

**“Sustainability of  
Producer Companies  
-Opportunities &  
Challenges”**

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# FPC and COVID-19

“There are about 7374 Farmer Producer Companies (FPCs) in India which cover about 4.3 million farmers. The inherent strengths and capabilities of these institutions have considered as one of the effective tools to combat adverse impact of COVID-19 on agrarian community. FPOs have a big role to play in not only building socio-economic resilience of farmers but also in achieving several sustainable development goals.”

# What is a Producer Company

- ▶ 10 or more farmers can form a PC. 300-500 farmers consisting of 20 or more small groups FC/SHG/FIG etc. is ideal
- ▶ The Cabinet Committee on Economic Affairs, Chaired by the Prime Minister, approved for 10,000 FPOs to be formed in 2019-20 to 2023-24.
- ▶ New govt. policy focuses on “One District, One Product and Aspiration district”
- ▶ Support to each FPO defined for 5 years from its year of inception
- ▶ Equity grant-Max 15 lakh Per FPO
- ▶ Credit guarantee fund -a. Upto 85% for 1 Crore b. Upto 75% for 2 Crore and Rs 2 Crore will be shared in the duration of 5 years

# Why FPOs/PCs are required

- ▶ Small and marginal farmers do not have economic strength to apply production technology, services and marketing including value addition. Through formation of FPOs, farmers will have better collective strength for better access to quality input, technology, credit and better marketing access through economies of scale for better realization of income.

# Role of Implementing agency/ promoter

- ▶ To prepare Realistic business plan
- ▶ To work with FPOs to facilitate ease of doing business - licenses, FSSAI, MSP, timely payments
- ▶ Support FPOs to select the better implementing partner
- ▶ Business expertise of implementing agency is key
- ▶ District administration involvement in facilitation also key

# Challenges in Policy

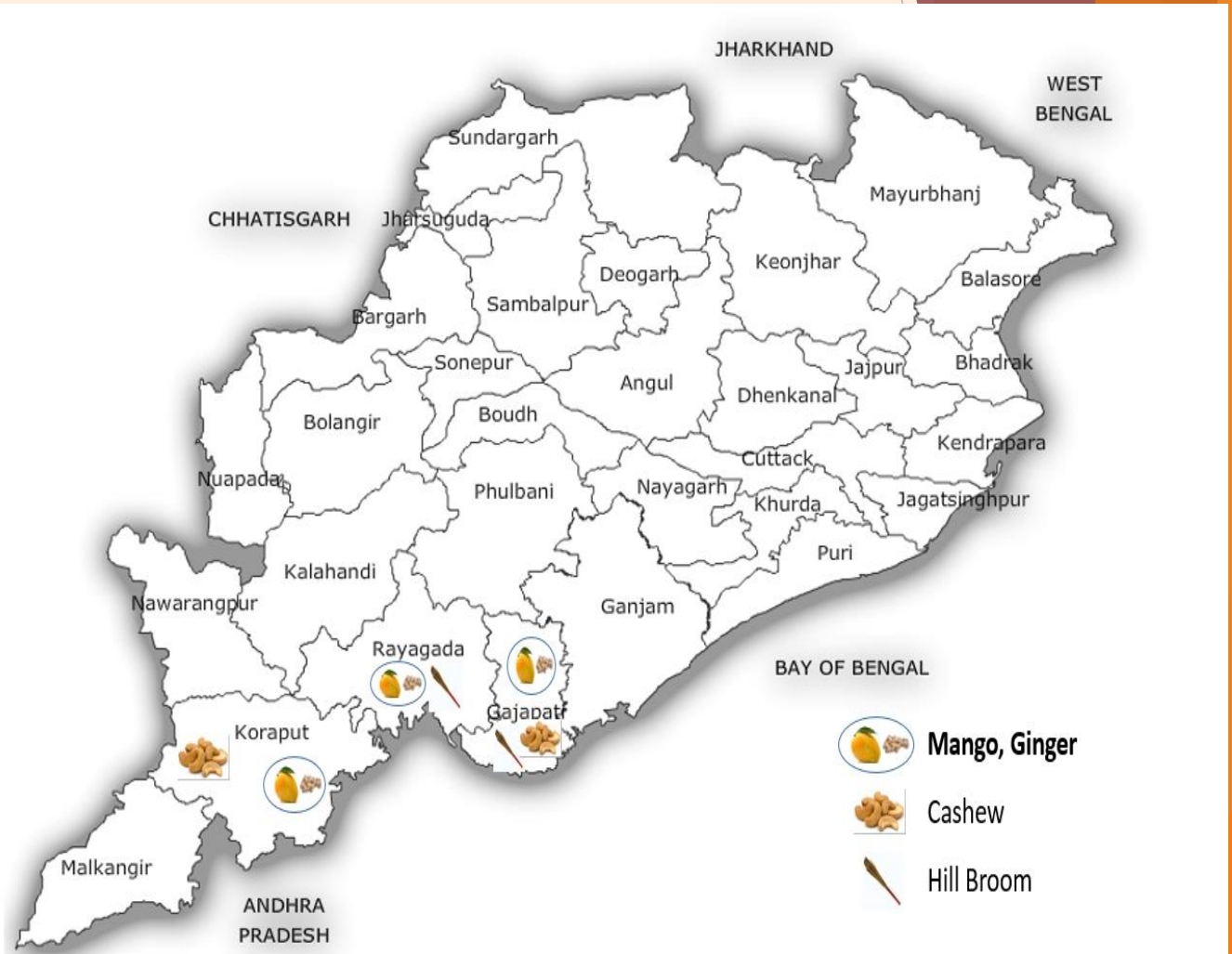
- ▶ One District One Product not feasible, basket of products might be necessary
- ▶ Single commodity based FPO perhaps not feasible as market dynamics keep changing
- ▶ KVKs & Ag universities favoured but poor business experience & running collective enterprises are their bottlenecks
- ▶ Budget support for implementing agency by NABARD FPOs almost 50 % of what SFAC offered, have uniform norms

