

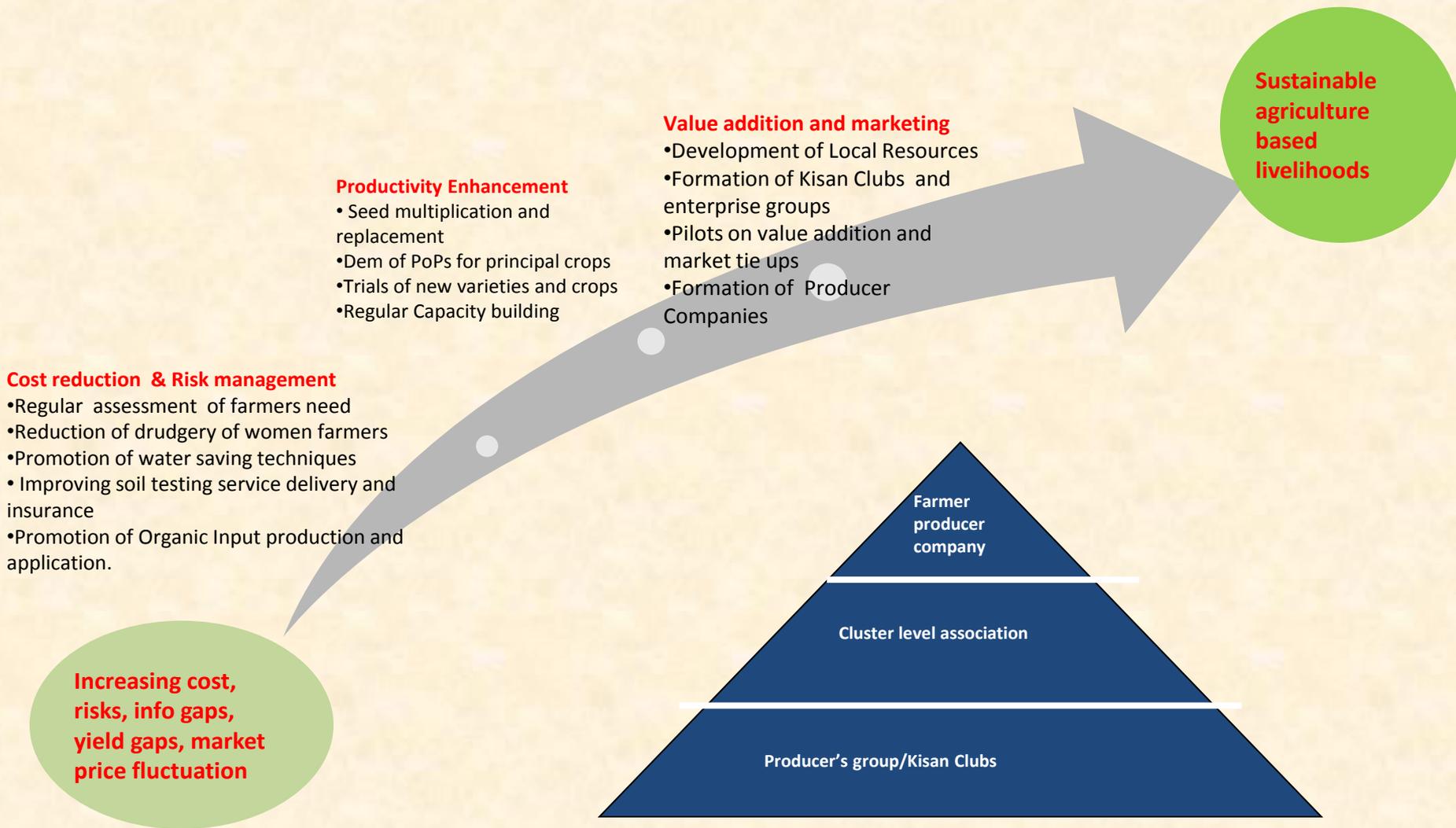
# Institutional Lessons from Krushidhan Farmer Producer Company - Facilitated by DSC

