

NATIONAL CONSULTATION OVER STRATEGIC PARTNERSHIP OF CONVENING AND CONVINCING FOR STRENGTHENING FPOs



PROCEEDINGS REPORT OF CONVENTION HELD AT NEW DELHI, SEPTEMBER 12th & 13th 2019

DAY 1

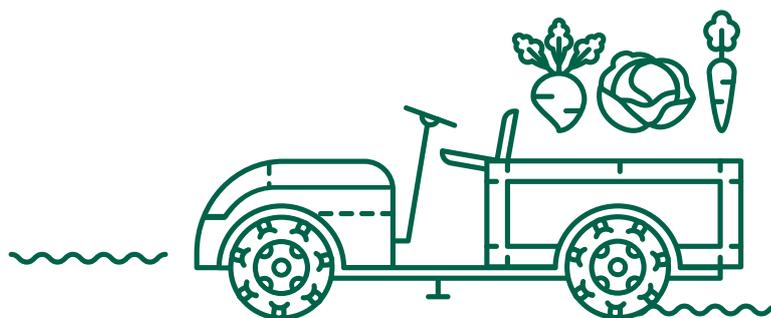
Small and marginal farmers constitute 86 percent of total farmers in India. The agriculture sector has gained significant attention and thrust from government. The government has provided for several institutional mechanisms to promote aggregation among small and marginal farmers via farmer cooperatives, farmer clubs, farmer groups, farmer interest groups etc. **Farmer Producer Organization (FPOs)** have emerged as one of the strongest pathways for collectivization. The FPOs can answer to critical challenges of agriculture, as improving access to investments, technology inputs and markets, creating effective forward and backward linkages, potentially benefiting the producers.

The budgetary announcement of promoting 10,000 FPOs over the next five years, hints the intent and belief of government over the institution. The current FPO policy pushes a lot on formation and promotion of new FPOs. There are 3500 plus FPOs existing as on date, though with skewed concentration of over 60% in southern and western part of the country. The eastern and north eastern part of country has the lowest concentration. Government sources suggest there are 100+ FPOs in North East, and number in Assam is 52 in total.

In general, a small number of FPOs have been able to achieve the scale and financial stability required for sustainability, with finance being one of the important aspect of any business enterprise, the lack of which impede the growth of FPOs. Access to finance for FPOs becomes an important factor for FPOs business operation and sustainability, it needs collaborative efforts from multiple stakeholders.

With this backdrop a two-day consultation was organized by SRIJAN on 12th and 13th September, 2019 at New Delhi in collaboration with Civic Engagement Alliance (CEA), and National Association of Farmer Producer

Organization (NAFPO). The deliberations were held on identifying key stumbling blocks in creation of effective support ecosystem for FPOs to thrive, including Access to Finance for FPOs.





Dr. Arun Joshi addressing the gathering on Day 1

The first day was focused upon the issues and challenges and policy level initiatives concentrated on the state of Assam and North eastern region in general. The methodology adopted for the consultation was to create an understanding from the experiences from experts in the field and brainstorming from participants through a sub-group exercise. Deliberations were done by FPO members, staff and resource institutions. The sessions were curated for introspection on contextualization of challenges in Assam and North-eastern states. Dr. Arun Joshi facilitated the sessions on the day. The objective of the consultation

was to identify the gaps in existing policies pertaining to Farmer Producer Organizations, and increased understanding of the critical challenges that are limiting the mainstreaming and scaling up of FPO movement in the state of Assam, learning from some best practices in other states, and also from practitioners and academicians. The consultation was also aimed to identify the road map to address the prevailing challenges.

Opening session: Introduction and Welcome Remarks

Mr. Sadique Akhtar from SRIJAN started the day by a formal welcome to all the participants of the consultation. He emphasized the concept of FPOs supported by Producer Companies Act attempt at establishing the basic principles of industry and agriculture together among the farming community and boost rural development. The FPCs combine the traditional spirit of cooperatives, but expect to imbibe the efficiency of company transforming into a market oriented and business-oriented form of an institution. Since, the success of FPCs depend more or less on the principles of cooperatives but professionally managed,



Mr. Sadique Akhtar addressing the gathering on Day 1

governance of the institutions and management of operations are important, thereby needing an integrated approach to nurture the FPOs. He also mentioned the initiatives taken by SRIJAN under the PW-3- Small Producer Empowerment, Program supported by Civic Engagement Alliance, and how it is channelizing efforts to strengthen FPOs, bringing stakeholders together to create an enabling environment for Access to Finance.

Ms. Aneesha Bali, from National Association of Farmer Producer Organization (NAFPO) made a brief presentation of NAFPO engagements as a national level forum of FPOs. The organization aims to build resilient Farmer Producer Organizations. NAFPO is a civil society initiative to create partnerships and develop an enabling ecosystem to facilitate emergence of robust FPOs with integration of multiple stakeholders.

NAFPOs strategic pillars focus on strengthening FPOs by, developing market access and financial linkages, Capacity

building of professional management support and Policy Action with strategy endorsement for FPO advancement.

NAFPO intends to develop digital ecosystem that not only benefits the FPOs in accessing services on a common platform but also enables service providers to engage with the primary producers. The focus is to update and standardize data of the FPOs (irrespective of promoting institutions) in the country on one platform. Reach out to FPOs and supporting stakeholders to bring information and updates on the FPOs, thus serving as a knowledge exchange platform. NAFPO represents FPO communities among senior strategy advisors and addresses challenges faced by FPOs through debates, discussions and affirmative actions. NAFPO has played important role in organizing consultative workshops with FICCI, NCDEX and APMAS around challenges related to access to credit, market and human resource support for FPOs, contributed towards policy recommendation on State Level Guidelines like Odisha and Madhya Pradesh and knowledge support to NITI Aayog.



Ms. Aneesha Bali addressing the gathering on Day 1

Presentation by Civic Engagement Alliance

Mrs. Nirjumoni Dutta Bharali (Sr. Program Manager) made a presentation about Civic Engagement Alliance (CEA) initiatives. CEA is a joint collaboration between Dutch and Southern Civil Society Organizations that advocate for inclusive development. Ms Nirjumoni Dutta Bharali from ICCSPL took the audience through the methodology adopted for identification of four Pathways (i) Enabling environment for Civil Societies (ii) Realising the right to adequate food (iii) Small Producer Empowerment and inclusive market and (iv) Moving towards sustainable private sector.



