

The Institution Building Challenge: National Workshop on FPOs

12th February, 2020 at Conference Hall, IRMA, Anand, Gujarat

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1. WELCOME AND INTRODUCTIONS

IRMA's incubator, ISEED, is one of the few incubators in the country that focuses on thinking about ecosystem issues for collective enterprises and the need for incubation support. The workshop focused on institution building challenges of Farmer Producer Organisations (FPOs) is a continuation of IRMA's efforts in three areas: building knowledge on contemporary FPOs, building capacities, and co-creating an enabling ecosystem. This workshop was the fifth edition of national workshops that IRMA conducted as part of its [2015](#), [2017](#), [2018](#), and [2019](#) annual workshop series. The workshop was jointly supported by projects to IRMA from the Department of Science and Technology (DST) (under the project "Creating a Social Entrepreneurial Ecosystem through the Incubator") and the Ford Foundation (Living Farm Incomes: Inequality, Sustainability and Civic Action in India". The workshop agenda is appended in Appendix 1; the participants' list of the March 2020 workshop is in Appendix 2.

The workshop began with Ajit Kanitkar's (VikasAnvesh Foundation) and C Shambu Prasad's (IRMA and ISEED Chair) discussing opportunities to build on the collaborative exercise in the book "[Farming Futures: Emerging Social Enterprises in India](#)". Some of the authors of the fifteen case studies had been part of the panel discussion on 11th March, which focussed on the future of social enterprises in agriculture. Shambu Prasad began discussions indicating the rich experiences of collaborating and co-creating newer knowledge on farming that needed to be extended to the emerging FPO ecosystem. Some salient features of the book writing process included multiple case studies by multiple authors working on a broad common framework taking up cases across the country and disseminating the insights through panel discussions across India that included the entrepreneurs featured in the book, the case writers and editors and reviewers of the book as well as members of the entrepreneurial ecosystem (academics, policy makers, investors etc.).

Ajit Kanitkar outlined the potential for most civil society organisations to impact the environment through systematic and coordinated work over the next 5-7 years. He shared the rough requirements of manpower (promoting institutions, compliance support (CAs or company secretaries and compliance assistants at the field), trainers of trainers and actual trainers to assist the Board of Directors (BoDs) and Chief Executive Officers (CEOs) etc. that would need to be required for the 10,000 FPOs to fructify.

Ajit Kanitkar encouraged the participants to highlight the different aspects of the institutional

building and the attendant obstacles. The need for policy engagement was discussed. Sankar Datta (independent consultant) emphasised that policy lobbying should start with the elimination of institutional barriers faced by FPOs. Many members had ideas to share about building the ecosystem and Shambu Prasad asked that these discussions be held for the latter part of the day. He welcomed the members from Gujarat who had joined the gathering and the workshop officially began with participants collectively praying silently in memory of the late Ms Vijayalakshmi Das, often referred to as the mother of microfinance in India, who had passed away on February 9, 2020. Some of the participants were requested to share their experiences of working with Ms. Vijayalakshmi.

2. REMEMBRANCES: VIJAYALAKSHMI DAS & SMALL FARMERS

Dr. Tara Nair, Professor at Gujarat Institute of Development Research (GIDR), C S Reddy, CEO of APMAS, Sachin Oza, Development Support Centre Foundation and Nilanjan Choudhry of FWFB and Sridhar of Samunnati shared their remembrances.

Dr. Tara Nair reminisced about Ms. Vijayalakshmi's (and FWFB's) role in introducing her to microfinance in 1998. It was later, in 2007, that Dr. Nair had re-joined FWFB as the Head of Research. Dr. Nair reminisced how "Viji was always in for a discussion" as they researched gender and finance and credit together. Viji was a pioneer who played a constructive role for small players in the economy. She was immensely popular and remembered by many small organisations dependent on the FWFB. The full transcript of Tara Nair's remembrance is available here [CSP1]. The founding CEO of APMAS, Mr. C S Reddy, said Viji was the Mata Amritanandamayi of the microfinance sector. Viji was very emotionally attached to these institutions. She always wanted them to succeed and had a very positive attitude. She never criticised people or institutions. He also recalled her lack of fondness for credit appraisals and rankings for SHGs or other farmers' institutions. She went out of her way to support and mentored many, including the Madanapalle Tomato Marketing Federation. Finally, Mr. Reddy reiterated that Mrs. Viji 's spirit must 'live through our work'.

Mr. Sachin Oza, Executive Director at DSC Foundation, also remembered his association with Viji that began about 30 years ago. It was during meetings at SEWA that he was introduced to microfinance. While a field worker, he knew Viji to be a patient listener. Never a hard-core banker, she was empathetic towards women and farmers, something Mr. Oza found very surprising as a young field worker. As DSC began in 1994, meetings with Viji were reduced to airports and seminars. FWFB started supporting FPO only in the last 2-3 years, and

Mr. Oza and DSC were able to interact with Viji again. Unfortunately, that would not last for very long.

Mr. Nilanjan Dey stated that Vijayalakshmi Ma'am had leadership qualities combined with influence capacity. But she never made one feel that she was the CEO. She was always open to discussions, trusting people. Now that she is not there, the gap remains. He also mentioned that Ms. Ila Bhatt, the founder of SEWA and FWWB, believed that with Viji gone, one of her hands had been lost. What Viji had achieved in her lifetime stood out as an example, but her plans and dreams on low-income segment housing plans and FPOs needed to be worked on. Mr. Himanshu Vaghela also mentioned that he knew Viji for the last 10 years and the trust she inspired in people was exemplary. That trust will enable FWWB to collaborate with its partners.

2.1 FWWB and Institution Building

The Friends of Women's World Banking (FWWB), was promoted as an affiliate of Women's World Banking in 1982. It operates as an apex for building a strong institutional network and providing financial services to microfinance and micro-enterprise organisations associated with women in the low income bracket. Its programs with farmers include agriculture finance and the capacity building for FPOs and small entrepreneurs. Initially (2007), the FWWB used its own funds to finance agricultural cooperatives. Considering their success, the FWWB expanded its program in 2011. Their funding portfolio was possible due to the funding.

The Ford Foundation, HIVOS, NABARD, and NABKISAN mobilised for financial support to 30 FPOs. FWWB's current activities include credit support and technical support to 32 FPOs with a portfolio of Rs. 22.74 crore. The organisation focuses on working capital for farmers' growth and agri-input procurement as well as loans for farmers' income diversification.

