



BANKERS INSTITUTE OF RURAL DEVELOPMENT, MANGALURU



Case Study Documentation

Farmers Producer Organisation

Path to Sustainable and Organic growth through Organic Farming – Valanadu FPO



Prepared by

L. Sanjivi,

Faculty Member

Table of Contents

PARTICULARS	PAGE NO.
Path to Sustainable and Organic growth through Organic Farming – Valanadu FPO	
1. About Valanadu FPO	3
2. About Producer Organisation Promoting Agency (POPI)	3
3. Beginning - Process of Farmers Club Federation maturing into an FPO	4
4. Governance	4
5. Management Team	4
6. Nature of Business Activities	4-7
7. Financial Results	7
8. Impact and benefit for the farmers	8
9. Collaborations	9
10. Future Outlook	9-10
Annexures	
I - Organisational chart	11
II - Delivery model and coverage of farmers	12
III - Value Chain of agricultural products and linkages	13-14
IV - Women based enterprises – Unique feature of Valanadu FPO	15
V - Financial Support provided to members through various financial institutions	16-17
VI - Valanadu model for organic farming – Paddy	18
Trainers Note	19-20

Path to Sustainable and Organic growth through Organic Farming – Valanadu FPO

1. About the FPO

Valanadu Sustainable Agriculture Producer Company Limited (**Valanadu FPO**) is incorporated under the Companies Act, 1956 on the 20th day of November, 2013. The Company has its Registered Office at Sirkazhi, Nagapattinam District, Tamil Nadu.

Vision: **Increase the income level of Small Farmers through Sustainable agriculture in Nagapattinam District.**

Mission: **Reduce total cost of cultivation, increase production and income through market support.**

2. About Producer Organisation Promoting Agency (POPI)

No of share holders	2650 - (Small Farmers –811; Marginal Farmers –1432; Landless farmers – 270 and others 137) (Men - 1548; Women – 1102; SC – 512)
Share Value	Min – ₹. 250 Per share (Max- 4 shares per person)
Authorized Share Capital - ₹. 25.00 lakh	Paid up Share Capital - ₹. 14.83 lakh

Valanadu FPO has been promoted by Centre for Indian Knowledge Systems (CIKS), Chennai and Vrutti - Livelihood Resource Centre, Bangalore. **CIKS** works towards enhancement of livelihood security of Small and Marginal farmers through (i) Sustainable Agriculture; (ii) Research; (iii) Training. The focus areas are (a) Organic Agriculture; (ii) Bio Diversity Conservation; (iii) Vrkshayurveda (the ancient Indian plant science) and (iv) **Promotion of Farmers Collectives**.

CIKS has worked with over 110,000 farming families and supported the setting up of over 650 farmers' institutions involved in sustainable agriculture including – SHGs, JLGs, Farmers Clubs and common livelihood groups. Small and Medium Enterprises have been set up carrying out a variety of activities relating to sustainable agriculture. Starting from the year 2013, CIKS have initiated and supported 23 Farmer Producer Companies (FPCs) (ten Producer Companies with support from NABARD as part of the POPI (Producer Organisation Promoting Institutions) programme.

Beginning - Process of Farmers Club Federation maturing into an FPO

- Sirkazhi Organic Farmers Association (SOFA) is a federation of Farmers Club started during 2005 and registered as a Society under Society Act, 1972. SOFA WITH 240 members comprising of 13 Farmers Club and 4 women SHG, has been nurtured by CIKS. SOFA has been providing technical, credit and marketing support for the members and supported by NABARD under UPNRM Project viz. Programme for Supporting Sustainable Organic Farming. The project aimed at production of value added products of paddy into organic rice, rice based value added products – rice appalam, rice puttu mix, rice flour, etc. A term loan of ₹. 40, 04,300 for marketing of above products was availed and repaid successfully.
- Since the members of SOFA and CIKS team felt the need for a Producer Company for scaling up the activities and a total of 178 farmers who are members of SOFA have become shareholders of the company.

3. Governance:

The Company is governed by a Board of Directors comprising of 12 members (10 men and 2 women). The management of the FPO is conducted by a Committee of Board of Directors viz. Governance committee, Finance committee and Marketing committee which has minimum 3 BOD in each committee. Participatory decision-making system, involving Village Agri Business Development Service Providers (VABDSP) positioned as nodal persons in village panchayats along with BOD ensures **platform for transparency and fair decisions of the management**. Regular meetings of Board of Directors are conducted once in two months and AGM conducted once in a year after finalizing the accounts for the year.