Sachin Oza, DSC Foundation

IRMA

12th March 2020

# DSC's Strategy for Sustainable Agriculture Development

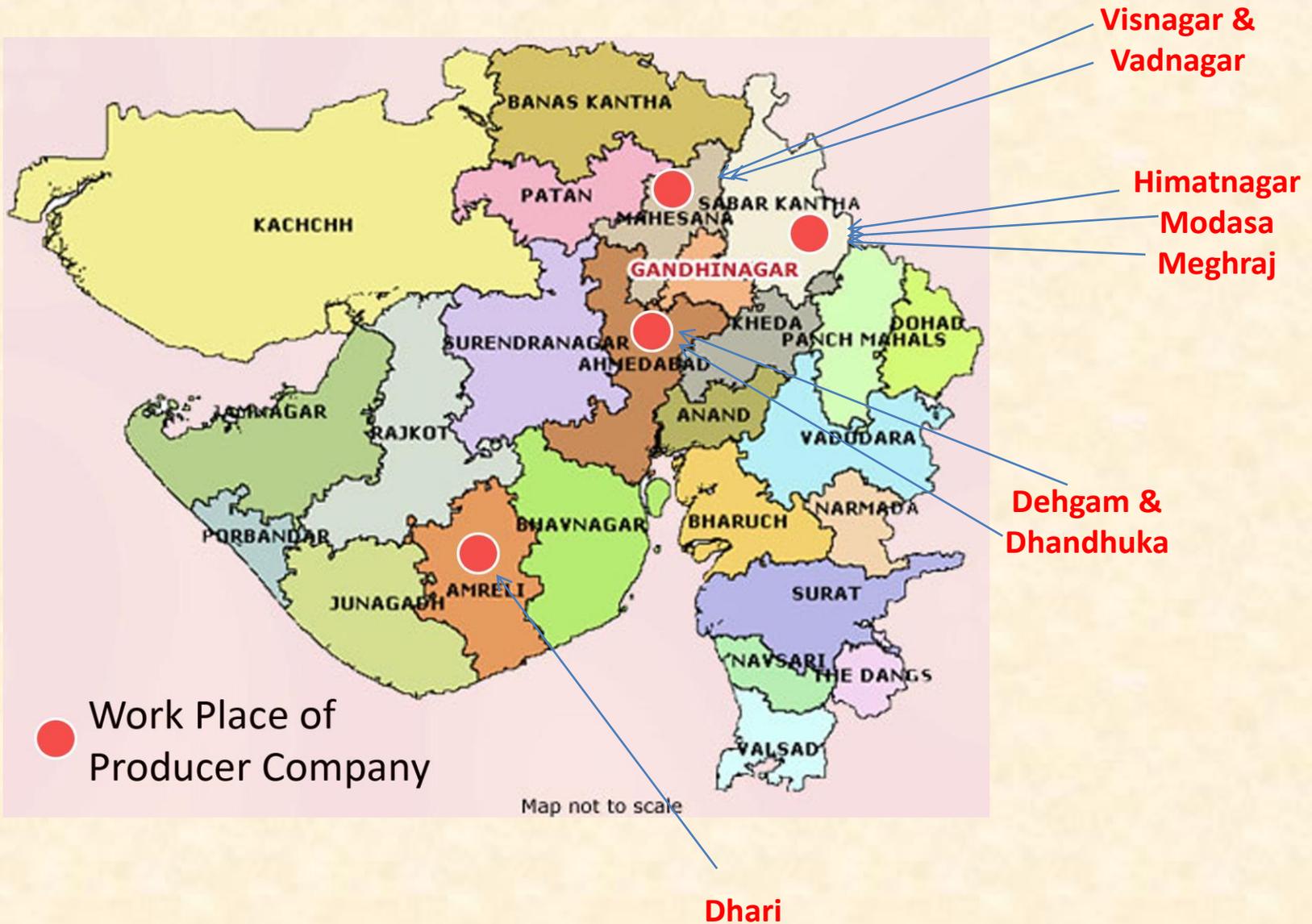




# PROFILE OF KRUSHIDHAN PRODUCER COMPANY LTD.

<b>NAME</b>	KRUSHIDHAN PRODUCER COMPANY LTD.
<b>REG.NO</b>	UO1110GJ2005PTC46316
<b>YEAR OF REGISTRATION</b>	2 DECEMBER 2013 (Revival) (originally incorporated on 23 JUNE 2005)
<b>Head Office</b>	Ahmedabad
<b>Field Office</b>	Visnagar-Vadnagar, Himatnagar, Modasa, Meghraj, Kujad
<b>No of district covered</b>	4(Four)
<b>No of blocks covered</b>	11(Eleven)
<b>No of villages to be covered</b>	195
<b>Proposed share holders</b>	9000
<b>No. of Share Holders/ No of Share (Rs.500 per share)</b>	4409(Till date ) /8817 per person 2 shares (Male-3226 (73%)/ Female-1183 (27%).
<b>Authorized Share Capital</b>	Rs.45 Lakh
<b>Share Capital Mobilized Till Date</b>	Rs. 44.85Lakhs
<b>Turn Over During 2018-19</b>	Rs. 181.89Lakhs
<b>Approximately Turn Over till March-2020</b>	Rs.320 lakhs

