NICR

NCDEX Group Company

NABARD

kheti ke sikander

Success Stories of Farmer Producer Organisations (FPOs)

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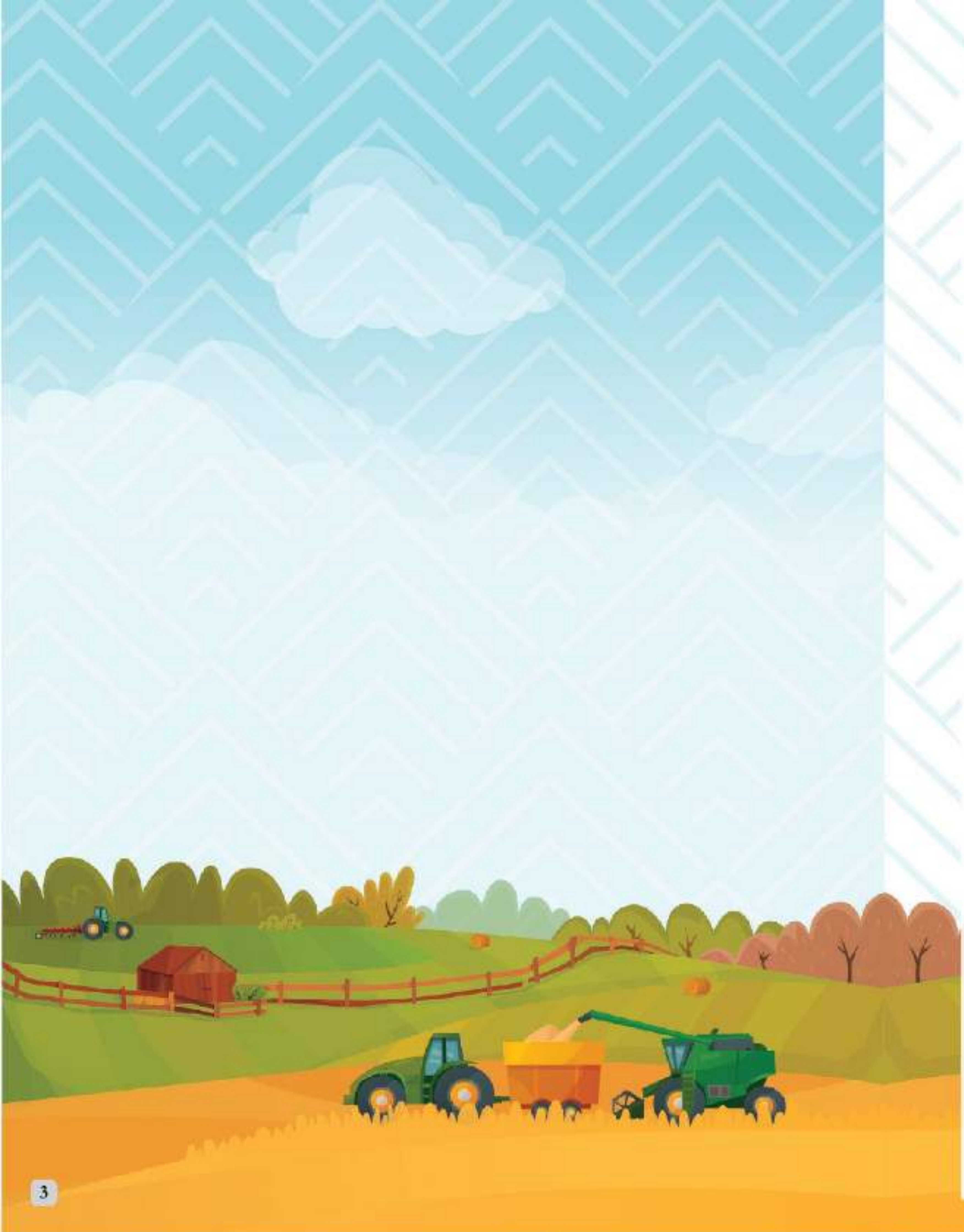
Foreword

Assured market linkage is one of the important challenges that the Farmer Producers Organizations (FPOs) are facing today, which calls for a major shift in the way, the marketing of agricultural commodities is regulated by the APMCs and other marketing channels. Given the focus of the Govt. of India on doubling of farmers' income by 2022, it has become imperative, not only to introduce strategic reforms in the APMCs, but also to promote e-marketing platforms, including trading on commodity exchanges, for better price discovery & efficient marketing systems, so as to enhance the share of primary producer in the consumers' spend. In this direction, the commodity exchanges have the potential to transform the existing marketing systems into more efficient, transparent and farmers' friendly to benefit large number of farmers, through appropriate awareness building on aggregation, value addition and linking them with electronic trading platforms.

Presently, about 250 FPOs are associated with commodity exchanges, mainly NCEDEX, of which, only one-third are actively trading on the exchange platform. Linking FPOs with commodity markets is essential to enhance the level of interaction and connectivity with National and Global markets, retailers, exporters and bulk buyers, etc., in order to enable them realize optimal returns to their produce. While the NCDEX facilitates participation of FPOs in Future's market, the NCDEX e-Markets Limited (NeML) facilitates FPOs through the spot market. "Kheti Ke Sikandar", is an effort to document some of the success stories/initiatives of FPOs, which are engaged in future's trading from various states.

I am sure this booklet will serve as a source of useful information to the stakeholders on the efforts, strategies and the activities taken up by the FPOs in trading on future's platform and will also inspire other FPOs to adopt the successful business strategies in transforming them as commercially viable agribusiness enterprises.