4. Management Team

The FPO is run by a team of 6 employees headed by Smt. Subbashini Sridhar, B.Sc.,(Agri), MBA (HRM) as CEO with 15 years of experience. Apart from the above, 20 Village Agri-Business Development Service Providers (VABDSP) are acting as Volunteers for the company. The team has been involved in management of community enterprises involving farmers and women for more than 10 years. **Role clarity, ownership, mission mode operations are key factors for success of the Valanadu Sustainable Agriculture FPO.**

5. Nature of Business Activities

Valandu FPO has been providing all round services from input supply, technology support through various training programmes / equipment and machinery supply, procurement and marketing operations, promotional of entrepreneurship among shareholders, support community micro enterprises production units and collaborating with other agencies for overall development of farming community and its shareholders.

(a) Input support to shareholders

- Seeds (Paddy, Pulses, Groundnut, Vegetable seeds, etc.)
- Organic Inputs – Bio-fertilizers, neem seed powder, vermi-compost and bio-pesticide, etc.)
- Animal feed, providing veterinary services, enabling clean milk production, etc.

VSAPCL – Inputs sold to the shareholders

Particulars	2015-16	2016-17	2017-18	2018-19
No of shareholders	3030	3741	1248	1420
Supply of inputs - Paddy seeds, Biofertilizers, Neem seed powder, Pulses seeds, Other inputs – Vermi-compost, biopesticides (in kg)	2,00,000	2,16,040	54,000	55,000
Value of input supplied(₹. lakh)	57.28	65.50	18.40	18.13

Due to lesser repayment of cost of inputs from shareholders during 2016-2017, the company decided to decrease the sale of paddy seeds (input shops at Sirkazhi offer credit for supply of paddy seeds) from 2017- 2018.

(b) Marketing support

Valanadu FPO undertakes procurement and sale of certified, Organic and NPM Paddy, pulses and oil seeds – gingelly, groundnut, organic certified rice (White ponni raw and boiled rice, CR-1009 Idly rice), traditional paddy rice varieties (Mappillai Samba, Karungkuruvali, Kullakar, Thooymallai, Seeragasamba, Kudaivazhai). The details of the operations are as given below:

Procurement from Shareholders

Particulars	2015-16	2016-17	2017-18	2018-19
No of shareholders	507	512	517	480
Procured of paddy, Milk, pulses and other products (tonne)	232.14	189.30	201.30	172.46
Procured cost in (₹. Lakh)	41.63	40.98	53.25	66.52

Valanadu FPO has availed a working capital loan of ₹.17.40 lakh from NABKISAN FINANCE LIMITED for procurement of traditional paddy and conversion to rice and sale. The loan facility has been fully utilized for procurement purpose.

Valanadu FPO is the foremost farmer's producer company supplying organic certified rice and pulses in Tamil Nadu catering to 18 organic shops in Chennai, Coimbatore, Trichy, Thirunelveli and Mayiladuthurai.

(c) Value added Products:

Valanadu FPO, in order to increase the income of farmers, focused on value addition of various farm products for better prices and income. The various products are as given below:

- (i) **Rice Products :** Rice Appalam, Rice vadagam (Onion, round and neetuvadagam); Uppuma mix, Idiyappam flour
- (ii) **Millet products :** Thinai, Samai, Kuthiraivali, Varagu rice, Bajra, Ragi powder
- (iii) **Production of edible oil :** Gingelly oil, Groundnut oil ,
- (iv) **Production of off farm products :** Recycled bags – cloth, paper

(d) Credit linkages - Provision of credit to shareholders

For the last 5 years, credit facilities from various financial institutions were arranged for the shareholders for crop production, purchase of milch animal, enterprises loan etc. The Total loan availed works out to ₹. 289.75 lakh and the details are given in Annexure.

(e) Community Microenterprises :

Valanadu FPO has been supporting entrepreneurship among its members and supports:

- Community vermi-compost units (6 Nos.) - Community bio-pesticide units (2 Nos.)
- Value added products units (3 Nos.) - Community Mushroom production unit (1 No.)
- Agriculture Machinery Facilitation Centre (6 Nos.)

(F) Sale of farm fresh Milk for additional income to share holders

Valanadu FPO has been working with women SHG for agriculture allied activities such as rearing of milch animals, vermi-compost, bio-pesticides, palm products preparation, rice based value added products, etc. As far as milch animal activity, most women have cows at home and they had experience in maintenance of milch animals. Most of the women earn additional income through sale of milk and vermicompost. On an average, each woman having a cow, able to earn ₹.1700 through sale of milk per month and ₹.750 through vermicompost. Valanadu FPO set up milk collection centres, with per day sale of 350 litres and per month sales of 10500 litres. This has benefitted 108 women in gaining income and company has also get its margin through sale of farm fresh milk.

