



**Process Guidelines for promotion of  
Farmer Producer Organisations**

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Small Farmers' Agribusiness Consortium (SFAC), a Society promoted by Dept. of Agriculture, Govt. of India, has been nominated by Ministry of Agriculture to act as a nodal agency to coordinate with various State governments, civil society partners, private sector, financial institutions, resource persons and other stakeholders to help in the conduct of baseline studies, promote Farmer Producer Organizations (FPOs) across the country and link producer groups (both existing ones and newly formed institutions) to marketing opportunities.

The purpose of the project is to collectivize farmers, especially small producers, at various levels across several states, to foster technology penetration, improve productivity, enable improved access to inputs and services and increase farmer incomes, thereby strengthening their sustainable agriculture based livelihoods.

The document below delineates the project guidelines, stages of project development, key verifiable indicators and outcomes.

## **1. Purpose of Guidelines**

- 1.1. SFAC has identified suitable civil society, private sector and state level partners in each target State through a process of empanelment based on open bidding to promote new FPOs and strengthen existing ones.
- 1.2. The purpose of these guidelines is to provide guidance to entities on objectives , activities and key indicators for measuring project performance and impact

## **2. Project Considerations – Objective**

SFAC, through the programme, intends to work closely in support of Department of Agriculture & Cooperation and the various State Governments to enhance production, productivity and profitability of small farmers in the country. The participant farmers will be supported to identify appropriate crops relevant to their context, provided access to modern technology though community based processes including Farmer Field Schools, their capacities will be strengthened and they will be facilitated to access forward linkages with regard to technology for enhanced productivity; value addition of feasible products and market tie up. Farmers will be organized in small neighborhood informal groups which would be supported under the programme to form associations/organizations relevant to their context including confederating them into FPOs for improved input and output market access and negotiating power.

Projects Objectives are:

- 2.1 Mobilising farmers in groups at the village level and build their associations (FPOs) at an appropriate federating point to plan and implement product specific cluster/ commercial crop cycles**
- 2.2 Strengthen farmer capacity through agricultural best practices for enhanced productivity**
- 2.3 Ensuring access to and usage of quality inputs and services for intensive agriculture enhancing cluster competitiveness**
- 2.4 Facilitate access to fair & remunerative markets including linking producer groups to marketing opportunities by market aggregators**

A results framework detailing for each activities proposed activities, outputs and outcomes is provided in Annexure 1.

### 3. Guiding principles for sustaining Farmer Producer Organization development

The Resource institution partner should:

- 3.1 Focus on shared member needs and common objectives- use more participatory approaches to group development need to be applied in which the Farmer Group is the decision maker. The final decision on what the group should do and how it should be done, should be based on group member consensus.
- 3.2 A range of different organizational approaches and forms should be used - the type of group approach used (community-based, small group, inter-group association, cooperative, producer association, income generation-focused, technology-focused etc.) will vary and should be appropriate to the group objective pursued and the particular stage of development of group members, i.e. their level of organizational skills, technical knowledge, education and asset base
- 3.3 Give top priority to promoting sustainability - ensure that groups formed become financially self-reliant enough to sustain their operations without the continued need for outsider support
- 3.4 There is an inherent conflict between the role of the member as a “user of the group’s services” and as “an investor in group business”- ensure that the group savings and capital contributions to the enterprise continue to grow to ensure that:
  - a) Member savings or capital contribution requirements are in proportion to their level of use of the group enterprise’s services; and
  - b) That incentives to attract member capital are comparatively positive.

### 4. Stages of Project Development for FOs & FPOs

#### 4.1 Village study and preliminary identification

- 4.1.1 The village study/profile may have been conducted by the team in the prescribed format.
- 4.1.2 The findings of the profiling may indicate one or more livelihood activities that are predominant in the area and involve a sizeable number of the poor/women, in which there is a potential for increasing returns through aggregation. Aggregation can be done for supply of inputs (seeds, fertilizers, cattle feed, raw materials, credit etc.), management of resources (water, common land etc.), processing/ value addition, marketing of output.
- 4.1.3 Identify the activity/s and what can be done through aggregation. Prepare a brief note on the feasibility analysis

#### 4.2. Feasibility study

Conduct a detailed feasibility study for the particular and the proposed activity. This would include the following. Prepare formats/questionnaires/interview schedules as required for each of these.