GR Chintala
Chairman
NABARD
Mumbai



Special Message

Agriculture is the primary sector of Indian Economy as more than half of its population relies on it as a principle source of income. However, with around 80% of farmers being small and marginal ones with around 1 hectare or smaller land size, it becomes difficult for them to reap the economy of scale both for their input purchases as well as for the sale of their produce. For farmers, management of the output side of the agricultural system has always been a great challenge. Moreover, as the marketable surplus of a farmer increases, the access to efficient markets become more crucial. Over the last couple of years, Farmer Producer Organisations (FPOs) have emerged as a viable solution to various challenges pertaining to smallholder farmers. Seeing the success of FPO model, the Government has set a target of promoting 10,000 FPOs by 2024.

Through FPOs, farmers have found a new ray of hope in managing their price risks using commodity derivatives market. Further, access to derivatives market has been able to play a crucial role in helping them make informed decisions, compare the physical and derivative markets and choose the better one to sell their produce. Farmers across the country have slowly but steadily getting connected to commodity derivatives market. Since 2016, NCDEX alone has been able to connect around 250 FPOs across 13 states representing over 4.5 lakh farmers. Many of them have already used commodity futures to hedge, lock the prices of their produce, and used their produce kept in warehouses as collaterals for easier access to institutional credit.

To increase farmers' income by taking advantage of market opportunities requires them to become better decision-makers in the competing environment. This necessitates a need for equipping the farmers with knowledge of the benefits of collective farming/purchase/sales along with new age markets such as derivatives market at a large scale to enable farmers take appropriate farm management decisions and to adopt modern technologies.

NCDEX Institute of Commodity Markets and Research (NICR), in association with National Bank for Agriculture and Rural Development (NABARD), India, made an effort to capture the Success Stories of FPOs through this booklet. It is a compilation of handpicked stories of 24 FPOs, few of them are women managed, who have successfully overcome the challenges of small-scale agriculture and made it profitable through their entrepreneurship abilities.

I trust this booklet will not only facilitate farmer-to-farmer learning but also inspire thousands of budding FPOs in building a successful enterprise.

Vijay Kumar
Managing Director & CEO
NCDEX
Mumbai

Preface

India is one of the largest producers of many agricultural crops in the world with a continuing upward trend in agricultural production over recent years. This becomes more significant with the fact that most of this production comes from small and marginal farmers. However, these farmers are often prone to various risks and uncertainties both during pre-production as well as post-production.

While pre-production risks, up to a certain extent, can be managed through crop insurance, Minimum Support Prices (MSPs) are meant to safeguard them from post-production risks. However, due to constraints of MSP being not available for all crops and across geographies, it becomes difficult for farmers to manage their post-harvest price risks.

Commodity derivatives serve as an efficient tool to manage post-harvest price risk. Still, small and marginal farmers often find it difficult to use this new age digital platform of derivatives due to various reasons viz., the small size of production, quality and lack of awareness.

Concept of Farmer Producer Organisations provided a fillip through collectivization of produce and managing price risks on behalf of the farmers through commodity derivatives market. Since 2016, NCDEX alone has been able to connect around 250 FPOs from 13 states with futures platform. Hundreds of these FPOs have already used the Futures platform to hedge the price risks in 17 commodities. Many of these FPOs also participated in delivery through exchange-approved warehouses.

Increasing farmer incomes by taking advantage of access to newer markets such as NCDEX's require them to become more aware of the market access and prevailing prices. This awareness also helps them become better decision-makers. NCDEX has been facilitating awareness among member FPOs through training programmes across the country on a continuous basis. Besides, around 60,000 farmers are registered for futures price dissemination through SMS.

I hope the stories of FPOs who successfully managed their post-harvest price risks using commodity derivatives will not only serve as true inspirations for other FPOs but also help them overcome their fear about derivatives market.

Aleen Mukherjee
Chief Operating Officer
NICR
Delhi

Challenges and Issues in Building Robust FPOs and Support provided by NABARD to Farmers Producers Organisation (FPOs)

Background

Small landholding based agriculture is increasingly becoming unviable due to continued fragmentation of landholdings and disorganization. Small & marginal farmers, which constitute around 85% of the landholdings, are unable to enhance productivity, add value to their produce and realize optimal returns from their marketable surplus mainly on account of low scale of operation, lack of access to public resources, quality inputs, modern technologies and assured markets and poor bargaining power. In this backdrop, collectivization of agricultural produce through the membership of Producer Organizations has been considered to be one of the effective means of linking the small and marginal farmers/producers with the agricultural value chain for the purpose of enhancing their net income.

Presently, there are around 6000 FPOs in the country, which were promoted by SFAC, NABARD, State Govt. departments, NGOs and other promoting organisations. Field evidences indicate that around 20-25% FPOs have benefited mainly in terms of improved access to credit, quality inputs and assured markets, which has led to enhanced income to the members by way of eliminating the intermediaries, reducing cost of cultivation through bulk sourcing of inputs and diversifying the business activities, in tune with the market demand. However, assured market linkage has been one of the important challenges that the FPOs are facing today, which eventually calls for a major shift in the way the marketing of agricultural commodities is regulated by the APMCs and other marketing channels.

Given the focus of the Govt. of India on doubling of farmers' income by 2022, it has become imperative not only to introduce strategic reforms in the APMCs but also to promote e-marketing platforms including trading on commodity exchanges, for better price discovery & efficient marketing systems so as to enhance the share of primary producer in the consumers' price. In this direction, the commodity exchanges have the potential to transform the existing marketing systems into more efficient, transparent and farmers' friendly to benefit large number of farmers through appropriate awareness building on aggregation, value addition and linking them with electronic trading platforms.