(G) COVID 19 - Combating Initiative Supporting Consumers

Due to COVID 19 lock down, consumers in Sirkazhi got panic about milk availability and the staff of Valanadu FPO continued the supply of milk. As on 30th April 2020, a total of

10400 litres of milk worth ₹. 4.37 lakh) were supplied on regular basis. Totally 260 families were benefitted, Apart from milk, 300 kg rice were delivered to consumers. In order to meet the demand of cattle feed requirement, the company has supplied 3.7 tons of cattle feed at their doorstep.

6. Financial Results

The details of the turnover and profit earned during the last 4 years are as given below:

Year	Turn Over (₹. In lakh)	Net Profit
2015-16	110.89	0.42
2016-17	113.17	0.17
2017-18	84.73	-
2018-19	89.12	0.24

Note: (i) 2017- 2018 – the company faced loss of ₹. 4.34 lakhs due to market competition of paddy and other commodities; (ii) Per month expenses accounts to ₹. 1.6 lakhs towards staff salary, rental charges, travel expenses, BOD meetings, etc (iii) Total expenses /year - ₹87.87 lakh.

“Premium Prices rather than Profit - Policy of Valanadu FPO”

Valanadu FPO follows the policy of providing premium price for organic paddy, fresh milk and other products, at the time of procurement rather than making profit and sharing at a later stage. This policy also motivates the shareholders to take active part in the various activities of the FPO. This is the reason for less profit for the FPO.

7. Impact and benefit for the farmers

During the last 6 years of service to the farming community, the achievements of Valanadu FPO are as given below:

- Reached 60 % shareholders – through service (procurement / sale)
- Per member business/Maximum benefit accrued to members is as indicated below:
 - (i) A shareholder practising organic farming has been provided with inputs viz paddy seeds, organic inputs worth ₹. 2500 per season per acre.
 - (ii) Each farmer has earned additional income ₹.3, 000 to ₹.4500 per acre through sale of traditional paddy seeds. (Premium of ₹.3 – ₹. 6 for organic paddy)
 - (iii) A shareholder supplying milk to the company receive ₹.140/day for 5 litres of milk, ₹.3/litre, for 5 litres (₹.15) provided as premium. In a year, ₹.25, 200 provided as income through milk supply.
 - (iv) In total maximum benefit accrued –₹. 32,500 / year
 - (v) Due to organic method of cultivation, each farmer has saved ₹.1500 per acre without using chemical fertilizer and pesticides
 - (vi) 10 to 15 % productivity increased through SRI Practices/adopted low cost technology methods.
 - (vii) Under the Valandu FPO organic farming model, farmers are able to get a return of around ₹. 1.58 lakh as net present value over five years' return period. The benefit-cost ratio for an individual farmer is calculated at 1.19%.
 - (viii) Promotion of Certified Organic farming (170 acres) and NPM concept (590 acres)
 - (ix) USP of the Valanadu FPO has been "**Strengthening of farmers involved in traditional paddy cultivation**".
 - (x) Export of Indian Organic Rice: Valanadu Company in collaboration with YEM foods, Coimbatore supplied 8.4 tonnes of CR1009 certified organic idli rice dispatched to USA during 2017.
 - (xi) SFAC Credit guarantee scheme sanction to Valanadu FPO (₹.56.50 lakh)
 - (xii) SFAC Equity Grant Assistance of ₹.5.65 lakh received
 - (xiii) Valanadu FPC has been sanctioned "MEZZANINE CAPITAL ASSISTANCE" during May 2020. This was sanctioned by TNSFAC through NABKISAN, Chennai. A total outlay of ₹.10 lakhs has been provided for scaling of activities viz. Milk procurement and organic paddy procurement.

8. Collaborations

Valanadu FPO has been implementing various development projects relating to sustainable agriculture with the following agencies:

1. NABARD – FSPF, Livelihood Entrepreneurship Development Programme (LEDP)
2. Rabo bank , New Delhi - Department of Horticulture – PKVY scheme
3. Department of Agriculture Engineering, Mailaduthurai
4. Veterinary University Training Centre (VUTRC) and KVK, Nagapattinam
5. Supporting Organic farmers federations and FPC in Tamil Nadu
6. Training and efforts for increasing agricultural production, productivity and Doubling of income. (Scaling up of Traditional paddy variety cultivation)
7. Sustainable agriculture technologies for farmer producer collectives and establishing market linkages” by Supraja Foundation.

9. Future Outlook

- The Company is focusing on providing quality support services to the farmers, while consolidating and scaling up linkages between the farmers and markets, streamlining the process to reduce transaction cost which would enable the farmers as well as consumers to benefit mutually.
- Scaling up of marketing activities – Milk procurement upto 500 litres/day and Seed production – 50 tonnes current year
- Scaling up of organic certification and piloting PGS (participatory guarantee system) – This project has been sanctioned under Ministry of Panchayat Raj during first week of June 2020., ICS will be developed involving panchayat leaders and progressive farmers as core committee which would be approving body for organic certification, Marketing of PGS certified produce will be done through Valanadu company during Feb 2021.
- Creating market tie up for other crops – Coconut, Mango, Groundnut, Vegetables grown in Vedharanyam cluster – It has been planned to involve SASHG (Shareholders grouped in a village) as nodal point for procurement and grading based on quality and tie up will be made with buyers directly.
- Solar dryer – making a good business model for helping farmers to utilise non-conventional energy sources towards clean energy and sustainable source of energy.