- 4.2.1. Community Background Study in which the farmer group will be established. Identify, :
  - The living conditions of different socio-economic groups in the community
  - The needs of the community, especially of the poor

- The way the community solves its problems (e.g does it use traditional methods and/ or involvement or assistance of outside organizations?)
- Social patterns in the community including who talks to whom and why
- Informal and formal organization of men and women ( both mixed and separate)
- Links between the community and supply of services and who controls them

4.2.2. Preliminary assessment of availability of the commodity/service around which producers will have to be organized – volume, value, market access

4.2.3. Centrality analysis: Whether the commodity/activity is central/significant in the minds of the community. Whether it contributes (or has potential to contribute) significantly to their livelihood portfolio?

4.2.4. Data collection: Collect relevant secondary and primary data on the commodity in question and the related factors affecting its procurement/inputs/production/storage/marketing.

4.2.5. Cost-benefit and break-even analysis for the proposed activity/activities of the organization.

#### 4.3 Report and action plan

4.3.1. Prepare a consolidated report, including proposed action plan.

#### 4.4. Organizing

4.4.1. Identification of opinion leaders: Identify opinion leaders from among the producers and form a representative group of proactive people.

4.4.2. Orientation of leaders: Share the findings of the feasibility study and discuss the need for formation of an organization to utilize the potential of the particular livelihood activity.

4.4.3. Discussion with village community - Involve the leaders group to organize a series of meetings of the village community (Gram Sabhas) to discuss the following:

- Necessity for collective action
- Values in collective action
- Findings of feasibility study
- Proposed activities, product- value addition, linkages etc
- Proposed action plan

This communication with the people needs to be repetitive and cannot be done in one meeting.

4.4.4. Training and exposure of producers: Organize trainings for producers on concepts and roles of the FO& FPO and their own roles as members. If possible, also organize exposure visits to similar community organizations in the nearby area.

#### 4.5. Formalizing

4.5.1. Visioning: Facilitate formulation of vision and mission of the collective with the promoters. Develop with them the values on which organization should be based.

- Objectives and plans – Identify specific and realistic goals/objectives to inform the development of work plans and budgets. Some basic questions addressed through focus group discussions can help to identify objectives

4.5.2. Design an appropriate organization – objectives, activities, structure, rules, legal form and basic operating system (work flow) – in consultation with the leaders. Provide them complete information on each aspect and facilitate decision-making.

- Identify rules including obligations of group members to ensure the smooth running of the group and avoid conflict within the group
- Identify responsibility for leadership, coordination of logistics, record keeping, networking, team building, communication and other roles.

4.5.3. Facilitate the election of the Governing Board/ Management Committee and office bearers, as required depending on the legal form of the organization. Facilitate framing of Vision, Mission, and Goals and draft the byelaws and other applicable resolutions with the board. Also facilitate the formation of subcommittees, as required, and clarify their roles and responsibilities.

4.5.4. Opening of bank account: Facilitate opening of a bank account, with signatories as per the byelaws of the organization.

4.5.5. Collect share capital and other necessary fees: Collect the share capital, membership fees as applicable from members and deposit in the bank account.

4.5.6. Registration: Complete the documentation required for registration and follow-up the process of registration. The Board/office bearers should take responsibility of these activities; we should have a facilitation role. Obtain the following from the Registrar's office

- Registration certificate
- Approval of Board
- Copy of Byelaws
- Instructions for operating bank account
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Please note that registration is not an essential part of formalizing at this stage. The organization may initiate its operations and register in the appropriate legal form later, when the membership and operations are sizeable. Informed member choice is paramount. If the organization decides to function as an informal group, registration may not be required at all.

#### 4.6. Systems development

- 4.6.1. Operating system: Facilitate detailing of the Operating system, including the accounting system and document in the form of a manual in the vernacular. The Operating system of such organizations would include different elements, indications.
- 4.6.2. Information system: A manual/semi automated MIS will have to be developed for the organization, as customized software may not be available for different activities.
- 4.6.3. HR system: In case the organization has hired significant number of staff, the HR system will have to be developed as well. Otherwise the system for roles and responsibilities, authority, compensation/remuneration etc. of the Executive board/operational sub-committee members who run the day-to-day operations should be developed.
- 4.6.4. Planning and review: Formulate a process and template for Business planning. Also develop a system of reviewing the performance against the plan.
- 4.6.5. Document the above into a manual.
- 4.6.6. Prepare the manual in vernacular and circulate to Management Committee/board.