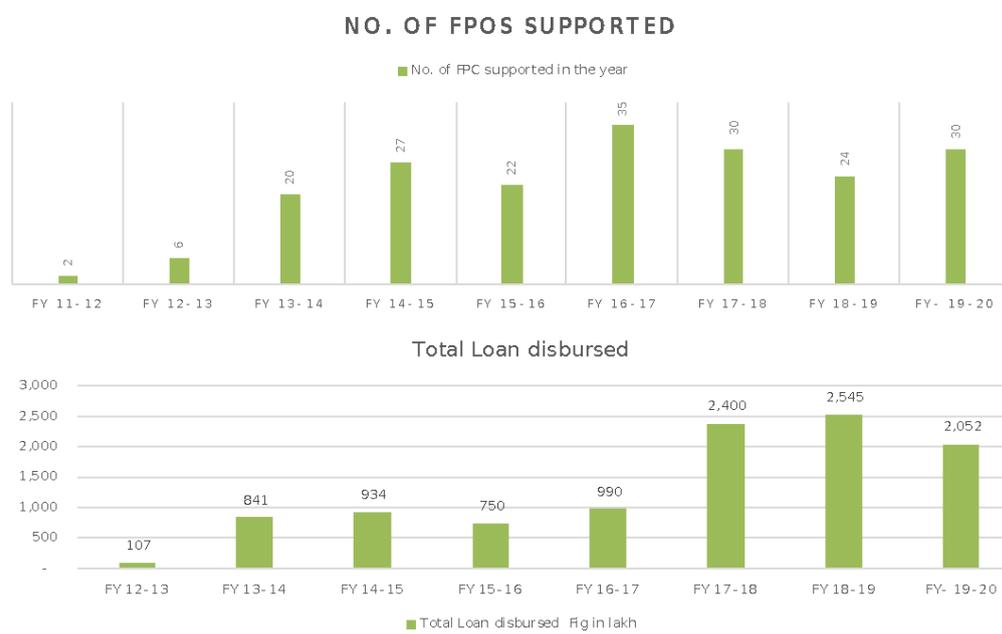


Fig 1. Number of FPOs supported over the years and total loan disbursed

FWWB have disbursed 7858 loans worth a cumulative transaction of INR 106.98 crore, most of them in the last three years. In the last two financial years, loan utilisation was largely done for procurement by farmers growing soya, wheat and pulses. These include a total of 10,819 farmers spread across the 106 organisations out of which 84 are farmer producing companies, 14 are cooperatives/MACs, and eight are section 8/ Pvt Companies. These 106 organisations have a member base of more than 60,000 farmers out of which approx. 28000 are women.

Financial support and capacity building could act as a key to building institutional capacity on the ground. But there are many challenges: many emerging entities lack clarity on needed finances, business consistency, and ties with structured financial organisations such as banks, business strategy transparency, rigorous accounting, organisational processes, and information management systems. Such organisations also lack recognition and participation of board members.

FPOs need assistance in daily routine operations, timely disbursement of loan, governance, and prioritising season-based short-term loans to reduce the credit risk for farmers.

Capacity building initiatives: FWFB supports capacity building initiatives in collaboration

with three promoting agencies from Tamil Nadu, Karnataka, Andhra Pradesh and Telangana. It funds 31 FPCs in the southern region and supports the strategic planning, governance, accounting and MIS, cultivation of traditional crops, climate change adaptation, and institutional linkages. In Tamil Nadu, the FWWB has developed agri facilitation centres covering 12 FPCs with the objective of technical assistance and long-term hand-holding in the areas of accounting, marketing, and governance strategic business planning, and ROC compliances. The organisation also conducted training, workshops on governance, financial management, and the strategic business planning of FPOs. Mr. Himanshu shared the view that these initiatives have increased (i) awareness of board members, (ii) improvement in accounting and MIS, and (iii) adherence to ROC compliances. The organisation aims to create more facilitation centres in the country based on this pilot project.



Fig 2. Mr. Himanshu Vaghela and Mr. Nilanjan Dey (both standing), FWWB

Discussion: When asked about the unfortunate deterioration of portfolio quality, Mr. Himanshu stated that most financial management defaults came from the credit activities attempted by FPOs. According to him, this could be because the FPOs are not able to lend businesses at ground level because of their inability to do carry out such practices. Initially, however, some of the FPOs seemed to do well in this space, but they experienced problems during the third lending cycle. Therefore, only those activities in which FPOs control their cash flow are encouraged by the FWWB. Mr. Nilanjan Dey also stated that most defaulters were not co-operatives but were found among the FPOs.

2.2 FPO policy: The Institutional Challenge (by C. Shambu Prasad)



New Policy on FPOs

- 10,000 more in next 5 years, 15% aspirational, one in each block
- Minimum 300 members, 100 in N east (500/ 200 for profitability and sustainability)
- SFAC, NABARD, NCDC(?),CBBO, One District One Product
- Equity grant of Rs 2000/ member and 15 lakhs/FPO, credit guarantee of Rs 2 crore of loan, CGF – NABARD 1000 cr, NCDC 500 Cr
- Provision for specialized training and skill development
 - CB through national/ regional institutes BIRD + LINAC
- State Level Consultative Committee (SLCC)...NABARD member secy, no CSO reps

Prof. C. Shambu Prasad (Strategic Management)

Fig 3. Prof. Shambu Prasad sharing insights into the Government's new policy on FPOs

Prof. Shambu Prasad discussed the workshop's broader priorities. He emphasised the need to take stock of last year's cumulative research, contemplating approaches towards CSOs despite the latest FPO strategy announced by the Indian government for 10,000 FPOs, and considering potential partnerships to build new awareness on FPOs- a likely sequel to the book Farming Futures. However, the workshop's emphasis will be on institution-building under the new program. He referred to a recent [paper](#) on a decade of FPO experiences and highlighted the need to work out a typology of FPOs given the diversity and heterogeneity of FPOs in the country sizes of some 100 crore and over 10,000, with most FPOs struggling to achieve turnovers of over 50 lakhs and member base as small as 1000. Overall, the data also points to the FPOs having spurted after 2015 (over 50% of the total FPOs are from Maharashtra, Uttar Pradesh, Tamil Nadu and Madhya Pradesh while Haryana, West Bengal and Maharashtra formed over 50% of FPOs in the last three years). He emphasised the need to capture learning and the ecosystem support in diverse agro-ecological zones with detailed case studies to deliver evolving business models and offer empirical insights on optimality, single vs multi-commodity, nature and varying norms of support and incubation among other things.

2.3 Learning Together: One year of the FPO Manual (By Parthasarathy T & Sai Krishna N) Parthasarathy T, Welthungerhilfe & Sai Krishna N, Skillgreen Global

The discussion later involved the perspectives on institutional challenges associated with incubating FPOs. Sai Krishna N, Skillgreen Global participant, spoke about Skillgreen

Global's efforts, a joint initiative of WHH and NSFII supported by GIZ Skillgreen Global working with partners to empower the farmer through capacity-building initiatives. This initiative focuses on training FPO directors to run their enterprises well, preparing trainers based on mentoring promoting institution staff, and collaborative training of staff as well as farmer directors through participatory need assessment.