Business Activities of FPOs

The FPOs are involved in production and marketing of commodities like cereals, pulses, spices, jaggery, vermicomposting, onion, fruit, vegetables, certified seeds, etc. Most of the existing FPOs are undertaking bulk procurement & distribution of inputs and aggregation/ marketing of agricultural commodities including horticultural produce. The major commodities in which FPOs are engaged include, paddy, maize, pulses, turmeric, groundnut, wheat and dairy milk. Horticultural commodities are mostly fruits, vegetables, spices and honey. Besides, some of FPOs in Assam, NE states and Kerala are undertaking production, processing and marketing of tea & coffee.

Challenges and Issues in Building Robust FPOs

Some of the studies commissioned by NABARD have clearly established the positive role of FPOs in terms of increased net income of farmers through informed decision making, improved access to inputs and agro-services, institutional credit, marketing facilities and enhanced efficiency in the farming operations. However, there are challenges and policy gaps in the ecosystem. The important challenges and confronting issues in building sustainable FPOs, are as under:

a) Lack of technical Skills/ Awareness

Inadequate awareness among the farmers about the potential benefits of collectivization & non availability of competent agency for providing handholding support are the major constraints in the rural areas in promoting strong FPOs. Further, there is lack of legal and technical knowledge about various Acts and Regulations related to formation of FPOs and statutory compliances thereafter.

b) Lack of/ Inadequate Professional Management

Farmers' Organizations are required to be efficiently managed by experienced, trained and professionally qualified CEO and other personnel under the supervision and control of democratically-elected Boards of Directors. However, such trained manpower is presently not available in the rural space to manage FPO business professionally.

c) Weak Financials

FPOs are mostly represented by SF/ MF with poor resource base and hence, initially they are not financially strong enough to deliver vibrant products and services to their members and build confidence.

d) Inadequate Access to credit

Lack of access to affordable credit for want of collaterals and credit history is one of the major constraints, the FPOs are facing today. Further, the credit guarantee cover being offered by SFAC for collateral free lending is available only to Producer Companies (other forms of FPOs are not covered) having minimum 500 shareholder membership. Due to this, large number of FPOs particularly those, which are registered under other legal statutes as also small size FPOs are not able to access the benefits of credit guarantee scheme.

e) Lack of Risk Mitigation Mechanism

Presently, while the risks related to production at farmers' level are partly covered under the existing crop/ livestock/ other insurance schemes, there is no provision to cover business risks of FPOs.

f) Inadequate Access to Market

Marketing of produce at remunerative prices is the most critical requirement for the success of FPOs. The input prices are largely fixed by corporate producers. The cultivators loose through the complex gamut of market processes in the input and output prices. There are more market opportunities; if FPOs can identify local market needs of the consumers and have tie-up for sale of its produce. The linkage with Industry/ other market players, large retailers, etc. is necessary for long term sustainability of FPOs.

g) Inadequate Access to Infrastructure

The producers' collectives have inadequate access to basic infrastructure required for aggregation like transport facilities, storage, value addition (cleaning, grading, sorting, etc.) and processing, brand building and marketing. Further, in most of the commercial farming models, the primary producers are generally excluded from the value chain.

Strengthening Ecosystem for FPOs

A congenial ecosystem is a must for development of producer organizations because they have to deal with the most vulnerable part of agri-value chain, which starts from the farm and goes on till processing and the far-away markets. In order to build a sustainable FPO, favourable ecosystem is needed besides certain policy reforms particularly in the agricultural marketing systems.
Some of the critical ecosystems include:

(a) Policy Environment-Risk mitigation, licensing, agri-logistics, infrastructure arrangements, contract farming, compliances, etc.

(b) Technology Support- Extension service, advisory, value addition, processing & marketing, etc.

(c) Consumption/ production/ post production credit support- Banks/ financial institutions, NBFCs, Government institutions, Developmental Agencies, Corporates, etc.

(d) Retail services/ Markets- Quality inputs, retail marketing, spot markets (eNAM, APMC), future's trading (NCDEX), linkages with agri corporates, exporters, direct marketing, etc.

Graphical presentation of the Ecosystem requirement

Support provided by NABARD

To give a boost to collectivization of agricultural produce, NABARD during 2008-09 designed a financial product to support various types of farmers' collectives and extended need-based loan cum grant assistance mainly through community based organizations. Considering the positive outcome of such initiative in terms of improved access of farmers to quality inputs, technology and markets, resulting in more optimal use of financial and natural and increased income of farmers, NABARD created a dedicated Producers Organization Development Fund (PODF) during 2011-12, for creating and demonstrating innovative financing models to facilitate mainstreaming of such a funding mechanism with the banking institutions for achieving larger outreach. Besides providing credit facility, NABARD initiated promotion of new FPOs out of PRODUCE fund created by Govt. of India and also by leveraging its own resources available under various promotional and developmental programmes. Over the years, NABARD has emerged as a leading organization in promotion and nurturing of FPOs as also in facilitating creation of appropriate ecosystem for sustainable growth of FPOs through partnership building and policy advocacy. Presently, more than 4000 FPOs have been promoted by NABARD out of around 6000 FPOs formed by various organizations including SFAC, state government departments and development agencies/ NGOs, etc.

Since adequate social capital building, robust organizational design, financial resources, professional manpower and continued handholding support to emerging FPOs are critical for their growth as sustainable commercial enterprise, NABARD took the following successful initiatives with support of key stakeholders.

- Designed customised training courses & contents and organising capacity building/ training programmes for Board of Directors and CEOs of FPOs, Resource agencies, financial institutions and other stakeholders through Bankers Institute of Rural Development (BIRD), Lucknow and other reputed organisations.
- A dedicated web portal has been created and FPOs along with profile of shareholder members have been digitised for performance monitoring and creating a centralized data base on FPOs and also for fostering partnership and market linkages.
- NABKISAN Finance Ltd., a subsidiary of NABARD has been strengthened to innovate life-cycle based financing products and provide credit facility to FPOs on affordable terms. To provide lending comfort to its subsidiaries and mitigate the credit risks, NABARD introduced a credit guarantee product for accelerating flow of credit to FPO sector.
- Liasioning with banks, State Government Departments through State Level Consultative Committee (SLCC) and State Level Bankers' Committee (SLBC).