#### 4.7. Business planning

- 4.7.1. Facilitate development of a broad Business plan.
- 4.7.2. Obtain feedback on the plan

#### 4.8. Linkages with other organizations

- 4.8.1. Facilitate long term collaborations with institutions/individuals such as input suppliers, service providers like designers/veterinary doctors/research institutions as applicable, buyers, funders etc.

#### 4.9. Monitoring and review

- 4.9.1. Monitor the operations and governance of the institution closely through reports and visits.
- 4.9.2. Review the performance jointly provide guidance for overcoming problems.

**A stylized version of the FO-FPO Model proposed under the project is available in Annexure 2.**

## 5. Key Activities, Timeline, Deliverable and Measures of Verification

Time-line	Key Activities	Deliverables	Means of Verification
<b>1 month</b>	<b>Stage One : Pre-project Implementation (one month)</b> <ul style="list-style-type: none"> <li>(i) Baseline on volume, value &amp; market access, centrality analysis,</li> <li>(ii) Identification of Product specific clusters</li> <li>(iii) Feasibility Analysis -break-even estimates</li> <li>(iv) Project Implementation Plan -procurement, inputs, storage and marketing.</li> </ul>	<b>Detailed Project Report (Checklist Provided)</b> <ul style="list-style-type: none"> <li>(i) List of Product specific clusters identified</li> <li>(ii) Database of farmers prepared,</li> </ul>	<ul style="list-style-type: none"> <li>(i) Submitted DPR</li> <li>(ii) Meeting minutes and photographs of meetings</li> </ul>
<b>6 month</b>	<b>Stage Two : Enhancing Capacity for Surplus Farm Production</b> <ul style="list-style-type: none"> <li>(i) Village meetings identify potential farmers, identify opinion leaders</li> <li>(ii) Identification of potential farmers for FO &amp; FPOs, LRP/BF/LF Identification</li> <li>(iii) Exposure Visit of Farmers/opinion leaders</li> <li>(iv) Forming Farmer's Organisations [FO]</li> <li>(v) Identification of Training Needs of FOs</li> <li>(vi) Imparting training to farmers of FOs</li> </ul>	<b>Farmers Organised in FOs, LRP identified and Training completed</b> <ul style="list-style-type: none"> <li>(i) Farmer Origination and FG formed</li> <li>(ii) Trained LRP/BF ready for deployment</li> <li>(iii) Extension Model including Monitoring Systems in Place</li> </ul>	<ul style="list-style-type: none"> <li>(i) List of FO</li> <li>(ii) List of LRP/BF/LF trained and ready for deployment</li> <li>(iii) Training curriculum, training report &amp; participant list</li> </ul>
<b>12 month</b>	<b>Stage Three : Implementation for Surplus Farm Production Plan</b> <ul style="list-style-type: none"> <li>(i) Hand holding support on Productivity Increase, IPM/INM/IPP</li> <li>(ii) Identifying Value-proposition for setting FPO (logic of collectivization)</li> </ul>	<ul style="list-style-type: none"> <li>(i) Farmers Participate in Improved vegetable/pulse based farming system</li> <li>(ii) Disaggregation/Aggregation Systems put in place</li> <li>(iii) Business Case of FPO/Collective prepared (<i>checklist provided</i>)</li> </ul>	<ul style="list-style-type: none"> <li>(i) List of farmers adopting package of practices</li> <li>(ii) No. of farmers supported, areas of demonstration</li> <li>(ii) Business Case of FPO/ex-ante</li> </ul>
<b>18 Month</b>	<b>Stage Four : Pre-formation Stage of FPO/Collective and Stabilize New Surplus Production System &amp;</b> <ul style="list-style-type: none"> <li>(i) Farmers in 2<sup>nd</sup> Crop Cycle</li> <li>(ii) Market Linkages for Produce</li> <li>(iii) Systems of single commodity market : portfolio-cropped household farming system Interface detailed</li> <li>(iii) Exposure Visit, consultation with FOs for FPO scoping, vision &amp; structure</li> </ul>	<ul style="list-style-type: none"> <li>(i) Demonstration of Farmer Patronage to Project Concept (70% repeat farmers)</li> <li>(ii) Collectivization arrangements (FPO) Instituted</li> </ul>	<ul style="list-style-type: none"> <li>(i) Repeat Farmer List</li> <li>(ii) Minutes of FG and associative tier meetings, photographs</li> </ul>
<b>22 Month</b>	<b>Stage Five : Formation of FPO/Collective Aggregation for market access</b> <ul style="list-style-type: none"> <li>(i) Finalising list of FOs for FPOs Constitutions of Internal Systems</li> <li>(ii) Membership &amp; Governance and framing of Bye-laws</li> <li>(iii) CB need assessment &amp; inputs</li> <li>(iv) Strengthening FPO – providing services for system development (Operating System, MIS, HR), (v) Business Planning Exercise</li> <li>(vi) Interface with buyers/marketers</li> </ul>	<ul style="list-style-type: none"> <li>(i) Institutional Arrangements for Market Access Placed</li> <li>(ii) FPO/Collective/Aggregation Structure Placed</li> </ul>	<ul style="list-style-type: none"> <li>(i) Minutes of meeting</li> <li>FG subscription to FPO/collective</li> <li>(ii) Registration &amp; Compliances</li> <li>(iii) Business Plan with key business processes</li> <li>(iv) List of buyers consulted, meeting report &amp; outcome (MoU on price, volume and grading)</li> <li>(v) List of needs, training design, training reports</li> </ul>
<b>24 Month</b>	<b>Stage Six : Phase-out</b> Systems for post-project sustainability	<b>Business Plan</b> <ul style="list-style-type: none"> <li>(i) Statutory Clearance obtained</li> <li>(ii) Operating System grounded</li> <li>(iii) Agreement for long-term support with LPO</li> </ul>	<ul style="list-style-type: none"> <li>(i) Business Plan – including financing plan</li> <li>(ii) Regulatory approvals for FPO activities</li> </ul>