Mrs. Nirjumoni Dutta Bharali addressing the gathering on Day 1

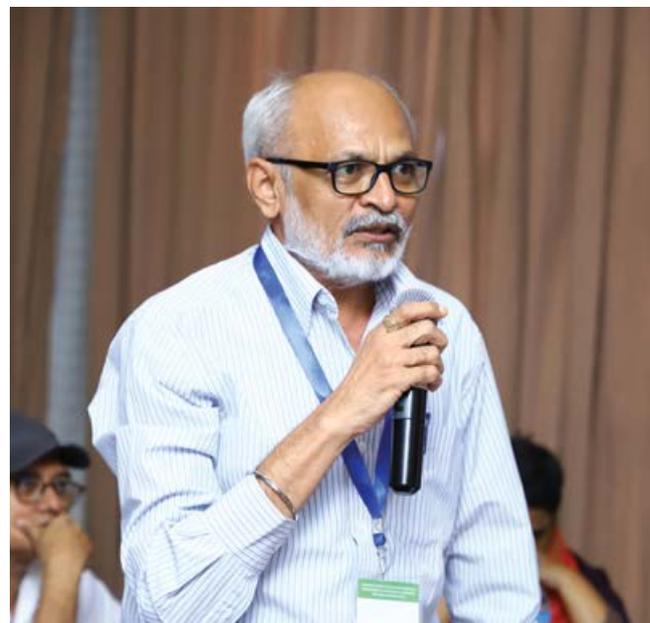
The Pathway- 3- Small Producer Empowerment is implemented by SRIJAN in the state of Assam. In Pathway 3, the organization is focusing on creating examples for FPOs and bringing appropriate policy environment through interventions in selected FPOs that work on certain commodities. Major commodities that have been touched are Piggery, Fishery and Spices. The TOC developed for the pathways has taken a very process centric approach, uniform across all pathways and include components of (i) Capacity building of targeted beneficiary

stakeholders (ii) Research (iii) Multi- Actor Working committee for guidance and support (iv) Formation and network with similar forum (v) Policy influencing (vi) Synergy among the pathways.

Context Setting by Dr. Arun Joshi

This session was set as the prologue to discussion and deliberation among the participants. Dr. Joshi explained the context and challenges for current governance of FPOs. He explained how FPO movement has been a work under construction for the last decade and how the ideas evolved in the state of Madhya Pradesh.

1. The farmers are unorganised and the FPO is one instrument to organise the primary producers.
2. In the current scenario markets govern everything including agriculture sector, the cost of production and quality parameters are dictated by the markets. There is distance between farmers and markets and the laws have not been able to close this gap. FPOs are the closest institutions to the farmer that have an access to the market.
3. Primary production has a variety of standards and gradient which are not synchronized as per the market demands. This is the inherent conflict in price discovery mechanisms.
4. The tussle between practical and scientific agriculture continues to the day.



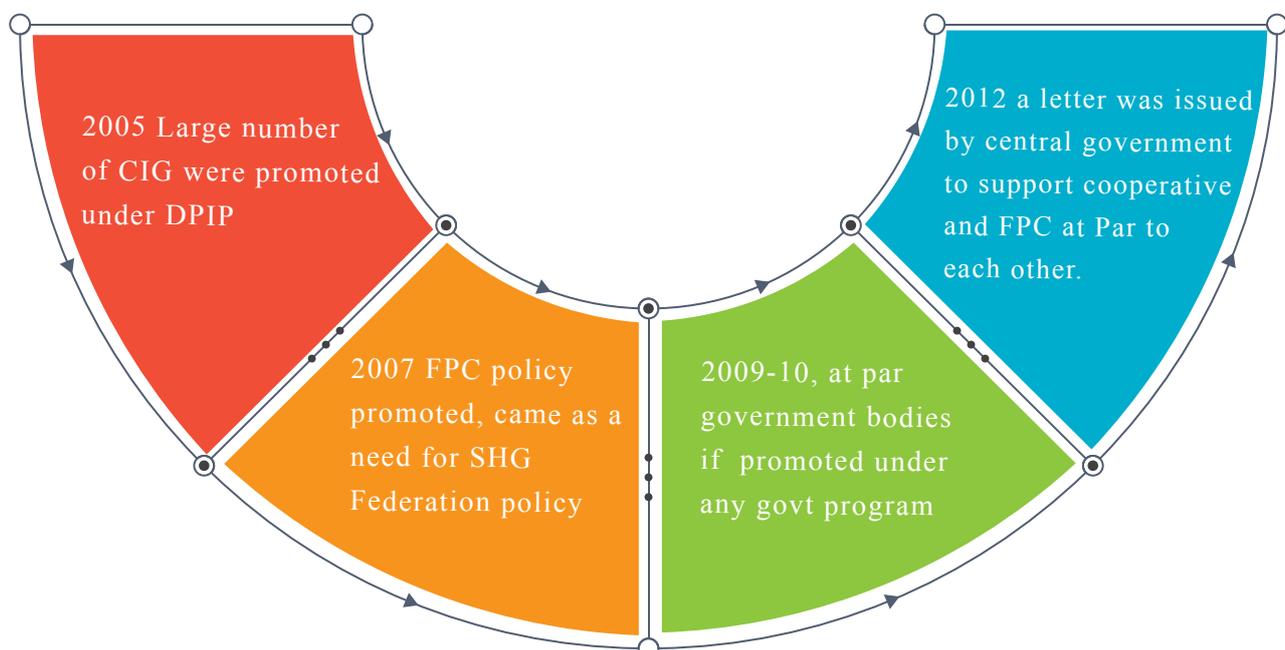
Dr. Arun Joshi addressing the gathering on Day 1

Among the Farmer Producer Organisations, there are a plethora of questions, which need immediate attention. There is a need to understand the difference between the governance and management of FPOs, and the shareholders as part of governance. In general, the roles have been loosely defined. In terms of access of finance, law is silent about this, the managers are yet to understand the financial needs of the institutions. The discussions are generally silent about how to access the markets; the conversations haven't been evolving around how to create the value; understanding value is very important.

Dr. Joshi asked the consultation group to reflect on the question that what do we advocate for and how do we do it, keeping in mind that the only way that producers get a fair deal is that they are self-governing and self-regulated institutions.

Presentation on Good Practices and Policy Incorporation- Madhya Bharat Consortium of Farmers Producers Company (MBCFPCL)

Mr. Yogesh Dwivedi (CEO, MBCFPCL) took the attendees through an elaborative journey of FPOs in Madhya Pradesh. MBCFPCL is a consortium of 108 farmer producer companies, acting as a facilitation agency for them. It has been promoted jointly by SFAC, MoA&FW, MPSRLM, and other lead development organisations, with objectives to extend support to FPOs in market linkages, value addition, agri- extension, insurance etc. The organisation aims to reach 1 million farmers by 2025.