11. Conclusion: Sustainability and Way Forward

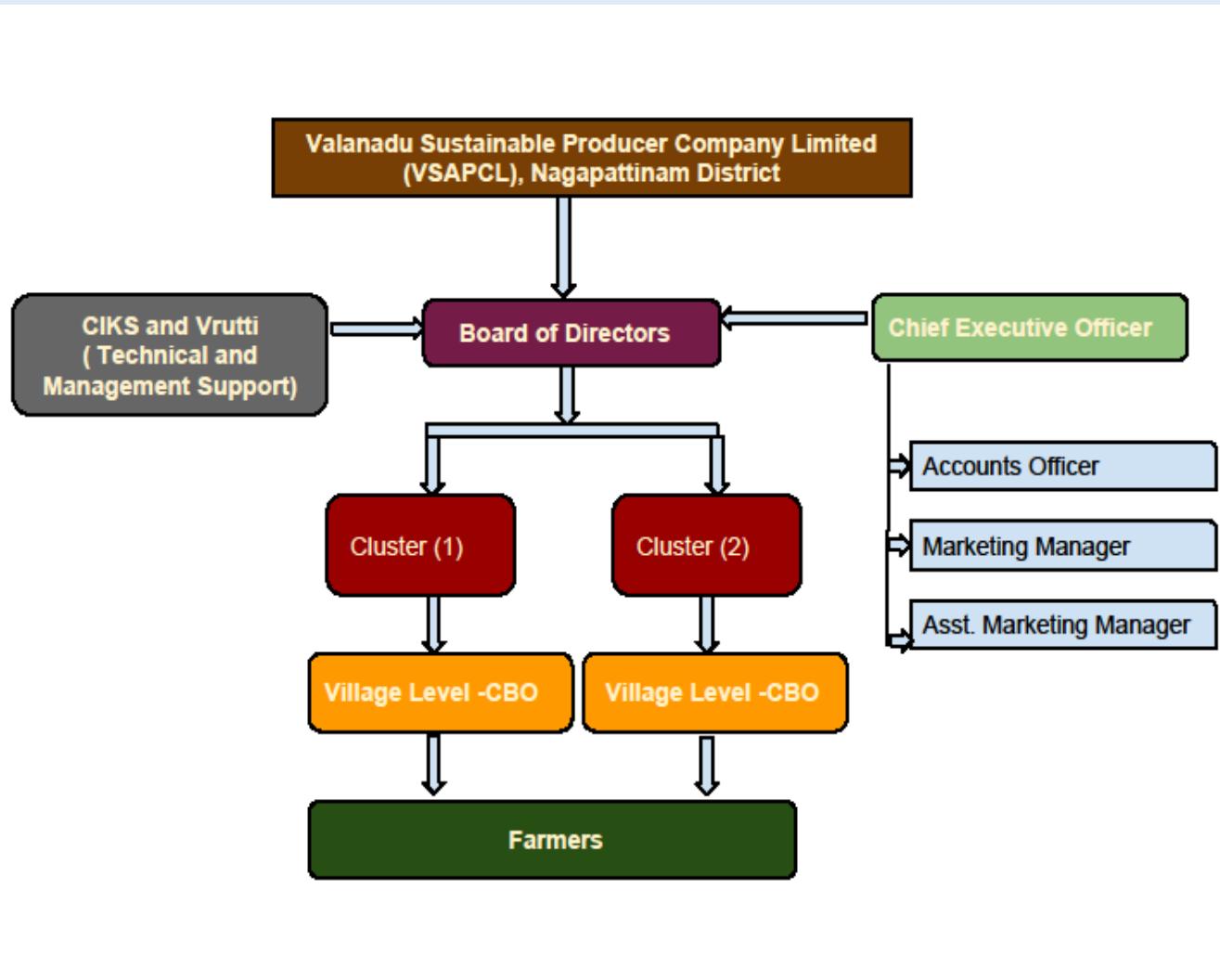
FPC will be collaborating with other FPC's based on specific commodity and market support will be provided to share holders

- FPC will develop common facility centres where all organic inputs will be produced and marketed to shareholders and other farmers
- Valanadu FPO has gained confidence among farmers in producing quality traditional paddy seeds and will be acting as supplier / bank of traditional paddy seeds in Tamil Nadu.
- Promote **green plant power**

