

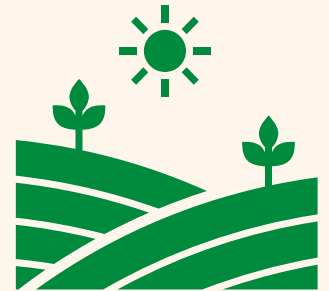


Key observations emerging from assessments/ ratings of Farmer Producer Organizations

(Based on M-CRIL's assessment of 30 FPOs commissioned by agencies including World Bank, Rabo Foundation and SMART Project, Govt. of Maharashtra)

Major commodities

Vegetables: Potato, tomato, others
 Fruits: Mango, litchi, watermelon
 Oilseeds: Soyabean, groundnut, coconut
 Pulses: Tur, green gram, black gram
 Grains: Paddy, maize, wheat
 NTFP: Lemongrass
 Dairy: Raw milk
 Poultry: *Kuroiler* chicken
 Crafts: *Sabai* based crafts (baskets, mats, bags)

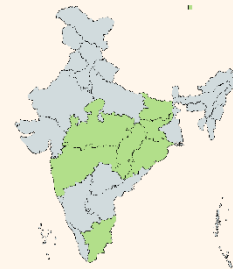


Average years in operation
Range 1.2 -5.9 years

Value added products of FPOs



FPOs engaged in the processing of Groundnut oil, coconut oil, chilli and turmeric powder, processed pulses, peeled garlic



States (FPOs)

Bihar (2)
 Chhattisgarh (1)
 Jharkhand (11)
 Odisha (2)
 Tamil Nadu (2)
 Madhya Pradesh (2)
 Maharashtra (10)

Key observations

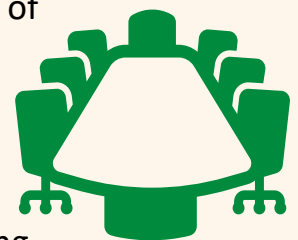
Business Model



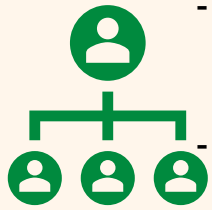
- At 12 of the 30 FPOs the contribution of agri-inputs to the overall business of the FPO is high (>80%) whereas at the remaining 18 FPOs agri-commodities are the main contributors to revenue (>90%)
- At 27 out of the 30 FPOs, payments to members are made by online bank transfers; at the remaining 3 FPOs, both cash and online bank transfers are used
- At vegetable based FPOs, direct selling in the retail market by smallholder producers is a major challenge
- Lack of adequate market linkages with institutional/large buyers limit the FPOs ability to get better prices; value realisation is also limited by a low level of processing

Governance

- The directors of these FPOs, in general have a good understanding of agriculture and the value chains relevant to their business
- Board meetings are held fortnightly at 17 of the 30 FPOs
- Board meeting minutes are in the local language and of reasonable quality
- Directors do not participate adequately in strategic decision making
- There is a need for greater orientation of the directors on business planning, operations and basics of finance



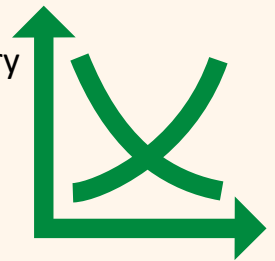
Management



- At 21 out of 30 FPOs, accounts are maintained in Tally and other details related to procurement, sale and producer members are recorded electronically and are of reasonable quality
- Of the 30 FPOs, 16 have at least a CEO and an accountant whereas at the remaining FPOs there is a lack of adequate staff and operations are managed with the assistance of directors
- At 18 of the 30 FPOs there is significant dependence on promoting organizations for managing operations of the producer companies and in taking strategic decisions
- These 18 FPOs are dependent on promoting/supporting organizations for meeting staff salaries and other operating expenses. The revenue grant support ranges from ₹5 lakh to ₹70 lakh (excluding the dairy FPCs where the revenue grant is about ₹6 crore)

Financials

- The average share capital mobilized by these FPOs is about ₹25 lakhs per year with the range being ₹4 lakh to ₹114 lakh per year (higher for the dairy companies)
- On excluding the revenue grant received by these FPOs, only 11 have achieved breakeven
- At 15 FPOs the Cost of Goods Sold (CoGS) is more than 90% of operational revenue for the respective FPOs



M-CRIL's expertise in the FPO domain

M-CRIL is a social enterprise that provides high quality professional services for the economic enhancement of the lives and livelihoods of low income families. Starting as a pioneer in the development of a rating framework for Microfinance Institutions (MFIs), M-CRIL has extended the principles of assesment/rating to FPOs and has so far rated 50+ FPOs.

Additionally, M-CRIL has promoted more than 50 FPOs, many dozens of farmer groups and cooperatives in India & elsewhere to assist small producers through improved economies of scale on both inputs & outputs and enhancing their bargaining power. For FPOs & farmer groups looking to strengthen business performance, our FPO assessment product covers: business model, governance, management, operating systems, demand supply & potential of value chains they operate in, financial reporting & performance as well as gap analysis. M-CRIL also specializes in FPO business plan development, dignostics and capacity building/ training of Board & management of FPOs.

M-CRIL's work is recognized the world over including by the Asian Development Bank (investor in M-CRIL), World Bank/IFC, CGAP, UNCDF, DFID, Swiss Development Cooperation, ACCION International, Economist Intelligence Unit and the Small Industries Development Bank of India (SIDBI) in addition to MFIs and other development partners in 34 countries.

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