Mr. Yogesh Dwivedi CEO of the organization apprised the participants on how the organization evolved over time and its role in chalking out favorable policies for FPOs.

1. The first policy, which supported the FPC was brought by Dept. of Panchayat and Rural Development, Govt. of MP, which recognized the provision of working capital and infrastructure development support to Federations of SHGs registered under FPCs or Cooperative Act. The order includes extending financial support for formation of Confederation up to Rs. 1 lakh, for operations, preparation of business plan, hand holding support or any techno-managerial support up to Rs. 5 lakh, meeting office and administrative expenses up to Rs. 7 lakhs over a period of 5 years in proportional basis.
2. Another policy was the order of Markfed in 2014 to supply fertilizers to small and marginal farmers through their registered Producer Company.
3. The state government, Dept. of Agriculture in the year 2017 declared FPC to be treated at par with cooperative and they were recognized to avail the benefits of all government schemes at par with cooperatives.
4. The state government, Dept. of Agriculture in the year 2018, recognized the FPCs to act as State Level Agency (SLA) for procurement of food grain at MSP
5. The State Agriculture Marketing Board issued order in 2018 and allowed aggregation by FPCs from their members even without any licence at their collection centre. The FPO can act as aggregator and seller. He also sited examples of exemption of licence for aggregation from their producer members, registration but exemption of licence, usage of Govt. Infrastructure like APMC warehouse etc.

He also laid emphasis that policy changes are based on operational difficulties that will keep arising and need to be taken forward with demonstration of work on ground.

**Presentation on Good Practices and Policy Incorporation -
Madhya Bharat Consortium of Farmers Producers Company
(MBCFPCL)**

Mr. Abhijit Sharma, Director, IIE, Guwahati made a presentation in the existing context of Assam and the ecosystem in which the FPOs are operating currently.

Strong social capital base; community owned rural land, strong community interventions in the cultural aspect are already ingrained into the community dynamics but the challenges lies in converting the traditional collectives into the modern collectives.

Few challenges Mr. Abhijit Sharma brought forward were:

1. The minimum range of number of farmer members in an FPO to avail the credit guarantee fund is 500. Considering many areas in Assam that are hilly and forested and that have a very low population density it is difficult to maintain membership of FPO to that range.
2. A sustainability grant by NABARD and other agencies is only for a maximum of 3 years. This interval is too short for promoting and building capacities of the FPOs to become self-sustainable, considering the current conditions and multiple stakeholders involved in promotion of the FPOs.
3. In comparison with other states of India, the north eastern state Government machinery and bureaucracy is not as efficient in implementing the directives of promoting the FPOs.
4. He also highlighted other challenges such as lack of professionals with needed managerial and entrepreneurial qualities to work with FPOs and managing its operation, scale of production too low, poor accessibility to technology and market, high cost of transactions, also the FPOs struggling to generate working capital in absence of proper knowledge, skills and awareness required to ensure compliance, govern their organisation and manage its operations.



Mr. Abhijit Sharma addressing the gathering on Day 1

Suggestions :

1. RBI/NABARD should come out with a scheme for Financing FPOs for longer duration with appropriate changes in their financing schemes, like SHGs, which has been a big hit.

2. Many FPOs deter from taking a loan from banks because of the collateral requirement. A Risk Guarantee Scheme on the lines of CGTMSE for these FPOs should be further strengthened.
3. FPOs become the business correspondent for banks and the loans are routed through them. Individual farmers should receive loans through FPC. This would reduce risk for the banks through reduction of information asymmetry and increase of transparency.
4. In the FPC promotion schemes provision for working capital should be included as a onetime measure.
5. Standardization of policies, norms and also capacity building initiatives should be standardized for FPOs. A Resource Hub for the NER should be encouraged.
6. The monitoring mechanism should be strengthened.
7. All FPCs of India should be linked with each other under a common platform, which in itself can create a huge market space.

Sub Group exercise to deliberate upon bringing forward policy recommendations for State of Assam

The participants were divided in three groups to deliberate and bring out recommendations in three specific areas. The discussions were held on following contours.

1. Access to finance:

- a. What are existing schemes and policies for accessing the finance by FPOs, How the current policies and schemes should be used?
- b. What are the challenges, loopholes in access driven the finance?
- c. Recommendations to take more accessing schemes
- d. General recommendation in financing FPO

2. Access to Markets

- a. Existing schemes and policies and how can we access the markets
- b. Loophole and licencing
- c. Policies and schemes to access more markets
- d. Recommendations to reach the market

3. Governance and management

- a. Challenges loopholes and skills in capacities of FPOs in governance and management
- b. What would be your recommendation to make these easy?
- c. What are general recommendations for building in FPO for governance and managements

Recommendations that came out were as follows:

1. Functional training on eNAM to FPC should be provided.
2. Investment in branding of the products.
3. Renting of spaces in malls for sale FPOs products.
4. Capacity building on technical know-how on cultivation practices and marketing.
5. Equity grant schemes should be flexible on the minimum number of farmers in the FPO.
6. Flexible grant schemes, grants for management and governance may be included.
7. Barren lands to be kept as collateral.
8. Innovation Fund to be kept for few selected FPO which are performing well and help thrive in market place.
9. Guidelines should be developed for the promoting organizations on formation and nurturing of FPO.
10. More time should be given for mobilisation of farmer members and suitably include them as members, as mobilisation requires time.
11. Inculcate habit of socialization and build social capital among the members.
12. Regular trainings should be provided on governance and management of FPOs, this can be done through institutionalization of process through selected institutions with standardised training inputs.
13. The provision of remuneration for staff providing services to FPOs in managing its operations should be properly inbuilt into existing schemes.

DAY 2

The second day focussed on a holistic discussion on the FPO ecosystem, challenges faced across the country and how the current policies have not been able to address them. Two panel discussions were done that highlighted the challenges in accessing finance by FPOs from the perspective of financing agencies and Accessing Finance in Context of Assam- perspectives of FPOs, promoting agencies and academicians. Based upon the findings from the previous day's deliberations and panel discussion between expert panellists and practitioners, possible policy recommendations were arrived at.

The second day of deliberations started with opening remarks from Mr. Alay Barah, Executive Director, ICCo India. He welcomed all the guests and briefly introduced the objectives of the CEA program for the FPOs in Assam. He acknowledged that as such there is any policy towards FPOs from the Govt. of Assam or any department and there exists a gap. Therefore, these events are important to discuss and put in place policy recommendation for the larger benefits of FPOs in the state. This would be an effort towards doubling farmer's income. The FPOs in the state has come to a level to be called as an institution but there is weakness in terms of their entrepreneurial skills and act as business organizations. Government needs to give special attention to creating enabling ecosystem through policy environment so that all stakeholders can work in tandem towards the given cause.