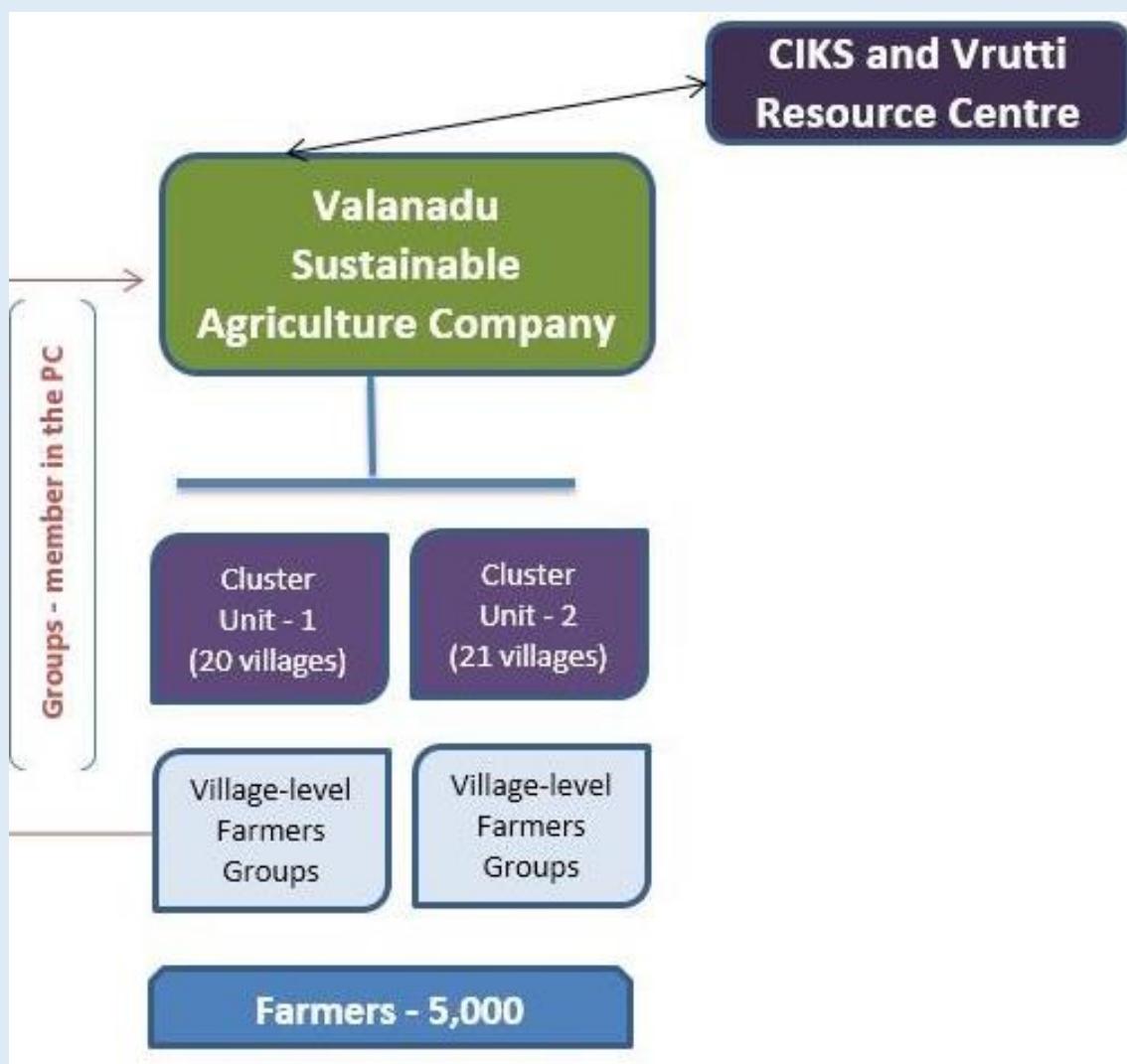
“In fact, even in the modern world, **plant power** means **as much or more than** water power, sea power, atomic energy and so on. For obtaining plants men have gone forth with the sword to distant lands, set upon long voyages and conquered new lands.”