Need for Linking FPOs with assured Market

Agricultural marketing system is witnessing rapid social, economic, technological and policy level changes, all aligned towards linking the primary producers with the markets, mainly for unlocking income opportunities for farmers, particularly small producers. Though the emergence of FPOs has created appropriate platform to build the scale and enhance bargaining power of the member producers, linkage with the markets and price discovery systems continues to be a weak area. In the absence of assured market linkage, FPOs find it difficult to compete in the formal markets and remain unwilling to take risks in increasing production or adding value for improved marketability. Therefore, there is a need to make substantial investments for creating innovative and cost effective platforms to connect FPOs to the regulated markets as also to private markets, big retailers, commodity exchanges and Corporate markets. In this direction, as announced in the Union budget 2017-18, the Govt. of India envisages integrating the farmers/ collectives with agro processing units for better price realization and reduction in the post-harvest losses, besides bringing regulated mandis on the electronic National Agricultural Market (e-NAM) platform.

Linking with Commodity Exchanges: Current Status

Presently, around 140-150 FPOs are associated with the commodity exchanges mainly NCDEX, of which only one-third are actively trading on the exchange platform. Linking FPOs with commodity markets is essential to enhance the level of interaction and connectivity with National and Global markets, retailers, exporters and bulk buyers, in order to enable them realize optimal returns of their produce. While the NCDEX e-Markets Limited (NeML) facilitates FPOs in buying/ selling of the farmers' produce through the spot market, the NCDEX facilitates participation of FPOs in Future's market using its trading platform. NeML is currently working with more than 60 FPOs benefitting over 28000 farmers mainly in the states of Maharashtra, Gujarat, Rajasthan, Karnataka, Andhra Pradesh and Madhya Pradesh and the NCDEX is assisting the FPOs to benefit from the futures trading by way of managing the market relate risks.

Critical Issues in Linking of FPOs with Commodity Exchanges

Some of the policy/ operational issues involved in trading on the commodity exchange platform, are as under;

• The process of opening trading account is very lengthy and cumbersome for the FPOs. Therefore, while there is a need to build the capacities of FPOs on various aspects of trading on electronic platform including quality control system, the account opening process needs to be simplified by NCDEX.

• Adequate infrastructure for grading, sorting, weighing, moisture content measurement and storage facilities at FPO level is required to be supported by the Exchanges or State Govt.

• The Delivery Centers created by the Exchanges are mostly away from the production centers and hence, the FPO incurs huge expenditure towards the transportation of produce which, is a drain to its net income.

• The validity of trading account is generally 6 months only from the date of its first transaction. Since the agricultural commodities are basically season based, the validity period needs to be extended to minimum two crop season.

Possible Way forward

Building of robust FPO movement requires mass awareness creation among farmers/ various other stakeholders and initiating critical reforms to strengthen the FPO ecosystem, as suggested below:-

• Based on National policy of DAC & FW, State Governments may adopt appropriate policy to support and strengthen FPOs so as to make them a self-sustaining and commercially viable business enterprises.

• Strengthening rural agri-marketing infrastructure, promoting unified market for agri produce and enabling FPOs market their produce directly to the consumers/ bulk-buyers, without payment of mandi fee. FPOs need to be linked to Gramin Agri Markets (GrAMs) for its operation and management.

• The system of issuing various licenses required for undertaking business activities by FPOs may be simplified to make it a single window state-wide license.

• With a view to increasing farmers' participation in agri exports, APEDA may identify suitable clusters of production, processing and export of potential crops through FPO route and provide necessary infrastructure & handholding for ensuring consistency in quantity, quality and traceability of exportable agricultural commodity.

Savitri Gaur

Samriddhi Mahila FPC

Jaipur
April 2017

"Women like me now are self-sufficient and feel empowered. We now exactly know what to do with our post harvest crops to earn a better price and thus a better livelihood andmost importantly, respect from all. We started with 10 MT of soyabean crop that we traded on the Exchange platform and that has fetched us good profit, thanks to the futures prices."

kheti ke sikander

Savitri Gaur hails from Khatkar, a small village, in Bundi district, 65 kms away from Kota. A couple of years ago, she like many women from her village shied away from talking to strangers. With the ghungat covering her face, she was one of the many faceless women toiling her farms. In 2009, thanks to Srijan – an implementation and support agency working in the region, she became part of a Self-help group of women farmers which worked on increasing productivity of Soybean, graduated to becoming an extension service provider and commenced on a journey of educating, training and rallying around other women farmers to, today leading a farmer producer company - Samriddhi Mahila Crop Producers' Co. Ltd as a Chairperson. This company comprises of 2310 women farmers from the area, who primarily grow Soybean, Urad, Wheat and mustard seed.

Set up in 2011, the FPO focussed on marketing the produce of its members, through a tie up with Bunge. 2015 was extremely challenging for the FPO, two successive crop failures due to poor monsoon meant rising bad debts and huge losses for the FPO. Undeterred, Savitri walked from field to field, motivating the farmer members, persuading them to pay back their loans, showing exemplary leadership qualities. Ever enthusiastic about learning new things and adopting new technologies, she was extremely excited about the prospects of using the Exchange platform to mitigate the risk of volatile prices. She along with her co-members took keen interest in understanding the futures instrument.