# FPO financing

- ▶ FPO ecosystem need to build its financial health. SFAC supporting matching equity grant and venture capital assistance and leading the initiative.
- ▶ 49% of the FPCs in India have paid-up capital less than Rs 1 lacs & about 86% of them have paid-up capital less than Rs 10 lakhs
- ▶ NBFCs providing working capital support to FPOs, reported inability to process newer loan application requests for restricted travel for physical verification and other documentation process.
- ▶ Additionally, disruption in agriculture value chain has also made NBFCs risk averse while lending to FPOs in Covid context

# Odisha FPC examples

OLM promoted 3 FPCs at Raygada, Koraput & Gajapati. Technical support agency - Access Development Services



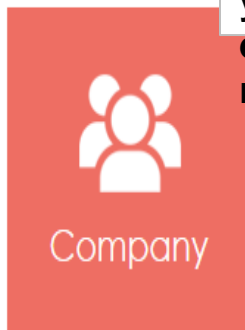


# Major activities of ADS



Home

**1. Company**  
Manage info – members, buyers, sellers, produces, etc.



Company

**2. Plan**  
Plan for next cropping season, input costs, expected yield, expected revenue.



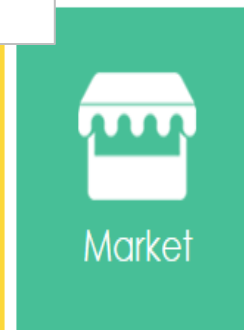
Plan

**3. Input**  
Manage procurement related transactions. Capacity Building



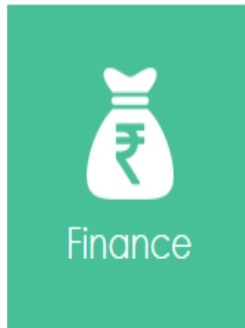
Input

**4. Market**  
Manage market transactions, including Wholesale, Retail and Auction markets.



Market

**7. Finance**  
View financial information, ledgers and reports. Manage cash and digital transactions



Finance

**6. Analytics**  
View MIS reports and business performance



Analytics

**5. Monitor**  
Monitor market activities, trading information and compliance requirements.



Monitor

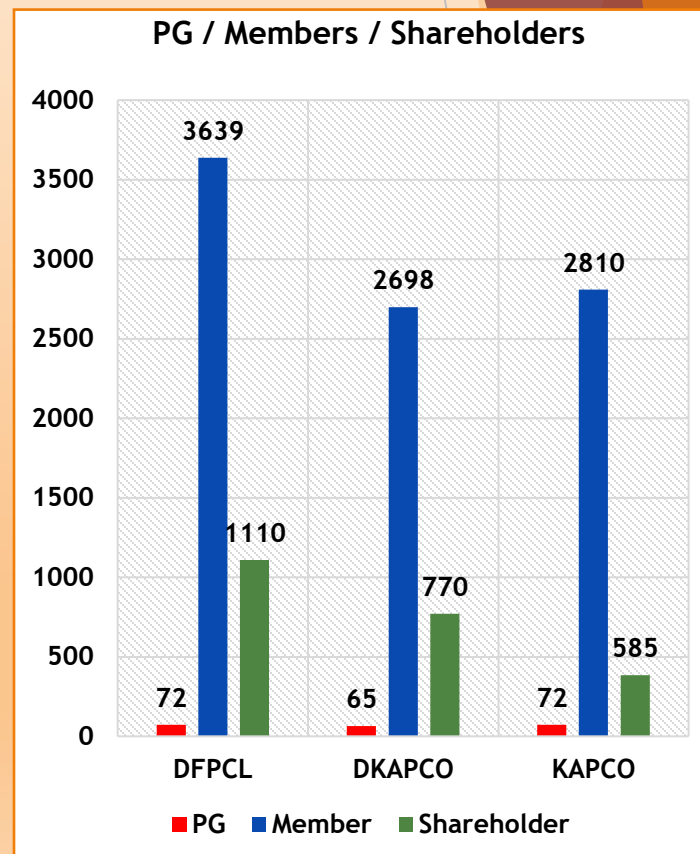
# Profile of 3 Producer Company









Area of the PCs 15 blocks of Koraput, Rayagada and Gajapati districts

Sl.	District/PC	Products
1	DKAPPCO, Gajapati	Cashew, Pine-Apple, Hill broom, NTFPs-Tamarind, Mango
2	KAPPCO, Koraput	Mango, Cashew, Hill broom, Tamarind, Red Gram
4	DFPCL, Rayagada	Mango, Hill broom, Cashew, Tamarind, NTFP, Turmeric, Red Gram