Plants and Human History P. Maheswari (1965)

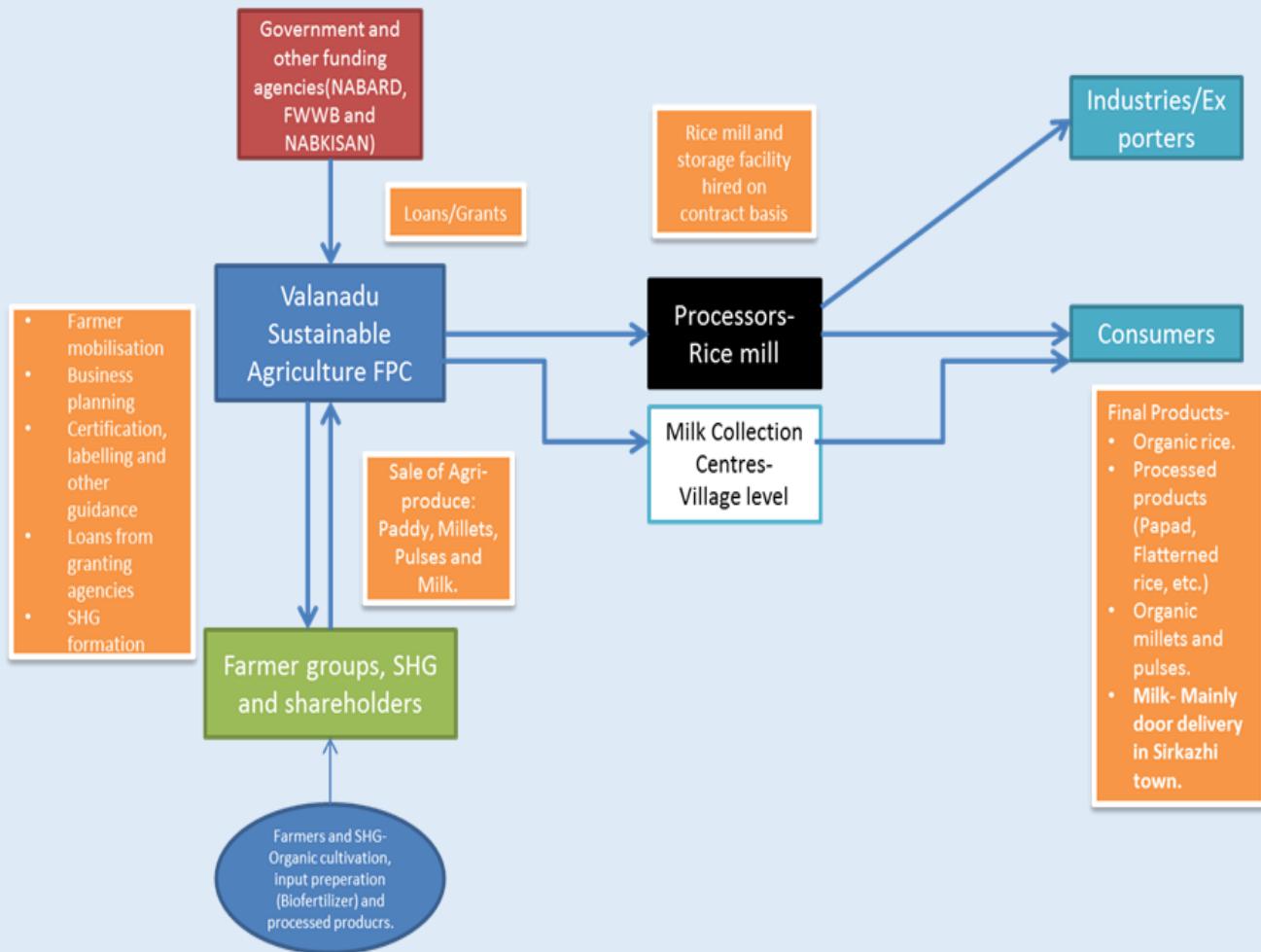
Organisational chart of the Valanadu FPO