Ably supported by Srijan, in September 2016, they did a pilot trade, selling 10 MT of soybean November contract and delivering the same on the Exchange platform. Subsequently, they hedged 40 MT of mustard seed April contract. These pilot trades gave them the confidence of the trade cycle and also helped them understand the requirement of aligning the quality of their produce with that outlined by the Exchange contract specifications. With the availability of this tool, the FPO members are now more confident of the forthcoming marketing season.

Investments in spiral graders, training farmer members on quality testing and sorting produce, to ensure better value for premium quality of produce are now a norm at Samriddhi. And checking NCDEX prices on her phone is a way of life for Savitri Gaur. From a nondescript village in Rajasthan to sharing her experiences at national seminars across the country, it has indeed been a rewarding journey!

Kiran Devi

Aranyak Agri Producer Company Limited

Bihar
May 2017

"We track futures prices on our phone daily. Not only did we get good profit by selling maize on the exchange platform but were also able to give about Rs. 50 per quinntal as a bonus to our farmer members."

kheti ke sikander

A decade ago, Kiran Devi and her husband had to depend on daily wage labour to feed their family of four children. Infertile land and rising debts taken from the local moneylenders had left them feeling hopeless about their future. It was then that Kiran Devi came across a woman worker from a Self Help Group (SHG) talking to her neighbours about the benefits of forming an SHG. Finding a ray of hope in her words, Kiran Devi instinctively took the plunge, got together fifteen women from the neighbourhood and formed an SHG. A single step that opened up a new world for her.

From small beginnings, today she is a board member of Aranyak Agri Producer Company Limited (AAPCL), a Farmer Producer Company promoted by JEEViKA in Bihar. Since 2014, the company is getting a helping hand from TechnoServe, a global non-profit, who provides technical assistance as well as handholding support, and helping the company in creating an efficient and thriving maize value chain in the Purnea-Katihar zone. Today, her FPC, which comprises of close to 3000 women farmers, focuses on collective aggregation and marketing of its member farmers' produce including Maize, Wheat, Potato and other vegetables. TechnoServe also brought in NCDEX, a nation-wide commodity exchange, which helped the FPC store maize in the exchange-accredited warehouse and sell it either directly to institutional buyers or to traders through the futures platform, thereby helping more than 800 farmers achieve nearly 20% higher returns for their produce. Not only is this helping farmers in higher price realization, but also in getting access to finance as they now have a proven credit history. Oppressed at the hands of the moneylenders for years, this has been hugely liberating for the farmers, who no longer shed tears of worry over their daughter's marriage or medical emergencies in the family.

For Kiran Devi, this journey has not only been fulfilling as a farmer, but has also given wings to the entrepreneur in her. She was quick to recognise allied business opportunities and procured a grain milling machine by taking loan from bank, and now offers flour milling services to her neighbourhood. This helps her to augment her income. Encouraged by its success, she recently bought a tractor using bank finance and leases it to the company to transport maize from nearby villages to Gulabbag mandi.

Not one to rest on her laurels, she has taken it on herself to help other women farmers. And is involved in training farmers in other states apart from Bihar. Sitting outside her modest home in a far flung village in Bihar, Kiran Devi had never imagined she would one day be a role model for other women of her community. For someone who never stepped out of her own village, being an inspiration for women around her and travelling to teach farmers in Rajasthan, Assam, Uttar Pradesh and Jharkhand is like a fairytale indeed!

Lal Devi

Chairperson
Aaranayak
Jeevika FPC

June 2017

"The 1,000 tonnes of maize that we sold in aggregation in the futures market have safeguarded us from the perils of price fluctuation. Now the unpredictable rise and lows in prices don't affect us as we have protected our earnings by opting to trade on the futures platform."

kheti ke sikander

Ten years ago, anybody who visited the village of Damgara in Purnea district of Bihar, would have chanced upon Laldevi - a non-descript woman farmer - toiling in her 2 bigha land under the harsh sun. Circa 2017, she is a confident agri entrepreneur farmer who is the chairperson of Aranyak Agri Producer Company Ltd., leading a group of 2,601 women farmer members.

Joining a self-help group (SHG) in 2007, she became one of the 12 members of the group who was involved in procurement of seeds, fertilizers and other inputs for farmers. The SHG members grew in number to form a registered farmer producer company (FPC) of 500 members, with an initial equity contribution of Rs. 200 per member.

Initial forays into procurement of seed inputs were not very successful and the FPC almost became defunct. Not one to let status quo prevail, Laldevi shared her grievances with JEEViKA officials in Patna and sought professional help. As if in answer to her prayers, help came in the form of TechnoServe who partnered with JEEViKA to provide technical assistance to the FPCs promoted in the state.

In 2015, with JEEViKA and TechnoServe's support, her FPC procured more than 1,000 tons of Maize, which was collected from the farmer members of pre-identified producer groups (PGs), at their doorsteps. Having experienced the benefits of aggregating their produce, Laldevi and her fellow members took the first tentative steps into the world of futures.

Starting with hedging small lots on the Exchange platform, last year, almost 30% of the produce was hedged on NCDEX, with improved realizations of 15-20%. This year has seen a big ticket scaling up of operations. As much as 13,850 tons have been procured and around 940 tons have been hedged so far.

There is also a huge shift in the quality consciousness among the farmers who are now aware of exchange standards and are keen to align their produce with it. They have also been able to break out of the shackles of local moneylenders who would use their financial clout to squeeze extra interest on the money they lent to them. Today Laldevi and her members enjoy the financial freedom that cheaper access to institutional finance provides them.

Life has taken a complete 360 degree turn for this feisty mother of four boys. Never having stepped out of domestic chores in the house, today she has her hands full. Addressing groups of farmers, chairing meetings with government officials, sharing her experiences with the regulator. All this and more is just any other day's job for her!