Mr. Alay Barah addressing the gathering on Day 2



Mr. Prasanna Khemaria addressing the gathering on Day 2

Mr. Prasanna Khemaria, CEO SRIJAN, cited example of states like, Madhya Pradesh, Andhra Pradesh and Karnataka which have been able to create enabling policies for FPO functioning. Similar, efforts are needed to make further headways. North Eastern States may be lagging, but it also provides opportunities to learn faster from others experience and build a good robust enterprising institution, not repeating the mistakes done in the past. He recollected his experiences on the shift from Common Interest Groups to Farmer Producer Organisations in MP and signify the importance of base institutions for federating it to FPOs similar to SHGs to SHG Federation.

He pointed out the challenges that today institution supporting the FPOs are not sure when they are supposed to exit. He also expressed his expectations that consultation to come up with gaps and enabling policy suggestion for supporting the FPOs in the state of Assam.



Mr. Sadique Akhtar addressing the gathering on Day 2

Mr. Sadique Akhtar took the session forward, recollected and de-briefed the house of the previous day consultation process. How north eastern part of the country is facing unique challenges due to specific geography and sporadic population density. He recapped the recommendations that were arrived at thorough deliberations on day one, such as issues of membership in FPO, one time fixed deposit support to FPOs to meet their capital requirement, e-NAM integration in North Eastern states, strengthening governance and management.

Panel Discussion 1: Financing FPOs by Banking sector/NBFC/other mainstream financial institutions; Moderated by Dr. Arun Joshi

This panel focussed on the issues from the supply side of finance by mainstream financial agencies in providing financial assistance to FPOs. It also aimed at sharing of examples of initiatives taken by financial agencies to overcome these problems and based upon experiences what policy changes can be taken up in order to facilitate the access to financial assistance to the FPOs through minor tweaking in the schemes and its provisions.



Ms. Aruna Rangachar Pohl addressing the gathering on Day 2

She shared the example of the PROCIF (Producer Catalyst and Incubation Facility) program promoted by IFHD which targeted the FPOs with doorstep rural incubation. All FPOs are different from each other and contexts are also different. So, a one scheme fit for all arrangement may not work because value chains are different, land holding across states are different. So, in all aspects of FPO promotion customization is necessary. Support needs to be provided from both macro level that can be standardized and also from ground level that should be more customizable. The PRCOF program provided a credit guarantee fund of Rs.15 lakhs in which 7

lakhs were allocated for registration of the FPOs, capacity building of the members and the FIG leaders of the FPO and other FPO nurturing processes. This support was provided through grass root NGOs that promoted the FPOs. The fund was managed by FWFB and the platform had 3-4 debt partners. A start up FPO was provided a fund of upto Rs.25 lakhs as working capital for two cycles of trading at 6% per annum. After the repayment of this amount a credit history was generated for the FPOs and they became eligible for funds upto Rs.1 crore at commercial interest rates provided by larger NBFCs and mainstream banks like IDBI. Simultaneously, IFHD provides technical and capacity building support to these FPOs that instilled confidence in the banks and NBFCs on the performance of the FPOs.

Within FPOs, there are many diversities. Size of FPOs can also be different. The existing guidelines miss the outline on how the FPOs are to be promoted and nurtured and what are the budgetary allocations for that. IFHD has supported in framing the FPO policy of Karnataka which has a 100 crore budget and focuses on the promotion and nurturing of FPOs and is flexible in terms of the size of FPOs and budgetary allocation, taking into account promotion, its scale and sustainability. An FPO should be able to operate on its own without support from any other agency in terms of operating costs and profits in order to be considered as sustainable.

Recently, the FPOs have been exempted from corporate taxes. However, initially this provision was not there. Because of that the early FPOs could not get these benefits as they had to pay taxes on the profits that they earned. So it was recommended that FPOs should distribute the profits as dividend for the members before taxes.

Concentrated efforts have to be provided by all stakeholders in order to make these FPOs to become mainstream private players. All the lending by banks is actually collateral based which is a problem as the FPOs are not capable initially to present any collateral against the lending. So, it is advisable that the banks shift towards a cash flow based lending instead. Under priority sector, lending the banks are supposed to provide funds to FPOs but since they are unable to do so, they provide that fund to NABARD at an interest. NABARD then puts that money in to a Rural Infrastructure Development Fund which is meant for the state Government. This fund often goes unutilized on the pretext that suitable and bankable business plans are not presented to them. So, the State Governments can put in proposals against this fund for creation of rural infrastructure for the business purposes of FPOs.

Tata Trust and Rabobank have supported MFIs and other banks that are not willing to lend to FPOs for the uncertainty of returns, through credit guarantee funds up to 100 crores that absorb 85% of the risk. But the FPOs themselves have to present a bankable and genuine business plan and not to be treated as charity.

Farmer Interest Groups can become an important source of finance and operations for the FPOs. FIGs can be formalized and linked with banks to be able to raise finance through various government schemes just like SHGs and can support its FPO in accessing finance for its production. A hybrid structure of equity sharing can be promoted with FPOs being eligible for investing equity in the formal FIGs and FIGs can act as vehicles of distributed manufacturing units for the FPOs.

Lastly, the promoting institutions and the technical institutions should support in establishing linkages of the FPOs with other essential players in the FPO ecosystem like logistic, financial, statutory and legal compliances etc.

Panellist 2: Mr. Ashok Kumar, Executive Director, M-CRIL

He explained MCRIL association with the FPO sector and working for promotion, capacity building, credit rating of FPOs and impact assessment. Access to finance is one aspect but other aspects like, governance, management, business operation and business model are also to be looked at with equal importance. Banks being the key financing agency, primarily looks with utmost importance the financial performance of FPO examining balance sheet and profit and loss statement. Its strength and consistency becomes important for banks to make credit decisions for FPOs. Therefore, whether it is liked or not for

accessing finance from the banks or any financial institution, the requirement of the bankers need to be satisfied. The good governance, management, good business model and business operation must ultimately reflect on the profitability of the FPOs.



Mr. Ashok Kumar addressing the gathering on Day 2

He also highlighted the issue of share capital contribution by the producer member, which is very low at present. Around 80% of the FPOs share contribution range between 1 to 1.5 lakh. With this amount max. three times of the financing could be leveraged which is insufficient working capital requirement to run its business operation. With respect to policies and schemes, he pointed out that FPOs have not been able to properly utilize the existing schemes properly for accessing finances e.g. Equity Grant scheme.