# Working Areas of Krushidhan Producer Company Ltd.

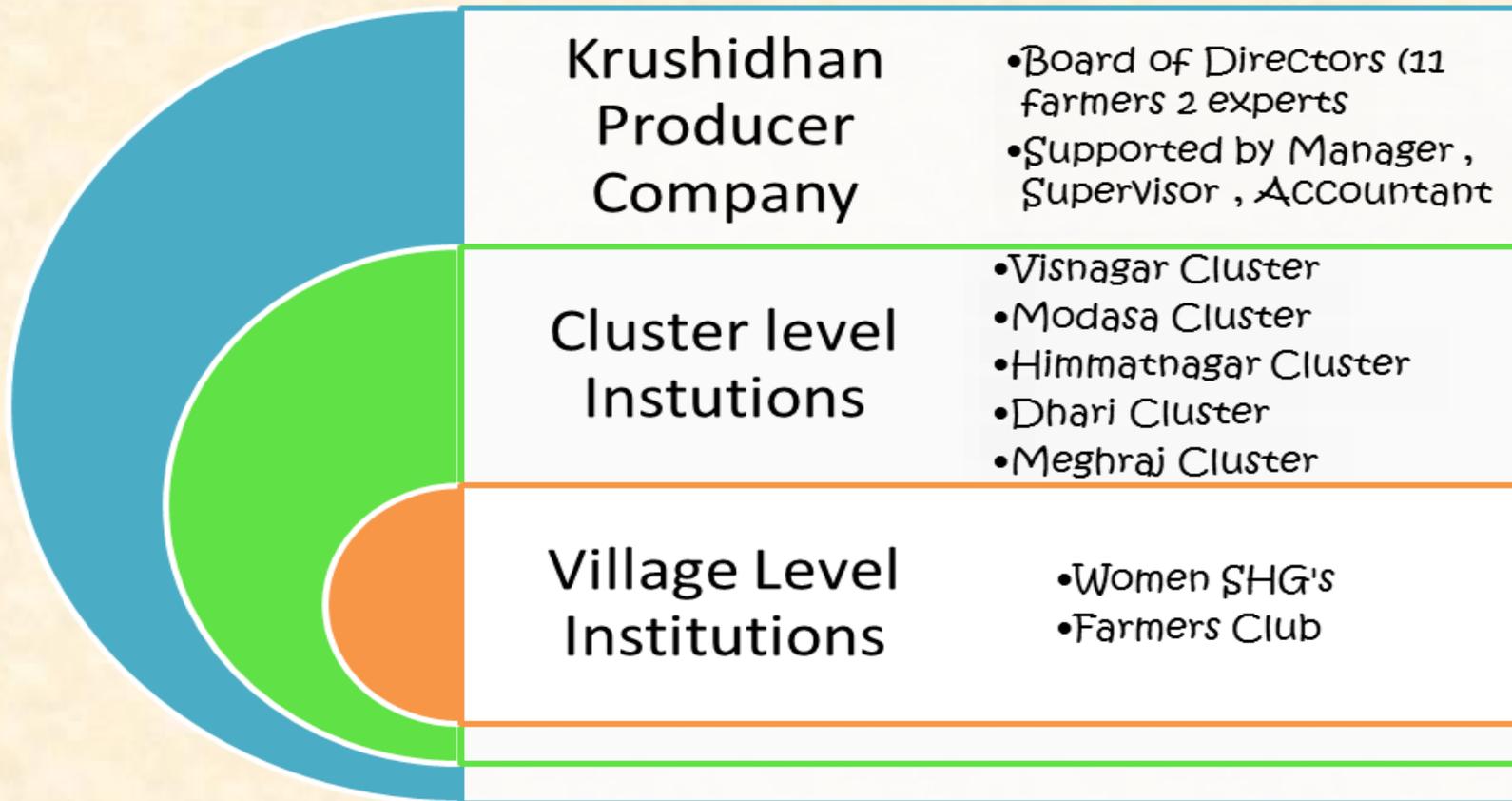


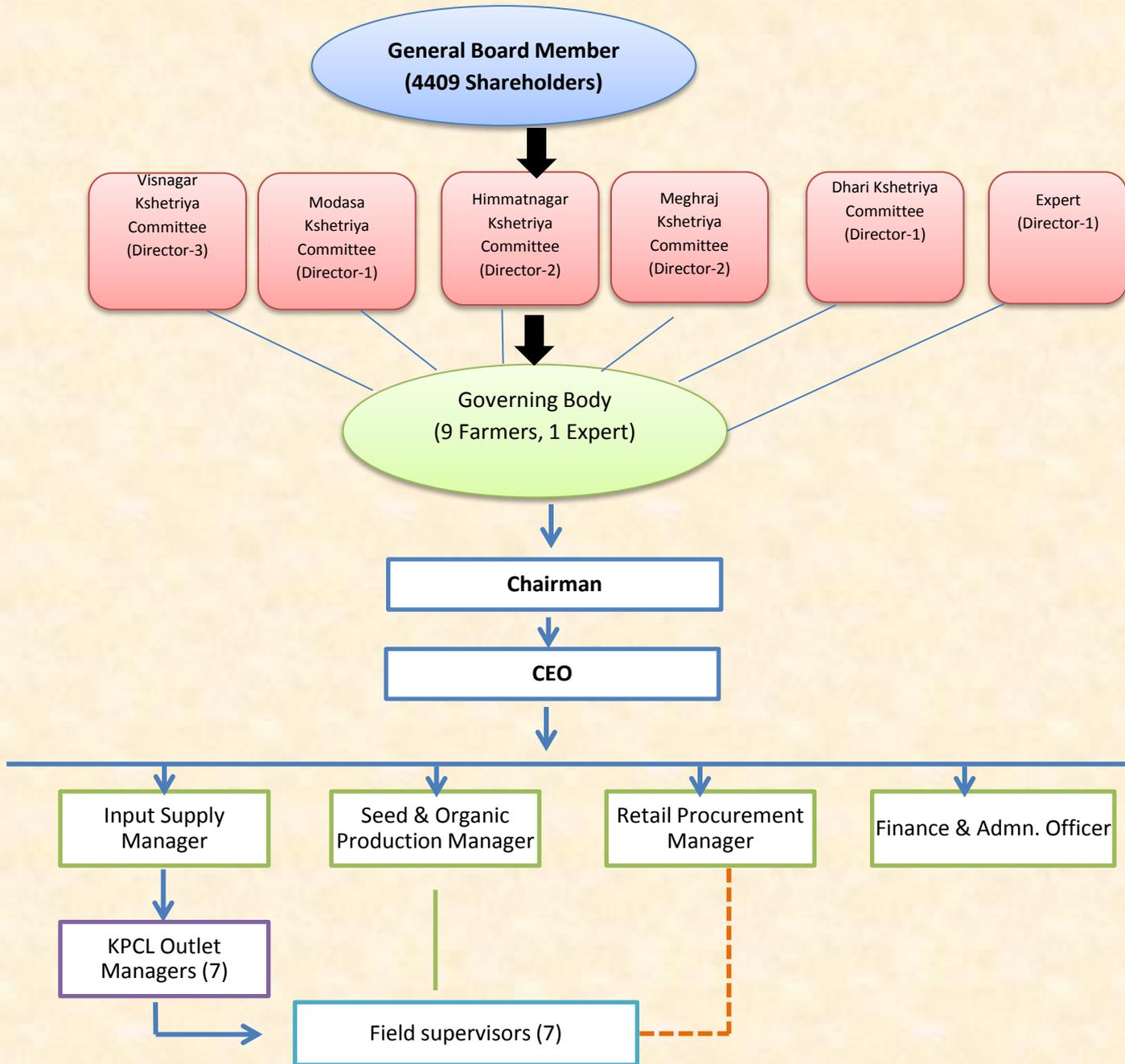
# Vision and Broad Objectives

## Sustainable Agriculture based Livelihoods

- To carry out the business of production, harvesting, procurement, grading, pooling, handling, marketing, selling, export of primary **produce** e.g. Groundnut, Oilseeds, Grains, and other Agro produce of the members or import goods or services for their benefit.
- To **provide mutual assistance and technical consultancy services** to farmers and Farmers Organizations.
- To **provide insurance cover and credit facilities** to the farmers in a profitable manner.
- To provide **welfare measures or facilities** for the benefit of members.