## PGs VS Farmer Members



# Activities-1

	<b>Cluster identification</b>	20 clusters formed with 15-20 contiguous villages each
	<b>Study</b>	Conducted feasibility study in 20 clusters to assess the preliminary situation of farmers, level of agriculture and potential intervention required. Value chain study of 8 Horti and NTFP products
	<b>Promotion of PGs</b>	Facilitated the promotion process of 209 PGs comprising 9141 women farmers
	<b>Market Study</b>	Done in 8 major cities (Raipur, VSKP, Kolkata, BBSR, Cuttack, Jagdalpur, Nagpur, Nashik) on Mango, Cashew, Ginger, Hill-broom, Pineapple, Mize, Turmeric, Tamarind
	<b>Formation of FPC</b>	Formed 3 FPCs in Koraput, Rauagada & Gajapati Districts of Odisha
	<b>Capacity Building</b>	16225 participants were trained through 648 capacity building programmes

# Major Innervation -2



Establishment of FPC

Physical establishment of FPC, System Development, General Body meeting, Transfer of funds from OLM to FPC, Business plan preparation



Share capital contribution

2265 members contributed Rs. 7.46 Lakhs towards share capital, and continue



Recruitment of FPC staff

One CEO, One P&M Manager, Four Cluster Coordinators were appointed as per SOP for each FPC



Input Business

FPC started the supply of inputs (Seeds, Bio-fertiliser & pesticides) to its shareholders . TSA facilitated the entire process, acquiring required licences from department & input certificates from Supplier



Awards and recognition

Devegiri FPC was awarded as best FPC in Mango fare, Bhubaneswar



Publications

Hand book on collective marketing and policy guidelines published in Odia. FPC Process guidelines and training modules in English

Particular	Amount
Plucking, Sorting, Grading by the farmers	0.25
Transportation from Cluster to Delhi- Mother Dairy or NAFED	14.00
Packaging and Material (Jute thread, Brown tap, 7gauge cardboard with 20 Hole )	2.75
Wastage	4.00
Operation cost of PC	1.00
Total	22.00
Present Sale Price at Delhi	65- 70