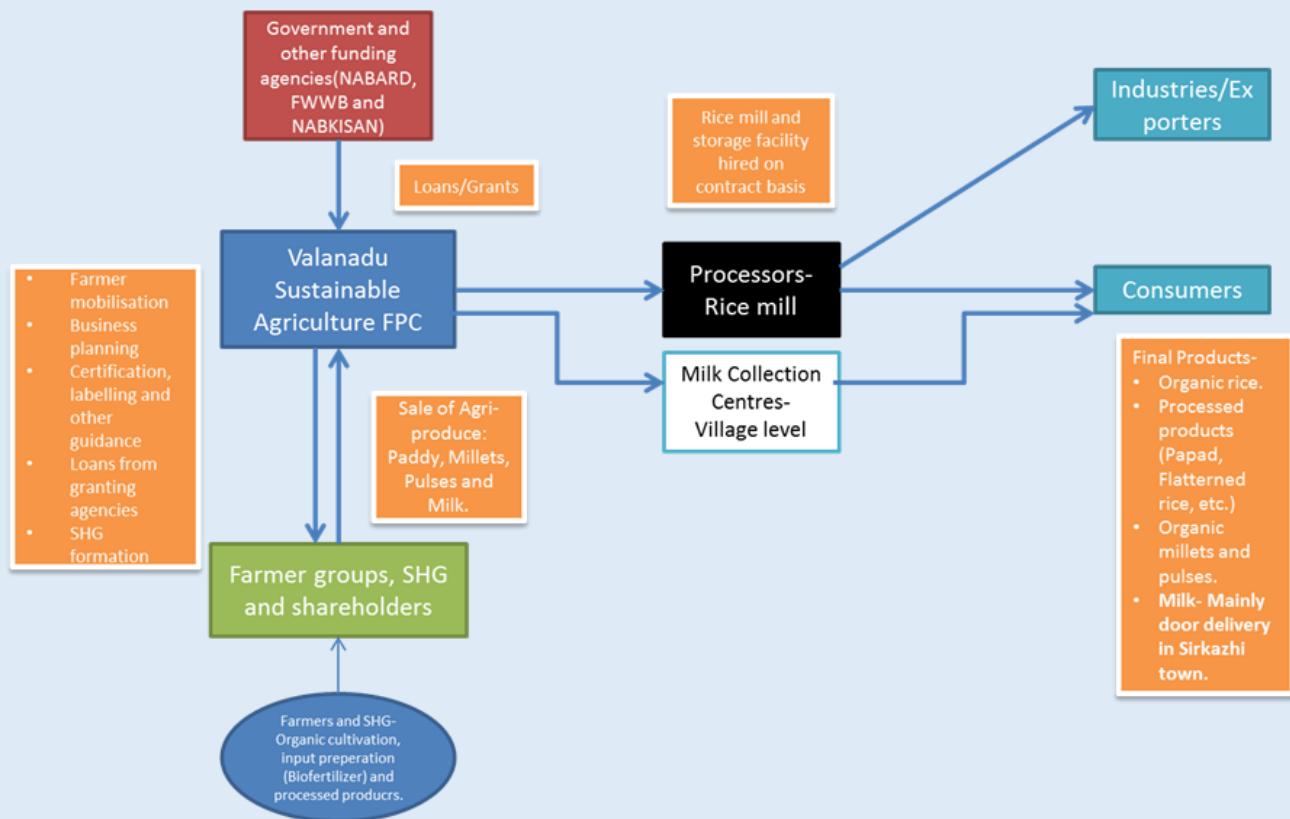


Delivery Model and Coverage of Farmers



Value Chain and Linkage of farmers to consumer and Financial institutions through FPO for better income





Annexure IV**Women based enterprises – Unique feature of Valanadu FPO**

S.NO	Name of the enterprise	No of units	No of women involved	Income obtained per month
1	Community vermicompost unit	5	62	1200 /month
2	Community rice based value addition unit	4	36	₹ .1000.month
3	Community bio pesticides unit	2	10	₹ .750/month
4	Community bio fertiliser unit	1	6	₹ .1250/month
5	Community Palm products	2	14	₹ .1400 to ₹.1600/month
6	Community Mushroom production unit	2	12	₹ .1200 to ₹.1400/month
7	Community tailoring unit	1	10	₹ .1200/month
8	Milk procurement centre	5	72	₹ .1400/month
	Total		222	

Apart from above activity, Valanadu has been involved in promotion of traditional paddy varieties in selected villages of Sirkazhi, Vedharanyam and Kollidam blocks. The company has been involved in converting traditional paddy to value added products (10 different products).

Annexure V

Financial Support provided to members through various financial institutions

Financial Assistance Loans to Members – Working capital/ crop loan /Milch animal loan

Period – Since inception to August 2018

Name of the Institutions	Loan availed (₹.)	Loan repaid (₹.)	Balance outstanding (₹.)
FWWB – I	10,00,000	10,00,000	-
FWWB -II	15,00,000	15,00,000	-
NABARD PODF	42,68,000	42,68,000	-
FWWB III	10,00,000	10,00,000	-
Ananya Finance – I	41,50,000	41,50,000	-
Ananya Finance – II (Milch animal loan)	15,00,000	15,00,000	-
Ananya Finance – III	8,50,000	8,50,000	-
Shri Ram Chits & Investments	3,38,000	2,86,000	50,000
Other Sources	7,00,000	7,00,000	-
FWWB – April 2016	23,50,000	17,62,000	5,87,500
Other sources	10,00,000	2,00,000	8,00,000
NABKISAN	39,30,000	39,30,000	-
FWWB – IV	41,00,000	27,88,894	13,11,106
Total	2, 63, 86, 000	2,36,37,394.00	27,48,606

