



Key observations emerging from assessments/ ratings of Farmer Producer Organizations

Based on M-CRIL's assessment of 5 FPOs commissioned by Tamil Nadu Rural Transformation Project, TNRTP (Vaazhndhu Kaattuvom Project), Govt. of Tamil Nadu, India

Major commodities

- Grains: Organic Paddy & rice, millets, maize
- Oilseeds: Groundnut, coconut and sesame oil
- Pulses: Black gram, green gram, pigeon peas
- Fruits: Banana
- Dry fruits: Cashew
- Spices: Chilli
- Fertilizers: Bio-fertilizer and bio agri inputs, community farm school kits



Average years in operation



Range 1 - 9 years

Value added products of FPOs

- All FPOs are engaged in value addition & processing to the extent of 40-65% of raw material procured: these include paddy milling, processing of groundnut oil, coconut oil, processed pulses, cashew processing and preparation of various snack foods
- 4 FPOs have adequate activity & product diversification to be viable



Tamil Nadu (FPOs)



- Pudukkottai (1)
- Ramanathapuram (1)
- Virudhunagar (1)
- Tiruchirappalli (1)
- Cuddalore (1)

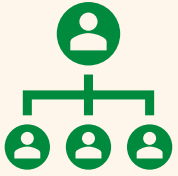
Key observations

Business Model



- At 3 of the 5 FPOs the contribution of agri-produce/commodities business to the overall business of the FPO is 100% whereas at the remaining 2 FPOs agri-commodities are significant contributors to revenue in the range of 54-80%;
- At all 5 FPOs, payments to farmers are through RTGS/NEFT in general; only 1 FPO uses both online and cash payment; but cash payment only for amounts <₹2,000;
- 3 FPOs have established various processing/value addition facilities from grant support and are thus able to produce value added organic products.
- At the cashew based FPO, many members sell raw cashews throughout the year in the open market to benefit from price escalation, posing a challenge to FPO procurement
- Challenges like intense price competition from local and regional markets, issues with product pricing, lower overall profitability, and a stagnant shareholder growth in most of these FPOs require strategic attention for their sustained growth.

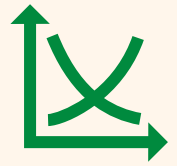
Management



- At all 5 FPOs, accounts are up-to-date and maintained electronically and other details related to procurement, sale and producer members are well maintained
- All FPOs meet their statutory compliances including return filing and other aspects largely on time
- All 5 FPOs have access to strong technical support from respective promoting agencies, technical support agencies, TNRTP and other institutions in managing FPO operations and in making strategic decisions
- The staff strength at all 5 FPOs was found to be inadequate, additional staff are needed mainly for product costing & pricing, marketing & sales
- At 3 FPOs, there has been high subsidization of management salary cost by other sources. The FPOs should aim at operating at an adequate margin to cover and manage their own employee and other operating expenses, going forward

Financials

- The average share capital mobilized by these FPOs so far is about ₹10 lakh with the range being ₹5 lakh to ₹16 lakh
- There has been good mobilization of funds, through grants, by all the FPOs as initial support & they have a good fixed assets base which can be leveraged optimally to further upscale their businesses
- On excluding the revenue grant received by these FPOs, 4 out of 5 FPOs incurred losses during FY 2022-23. Only 1 FPO managed to sustain a positive net profit over the last 3 financial years excluding grant
- At 4 FPOs, the Cost of Goods Sold (CoGS) is in the range of 87-103% of their respective operational revenues and at 1 FPO it is 72%



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 assessment/rating to FPOs and has so far rated 70+ FPOs across various Indian states.

Additionally, M-CRIL has promoted 67 FPOs so far, 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 and gap analysis. M-CRIL also specializes in FPO business plan development, diagnostics & capacity building/training of FPO Board & management.

M-CRIL's work is recognized the world over including by the Asian Development Bank (investor in M-CRIL), World Bank/IFC, CGAP, UNOPS, UNCDF, FCDO (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 35 countries.

For more details, contact: **Ashok Kumar, Executive Director**, Livelihoods & Value Chains at ashokkumar@m-cril.com

Please visit our website www.m-cril.com to learn more about us.