The credit guarantee scheme currently provides 80% risk coverage to banks, but banks credit decision is also determined on covering the remaining 20% risk.

As a way forward, he advocated greater need of capacity building of FPOs on aspects like governance and management. Current focus of government is on achieving numbers, but quality is quite critical for achieving FPOs performance as it is an organic structure. For strengthening the financial status, he suggested particularly for the FPOs of North Eastern state, to create assets from government schemes like MoFPI and other which will strengthen FPOs financial status. After, the policy announcement of tax exemption, FPOs has now the opportunity to strengthen the financial status by creating reserves.

Panellist 3: Mr. Rohit Dhanda, AVP- Capital Markets & Strategic Initiatives, Samunnati Financial Intermediation & Services Pvt Ltd.

He shared his perspective on the issue that farming communities go through. There are some practical issues. FPOs are intended towards providing small and marginal farmers the power of aggregation but they lack anything substantial that can be offered as collateral and that puts the banks on the back foot. Samunnati has been looking at this sector a little bit in a different way. Providing hand holding support to FPOs and providing them access to finance has been one of the key agenda for Samunnati. The selection of board and CEO is easy but how to enable them to take rational decisions to develop the FPO further is challenging. He also brought up the issue of price volatility. Farmers could not afford to sell their produce at lower prices. The distress sell affects the profitability and finally the financial statements. Samunnati follows the approach AMLA- Aggregation, Market linkages and Advisory in order to solve this problem through timely advisory along with other services of market linkages and aggregation. Providing timely linkages is one of the enablers to bring FPOs on a profitability scale. Market linkages at appropriate time provides better accessibility to prices and enhances the affiliation of farmers with the FPO.



Mr. Rohit Dhanda addressing the gathering on Day 2

Most of the farmers are doing agriculture as a source of livelihood. But given a choice they would also like to take agriculture as enterprise. If FPO is profitable, farmers will not be hesitant to repay whatever loan they have taken, but if FPO is not profitable, the FPOs repayment will be difficult, that's the risk all the bankers are trying to avoid.

Out of all the finance that is accessible in the country, 40% is supported to be Priority Sector Lending (PSL), including agriculture. 18% is reserved for agriculture, 8% is for small and marginal farmers but their accessibility is questionable. Banks in general, are not able to achieve their PSL targets. Way to bring comfort to these lenders is by developing FPOs as an asset class.

Panel 2- Challenges of FPOs and promoting agencies in access to finance; moderated by Prof. C Shambu Prasad

This panel focussed on the challenges faced by the FPOs and the FPO promoting agencies at the grass root level. It was aimed to bring out the practical difficulties in accessing finance in the current scheme of things.

Panellist 1: Mr. Yogesh Dwivedi, CEO of Madhya Bharat Consortium of Farmer Producers Company Ltd. (MBCFPCL).

The challenges pertaining to FPOs sustainability is in fact common across India, but in North Eastern States, it may be more intense compared to other regions. He cited example of successful FPOs which transformed the lives of small farmers both economically and socially, but intensive support is required to create such success. In current scenario, he highlighted some important aspects with respect to periodicity of support, leadership which drives schemes, lack of proper HR support for management of operation of FPOs. He believes that 3 years' support is not sufficient, but longer period say 5 years may be required to extend the support from the existing Govt. Schemes like NABARD and SFAC. Trained Human Resource for managing operation of FPOs is another challenge as they lack vision to sustain FPO, but comes as job seeker and therefore high attrition is big issue.



Mr. Yogesh Dwivedi addressing the gathering on Day 2

He cited example of successful FPO model of poultry of PRADAN and how substantial support went into to make the entire business operational. Agri business is risk prone but like other industry capital formation is equally important for FPOs and investment support needs to be extended to FPOs. He emphasised the federation model for FPOs, where FPOs as a consortium can come together for establishing business of scale so that they can compete in the market with other enterprises, ensuring volume as well as quality. Government investment along with private investment will also be required. He cautioned that FPO is different from private entrepreneurial model as it embeds the risk of collectives combining small and marginal farmers. Therefore, support required will be different as compared to private entrepreneurs.



Mrs. Jamuna Datta addressing the gathering on Day 2

Mrs. Jamuna Dutta (Chairperson) Birangana Mahila Producer Company Limited represented the voice of FPOs from Assam. The FPO has been promoted by SeSTA (Seven Sisters Development Agency). She shared the journey of the Birangana Mahila Producer Company that was established in 2017 with 577 shareholders and its shareholding has increased to 2173 shareholders by now. This FPO was established with a vision to facilitate the women farmers to establish their own identity and improve the lives of their families.

The FPO have been experimenting with different products like black rice but they faced problems in marketing. They received an initial revolving fund from APPI that they used to provide credit to its members for various livelihoods activities. They have now initiated turmeric production with 300 farmers on 9 bigha of land are hopeful in making profits and success in the future.

She also shared the challenge of the women farmers not able to invest enough time for the FPO activities because of their engagements in household chores. Their turnover is approximately 18 lakhs.

Responding to one of the questions of bearing the cost of promotion, she emphasised that it should be borne by the FPOs to sustain itself.

Pradyut Bhattacharjee, ED of SeSTA presented the perspective of the grass root organizations engaged in promoting FPOs in Assam. He shared that in Assam and entire north east region social capital has always been there through collective action among the ethnic communities. However, the **participation of women in the traditional collective action has been poor**. Even when promotion of co-operatives was initiated by the ARIA Society the majority of the members were male and the operations were male dominated. They focused on promotion of FPOs with women farmer members even before the NRLM started working. They started promoting SHGs first comprising of women and thereafter moved towards larger collectives.

Governance of FPOs is a major issue. The governance and management of these FPOs were overlapping. The executive committees of the FPOs have also been performing the role of

management. So there were overlaps and conflict of interests. The governing members were taking all the benefits while the members remained unaware of it resulting in the lack of trust and ownership among the members. AGMs are not organized. He also highlighted issues related to compliance and record keeping which is not properly maintained and returns are not filed on time. Decisions were confined to the governing members themselves.

There is still a lack of vision among the FPOs as they have no business plan for long term. But one of the major constraints is the availability of working capital. There is also a lack of clarity on the products being produced by the FPOs whether it will be a niche product, financial services, inputs, post harvesting, product marketing etc. Being a business entity, the members expect some monetary benefits.