Dipak Pandurang Chauhan

Farmer
Sultanpur,
Aurangabad

July 2017

kheti ke sikander

It's a story of reverse migration where a young man moved out from his village in search of a great job after taking Master's degree in Chemistry. His search born fruit and he got a lab technician job with a well renowned pharma company in Goa. Dipak Pandurang Chauhan, the young man with hundred dreams, began his new life with a handsome salary and glamour scattered all around. But having his roots deep into an agrarian family, each time when he visited his home back in Sultanpur, situated around 50 kms away from Aurangabad, he thought why his family and villagers are still a sad lot. Why he always returns Goa back with all gloomy stories of low production, distress sales and low prices. Then after around 3 years of lab job, he finally decided to return back to his village and do something which could change the rhetoric of farm stories from his village.

He returned back and with all his knowledge and savings, started introducing new technologies right from sowing up to harvesting. He started using drip irrigation, soluble fertilizer usage through drip, bed preparation before sowing etc. Ginger and Maize were his main crops where he witnessed bumper increase in production as a result. The production of Ginger went up to 120 qts. per acre from around 50 qts. Many other farmers also started following the tips and got benefitted immensely.

But Dipak Pandurang Chauhan's job was not done, or better say only half done. Even after he got favourable results on the front of productivity, the post-harvest management was still out of his bounds. Then with due research and consultation, he decided to form a farmer producer organization (FPO). He contacted a RI (resource institution) and established Swaroop Shetkari Sangathan 2 years ago. And having got a FPO in place, he was able to get some funds from World Bank with the help of his RI. The FPO got a cleaning-grading facility built using the fund in addition to their own. Now the FPO procures commodities from its member farmers and sells the produce after cleaning, grading and then packaging.

In the quest to get better prices for self and his farmers, Dipak Pandurang Chauhan got to know about NCDEX future platform, where he could sell maize. So, last year his FPO sold 10 MT of maize procured from its member farmers on future platform.
The procurement was done on Rs. 1350/- quintal when the prices were Rs. 1300/- in mandi. And then as a pilot project, the FPO sold one lot of maize at Rs. 1420/- at NCDEX platform. With the experience of last year, Swaroop FPO is now planning to play big on exchange. The FPO has a target of 2000 MT maize procurement and depending on the prices at NCDEX future platform, it plans to hedge bigger amount.

Ramjilal

Shri Devnarayan Gram Swaraj Samiti

August 2017

kheti ke sikander

Riding the prowess of an organisation

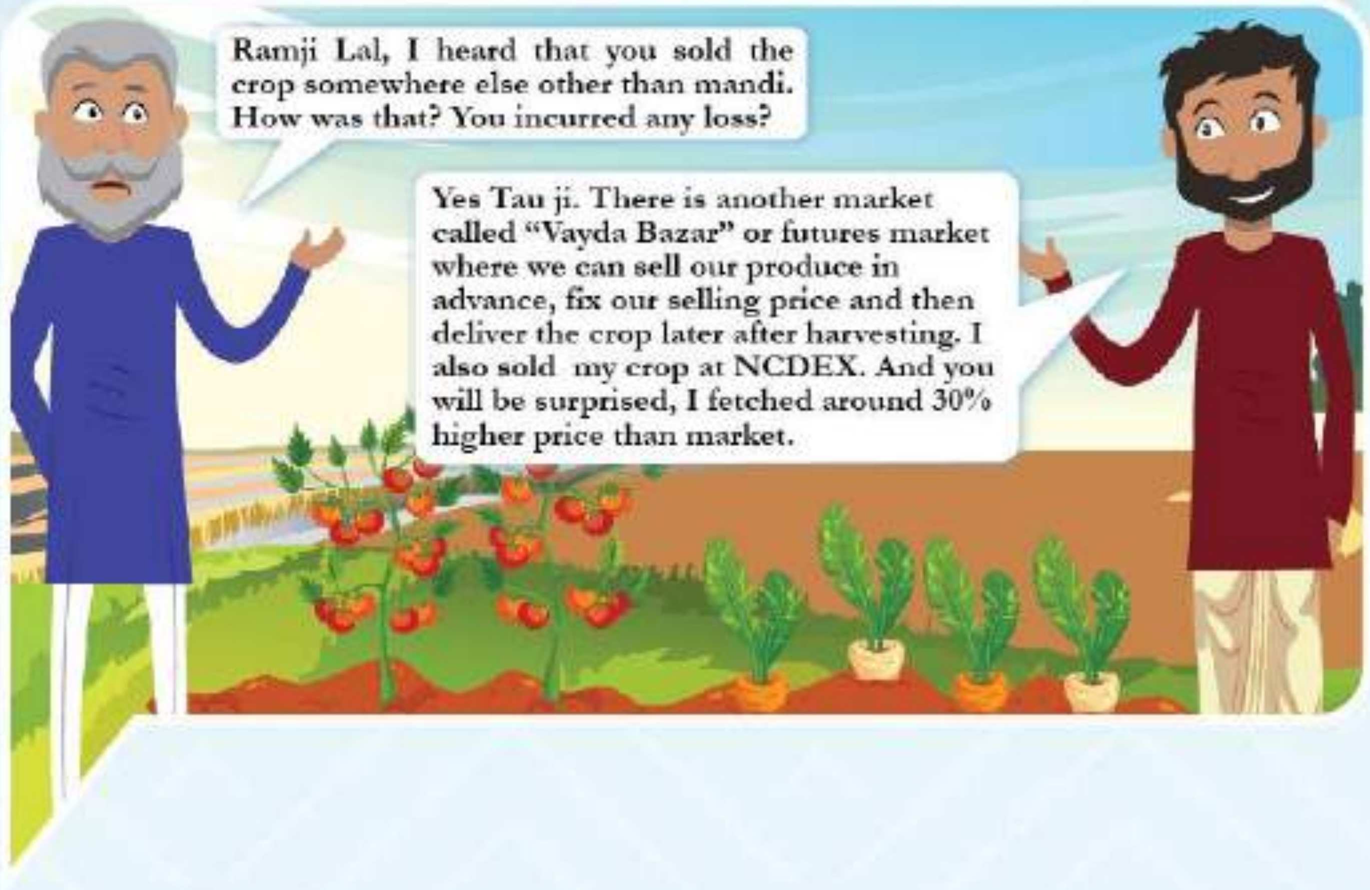
Ramjilal was a no special farmer up until some 5 years back. An epitome of a typical Indian small farmer, his life was a tale of continuous struggle to meet the ends for self and his family. With 7 stomachs to feed on a single hectare of land, Ramjilal cultivated crops like pearl millet, wheat, barley and mustard, but only to fetch around Rs. 20,000 in return for his full year of investment and labour. So very often, usually for 3-4 months twice a year, he would visit Bikaner working as a daily wage labourer, earning Rs. 50-60 K per annum. Apart from his agriculture and labour activities, he was rearing some goats too which rendered him an additional income of Rs. 25-30 K. Thus with all these efforts he was able to earn around Rs.1 lakh per annum for fulfilling needs of his 7 family member household.