Fig 4. Networking Journey of Skillgreen Global

Discussions involved the training manual for FPO Board Members that was developed and tested in several parts of the country. The training manual is based on participatory learning and mentoring rather than lecture mode of teaching and consists of modular course content. It also seeks to improve awareness and expertise across a national trainer pool using a comprehensive customised package of capacity building and mentoring activities. The organisation emphasised FPO members' active participation and flexibility in modules and sessions as essential features of training methodologies. The organisation has also envisaged the following outcomes:-

- (a) Trainers pool at different regions
- (b) Pool of mentors in those contexts
- (c) Modular delivery for contextual training needs
- (d) Documentation of shared experiences
- (e) Mentoring for trainers
- (f) Continuous revision of training guides

Mr. Sai Krishna said that the main challenge facing Skillgreen Global was dealing with multi-level FPOs. Skillgreen Global uses a layered approach to building basic capacity leading to a demand for more services, collaborative network approaches, spreading fixed costs, and locating operating costs as measures to address these challenges. Nonetheless, this

network approach also stresses the shift from a based educator to methodologically-centric steps to overcome these challenges. From training to learning and from information to action, approach shifts. The company applied a continuous rethinking approach to various factors such as importance, material, technique, operation, gross margin, development level, nascent FPOs, etc.



Fig 5. Mr. Parthasarathy T. and Mr. Sai Krishna, Skill Green Global

Discussion: Mr. Himanshu raised concerns about the sustainability and effectiveness of SGG's approach to training in diverse contexts for FPCs with different crops and regions. The problem was based on the need to use a variety of lenses and consequently change the FPC training methods for various styles of business and paper-level understanding. He also asked the SGG about the memberbase size in an institution as a very large memberbase does not seem to serve the purpose of organisational cohesiveness. In response, Mr. Sai Krishna contended that their focus would be on the participatory methodology (How to do) rather than the content (what to do) because there was no shortage of technical manuals on the market and no resource agency without resource expertise. SGG's main focus is not on imparting technological information, but the participatory approach of getting people together and holding learning in the mind.

The SGG's emphasis on the building and management of social capital within FPCs was also addressed by Mr. Vedprakash and Mr. Sankar Dutta. Mr Dutta mentioned that many FPCs had been able to set up a member base comprising 1000 members, which eventually dissolved due to the lack of cohesiveness and institution building capacities. Mr. Sai Krishna replied that their approach also involved FPO management in institutional building, business planning, and marketing. Abhishek asked if the SGG saw any possibilities of applying the concepts of FBS (farm business schools) to create local leaders with different institutional

responsibilities (like marketing, planning etc.). Mr. Sai Krishna replied that while the SGG's efforts were premature, the organisation works regularly with trainers who will train the board of directors, slowly pursuing FSS systems intensively in other programs. Mr. Kanitkar asked the SGG if their approach emphasised the role of equity in the initial contribution of farmers throughout the capacity building process. In response, Sai Krishna shared that SGG's training promotes the use of visual imagery so that it can be suited for both semi-literate and illiterate farmers, especially women, through participatory methodologies.

Mr. Gautam Khandelwal also raised concerns about the sustainability of FPOs in the near future, given the lack of funding for capacity building. Mr. Parthasarathy responded saying the manual itself is an open source for download purposes while the TOTs try to make it affordable for participants. This facility is locally provided so that FPOs can access trainers in the vicinity without having to invite other state trainers. Mr. Astad asked how the SGG's training manual would address the challenge of achieving the ideological consensus for other institutions involving the director right down to the grassroots level. Mr. Parthasarathy said that the SGG implements such TOTs with a hands-on approach. After the TOTs, the trainers are engaged in other training sessions so that they are prepared to provide training on their own. Prof. Shambu pointed to building the trust of the Board of Directors in these training sessions, as they would be the ones who would have to deal with the uncertainties in the organisation.

3. INSTITUTION BUILDING: LESSONS FROM OTHER STATES

3.1 Why institution building is key for credit? (By Sridhar Easwaran, Samunnati) Sridhar Eswaran, Samunnati

Subsequently, Mr. Sridhar Easwaran – Senior V.P, from Samunnati also shed light upon the importance of institution building for credit to FPOs. Samunnati, which was incorporated in 2014, launched its operations in May 2016 as NBFC, and soon began to provide non-financial support as an intervention to make farmers and their collectives creditworthy. Over the past five years, it has acquired a net worth of USD 72mn, Gross Loan Portfolio of USD 11mn with disbursements of USD 500mn. It has been working with over 300 agri-enterprises and over 500 farmer collectives with a 4mn farmer base, with a presence in 16 states. In order to help in the capacity building of FPOs and make them credit worthy enterprises, Samunnati intervenes in three ways *viz.* AMLA (Aggregation, Market Linkage and Advisory services). Aggregation involves linking farmers to technology, knowledge, and the market at

scale. Market services intend to bridge the gap between producers and consumers in different states. Advisory services include insurance, weather related information and cropping advice and capacity building. As a result, this organisation innovates to support farm-based enterprises across the value chain by providing financial and non-financial services. In Mr. Sridhar's own words "We work on the demand side to create a pull for the supply side". The organisation facilitates direct payment to the supplier side and then the FPOs are financed for the planned activities. Its value chain approach is based on the following five principles:

- Customised yet scalable offerings
- Cash flow plus contract based loans
- Leverages existing trade capital
- De-risked via trade capping mechanism
- Secured by collateral and/or credit insurance

Samunnati aims to apply the above principle and promote sustainable agriculture with a view to improving the efficiency / rational use of inputs, resource utilisation, market correction, price realisation, resilience and productivity, increased transition of farmers in FPO towards sustainable production, and improved business capacity of FPOs, among other things.

Samunnati provides loans at different stages of the enterprise. A loan may be provided during the inception/emergence phase to cover the costs of mobilising farmers, registration of FPOs, training and exposure visits, and operating costs. During the expansion phase, loans cover the need for investment, raising working capital, etc. A mature FPO may have access to business expansion loans, quality improvements and value-added products. Sridhar also mentioned a number of future challenges or approaches, such as the role of staff and technology partners. Overall, FPOs lack management capabilities and financial capabilities, lack robust management and have little understanding of market and business development. On the other hand, the institutional environment is challenged by the premature exit of promoters, the lack of credit rating tools adapted to FPOs' and farmers' communities and the small number of active FPOs. Mr. Sridhar provided a roadmap and discussed the capacity building process, as well as the tools and techniques used by Samunnati.