## 6. Project Outcomes

### Economic Impact

- Per hectare production improved by 10% by end of project period
- Increase in net return to farmer (Inflation +10%)
- Increase in sub-sector development for agriculture
- Reduce gap in availability of inputs by 20-25%
- Increased food & nutritional security
- Market linkage for the backward and forward integration will be ensured with competitive market
- Additional employment generated due to increased intensity of farming
- Benchmark minimum wage rate for labor
- Reduction in Migration

### Social Impact

- Social capital built in the form of FPOs
- Improve gender relation & decision making of women farmers in FO & FPOs – given board member positions
- Institutional viability
- Increased bargaining power for input purchase and output marketing
- Reduce social conflicts and risks and enhance welfare at household level
- Improved food and nutritional value
- Leadership role of producers in technology absorption
- Positive health and nutrition impact on consumers
- Environment- carbon credit

## 7. Payment Structure

Installment One: Signing Amount for work inception: 20% of the Sanctioned Budget [inception]

Installment Two: 25% of the Sanctioned Budget for completion of Stage Two Activities, [end of 6 month]

Installment Three: 25% of the Sanctioned Budget for completion of Stage Three Activities [end of 12 month]

Installment Four: 25% of the Sanctioned Budget for completion of Stage Four Activities [end of 18 month]