Obviously, his livelihood struggle needed some solid base to take off in order to provide his family a economically well off and socially respectable life. And that much-awaited flip came in 2012 when Ramjilal got in touch with 'Shri Devnarayan Gram Swaraj Samiti – Chainpura', a village based organization dedicated to the social welfare of villagers. Under the umbrella, he started to learn new ways of cultivation in the form of bunding, to protect his farmland from soil erosion during rainy season, levelling of undulated land, laying pipeline to ensure irrigation in his land, using pond silt to increase the soil fertility and most importantly fencing to provide safeguard to crop from the attack of wild animals. Such initiatives and their subsequent impact boosted Ramjilal's confidence as he embarked upon various training & exposure sessions on vegetable cultivation. He gradually began getting more income from the same tract of land he had and during 2014-15, he managed to earn Rs. 3.73 lakh with the cultivation of vegetables like Peas and Ridge Gourd. The net profit earned was Rs. 2.9 lakh which was a clear 200% increase over 5 years. Rising income and his journey from penury to contentment rose his spirit to the level where he started playing a guide and philosopher to his peer farmers.

Says Ramjilal - "Sir, pehle ghar chalane ke liye majduri karna padta tha aur mathe par loan bhi tha par ab sabzi badi karne se kamai badi toh ghar me kuch suvidha badi aur samaj me maan samaan bada. Ab mere bachche aur bahu achchhi padhai kar rahe hai" (Sir, earlier I did labour and was under a loan to run my household, but now after starting vegetable cultivation, I have not only secured more facilities for my family but also earned respect in the society. My children and daughter-in-law are getting better education now).

But the zenith was yet to come. Through Shri Devnarayan Gram Swaraj Samiti, he became a member of an FPO called 'Jamwa Ramgarh Krishak Producer Company Limited'. With guidance and mentorship from Reliance Foundation, the FPO, this year used NCDEX Futures platform to augment income for its member farmers. Ramjilal had 10 quintals of barley in his possession for which the trending mandi price was Rs. 1,100 per quintal. However, Ramjilal sold his produce to the FPO at Rs. 1,300 (spending Rs. 100 per quintal on transport), the FPO in turn sold 20 tonnes of barley on NCDEX platform at Rs. 1,600 thereby fetching Rs. 400/- or 30% more realization than the open market.

Ramjilal is no more a prototype of any normal Indian farmer's melancholic face. Rather his story has everything that an Indian smallholder farmer may look up to for inspiration. After achieving this feat, Ramjilal has now become a light house for hundreds of farmers in and around his village.



Apni Saheli FPO

Dholpur, Rajasthan

September 2017

kheti ke sikander

Making Dholpur a 'Center Of Development' through Farmer collaboration

The princely town of Dholpur in Rajasthan has a yet another reason to get mentioned among policymakers. On the national developmental map, it is infamously a part of the 100 most backward districts on one hand and on the other hand it occupies 30th place in the human development index among 33 districts of Rajasthan. It is here that the farmer movement has been changing the agri-landscape rapidly in the past few years. Under the aegis of a non-profit organisation – 'Manjari Foundation', around 4,500 farmer Self-Help Groups (SHGs) have been promoted in the districts with each group consisting of around 10 to 15 women farmers. It is from these SHGs that are in the form of village organisations and clusters that the Farmer Producer Organisations (FPOs) are formed. While at a broader level, these SHGs are working as a co-operative for the purpose of low-cost lending for its members, apart from equipping them with requisite training in the cultivation process, FPOs such as – 'Apni Saheli' are working towards the forward integration too, firstly by doing crop procurement from the member farmers and then helping them establish linkages with the Futures market for selling of their produce at a better rate. Thanks to such training modules, these member women farmers have not only succeeded in increasing the productivity of their crops mainly that of mustard and bajra by around 60-70 per cent, but have also succeeded in lowering their cost of production. This has empowered these women farmers and have given them a confidence booster. The Apni Saheli FPO, in its 4th year of existence has expanded its scope of work from dairy, vegetables, crop procurement right up to fisheries and goat farming. Currently, with its 1,800 stakeholders, the FPO is planning to expand its member base to all 54,000 women farmers of the SHGs. To achieve this feat, Apni Saheli is working towards changing its by-laws that will empower its stakeholders constituting of 12 federations, having around 4,500 SHGs.