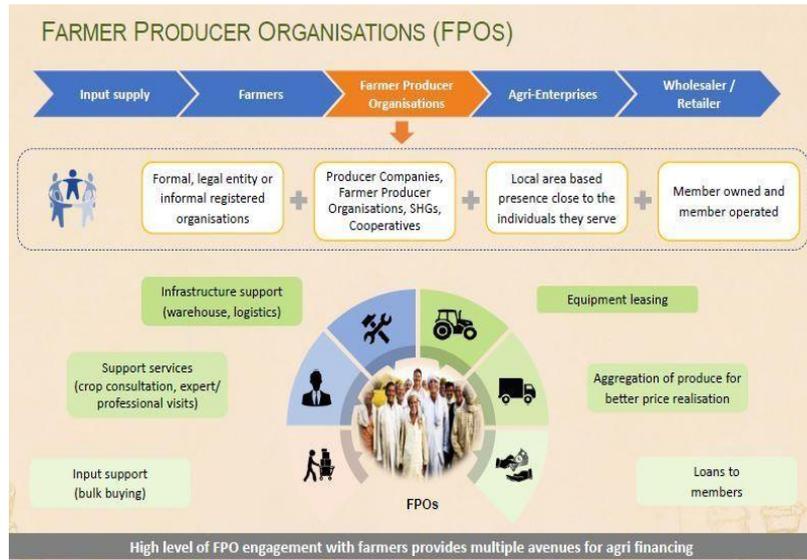


Fig 6. Various aspects of Institutional buildings for FPOs

Samunnati works with the best technology partners to provide relevant technology services to linked FPOs. It aims to make FPOs self-sustainable through technical assistance in institutional capacity building. It includes the use of case studies, audio-visual content and digital learning material and involves peer group engagement, field visits and community outreach programs. This ambitious program will succeed once evaluation frameworks and tools are in place to enable FPO diagnostics and interventions based on the diagnostic results. Mr. Sridhar also mentioned networking between FPOs and the need to identify benchmark organisations as a model case. The idea is to co-create successful collectives and FPOs.



Fig 7. Mr. Sridhar Easwaran, Samunnati

Discussion: Mr. Himanshu asked if Samunnati's assessment criteria for mature, nascent, and expanding FPOs depended on their age or business growth. Mr. Easwaran clarified that the organisation's involvement is not tilted towards the money that the FPOs are getting. He shared that Samunnati worked with FPOs with only one year of exceptionally well-functioning operations; it also worked with FPOs with four years of operation that were not doing relatively well. It all depends on how aligned the CEOs associated with the board of directors are towards the business. Samunnati's intervention is largely focussed on the capacity building and market linkage of FPOs as opposed to their working capital.

Mr. Astad P. praised Samunnati for presenting a range of services an FPO needs. Samunnati's management in this field is remarkable, he stated. He asked if the institution's viability is affected as Samunnati would need funding and people with different kinds of expertise to keep working. In reply, Mr. Easwaran said that the Samunnati is a non-banking finance company that focuses on the supply chain and works mainly with the people in the development sector rather than the banking sector. This also implies that they must invest in developing the required structure using the risk management system, as workers need to undergo incremental learning in the initial months. It does regular monitoring with every client including their visits, timings, and updates in a comprehensive report. Samunnati's operations are not solely focussed on working capital but also on communicating with trainers and buyers, building a regular link with the FPOs. It provides training with the board of directors on the field and also arranges communication between two FPOs with varying performances. This service allows cross-experiences between the FPOs to be exchanged. Mr. Ajit Kanitkar recommended that Samunnati share policy brief experiences in the form of disguised FPC case studies with ten years of financing and the process involved.

3.2 Alternate models of IB: Learning from SHGs and MACS in Telangana and AP (By C.S. Reddy,) C.S. Reddy, Andhra Pradesh Mahila Abhivruddhi Society (APMAS)

Mr. C.S. Reddy of APMAS stressed the need to build the foundation of FPOs on well-established SHG institutions. Over 3 lac SHG federations consist of 1 crore SHGs with INR 60,000 crore as savings and INR 85,000 crore as outstanding loans to SHGs. With such infrastructure, the capital needs of FPOs may be addressed if SHGs are constituents or stakeholders in FPOs. APMAS is committed to providing technical support to SHGs, enhancing livelihoods, watershed development, promoting farmer enterprises and FPOs by

strengthening the value chain and supporting climate resilient agri-practices. APMAS already has good training programs and material in place for SHG capacity building; it has also established an FPO incubation centre. The centre provides both institution-building services and business development services to the FPOs. APMAS engages with 100 FPOs, representing 30,000 households, either directly through its own programs or indirectly through NABARD or other agencies. Mr. C.S. Reddy spoke about some of the insights gained by APMAS when working with FPOs. Mostly, has supported MACS (26). It has recently started to support FPCs (10) to a greater extent. He argues in favour of supporting SHG-based and women-owned FPOs as 60% of agricultural workforce are female, and women-led enterprises have been shown to be more productive. APMAS-promoted FPOs use both technology-assisted and traditional approaches to safe farming and the collective marketing of fruits and vegetables. These FPOs have an INR 50 lac turnover in output marketing and INR 7.6 crore in input marketing. In the end, Mr. Reddy also posed concerns on the importance of NGOs in incubating FPOs and expressed the need to study the role of social enterprises in supporting FPOs.

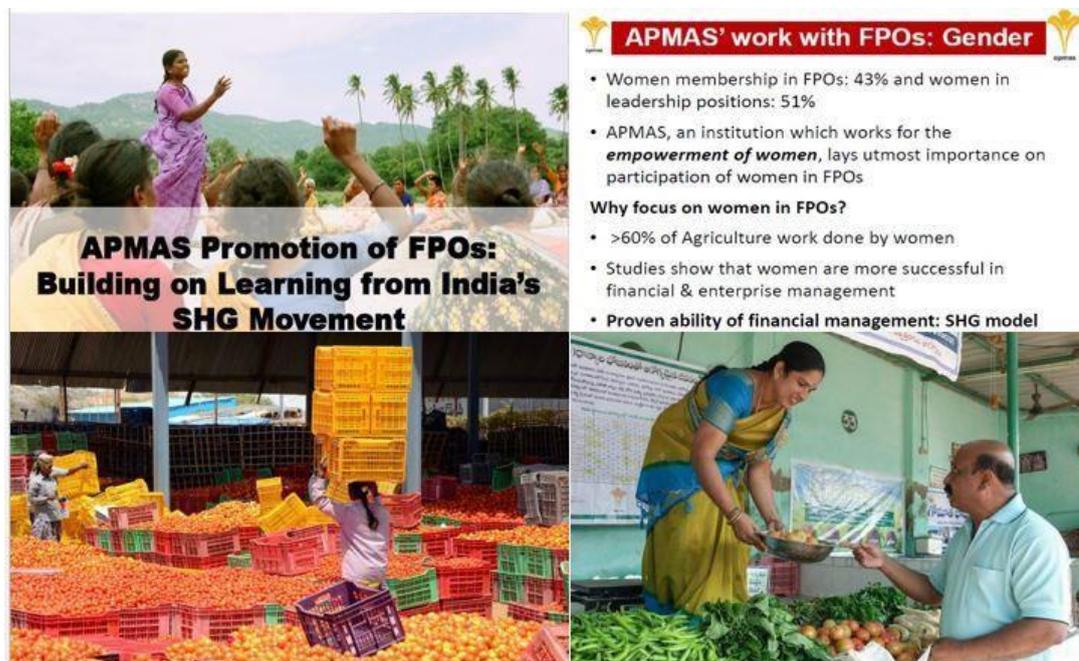


Fig 8. Promotion of women-led FPOs in Andhra Pradesh



Fig 9. Mr. C.S. Reddy, APMAS

Discussion: Tara Nair also asked after this presentation if these FPO-structures, together with the Board of Directors, encourage the sharing of equity and power between FPO members, or if they create more islands of excellence and exclusion where few privileged members take the lead. Mr. C S Reddy replied that APMAS strongly encourages the active participation of women both in the member base and the Board of Directors. This was also reflected in the member base data.