## The Three Tier Institutional Structure of KPCL





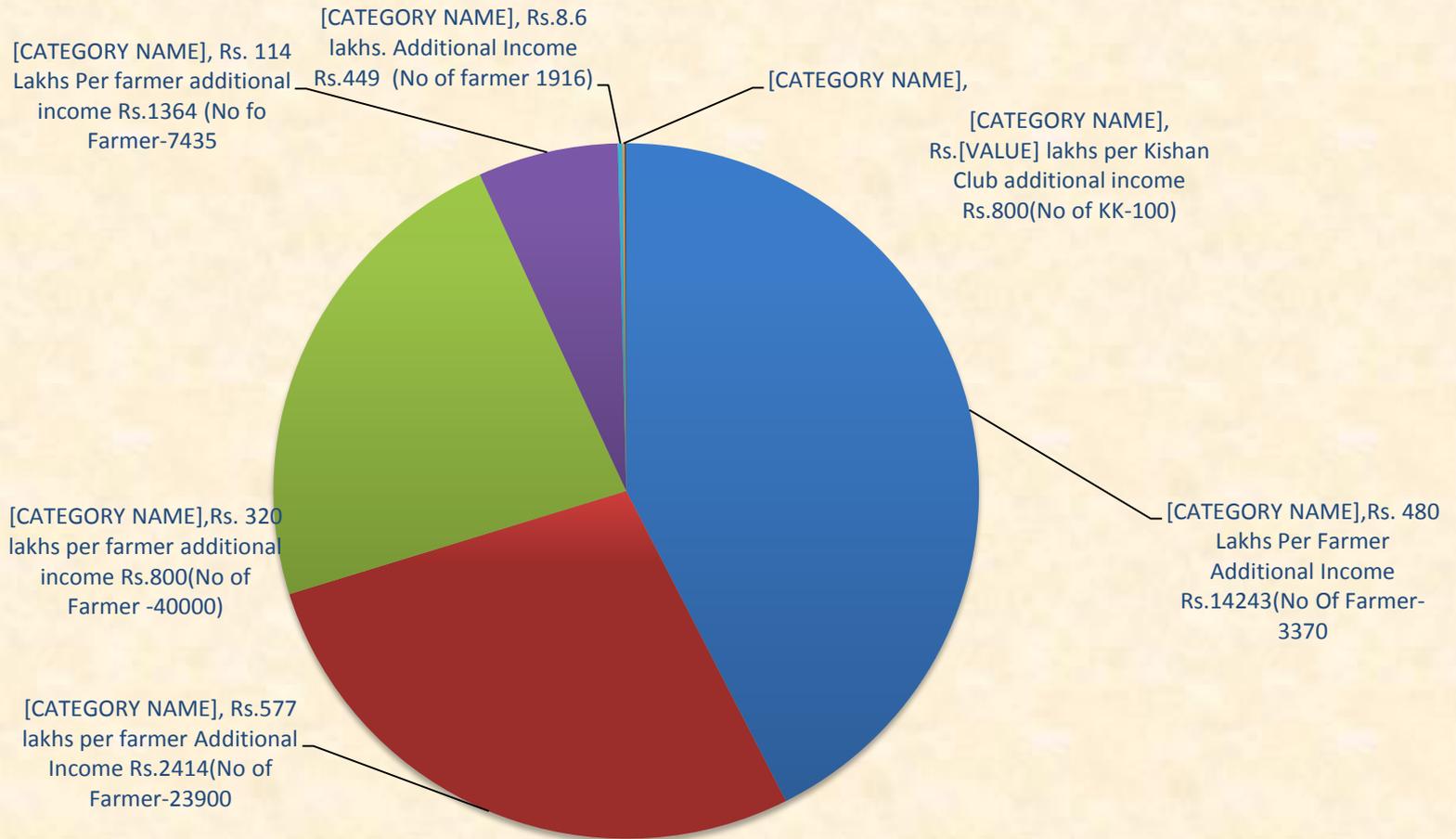
# Unique Features of Krishidhan

- Has small and marginal as well as large farmers.
- Serves Member and Non-Member Farmers.
- Has a “social intrapreneurship” model – CEO Jaswantbhai played multiple roles to achieve the business and social goals of the company.
- It is multi-layered organisation working in different locations with a heterogeneous population.
- It is asset light.
- It has a basket of business transactions that are derived from the uniqueness of each location.

# Physical / Financial Achievement Last 3 year

No	Particular	Unit	2016-17			2017-18			2018-19		
			Qty	Amount (Rs. in Lakhs)	No. of beneficiaries	Qty	Amount (Rs. in Lakhs)	No. of beneficiaries	Qty	Amount (Rs. in Lakhs)	No. of beneficiaries
1	Input sale (Cotton, castor oil, corn, grass, groundnut, vegetable)	Pkt / bag/ kg	16278	51.44	4300	12474	57.7	7500	15822	56	6800
2	Seed Production (Wheat, grass, groundnut)	Kg	69720	41.1	1300	125817	72.08	5150	132	58.04	4000
3	Organic fertilizer (Vermi compost)	Kg	95850	9.20	900	41750	6.83	650	540	2	250
4	Chemical pesticides	Ltr	2054	5.13	900	7419	9.61	900	7726	13.76	1100
5	Bio pesticides	Ltr	3747	5.30	600	870	5.1	400	4701	13	300