Lack of infrastructure support is also a big issue. There are no proper storage facilities to store the aggregated produce especially agricultural produce like maize. Being perishable in nature it is vulnerable pest and disease attack, apart from price volatility. So, storage infrastructures is essential to de-risk price volatility.

It is extremely difficult for the FPOs to access the conventional markets. The Mandi Act is not prevalent in Assam. The existing markets have strong lobbies. The FPOs produce doesn't get any space in the existing markets due to entry level barriers. It is also difficult to aggregate information about the prices and demands in different markets based on which FPOs can make sale and purchase decisions.



Pradyut Bhattacharjee addressing the gathering on Day 2

As a promoter the issue of fragmentation of production is prevalent. The quantity and quality of the produce varies posing difficulties to aggregate and sell in the conventional value chain. Accreditation and certifications for niche products like organic products is also very difficult. Also, as a promoter it is tough to promote the operations of the FPOs as they have to build capacities of the board members and provide professional support which bears costs. Promoting organizations have to mobilize funds to cover for these costs that are not limited to a fixed interval of time.

Multiple membership in different types of institutions promoted by different agencies is also a big challenge, that requires proper systems check to ensure overlap doesn't happen and the same collective is taken forward instead of promoting new collective from the scratch.

Panellist 4: Professor C Shambu Prasad, Institute of Rural Management, Anand



C Shambu Prasad addressing the gathering on Day 2

Professor C Shambu Prasad from the Institute of Rural Management (IRMA), Anand has been studying the FPO movement for the past 4-5 years. He is also part of NAFPO. His view is that the government and stakeholders have the intent but it is not matched with investment related to form and nurture the FPOs. In the budget there was the announcement that government plans to promote 10000 FPOs but how much investment will be done is not clear. There is confusion on how much investment does it take to promote an FPO as all the

different stakeholders have different figures according to them. He also reiterated the issues raised by Ms Aruna Rangachar regarding the policies of the government not defining a figure of investment in the FPOs and the priority sector lending issues from the banks. The resource institutions promote these FPOs but they have limited financial resources and time. The government support was only for three years and during this interval the FPOs could not become viable. Due to this when their resources are depleted, they exit these FPOs. In the process several **institutional issues like statutory compliances and regulatory norms are also cumbersome**. This has resulted in an increase in the number of FPOs that are regionally dispersed but pose a question as how many of them are functioning well. The policy indicates the optimal size of an FPO but there is no clarity if that number is good enough or whether the number of minimum members itself is a valid indicator. So the investment, timeframe of investment and the size of the FPO are three important aspects that need to be covered in the FPO policy.

In his view all the stakeholders should commit for 5 years at least for promoting an FPO. Also there is a confusion on whether the FPOs should work with a single commodity or multiple commodities. The policy has to deal with a huge magnitude of diversity among the FPOs across the country.

He talked about the State Governments important role in the policy making as agriculture is a state subject. Some of **the states like Karnataka, Odisha and Telangana have come up with FPO policies**. Grass root organizations and stakeholders can play a role in recommending policies to the state Government. The government is not investing enough and has a huge target. NABARD instead of promoting would become an implementation agency for which they do not have resources and mandate.

Responding to one of the questions from the audience he reiterated the need for ease of business by facilitating its interaction with the market and transactions through mainstream agencies like banks in order to FPOs becoming a genuine business entity.

Mr Narendran was the part of the audience and works with an organization called VRUTTI shared his experience of promoting FPOs. He shared that they have promoted more than a 100 FPOs but unfortunately only 22 of them are truly functioning. He shared that under their program the **22 FPOs have been able to repay the credit upto Rs 2 crores from their business transactions**. He attributed this to the risk taking capabilities of the FPOs and also the promoting agencies. FPOs have a lower capacity against market risks while the promoting agencies lack resources to invest time and professional inputs due to limitation of funds.

Presentation on recommendations from previous day

Dr. Arun Joshi consolidated the recommendations made in the two days of consultations.

1. Building credit for organisation during the process of incubation: The policy should make it mandatory for the promoters to build the credit history of the organisation during the incubation time.

2. Capacity building and maturity of FPO: the policies should outlay the capacity building methodologies for FPO and maturity indicators for FPOs.



Dr. Arun Joshi addressing the gathering on Day 2

3. Focus on post formation stage of FPO: the governments have to shift from only formation to promotion and sustenance of FPOs
4. Strengthening of Farmer Interest Groups: FIG are the core building blocks, during the formation stage the focus should be on strengthening these institutions.
5. Using locked up funds: Using the funds locked up elsewhere to provide credit guarantee to financing institutions for FPOs functioning.
6. Differential policy for plains vs Hills: the policy should be contextual to states.
7. Focus on ease of doing business: the business environment should be made suitable to FPOS to do business.

He floated the suggestion that a Special Task Force be formed and entrusted with the responsibility to prepare a dossier on these policy recommendations to be presented to the state government of Assam. It was agreed upon by all participants.

Concluding remarks by Mr. Pravesh Sharma

Mr Pravesh Sharma is a retired IAS officer and an ex MD of SFAC. He is now the CEO of a start-up called Kamatan Agro Farm Tech Pvt. Ltd. He is also the Chairperson of NAFPO's steering committee.

He shared that access to finance is the key to unleash the potential of an FPO. However, it should also not be expected of an FPO to become a successful entity for sure and in a limited amount of time as they do not have enough assets to present as collateral. **Their major asset is the shareholder's equity and**

that is limited to a very small amount. Against this small amount any of the mainstream financial agencies are reluctant to provide loans to the FPOs. He **advocated the need of the State Governments to establish First Loan Default Guarantee (FLDG) of 10 crores** that is a meagre amount for them to offer credit guarantee to the FPOs as well as the NBFCs that provide loans to the FPOs so that their risk can be covered.



Mr. Pravesh Sharma addressing the gathering on Day 2

He has in the past designed and set up similar FLDG for the state government of MP which covered for 85% of the credit guarantee and this was what made it unique and it helped in safe guarding the investment of the lenders.

He also put emphasis on **bringing the private sector closer to the FPOs** as the private sector is sitting upon huge amount of funds. He quoted the example of his own start up Kamatan Farm Tech Pvt. Ltd. They are promoting a model where the private sector players are being encouraged to do business of around Rs 20 crores through FPOs with support from Kamatan. Kamatan will act as an equity holder with limited voting powers as per the FPO laws so that it can do business with them and provide loans.

He also advocated that **CSR funding should be made eligible for FPOs**. The huge amount of money that is being spent in CSR can help the balance sheet of the FPOs and support them in a good way as they can approach the mainstream financial institutions for financial assistance with confidence. In a nutshell his suggestion was to focus on finance and marketing.