3.3 Exploring role and potential of FPOs for equitable development of rainfed farmers (By Pratheek Abraham)

Market and Institutions: Karnataka and the RRAN Agenda by Pratheek Abraham, Revitalizing Rainfed Agriculture Network (RRAN)

Pratheek Abraham of RRA Network spoke about the network's efforts to study contemporary challenges and proposed solutions for farmers in rain-fed areas, along with partners, and engaging other stakeholders (such as APMAS and Skill Green Global) in policy discussions on capacity building for farmers. Farmers in rain-fed areas face challenges such as limited bargaining capacity and limited surplus causing poor economies of scale, remoteness of locations, and poor access to infrastructure, technology, market and price information, lack of skilled human resource, risk due to climate change, poorly designed financial products, and policy apathy due to non-differentiation between irrigated and rain-fed agriculture. Solutions to these challenges can be achieved through collective marketing, decentralized value-addition and services, post-harvest infrastructure, ICT and efficient processes, capacity building, flexible credit and insurance, niche product labelling and branding. RRA Network works with FPOs on fair procurement of products, public procurement, processing and value-

added farm products and ICT-based business and marketing efficiency solutions with other partners and service providers. It also takes up marketing and branding efforts for niche products and pushes for policy changes to include marginalised communities and women.



Fig 10. Local footprint of RRA Network and rural livelihoods

The RRA Network follows a three-stage approach and action plan, where the first stage is a scoping exercise to understand and assess the needs of rain-fed marketing institutions, to understand the policy environment around APMC, FPOs, contract farming, and so on. Value chain studies and analysis of marketing linkages and value chains of indigenous commodities in under-represented contexts. The second stage involves policy inputs and model design through steps to help design decentralised procurement and value-added systems, to encourage public and private investment, to highlight best practices and success stories and to increase consumer awareness. The final stage is the actual implementation of the lessons learned from the above activities in the form of pilots, through engagement with the state government, SFAC, NABARD, etc. to promote FPOS, to engage with marketing federations and public procurement systems, to partner with agribusiness corporations, etc.



Fig 11. Mr. Pratheek Abraham, RRA Network

Discussions: Mr. Astad P. stated from his experiences that the FPOs located in the dryland rainfed areas operate differently from FPOs located in irrigated areas. In the case of FPOs with non- irrigated dry lands, there are issues of land fragmentation, low productivity, less marketable surplus, uncertainty in the stabilisation of productions, among other things. Therefore, the strategy should be to aggregate them and create value chains which ultimately benefit the same community for better survival and sustenance. Besides, the primary concern for these FPOs is not about doubling farm incomes which would be an agenda for FPOs who have already stabilised their farm production. Mr. Astad stressed the need for greater funding and time for RRAN to devote to FPOs in dryland rain-fed areas. Mr. Pratheek Abraham also claimed that FPOs are based on rain-fed areas to a far lesser extent than the FPOs are on irrigation. There is, hence, a greater need for ICTs to manage their affairs. He also said that his organisation was looking at better cost management practices in these FPOs with the possible coordination of farmer interest groups and SHGs.

3.4 FPO Incubation Centre: Yuvamitra's experience (By Hiren Borkhatariya)

Hiren Borkhatariya, Yuva Mitra Foundation

Yuvamitra's operates in Maharashtra's Nasik district, where the company has over 10 years of rich FPO experience. It promoted one of the first FPOs in Maharashtra in cooperation with NABARD. Its main focus areas are the consultancy & handholding support, research & publication, training and capacity building, networking and collaboration, policy and advocacy. It has been empanelled as a resource support agency by NABARD and provides support to promoting institutions.

While Yuva Mitra has incubated 20 FPOs overall, the four that are based on the value chain approach include Dev Nadi Valley Agricultural Producer Company, Green Vision Farmers Producer Company, Bhojapur Khore Pomegranate Producer Company, and Savitribai Phule Goat Farming Producer Company. Yuva Mitra supports FPOs in value addition, marketing, branding of their products such as pomegranate, goat milk, onions etc.



Fig 12. Supporting FPOs through training and capacity building

It has organised exposure visits to its beneficiary FPOs and encourages the exploration of the value chain. The FPOs face various problems, such as lack of professional operational management, insufficient risk mitigation mechanisms, market access, lack of infrastructure and technical skills, improper governance, etc. Yuvamitra helps FPOs in overcoming these obstacles and build on their capacity. Hiren stressed that training for FPO members and directors is not a one-time operation, and that capacity-upgrading is required constantly. Most important, the members must have a sense of ownership.



Fig 13. Mr. Hiren Borkhatariya, Yuva Mitra Foundation

Discussion: Mr. Borkhatariya was asked how Yuva Mitra ensures that training programs are participatory in nature and reach member farmers. He replied that the training is concluded with board members. It was proposed that decentralised FIG-level training could contribute towards greater coverage and deeper penetration, to which Mr. Borkhatariya replied that since their FPOs comprise individual members, SHGs, water user associations (WUA) and PACS, it is difficult to have a uniformly designed training program. At the end of the presentation, Mr. Ved Prakash of RGCIS asked Mr. Borkhatariya to elaborate on the Krushak Mitra Agro Services Pvt. Ltd. but Prof. Shambu suggested that that discussion could take place during the lunch hour. There were suggestions by Dr. Ajit Kanitkar to record Mr. Borkhatariya’s understanding of the pitfalls of NABARD’s ‘project mode’ promotion model of FPOs. Mr. C.S. Reddy suggested that the facilitation centre of Yuva Mitra be named Cluster Based Business Organisation.

4. IB OF FPOS IN GUJARAT

4.1 Institutional challenges in Federated FPO (By Kuldeep Solanki) Kuldeep Solanki, Gujpro Agribusiness Consortium Farmer Producer Company Limited

Mr. Kuldeep Solanki, representative of the Gujpro Agribusiness Consortium Producer Spoke about the institutional challenges and complexities in federated FPOs of Gujarat. The organisation supports the 29 FPOs in 13 districts of Gujarat for the procurement and processing of groundnut oil seeds, pulses, and cumin along with marketing support to mango growers. While Gujpro was involved in various products during the initial period, the federation currently deals with cumin, groundnut, mangoes, and tuvar; it is active in 13 districts of

Gujarat working with 45,000 farmers in 25 FPOs. He pointed out the value of product specific federations of FPOs using this example. There are at least three benefits to this approach. One, the federation has a clear mandate and a clear role to play in the market. Two, marketing and value addition can be handled efficiently at the federation level, without being distracted. Three, the federation can plan on long term sustainability, instead of focusing on MSP procurements and meeting short term financial goals.