6	Equipment	Unit	8500	7.89	1157	340	1.44	350	1127	1.49	350
7	Retail outlet (grain, pulses, spices)	Kg	16400	4.32	350	16720	13.8	546	2200	5.58	557
8	Nursery	Nos.							-	-	-
9	Wholesale Selling of groundnut	Tone	102	436.87	780	3179	1432.06	1800	11	13	750
10	Cattle Feed	Bag	232	1.6	148	2529	19.97	780	2572	18.62	850
				<b>562.87</b>	<b>9835</b>		<b>1618.59</b>	<b>18076</b>	<b>34831</b>	<b>181.89</b>	<b>14957</b>

## Benefit to Farmer Up to March-2019 (Rs Lakhs)



# **DSC's role in incubating and nurturing Krushidhan**

# Institution Building and legal entity

**Need assessment** – key issues in input supply and price realization of major crops.



**Formation of Kisan Clubs (KCs)** and building their Capacity



**Awareness of Kisan Club Members** regarding need of an Apex Body



Share fee collection from Members of A Grade KCs



**Formation of Cluster level Committees of KCs**



**Capacity Building of staff members and Leader farmers** to successful FPOs across the country

# Institution Building and legal entity

Selection of Legal Form and Preparation of Bylaws ( Registration under Company Act)



Selection of Board directors from Cluster level Associations and registration of the Company



Identification of business activities and preparing one year business plan.