Group addressing the gathering on Day 2

S no	Recommendation	Rationale
1	Incubation funds that can include some limited start up financial assistance for new FPOs or those FPOs that are in their initial stages can be formed by the State Government. This can be complimented with a Credit Guarantee fund so that some credit history can be generated for the FPOs so that the mainstream financial agencies can consider them for financial assistance through loans.	FPOs that are initiated do not have enough credibility and assets due to which the mainstream banks and financial agencies do not feel comfortable in lending. The Credit Guarantee fund can provide a coverage for the risk associated with lending to an FPO that might incur losses and the money invested could be recovered through it. Also the incubation fund can guarantee technical assistance for supporting the FPO in its infancy stage.
2	Mainstream financial agencies should move towards a system in which the financial assistance can be provided based upon cash flows instead of collateral based lending.	FPOs are meant to be formed by collectivizing small and marginal farmers. Such a collective cannot be expected to possess any assets that can be put as collateral right in the beginning.
3	Universal credit rating tools for grading the FPOs that can be used by all mainstream financial agencies for assessing the application by the FPOs.	There is no uniformity in the methods adopted by the financial agencies to provide financial assistance to the FPOs A universal credit rating tool can help them in evaluating the application of an FPO. Also the FPOs will have understanding on what are the indicators they need to work upon in order to strengthen themselves and seek financial assistance.
4	Post formation nurturing policies for transformation of the FPO into a stronger business entity. The FPO promoting institutions should have their capacities enhanced for FPO governance and management and what should be the role of FPOs. The time period of 3 years may be extended to 5 years.	The FPOs mostly get a window of 3 yrs. for promotion and nurturing by NABARD which is too short. There are no substantial guidelines on the nurturing of FPO promotion after its formation and also the FPO promoting agencies lack the basic know how on it.
5	Priority sector lending should be extended to the FPOs. Creation of assets and infrastructure through the funds of priority sector lending as well as from RIDF (Rural Infrastructure Development Fund) can be done for the FPOs that will help them as a leverage for accessing finance for the FPOs.	The funds mandated by banks for priority sector lending are often unutilized due to several reasons and are diverted to NABARD's Rural Infrastructure Development Fund where it is again unutilized. This fund can be mandated for building assets that can be used for the FPOs based upon which banks can lend to them.

Key take away and policy recommendations

6	<p>Market risk fund can be created. Each state may set up Rs. 10 Crore as a credit guarantee fund or FLDG that can be further multiplied. A one-time grant can be provided through this fund as a collateral against the loans offered to FPOs by the banks. Credit guarantee should also be extended to NBFCs that offer financial assistance to FPOs.</p> <p>e-NAM should be introduced in the state for better trading exchange and management of market.</p>	<p>This particular fund can cover the risks involved in the Markets. The price volatility, supply and demand, seasonality, uncertainty of production and monetary losses associated with all such issues can be covered through this fund.</p> <p>Suitable provisions to be enacted by State Govt in their APMC (Agricultural Produce Market Committee) Act for promotion of e-trading by State Agriculture Marketing Board. As such no initiatives have been taken on this area by the State Government.</p>
7	<p>Strengthening of the Farmer Interest Groups (FIG). These FIGs can act not only as the manufacturing groups but also help in leveraging finance available through the credit and savings activity of these groups including the activities through bank linkage. FPOs can also access the funds available at the grass root level through equity investment.</p>	<p>Many government schemes provide financial assistance to collectives like SHGs. Similar status can be provided to Farmer Interest Groups (FIGs) also so that they are able to mobilize these untouched funds available and also carry out the operations of the FPOs in a concentrated manner.</p>
8	<p>Policy focus on ease of doing business for FPOs. It should focus on encouraging a culture of enterprise and start-ups through some policy initiatives.</p>	<p>FPOs are yet to be treated at par with start-ups and similar assistance and norms should apply to them also. IT should be targeted to be developed into a business entity.</p>
9	<p>Membership of minimum 500 and maximum 1000 should be made flexible according to the area context.</p>	<p>The membership of 500 farmers for availing credit guarantee funds is also too high in case of heavily forested areas and hilly regions where population density is too low to mobilize these many farmers into the FPO.</p>
10	<p>Private sector should be also linked to FPOs. CSR should be made eligible for investing into the FPOs. A certain percentage of the CSR profit can be set aside for investment into the FPOs. State level organizations including the PSUs can also be roped in similarly.</p>	<p>Private sector has huge amount of funds that can be routed towards the betterment of FPOs. CSR funds are not eligible to be treated as investments in an FPO. With this fund it can be an investment for both the private sector as well as the FPO and it can help the FPO generate a credit history that will facilitate financial assistance through mainstream financial agencies.</p>

SESSION PLAN

Day 1: 12th September: Hotel Shervani, New Delhi

Time		Session	Actors / Speakers
From	To		
9:30 AM	10:00 AM	Registration of participants	Mr Nitin Juneja
10:00 AM	10:15 AM	Welcome & Opening Remarks	Mr Sadique Akhtar, SRIJAN
10:15 AM	10:30 AM	NAFPO Presentation	Ms Aneesha Bali, NAFPO
10:30 AM	10:45 AM	CEA Presentation	Ms Nirju Moni Dutta Bharali, ICCO
10:45 AM	11:00 AM	Context setting	Dr. Arun Joshi
11:00 AM	11:15 AM	Tea Break	
11:15 AM	11:30 AM	Presentation on Good Practices and Policy Incorporation- Madhya Bharat Consortium of Farmer's Producers Company	Mr Yogesh Dwivedi, CEO, Madhya Bharat Consortium of Farmer's Producers Company (MBCFPCL)
11:30 AM	11:45 AM	Presentation on FPO policy issues and challenges in context of Assam	Dr. Abhijit Sharma, Director, Indian Institute of Entrepreneurship, Guwahati
11:45 AM	1:15 PM	Sub- group exercise on bringing forward policy recommendations for State of Assam and others divided in 3 groups: ·Access to Finance ·Access to Markets ·Governance & Management	Dr Arun Joshi
1:15 PM	1:45 PM	Presentations by the Subgroups	
1:45 PM	2:00 PM	Brief of the day and Wrap up	Mr Aditya Kumar, SRIJAN
2:00 PM	Onwards	Lunch & Day close	