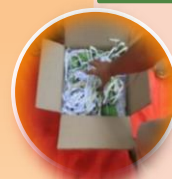
## Supply Chain- Mango



- Farmers Gets Rs. 43- 48
- Spotted Mango and B Grade - Rs. 20- 25 Per KG



- Plucking
- Cleaning
- Shorting



- Grading at Orchard Level
- Packaging

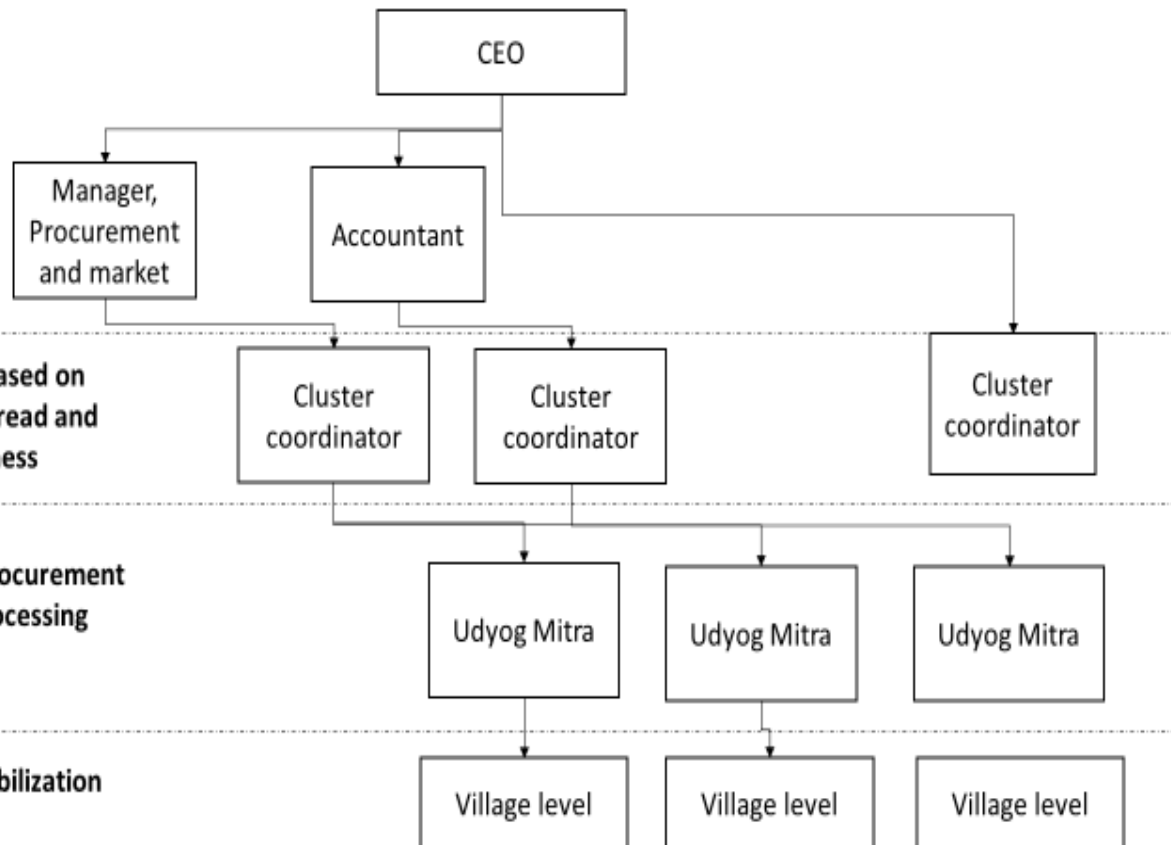


Expert from Producer Company monitor the entire process

# Recruitment of PC staff

## Indicative Organization Structure

### Core staff



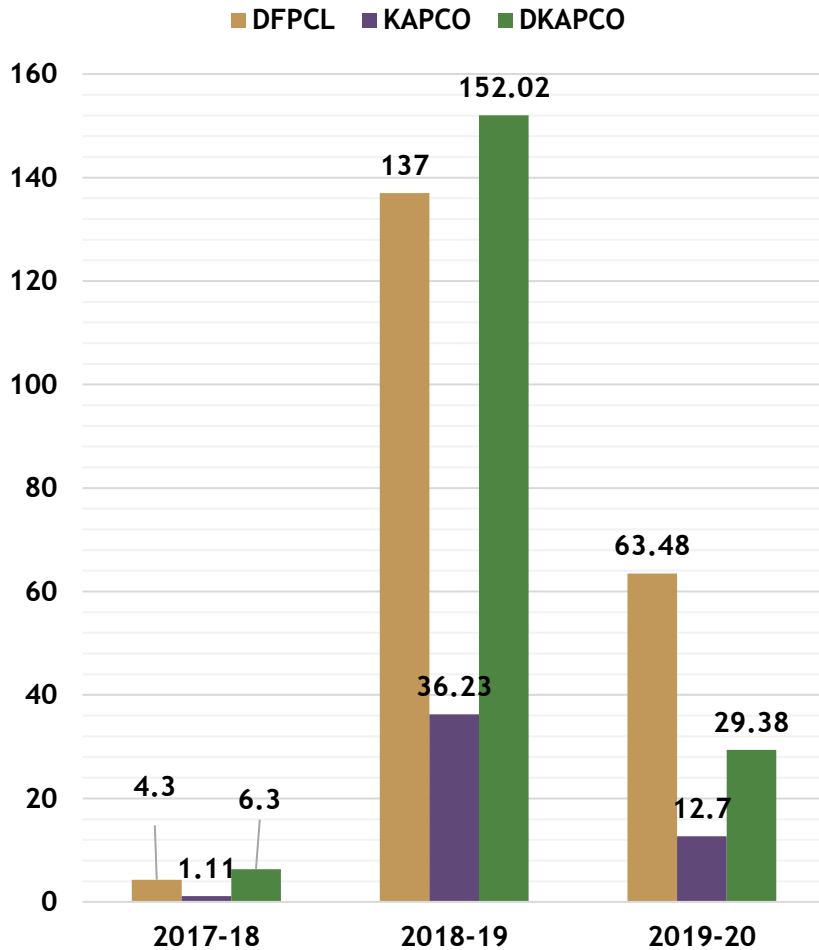
**Cluster level** - Based on geographical spread and volume of business

**4-5 villages** – Procurement and primary processing

**Community Mobilization**

# Sales Turn Over

Turn over of 3 FPCs (In Lakhs)



## Activity

### Incremental Income

Product Quality Management

5%

Fair Business Practices

5%

Primary Value Addition

5%

Linkages with local trader

5%

Linkages with higher order market with scale

10%

Retailing

15%

# Use of technology in Value chain project

**Whats APP** Group for all stake holders



Video shooting and Technology Dissemination



Digital Green  
TECHNOLOGY

MOU signed with Digital Green for video documentation and technology dissemination video documentation completed at Raygada on Hill broom grass harvesting, drying and binding  
Similarly at Koraput on cashew package of practices  
Next round at Gajpati on pre and post harvest operation of Mango on 10<sup>th</sup> of Aug





# Aranyak Agri-Producer Company Limited (AAPCL), Purnea

# Institutional strengths and weaknesses of Aranyak FPC

## Strengths

- Large member base and community trust of over 5,753 women farmers and 159 producer groups
- An experienced Board of Directors who have been through the ups and downs of business cycles
- Have scaled up maize trading in the last five years and successfully running poultry-feed marketing
- Exposure to risk hedging solutions and derivative products from providers such as NCDEX
- Aranyak has won several accolades for its work in the maize value chain, supported by experienced technical assistance providers

## Weaknesses

### 1. Governance and managerial capacity

- Vacant positions for key staffing roles and weak knowledge of the existing staff on agri-business operations