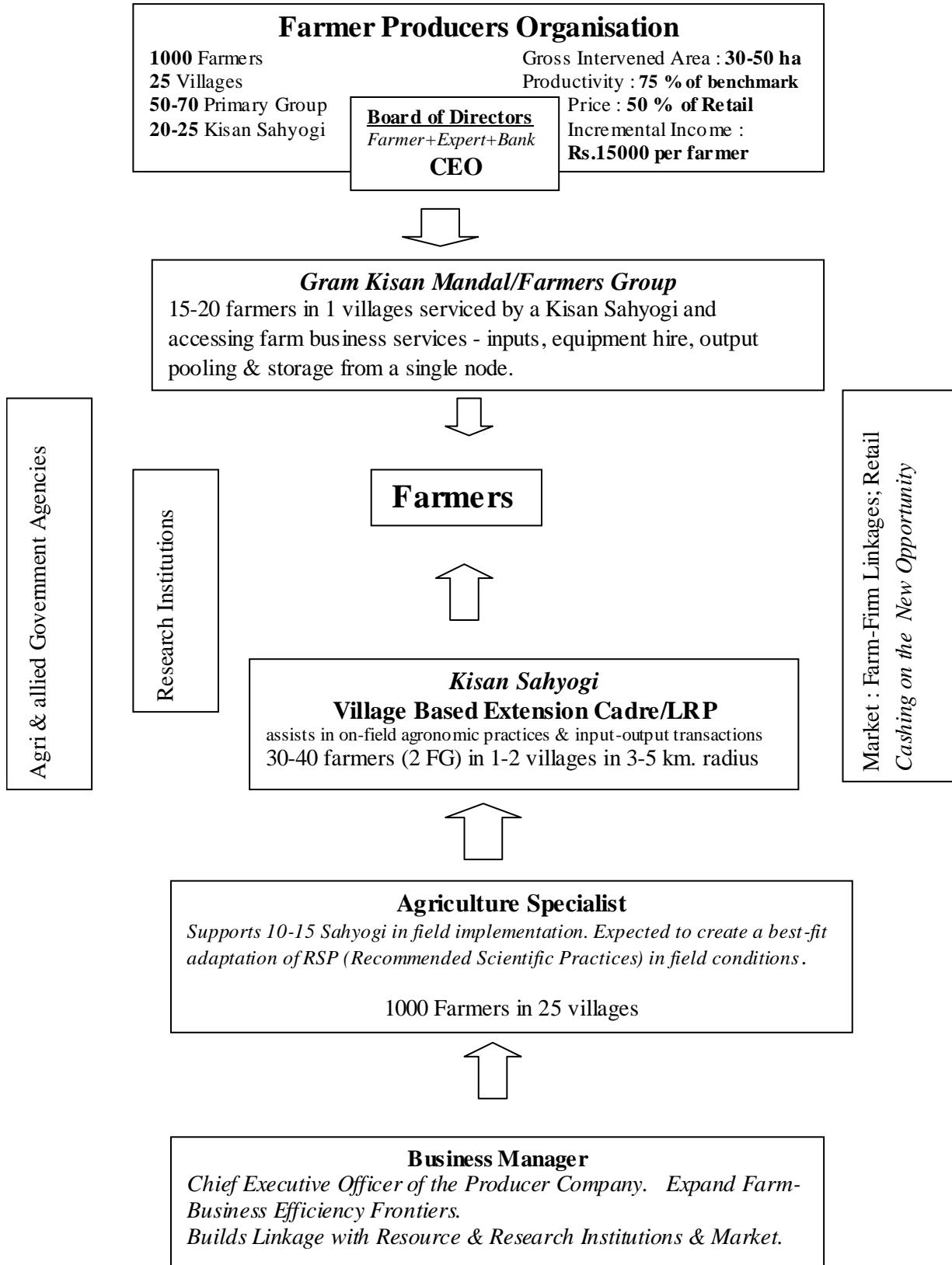
Installment Five : 5 % of Sanctioned Budget for completion of Stage Six Activities [end of Project]