PARTICIPANTS LIST

25	Mr. Nitin Juneja	Admin & HR Executive, SRIJAN
26	Mr. Narendra Shandilya	FLCP, SRIJAN
27	Ms. Stutilina Pal	Program Manager, SRIJAN
28	Mr. Chinmay Biswal	FLCP, SRIJAN
29	Mr. Ashwani Yadav	Team Leader, SRIJAN
30	Mr. Neelesh Mehra	Branch Accountant, SRIJAN
31	Mr. Chandrakant Singh	Office Assistant, SRIJAN
32	Mr. Mohd Zahid	Team Leader, SRIJAN
33	Mr. Sandip Bhujel	FLCP, SRIJAN
34	Mr. Rahul Parewa	Office Assistant, SRIJAN
35	Mr. Jawed Quamar	Team Leader, SRIJAN
36	Mr. Anish Kumar	Trustee, NAFPO
37	Ms. Kalpana SD	Intern, NAFPO

PARTICIPANTS LIST

S.No.	Name	Details
1	Mr. Nani Saikia	Executive Director, SATRA
2	Mr. Piyush Saurabh Sharma	Executive Director, SANJOG
3	Mr. Dibakar Deka	Gramya Vikas Manch, Assam
4	Mr. Utpal Goswami	RGVN, Assam
5	Ms. Eliza Boro	Executive Director, Mahila Shakti Kendra (MASK), Assam'
6	Mr. Amiya Das	Program Manager, GRAMEEN SAHARA, Assam
7	Mr. Martin Rabha	Secretary, Diya Foundation, Assam
8	Ms. Mamuni Saikia	Member, Kuchdhuwa FPO, Goalpara, Assam
9	Ms. Ruma Kolita	Kuchdhuwa FPO, Goalpara, Assam
10	Mr. Dwipen Baishya	Director, Sanjog FPO, Nalbari, Assam
11	Mr. Vijay Pratap	Ek Gaon
12	Mr. Dipjyoti Kakati	North East Farmer Producers Organization, Assam
13	Ms. Liza Bhattacharya	Indian Institute of Entrepreneurship, Guwahati
14	Mr. Apurba Bhagabati	Amlighat Banana Producers Company
15	Ms. Harshita	ISAP, Delhi
16	Mr. Ravi Aggarwal	Deputy Director, ICCSPL, Delhi
17	Mr Amit Verma	ICCSPL, Delhi
18	Ms. Priya Ahuja	Research Associate, FICCI - Agriculture
19	Mr. Aditya Kumar	Team Leader, SRIJAN
20	Ms. Mousumi Dutta	Project Executive, SRIJAN
21	Mr. Dipankaj Mazumder	State Coordinator, SRIJAN
22	Mr. Purushottam Dhakar	Program Manager, SRIJAN
23	Mr. Rupendra Sharma	Program Manager, SRIJAN
24	Ms. Namita Pandey	Program Leader, SRIJAN

SESSION PLAN

Day 2: 13th September: Lutyen's Lounge, EROS Hotel, New Delhi

Time		Session	Actors / Speakers
From	To		
9:30 AM	10:00 AM	Registration: Panellist	Mr Chinmay Biswal, Ms Mousumi
		Registration: Participants	Mr Nitin Juneja
10:00 AM	10:30 AM	Welcome & Opening Remarks	Mr Alay Bara, ED, ICCO Mr Prasanna Khemaria, CEO, SRIJAN Mr Anish Kumar, MD-Transform Rural India & Trustee-NAFPO
10:30 AM	10:45 AM	Recap from previous day & tone setting	Sadique Akhtar, SRIJAN
10:45 AM	11:45 PM	Welcome & Gracing Panellist	Ms Namita Pandey, SRIJAN
		Panel 1- Financing FPOs by Banking sector/NBFC/other mainstream financial institutions	Panellists- Mr Rohit Dhanda, AVP, Sammunati Mr Ashok Kumar, M-Cril Ms Aruna Rangachar, IFHD Moderator - Dr. Arun Joshi
11:45 AM	12:00 PM	Tea Break	
		Welcome & Gracing Panellist	Ms Mousumi Dutta, SRIJAN
12:00 PM	1:30 PM	Panel 2- Challenges of FPOs with a context of Assam	Panellists- Mr Yogesh Dwivedi, MBCFPCL Prof C Shambu Prasad, IRMA Mr Pradyut Bhattacharjee, SeSTA Ms Jamuna Datta, Birangana Mahila Producer Company, Assam Moderator- Dr. Arun Joshi
1:30 PM	2:00 PM	Lunch	
2:00 PM	2:45 PM	Presentation on policy recommendations from previous day by Dr Arun Joshi	Sh. Pravesh Sharma (Retd. IAS), CEO, Kamatan Farm Tech Pvt Ltd. & Chairperson, NAFPO Steering Committee
			Panel of Experts
2:45 PM	3:00 PM	Concluding Remarks	Sh. Pravesh Sharma (Retd. IAS), CEO Kamatan Farm Tech Pvt Ltd & Chairperson, NAFPO
		Vote of Thanks	Sadique Akhtar, SRIJAN
3:00 PM	Onwards	Networking tea & Day close	

MAIN SPEAKERS AND PANELLISTS

Day 2: 13th September: Lutyen's Lounge, EROS Hotel, New Delhi

S.No.	Name	Details
1	Mr. Ashok Kumar	Executive Director, M-CRIL
2	Mr. Rohit Dhanda	AVP- Capital Markets & Strategic Initiatives, Samunnati Financial Intermediation & Services Pvt Ltd.
4	Ms. Aruna Rangachar Pohl	Executive Director, IFHD
5	Mr. Yogesh Dwivedi	CEO, Madhya Bharat Consortium of Farmer Producers Company Ltd.
6	Prof. C Shambu Prasad	Professor, Institute of Rural Management, Anand
7	Mr. Pradyut Bhattacharjee	Executive Director, SeSTA, Assam
8	Ms. Jamuna Dutta	Chairperson, Biranagana Mahilla Producer Company
9	Mr. Pravesh Sharma	Retd.IAS; CEO, Kamatan Farm Tech Pvt. Ltd., Chairman, NAFPO Steering Committee
10	Dr. Arun Joshi	Consultant
11	Dr. Abhijit Sharma	Director, Indian Institute of Entrepreneurship, Guwahati
12	Mr. Alay Barah	Executive Director, ICCO India
13	Ms. Nirju Moni Dutta Bharali	Senior Program Manager, ICCSPL, India
14	Ms. Aneesha Bali	Lead (Institutional & Partnerships), NAFPO
15	Mr. Prasanna Khemaria	CEO, SRIJAN
16	Mr. Sadique Akhtar	Program Manager, SRIJAN

Convention Snapshots



SELF RELIANT INITIATIVES THROUGH JOINT ACTION
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MB Road, New Delhi 110068