Developing Systems for Governance, Finance, Administration and Business Development



Formation of Sub-Committees (Grievance Redressal, Pricing, Business Plan and Review and Procurement



Initiate activities – input supply and marketing , packaging and promotional materials and MIS

# Motivating farmers for Financial contribution to the FPO.

- Share capital .
- Advance payment for procurement of inputs.
- Savings by Kisan Clubs for working capital.
- Partial support for administrative costs of Krushidhan outlets.

# Technical and marketing support to producer groups



- How to develop business plan
- How to prepare Quality product at field level
- How to make grading ,packing and marketing of Agri. Produce.



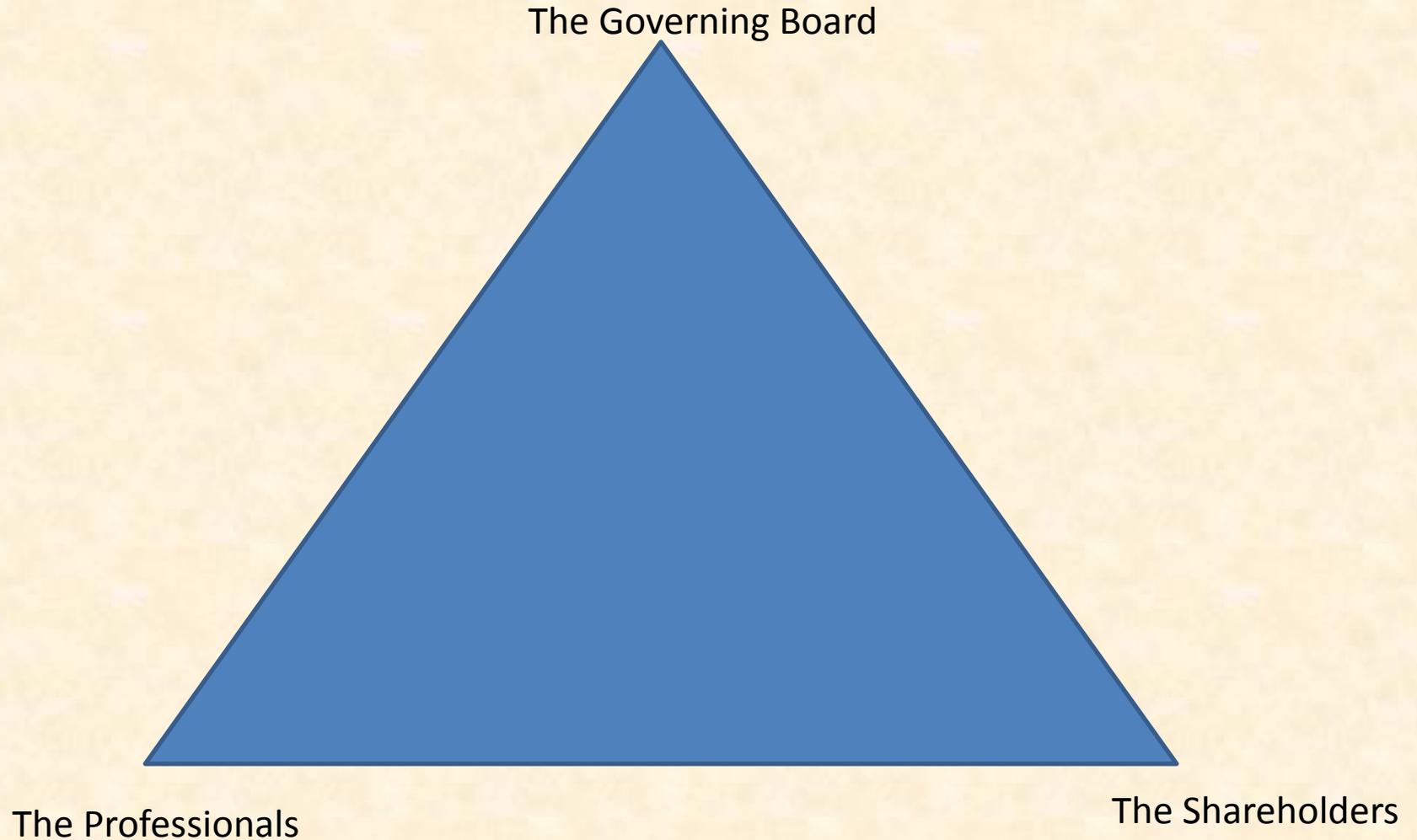
# Regular Cluster Association and Board Meetings