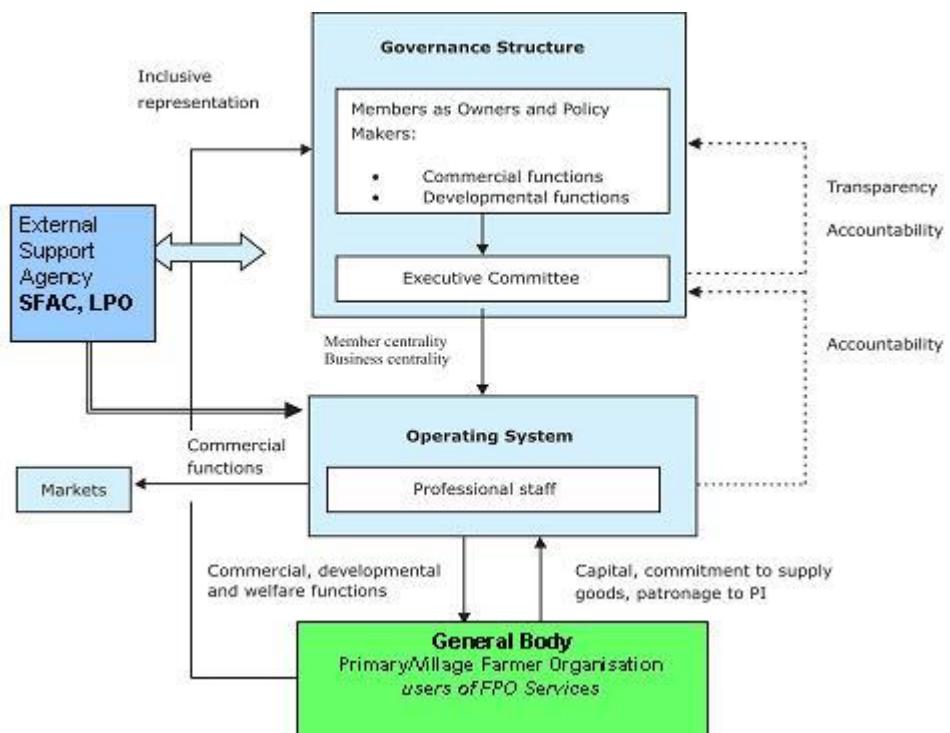
## Annexure 1

<b>Project Objective: 1</b>	<b>Mobilising farmers in groups and build their associations (FPOs) to plan and implement product specific cluster/ commercial crop cycles</b>	
Activities	Outputs	Outcomes
<ol style="list-style-type: none"> <li>1. Organize Farmers into informal groups (FG)</li> <li>2. Train members and leaders in matters relating to group functioning, group norms and systems.</li> <li>3. Form associations/FPOs of FGs</li> <li>4. Train members and leaders of FPOs to nurture FGs and mediate vis-à-vis external resource institutions such as government, financial institutions and markets.</li> </ol>	<ul style="list-style-type: none"> <li>■ 3000-4000 farmers from 8-10 villages in close geographic cluster organized into FGs prepared for intensive vegetable/pulse based livelihoods interventions.</li> <li>■ FGs organized into FPOs/Informal associations supporting productivity, efficient access to input and output markets, linkages with agriculture programs.</li> <li>■ 75% meet or exceed quality benchmarks on group functioning</li> </ul>	<ul style="list-style-type: none"> <li>■ Farmers in 80% FGs confident and keen to positively change their current condition and have developed plans to synergise planning and market access on the cluster-identified products</li> </ul>
<b>Project Objective: 2</b>	<b>Strengthen farmer capacity through agricultural best practices for enhanced productivity</b>	
Activities	Outputs	Outcomes
<ol style="list-style-type: none"> <li>1. Conduct exposure for selected men and women from project villages to villages/ farms practicing modern farming methods, such as different crop mixes, modern techniques and intensive farming.</li> <li>2. Discuss alternate farming systems with groups of farmers suitable to their specific situations and generate household farming plans/ "portfolios".</li> <li>3. Identify training and extension needs and potential LRP s to function as community based extension agents.</li> <li>4. Train LRP s to provide extension support to farmers adopting new farming systems.</li> </ol>	<ul style="list-style-type: none"> <li>■ 60% of all families interested to take up improved crops have access to quality inputs.</li> <li>■ 40 % of participant land brought into intensive farming</li> <li>■ 80% families cultivate a diversified basket of locally suitable crops.</li> <li>■ LRP training modules being implemented in large number.</li> <li>■ Trained LRP s supporting implementation of the household and cluster level farm plans</li> </ul>	<ul style="list-style-type: none"> <li>■ High adoption rates of new practices promoted under this project.</li> <li>■ 75% project families report over 50% increase in yields in pre-existing crops.</li> <li>■ 75% project families have diversified their cropping pattern to cluster-identified crop</li> <li>■ The expertise and services of a cadre of trained LRP s being utilised by the community effectively.</li> </ul>
<b>Project Objective: 3</b>	<b>Ensuring access to and usage of quality inputs and services for intensive agriculture enhancing cluster competitiveness</b>	
Activities	Outputs	Outcomes
<ul style="list-style-type: none"> <li>■ Helping families access working capital from SHG/MFI, banking sector and other sources.</li> <li>■ Link / develop supply channels for inputs and services:</li> <li>■ On-field handholding support by LRP s to ensure appropriate usage of quality inputs</li> <li>■ Demonstration of usage and effectiveness of relevant farm mechanisation practices</li> </ul>	<ul style="list-style-type: none"> <li>■ 70 % of participating families using quality inputs</li> <li>■ FPOs/Producer Aggregations promoted,</li> <li>■ families covered by these collectives</li> <li>■ Gross Crop Output per hectare increase by 100 % in rupee value terms</li> </ul>	<ul style="list-style-type: none"> <li>■ Participating families have assured supply of quality inputs and services,</li> <li>■ Network of input and services delivery mechanisms developed in the local area.</li> <li>■ Participating families feel confident to intensify their agriculture.</li> </ul>
<b>Project Objective: 4</b>	<b>Facilitate access to fair &amp; remunerative markets including linking producer groups to marketing opportunities by market aggregators</b>	
Activities	Outputs	Outcomes
<ul style="list-style-type: none"> <li>■ Developing production clusters for producing significant volume of marketable surplus</li> <li>■ Identifying and building aggregation / desegregation centers in production cluster wherever required</li> <li>■ Linking these clusters with market players (e.g. vegetable traders, commission agents, retailers, etc.)</li> <li>■ Producer collectives taking output marketing</li> <li>■ Formation of FPOs</li> </ul>	<ul style="list-style-type: none"> <li>■ intensive, market oriented production clusters developed.</li> <li>■ Surplus produce marketed at remunerative prices.</li> <li>■ participant families engaged in coordinated market-oriented production</li> <li>■ Producers' collectives aggregate and market produce from members.</li> <li>■ Market aggregators/ retail chains buy produce from producer collectives.</li> </ul>	<ul style="list-style-type: none"> <li>■ Sustainable and competitive linkages for marketing exist for their produce,</li> <li>■ families in production clusters have multiple options to sell farm produce,</li> <li>■ The prevailing rates in the cluster are fair vis-à-vis large markets in the region.</li> </ul>