He also shared his experience in the marketing and branding of residue free cumin and other products. He argued that the secondary value addition of farm produce should be taken up at the federation level. However, his experience suggests that since most FPOs are unable to handle even grading and packaging, Gujpro has assumed this function. Each federation should establish rules depending on the needs of FPOs that are part of such institutions. However, there are challenges to federating too. These include:

- Absence of sustainable long-term business.
- The poor capacity of FPOs regarding facing direct competition with the market players in conventional trade.
- Limited finances for FPOs and federation for growth. Finance unaffordability at a suitable time is another problem.
- Role overlap between FPO and federation.



Fig 14. Mr. Kuldeep Solanki, Gujpro Agribusiness Consortium FPC Ltd.

Some of these issues may be resolved if production, value addition and catering to local markets (B2B and B2C) are taken over by FPOs, while commodity-specific federations may take up secondary and tertiary value additions and marketing in other states and overseas markets (B2B). An additional level of state federation is proposed to take care of strengthening of the ecosystem, policy advocacy, decisions on branding and packaging,

innovations, market channels etc.

4.2 Lessons in managing diversity: AKRSP (Experience in promoting FPOs) (by Naveen Patidar)

Naveen Patidar, Aga Khan Rural Support Program (India)

Naveen Patidar of AKRSP (I) shared his experience of incubating 28 FPOs catering to a very diverse topography and demography. In his talk, Mr. Patidar focussed on 2 specific cases bringing out the experiences from grassroots.



Fig 15. Mr. Navin Patidar sharing diverse experiences of FPOs

The first case concerns a livestock (goat) FPO. AKRSP's initial work had established SHGs in MP's tribal belt. These tribal SHGs in MP performed good operational work while APMAS supported this initiative for training and capacity building. AKRSP (I), instead of promoting new FPOs, decided to build on its strength of well-functioning SHGs and groups of para veterinary staff known as *pashu sakhis*. These SHGs were clustered and registered as FPOs, with SHGs and para veterinary staff as members. Due to the existing structure and operations of SHGs, the production side of this FPO was already secured, NABARD received about Rs. 5 lakhs as grant fund to create the FPO. Today, the FPO has a separate office SHG. The FPOs provide feed and health services to the members through *pashu sakhis* including feed, dewormers, vaccine and so on. FPO and *pashu sakhis* share the profits. This simple intervention has reduced caprine mortality from 40% to 5-6%. Similar efforts have been made in the poultry sector, since tribal farmers take up mixed activities e.g. 1 acre land, 5-6 goats, and some poultry.

With the production side and input business secured, market side intervention was required.

The most basic intervention was a weighing machine given to members to know the appropriate weight of goats at the time of haat sale. This intervention has ensured fair weighing and increased FPO goodwill without effecting a price rise. The FPO plays a role in facilitating buyers and sellers, charging Rs 100 per goat. In order to raise the FPO 's turnover, the goats were sold directly on Bakra-aid in Indore. Advance money was paid to members as a goat booking amount. However, Indore and nearby areas received very heavy rain throughout the week. Neither traders nor customers came to buy goats; the FPO lost Rs. 3 lakhs in a single day. But Mr. Patidar looks at this differently. He claimed this was the FPO's only poor experience.

There is a need to consider member-level or HH-level wellbeing. In the present case, for instance, the goats doubled from 5 to 10 goats per household, due to deworming, vaccination and so on. Instead of going to a big consultancy, the FPO staff did an interesting valuation of the livestock themselves. After having slaughtered one goat they weighed the organs and blood and valued it. They found that their goats had doubled in value overall. However, local butchers and traders got into an argument to discourage the women from selling. Local dynamics were very difficult to handle. What this shows, though, that even local production and marketing can help double the value of a farmer's product and fetch better prices.

The second case concerns an organic cotton-based FPO in MP, with a membership base of 7000 farmers. The FPO uses certified organic seeds, has suitable donors, and helps the farmer. Until last year Pratibha Syntax, Indore was the market partnering firm. It offered no premium but promised an upfront payment to the FPO. The cotton was purchased from the farmers, while the FPO received a commission of Rs. 100 per quintal. It was a very favourable arrangement, although there were stakeholders who said that the cotton should be sold at a premium. So, the FPO tied up with a big brand. The brand had its own spinner, ginner and partners, etc. They were all part of the contract, including the FPO. Under the deal, the winner would make an advance payment to FPO, and the brand/company would pay 14% of the FPO price as soon as the stock arrived.

After the rate was set at Rs 5100 per quintal, a truck was sent to Gujarat. When the truck came to the ginner, the price was devalued to Rs. 3900 per quintal. Even with a 14% premium, it was lower than the market price. This led to the cancellation of the deal; the FPO had to retake and sell the stock on the local market. Since the brand was still interested in the deal the local ginner was roped in by the FPO. This was achieved by raising the share capital

(approximately Rs. 30 lakhs) amounting to Rs. 20 lakhs from SHGs and Rs. 20 lakhs from the local ginner. A total of Rs 70 lakhs were raised. The next task was to find a local partner to bridge the ginner and brand. Mr. Patidar believed the greatest lesson of this episode could be exploited by the larger partners who can deliberately delay pick-ups to lower prices.

4.3 Institutional lessons from Krushidhan (By Sachin Oza)

Sachin Oza, Development Support Centre Foundation

Mr. Sachin Oza, from the Development Support Center (DSC) in Ahmedabad, spoke about his experience with Krushidhan FPC Limited, an award-winning enterprise incubated by the Development Support Centre (DSC), Ahmedabad. He explained the importance of NRM as an antecedent to agri-related interventions and FPOs as a natural extension of the demand of farmers resulting from the success of NRM projects. Krushidhan FPC Limited has a three-tier structure with village-level farmer clubs and SHGs clustered at block-level, forming the FPC. The FPC was registered in 2013 and has a member base of more than 4000 with a share capital of INR 45 lacs and a turnover of INR 320 lacs (till March 2020). It procures from 5 blocks in 4 districts of Gujarat. The board consists of nine directors representing each block and an additional DSC-nominated expert director. Through the Krushidhan story, Mr. Oza also discussed some of its unique features including heterogeneous membership, leveraging large farmers' resources, and risk-taking capacity for benefitting the FPC. The CEO is the leader who takes strategic decisions with the aim of maximising returns to members under the asset light model with local transactions depending upon the uniqueness of each block/location. He highlighted the DSC's institution-building role beginning with need assessment during the NRM phase. It later proceeded through the Kisan Club formation, awareness creation, and capacity building.