# Leadership Challenges

	Motive	
	Selfless	Selfish
Leadership skills – High	1	2
Low	3	4

# The Balancing Act



# Challenges contd...

- **Building ownership** of the members towards the FPO and ensuring that they continue to contribute towards its business.
- Farmers want inputs on credit and while they insist on cash when they are selling their produce. This becomes a major challenge for the FPO as it requires substantive working capital.
- **Mobilizing working capital** for scaling up its activities.
- **Difficult to balance different, often conflicting values** such as efficiency, equity, participation in a collective enterprise

# Capacity Building Support

- **Motivating farmers** to form Kisan Clubs, Cluster Federations and Producer Company.
- **Awareness** on selection criteria for leaders from Kisan Clubs and Cluster federations.
- **Exposure visits** to different Producer Companies in the country for facilitating farmer to farmer learning.
- Development of Bye – laws and Registration of the Company.
- **Ensuring regular meetings** of Kisan Club, Cluster level Federations and Governing Board.
- Developing a business plan.
- **Training** for cleaning, grading, packing, quality control and marketing.
- Development of promotional and packaging material.
- **Facilitating linkages** with input suppliers, aggregators, Government and banks.
- Development of financial, administrative and monitoring systems

# HR and Financial Support

- **Mobilizing funds** for HR and administration support of DSC for facilitating farmer's organisations at various levels.
- HR support to Krushidhan (about 13 staff members) at different levels.
- Revolving fund for input supply.
- Financial support for registration and legal compliances, capacity building and promotional activities.

# Key Learning

- Staff of facilitating agency needs to be oriented from “**service mode**” to “**profit mode**” which is not easy.
- Need to have a **mentor and champion** within the facilitating agency to guide the FPO for 3-5 years. In Krushidhan’s case this role was played by Shri Arvind Gupta and Mr Mohan Sharma, the current ED of DSC.
- Not enough just to invest in the business preposition but also **institution building of the FPO** – its structure, culture, values and systems.
- Agriculture enterprise becomes sustainable only if the **production system is sustainable** which itself is a big challenge in rainfed conditions and in the midst of climate change. It is therefore important to **integrate the business with NRM and agriculture extension services** .
- The FPO till it becomes a financially viable enterprise may not be able to do NRM & extension therefore the **facilitating agency needs to perform this role.**

# Key Learning contd...

- Since NRM, Extension and Enterprise require different skill sets important to have **requisite staff** and build their capacities.
- Initial 1-2 years need to focus on **institutional health** and **strength** of the FPO
- Initial years better to **mobilize internal sources of credit** rather than borrow from outside as it is costly and unviable.
- **MSP** may be a good opportunity for the FPO as it enables it to reach a larger number of farmers. However, a revolving fund, timely audit and payment of commission (1%) can make it more viable.
- Since an FPO has **social and environmental objectives** in addition to its economic objectives, it would not be fair to judge its performance solely on the basis of its turnover.

Thanks