage to sustainability phase.

In addition to the continuous capacity building and capability development of FPOs, there is a need for a strong financial linkage for the FPOs to access required capital for investment and working capital to effectively develop and implement their business plan. There is a need for a strong policy from RBI directing banks to finance eligible FPOs as per their business plans. Other innovative financial instruments like credit guarantee, refinancing, risk management need to be offered. FPOs require mentoring and incubation support for longer periods of time to evolve into sustainable business enterprises. Such incubation support shall be provided by professional agencies that have business orientation and the ability to serve as a sensitive support system for the FPO development based on the values and principles of the cooperative enterprises. Such agencies are called Producer Organization Promoting Institutions or POPIs.

FPOs also require necessary infrastructure like Custom Hiring Centre (CHC), Primary Processing Centre (PPC), Farm Service Centre (FSC), Warehousing facilities, etc. Infrastructure needed by the FPOs being in the nature of public good, will have to be supported by National & State Governments through various schemes & programs of the Government (RKVY, MIDH, etc). Governments will have to recognise the FPOs as legitimate agencies for input supplies to farmers on behalf of the Government and also as procurement agencies of farm produce for the Governments under Minimum Support Price (MSP) / Price Support Scheme (PSS).

ANNEXTURE: 1



Mahila Abhivruddhi Society (APMAS)

Mahila Abhivruddhi Society (APMAS) was registered in June 2001 as a not-for-profit public society, under the Andhra Pradesh (Telangana Area) Public Societies Registration Act, 1350 Fasli. The prime focus of APMAS is working for the advancement of self-help institutions built on strong cooperative values & principles to become member-owned, member-managed and member-controlled institutions through rating, capacity building, livelihoods promotion, research & advocacy and extending necessary technical services to various stakeholders. APMAS works with Self-Help Promoting Institutions, SHGs & SHG federations, Producer Organization Promoting Institutions (PoPIs), Farmer Producer Organizations (FPOs), Cooperatives and other Community Based Organizations, who believe in and practice self-help, mutual benefit and self-responsibility as guiding values.

APMAS has diversified Board of Directors with representation from the government, financial institutions, academic & research institutions, NGOs, SHG federations and distinguished individuals. Dr. P. Kotaiah, former Chairperson of NABARD, was the founding Chairperson of APMAS. The current Chairperson, Shri. Kaki Madhava Rao IAS (Retd.) was former Chief Secretary of Government of Andhra Pradesh. Mr. CS Reddy, the founder and CEO of APMAS, worked for several years with CARE India.

VISION



MISSION



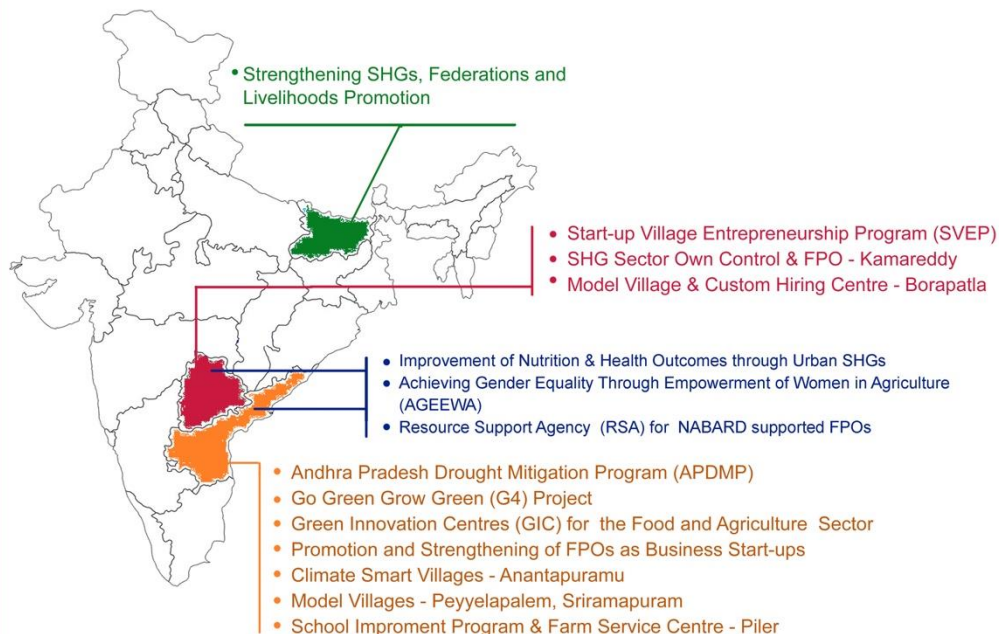
CORE VALUES



THRUST AREAS:



Project Locations:



Over the past eighteen years, APMAS has made a successful, yet a very challenging journey, in realizing its vision for the empowerment of marginalized and deprived communities and thereby contributing to poverty reduction initiatives. APMAS trained more than 350,000 professionals and para-professionals in SHG and agriculture value-chain sectors, reached out to 30,000 farm households through their FPOs, conducted more than 60 research studies and has been engaged in evidence-based policy advocacy. APMAS has direct presence in Andhra Pradesh, Bihar and Telangana and provides capacity building services across India.

APMAS is recognized as a Resource Support Agency (RSA) by NABARD in Andhra Pradesh and Telangana to provide capacity building and business development support to NABARD supported FPOs. APMAS is an empanelled Project Implementing Agency of SERP Telangana for implementation of Start-up Village Entrepreneurship Program (SVEP). It is also selected as an implementing agency by Dept. of Horticulture, GoAP to promote and strengthen FPOs as business start-ups.

APMAS has been successful in establishing long-term partnerships and collaborations with diverse stakeholders, national and international donors (GIZ, DGRV – Germany, BMGF, E&Y Foundation, BfW, AEIN Luxembourg, Aurobindo Pharma Foundation), Central & State Governments, NABARD, Banks, and other institutions. APMAS also has MoUs with a variety of institutions such as IRMA, MANAGE, NIRD&PR, NIMSME, SERP, SPMVV and IPE for promotion of livelihoods by strengthening SHG institutions and FPOs. At field level, APMAS has strong engagement with Community Based Organizations, NGOs, Kirshi Vigyan Kendras and various government departments in Andhra Pradesh, Bihar and Telangana.

While APMAS continues its engagement with women SHG movement in India, through its FPO Incubation Centre, it would support at least 100 FPOs, with a membership of 100,000 small & marginal farmers – including women, emerge as sustainable farmer-owned enterprises by 2025. APMAS aspires to influence policies which would benefit the marginalized and deprived communities through advocacy. It also aims to position as a strategic player in promotion and strengthening of people's institutions across India and other developing countries of the South Asia and Africa.



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ANNEXTURE: 2

A comparison of policy incentives for co-operatives and PCs

Parameters	Cooperatives	PCs
Income tax rebate under Income Tax 1961	Section 80P of the Income Tax Act for providing exclusive tax rebate to cooperative societies.	All income is taxable @ 30.2 %
Relaxation from income tax	Income up to Rs. 1 lakh is also free from tax if it is earned other than activities mentioned in point no. 1	None
Provision for distribution of income	There are different provisions for distribution of income in different welfare heads which is non- taxable	None
Lease out of Govt. land	Provision made at Govt. revenue department for lease out Govt. land at very low rates	None
Central seed subsidies for production & marketing	Eligible for all Govt. seed production, distribution and marketing subsidies under different schemes like ISOPAM, NFSM, RKVY etc.	PCs are not eligible for such subsidies
State support	State Govt. is supporting several cooperatives support cells like Beej Maha Sangh providing all kinds of logistics, production, training and marketing support to seed cooperatives; while MARKFED is another such federation supporting primary cooperatives	No such support is available for PC. In fact membership of those federations is not open to PC even if they want.
Allotment of fertilizers	Cooperatives are eligible for fertilizer allocation through State Marketing Federation (MARKFED) which is the authorized body of state government to get allocation and distribution through member cooperatives	It is not available for PC. MARKFED is not open for membership to the PC
Allotment of Breeder seeds which is regulated by Govt.	Allotment of Breeder seed is only made to Central & State Seed Producer Agencies like NSC, State Seed Corporations, and Cooperatives like IFFCO & KRIBHCO and all State Seeds Cooperative through Federations like Beej Maha Sangh	No such provision is available.
State Govt. policy to support such initiatives	Number of policies are available at every state & central level	To some extent in M.P, no other states have any policy on PC.
Mandi (APMC) Tax	Cooperatives are exempted	No such provision

Source: ASA, Bhopal, personal communication.