- High dependence on external technical agencies to carry out regular business and operations

### 2. Financial management

- Weak financial situation to scale up business operations or to invest in new opportunities

### 3. Operational aspects

- Lack of a robust procurement model and planning, to ensure the quality, quantity, and timeliness required by market / off-takers for procured maize
- Limited understanding of business risks leading to deficiencies

### 4. Value addition and market linkage

- Opportunity for value addition remains unexplored

# Challenges & learnings from procurement of maize in past seasons

## Farmer Level Challenges

1. Information gap related to prices, procurement processes, procurement timing, resource contacts etc.
2. Farmers expect a price similar to what the local aggregator is offering (reference price is the price quoted in the Gulabbagh mandi). FPC's price has been fair but lower than local aggregators who adopt unfair practices
3. Procurement from the door-step (farmers do not want to arrange any logistics such as gunny bags, laborers, tractor etc., in the peak season due to paucity of time). FPC has tried collection center model also
4. Payment within one week's timeframe. FPC processes take little longer time to pay to farmers

## Learnings From the Past Years

1. Non involvement of PGs in procurement and other businesses. PGs are mostly defunct and do not hold their monthly meetings
2. Major role of TSA in planning and designing business operations leading to low capacity development of FPC staffs to continue the business operations with same level of efficiency
3. Absence of an SoP based robust procurement model with defined timeline and responsibility mapping. FPC is still struggling to recover payments from few local traders
4. Lack of robust MIS to capture information related to - Micro planning, transactions, payment, volume etc.
5. Lack of adequate capacity at farmers facing cadre level to execute the procurement processes with same level of efficiency as shown by local aggregators