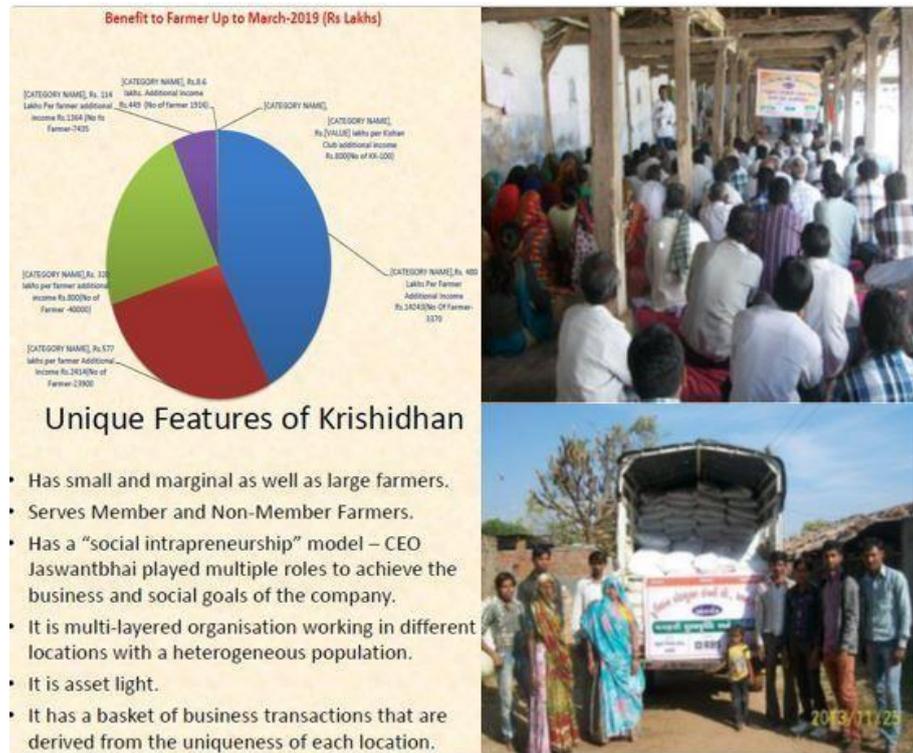


Fig.16 Multi-layered structure for institutional building at different locations

As the company was registered, market identification, business plan creation, and subcommittees for operations were initiated. DSC motivated the Kisan Club members to save and contribute to equity capital and also made advance payments for procurement and gave partial support to Krushidhan outlets. However, there are challenges to governance and leadership that require a balancing act between the governing system, the members, and management/professionals. This requires the building of values, fostering a sense of ownership among members, and the mobilisation of working capital. The DSC works towards these goals by providing training support, exposure visits, awareness raising, providing linkages, and so on. It also provides the Krushidhan FPC with a revolving fund along with HR support. Mr. Oza shared core lessons from his Krushidhan experience: the importance of business orientation in the promoting institution, the importance of a robust and sustainable production system achieved through NRM interventions, motivated leadership and mentoring support, and the incubation environment provided by the promoting institution.

consideration. There is also a significant disparity between the number of farmers who are offered quality assurance through certification and those who get enrolled in the organic schemes.



Fig 18. Kavitha Kuruganti discussing concerns involving organic farming policies

She also enlightened the audience about the prevailing issues and concerns in the existing regulatory framework. First, the certification does not offer the full proof system of quality assurance since there is a considerable risk of certificate manipulation under the current regime. Second, there is inadequate control over design and implementation problems in current regimes, not to mention the viability of covering all farmers as opposed to the major systemic scaling up of regimes. Existing regimes also do injustice to the uncertified smallholder organic farmers whose produce (unlike the big players) will not be attracted by retailers and consumers. She strongly recommended that the Agriculture Ministry support diverse certification regimes (including Panchayat-based regimes) that match the diversity of organic farmers in India, with new evolving regimes apart from PGS-India (and its improvements) to ensure market advantage and holistic outlook to organic farming. Third, the backward traceability dimensions should be given more attention to preserving quality control. Fourth, organic policy schemes should not lean toward consumer-centric benefits to avoid penalising farmers.

5.2 Small farmers and global markets: Contract farming, E-NAM and FPOs (by Dr. Sudha Narayanan (IGIDR))

Dr. Sudha Narayanan, from IGIDR spoke about ‘Agricultural Market Reform in India: One Step Forward, One Step Back’.

Reforms in agri-markets, according to Dr. Narayanan, should be geared towards three goals: strengthening the farmers’ right to choose where or to whom to sell the produce, reducing disparities along the supply chains across the country and, ensuring better and stable prices through risk sharing and ‘disintermediation’. Dr. Narayanan, using the APMC Act as an example, clarified how different states have different laws, with states like Bihar and Kerala having no APMC Act in place. Dr. Narayanan explained the Karnataka Model of the Unified Market Place (UMP) that was the progenitor of the e-NAM. While there are several benefits like a transparent bidding process, no collusion between agents and traders, and no ex-post change of bids, there have been challenges in implementing the reforms.



Fig 19. Diversity of agricultural markets in India and needed reforms

6 RESEARCHING FPOS: FIRESIDE CHAT

Ayush Vani, the research intern at IRMA, shared his work on sustainability in global food value chains and the participatory role of farmers in food governance. He is currently

working on a Ford Foundation project on agricultural policy, sustainability and civic society based on a policy activity in the Bundelkhand region of Madhya Pradesh. Vedprakash is a research consultant with the Rajiv Gandhi Institute of Contemporary Studies. He presented his work on FPCs in the Indian context. His study is a two-stage endeavour; the first stage is a qualitative study that looked at FPCs in 16 states across the country. This study included 30 FPCs and focussed on the challenges of capital, capacity, coordination, and compliance. Abhishek Saxena is an FPRM participant at IRMA interested in addressing the issues of governance and management in FPOs/FPCs. Given the recent interest in FPOs in addressing agricultural distress issues and linking farmers to markets, the number of such collective enterprises has surged. Over the past 4-5 years. Academic work in this area, however, is at a nascent stage. FPOs are seen as new-generation cooperatives (NGC) FPOs are seen as new-generation cooperatives (NGC) seeking to combine democratic governance and cooperative collective action with a company's management and audit and compliance principles. Abhishek wishes to study these enterprises through the stakeholder lens of governance and cooperative strategy ideas. Philip Hadley, PhD Candidate at SOAS, University of London, presented interim findings and discussion points arising from his doctoral fieldwork in Madhya Pradesh with FPOs. Philip's research is qualitative and ethnographic; it explores the dynamics of cooperation between the FPCs and other development actors, seeking to build new cooperative institutional forms across global value chains. He sets this fieldwork in the context of theory on cooperation and institutions in rural development.