Working Capital assistance for FPO

LOAN DETAILS – NABKISAN FINANCE LIMITED, CHENNAI – 2019

Sl. No.	Pariculars	Sanctioned Amount	Loan Availed	Balance Loan
(₹. Lakh)				
A	Working Capital Loan: 18 Month			
1	Paddy Procurement and conversion to rice and sales and procurement and sale of traditional paddy seeds	17.40	17.40	0
2.	Preparation of Neem seed powder and Preparation of Green Manure seeds (Sunhemp)	7.50	0	7.50
B	Term Loan: 25 Month Including one month grace Period)			
1	Term Loan for purchase of Milch animal and Term loan for purchase of Goat (4 + 1)	20.10	20.10	0
	Total	45.00	37.50	7.50

VALANADU MODEL FOR ORGANIC FARMING - PADDY

Under the VSAPCL model, farmers are able to get a return of around ₹.1.58 lakh as net present value over five years' return period. The benefit-cost ratio for an individual farmer is calculated at 1.19.

Economic analysis of organic paddy cultivation in one-acre landholding (Amount in ₹.)						
Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Capital cost	0	0	0	0	0	
Recurring cost	36253	38065.65	39968.93	41967.38	44065.75	
Total cost	36253	38065.65	39968.93	41967.38	44065.75	200320.7
Total benefits	40992	46116	48678	51240	53802	240828
Net benefits	4739	8050.35	8709.067	9272.621	9736.252	40507.29
Net Present Value of cost @15 per cent	132,491					
Net present value of benefit @15 per cent	158,567					
Benefit cost ratio	1.19					

As the farmers practice organic farming, the cost of fertilizer, pesticides are minimal.

For more information, please do visit – www.valanadu.in , email- vayalnagai@gmail.com

Trainers Note

Points/ issues for discussion

1. Role of POPI in promotion of FPO
2. Various process involved in FPO
3. Leadership development and graduation of Farmers Club, SHGs to FPO
4. How strategize marketing of various products - aggregation, processing, value addition and marketing through FPOs
5. Value chain and role of FPO in promoting the value chain
6. Value chain financing by Banks
7. Through adopting organic farming, how to reach sustainable growth
8. Trainers' Note

1. Objectives:

Federation of Farmers Club and SHG Federations provides opportunity for development of higher level institutions for consolidation of micro level institutions viz. SHGs / JLGs / Farmers Club. The structure of Farmer Producer Organisations help them in graduating to the level of aggregation, marketing, accessibility to bank finance so as to realise highest price for their produce and access to bank finance. Many of such FPOs have been formed by nurturing and handholding the existing livelihood programmes and institutions like Farmers Clubs, SHGs, JLGs already promoted by NABARD.

The case has been documented to demonstrate the path and methodology through which an existing institution (Federation of Farmers Club) can enter into value addition and marketing so as to enhance the income of members and manage the value chain. Success achieved in collectivisation, arranging institutional finance, increase in the income of farmers, could give adequate confidence to farmers groups and bankers on the efficacy of the model.

The case would facilitate easy understanding of the process through which an informal group of farmers can be formed into a Producer Company and the factors which can ensure the success of the FPO concept.

2. Target Group

The case can be administered to trainee participants from NGOs, Community Based Organisations, FPOs and financing banks.

3. Session Plan and Time Required

a. Session Plan

The faculty member, after initial briefing, may give 15 minutes time for the participants to read and understand the case and clarify initial doubts raised by participants. Then groups may be formed. It is better to have not more 8 participants per group. The groups can be advised to discuss for about 30 minutes by keeping the following points in mind.

- How the informal groups of farmers are suitably motivated to form Farmer Producer Companies
- Methodology to be adopted by a Producer Organisation Promoting Institution to promote Producer Companies
- Can Producer Company be a viable business model
- Identification of agricultural produces for taking up value chain management by FPOs.

b. Time Required:

The time required for a batch of 25 to 30 participants, will be about 120 minutes.

Activity	Duration (in minutes)
Formation of Groups (3 to 4) after explaining the case by the faculty	15
Discussion in Groups	30
Preparation of Report and PPT if any	30
Presentation by individual groups followed by discussion	30
Summing up by faculty	10
Total	120

4. Trainers' inputs for discussion

- It is easier for a Promoting Institution to form a Producer Company out of an existing group/s like Farmers Clubs, SHGs, JLGs etc. which has been promoted by them
- FPCs should be formed out of natural cluster of farmers of a particular primary produce.
- Exposure visit of prospective members facilitate formation of FPCs and greater cohesion among members
- FPCs may rather facilitate aggregation and marketing of members' produce, than try to trade in the produce, so as to limit risks especially in the initial stages
- FPCs may syndicate individual loan for members from bank, rather than involve in on-lending.
- Loan for acquisition of common assets may be availed from banks by the Company or be met out of share capital of members.
- Authorised capital of an FPC may be decided based on the proposed business plan for about 5 years.

* * * * *

Case documented by: L.Sanjivi, DGM (Faculty Member), BIRD, Mangaluru