## Energising Farm Production Systems : Institutional Arrangements for Transition to Coordinated Surplus Farmer

(*a socio-behavioural & techno-managerial model of Farmer Institution Building*)





### **Annexure 3 : Checklist for preparation of Detailed Project Report (DPR)**

(i) Base-line (pre-project) understand current state of target families (demographic details, assets, livelihoods / incomes); area natural resources (land types, water availability); and agriculture sector (land and crop productivity, current and potential linkages, access to finance, current infrastructure, information, etc.)

- Baseline Data on Farm & Household
- Productivity, Cash Crops etc. Data on farm productivity
- Focus families / geographies,
- Household Income
- Total Cluster Turnover
- Mapping existing social mobilization by Govt/NGO efforts

(ii) Diagnostic of current state vs. end state,

- Community aspiration
  - Mapping highest Potential Crop Attractiveness
    - Small-holder Attractiveness
    - Prioritize crops – agro-ecology
    - Conduct market and value chain analysis of highest priority crops
- understand the market opportunity (segments, size, growth), smallholder competitiveness, and opportunities to strengthen the supply chain, shift or create value for smallholders

(iii) Vision Of Success

- Desired State of Farmer
- State of FPO/Associations
- Anticipated impact on key dimensions e.g., incomes, yields, etc
- Component wise Outputs

(iv) Intervention Components major intervention points

- Details of cluster wise, villages
- input and output market linkage,
- skill / capability requirements,
- roles of relevant stakeholders,
- finances required
- Sequencing of Activities

(v) Detailed Project Implementation Methodology

- Community Institutions Architecture
- Technology Extension Model (FFS/LF/LRP)
- Sourcing quality inputs
- Aggregation/Disaggregation model
- Outline of FPO Design

(vi) Progress Tracking & MIS

## **B. Value-proposition for setting FPO**

1. Mapping the environment to identify

- (i) Unique Member Allegiance Proposition
- (ii) Distinctive Competitive Advantage

2. Feasibility Plan of Collectivization /Arrangements for input/output market linkages