Fig 20. Participants at the Fire-side chat: Philip Hadley, Abhishek Saxena, Ved Prakash, and Ayush Vani

7. CONCLUSION

The one-day workshop offered some perspectives on Farmer Producer Organisations' critical dimensions of institution building. It was a forum that brought together academicians, practitioners and research scholars engaged in the field to explore working together and to gain important insights into the field to help design stronger producer collectives. The new government policy provides a live opportunity for participants to impact the environment within a 5-7 year context. This requires not just newer capacities at the grassroots but also processes that empower these farmer-owned business enterprises. In future, capacity-building programs would need to be more participatory and train FPO leaders in adaptive leadership skills, given the dynamic nature of their involvement with a multitude of stakeholders.

The workshop demonstrated that it would no longer be possible for a single entity to deal with all these aspects of creating robust FPOs. This includes teamwork, imagination, and innovation in the creation of new institutions. Not everyone has to follow a set pattern, although discussion, continuous sharing, and mutual learning are required. While FPOs have to be more connected with credit agencies, the views from NBFCs like Ananya / FWFB and Samunnati have demonstrated that FPOs are bankable and need to develop a credit profile and robust member-owned institutions. There is much to learn from past capacity building initiatives as demonstrated by APMAS and Yuvamitra. Besides, it is important to rethink the design and delivery of training programs creatively using the collaborative manual with partners produced by Skillgreen. AKRSPI's experiences in marketing in diverse environments and those of GUJPRO's (a federation of FPOs) in multiple commodities demonstrate that agri-marketing is not just about pooling output, but about building new relationships and negotiations in a dynamic external market environment.

The workshop provided a space for collective learning and problem-solving. It also pointed to new roles for researchers – to think along rather than think for – as well as for FPOs and their leaders. It is also evident that this transition towards institutions that are farmer-owned and farmer led requires the expertise of civil society organisations (CSOs) that understand grassroots level issues, especially in areas where there has been widespread state and market failure. The newly proposed FPOs planned are expected to be in aspirational districts and the role of CSOs will be crucial for the construction of these new institutions. Many CSOs, in the process of setting up dedicated FPO centres and exploring the next stage of FPO training, need the collective support and imagination of a large number of stakeholders to help design

the next generation of FPOs in India. The workshop, the fifth IRMA conducted on FPOs over the past 5-6 years, showed the importance role of rural management institutions in influencing both policy discourse and creating space for collectives to rethink. The workshop offered a shared space for ideas and perspectives for co-creation and the design of a new generation of FPOs for greater effectiveness in the coming years.

Appendix 1: Workshop Agenda

The Institution Building Challenge: National Workshop on FPOs, 12 March 2020				
Time	Session Details	Event	Resource Person	Designation
10:00 - 10:15		Welcome and Introductions	C Shambu Prasad	Chair, ISEED IRMA
10:15- 11:00	Remembrances	Vijayalakshmi Das & Small Farmers	C S Reddy, Sachin Oza & others	
		FWWB and Institution Building	Nilanjan Dey & Himanshu	FWWB
11:00 - 11:30	Incubating FPOs	FPO policy: The Institutional Challenge	C Shambu Prasad	Chair, ISEED IRMA
		Learning Together: One year of the FPO Manual	Parthasarathy T & Sai Krishna N	Welthungerhilfe & Skill Green
11:30 - 11:45	TEA BREAK			
11:45- 12:05	Institution Building: Lessons from other states Chair: Sankar Datta	Why institution building is key for credit?	Sridhar Easwaran	Samunnati
12:10 - 13:00		Alternate models of IB: Learning from SHGs and MACS in Telangana and AP	C S Reddy	APMAS
		Markets and Institutions: Karnataka and the RRAN agenda	Pratheek Abraham	IIHD, RRAN
		FPO Incubation Centre: Yuvamitra's experience	Hiren Borkhatariya	Yuvamitra
13:00 - 13:45	LUNCH			
13:45 - 15:30	IB of FPOs in Gujarat	Institutional challenges in Federated FPOs	Kuldeep Solanki	Gujpro
		Institutional lessons from Krushidhan	Sachin Oza	DSC Foundation
	Chair: Astad.P	Lessons in managing diversity: AKRSP	Ashok Vyas/ Naveen Patidar	AKRSP
15:30 - 16:00	TEA BREAK			
16:00 - 17:15	TASS talk	Organic Farming Markets: Public Policy Concerns	Kavitha Kuruganti & Sudha Narayanan	ASHA, IGIFDR
17:15 - 18:00		Researching FPOs: Fireside Chat	Philip Hadley	SOAS
			Ved Prakash Singh	NLS
			Abhishek Saxena	IRMA

Appendix 2: List of Participants

The Institution Building Challenge: National Workshop on FPOs, 12-Mar-20		
SNo.	Name of the person	Name of the organisation
1	Ajit Kanitkar	Vikas Anvesh Foundation (VAF)
2	C S Reddy	Andhra Pradesh Mahila Adhikartha Samakhya (APMAS)
3	Kavitha Kuruganti	Alliance for Sustainable and Holistic Agriculture (ASHA)
4	Sridhar Easwaran	Samunnati
5	Sudha Narayanan	Indira Gandhi Institute for Development Research (IGIDR)
6	Tara Nair	Gujarat Institute for Development Research (GIDR)
7	Sankar Datta	Development consultant
8	Nilanjan Dey Choudhry	Friends of Womens World Banking (FWWB)
9	Himanshu Vaghela	FWWB
10	Sachin Oza	Development Support Centre (DSC) Foundation
11	Parthasarathy T	Welthungerhilfe (WHH) & Skill Green
12	Sai Krishna.N	Skill Green India
13	Astad Pastakia	Development consultant
14	Kuldeep Solanki	GUJPRO
15	Hiren Borkhatariya	Yuvamitra
16	Naveen Patidar	Agha Khan Rural Support Programme India (AKRSPI)
17	Pratheek Abraham	India Foundation for Humanistic Development(IFHD)
18	C. Shambu Prasad	IRMA
19	Philip Hadley	School of Oriental and African Studies (SOAS), Univ of London
20	Vedprakash Singh	Public Policy Professional
21	Palak Gosai	VAF
22	Gordhan Vantariya	DSC, Ahmedabad
23	Shilpa Vasavada	Independent consultant
24	Annu Sunny	Graamya
25	Ayush Vani	Wageningen University, Netherlands
26	Dinesh Kumar	Earth 360
27	Biswajyoti Basu	PSI
28	Gautam Khandelwal	Masti Ki Pathshala
29	Misha Bhatt	Grassroutes Journeys
30	Shubha Khadke	ISEED, IRMA
31	Abhishek Saxena	Fellow program IRMA
32	Pallavi	Fellow program IRMA
33	Vandana Ravi	IRMA
34	Bhavesh Sawariya	ISEED, IRMA