To let its members taste the fruits of **modern marketing tactics**, the FPO has already begun connecting with some online aggregators from the private space. To sell their vegetables in Delhi, Apni Saheli is in talks with start-ups such as - Sabziwala.com and Big Basket. The FPO has also made plans to sell their member produce using the regulated Futures market platform of NCDEX. "We have procured around 600 quintals of mustard from our member farmers at an average cost of Rs. 3,430. The accumulated payment done to the farmers is Rs. 20 lakh. Having deposited the crop in a warehouse, we are in talks with NCDEX to sell them" opined Mr. Sanjay Sharma, Head of Manjari Foundation.

Mr. Sharma further mentioned that the FPO was keeping a close eye on NCDEX RM seed prices and hopes to off-load stock when the prices will reach around Rs 4,000 - 4,100 per quintal stage. He claims that, at those prices, each farmer who has contributed with her/ his produce in the procurement will get additional Rs. 200 - 250 per quintal post sale. With such concerted efforts and innovative practices, the FPO along with the SHGs have already achieved what the central government is striving to do in the next 5 years. The household income for most of the women farmers has increased by 70-100% in the last 3-4 years. And the best part of this inspirational story is that this **farmer collaboration movement** is far from its saturation point and is eyeing many more milestones to achieve.

Rajeshwar Farmer Producer Company Limited

Banaskantha, Gujarat
October 2017

kheti ke sikander

Reaping benefits of 'Futures' in an arid land

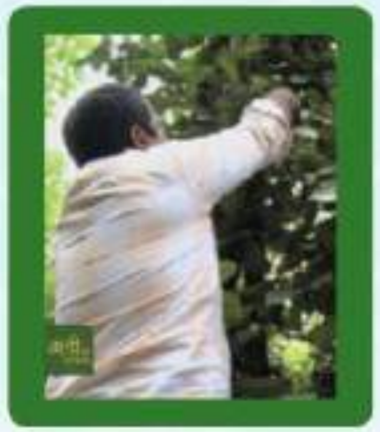
Banaskantha district of Gujarat not only shares its border with Rajasthan, but also its climate and soil character to a large extent. Naturally the two geographies together never enjoyed a conducive atmosphere apt for cultivation. So, when the area received water for the first time in the history, thanks to the Narmada canal, the farmers of the region too learnt to better use their farmland for multi-season cropping. Earlier, where the farmers were only used to sow a handful of Kharif crops like Bajra, Guar and some Pulses, Narmada water allowed them to cultivate a spectrum of crops such as Cumin, Castor seed, Mustard, and many other types of pulses even during the Rabi season.

But soon they realized that cultivation was the easiest thing to do; the main problem faced was the marketing of their farm produce. That was the time when they came across an awareness program initiated by IFFCO and formed a 'Kisan Club' encompassing 10 villages in the Vav block of Banaskantha district. In the course of time, in order to focus more on the post-harvest management activities, as well as to explore modern marketing solutions the core group within the Kisan Club moved to form a Farmer Producer Organisation (FPO), which was registered in September 2016 with name - Rajeshwar Farmer Producer Company Limited.

The FPO started with imparting training to farmers about quality standards and different strategies to market their produce. Around six months of this groundwork coincided with the crop period of cumin which was ready for harvest by February-March this year. The company started procurement from its member farmers and bought 10 MT of cumin at an average price of Rs.167-168. The prevailing price at Unjha mandi then was Rs.160. After adding various expenditures in handling of the stock, the total cost at Rajeshwar FPC was Rs.184. So, the next challenge before the FPC was to find a market which could give it a fair price over and above its total costing. After sufficient due diligence and discussions with IFFCO, the FPO finally decided to move towards a new trajectory of marketing and that was of - 'Futures trade'.

The FPO developed a mixed strategy to sell a part of its stock through the agri commodity exchange NCDEX's Futures platform and wait with the rest of the farmers to find a right opportunity in the open market. With proper guidance from IFFCO and NCDEX, farmers of Rajeshwar FPO learnt to upgrade the quality standards of their crop to match with that of the Exchange and successfully sold 2 lots of cumin totalling 6 MT (about 2/3rd of the total stock). The company was able to make a profit of around Rs.14 per kg over its cost price. But the real magic lies in the figure which could have been the realization, had the farmers sold their produce just after harvesting in the Unjha mandi. As against the then mandi price of Rs.160, they actually sold their cumin at around 25% more price at Rs.198 per kg.

For the balance 3.5 MT stock, Rajeshwar FPO plans to sell it the retail way, but not before packaging and branding cumin its own style. In fact, with the evolution of Kisan Club into an FPO in just about 3 years, the farmers in Vav block have already tasted the power & success of organization in augmenting capabilities and now they are all ready to use it to the full potential.



Devikulam Cooperative Society

Idukki, Kerela
November 2017

kheti ke sikander

Turning the tide of Pepper market with quality upgrade

Malabar has always been known for its spices, especially for its superb quality Pepper for centuries. However, that's a thing of the past. It has not only lost its quality uniqueness, but also its quantity superiority. Currently, there are 26 pepper producing countries in the world. Vietnam leads with volume, whereas the Sri Lankan pepper enjoys the best quality tag. The immediate casualty of this changed trade dynamics are the farmers of Kerala. Farmers of Idukki, the only region in Kerala that produces pepper to match Sri Lankan quality, aren't fetching good prices, as inferior quality pepper from abroad has lowered the benchmark prices in Kochi mandi, that is used as the yardstick for their produce.

Amidst such a situation, a farmers' group called Devikulam Cooperative Society, has come forward as a saviour for the local farmers. The society procures produce from the farm gate and sells them at Kochi mandi, thereby saving the transportation cost for the farmers. To ensure best possible price for the farmers, the society keeps a track of the prices in Kochi mandi and sells the produce when the prices reach at an appropriate level. But the overall market condition has become a source of pain. "We give prices on the basis of Kochi mandi. But now the problem is that the mandi is populated with low quality imported pepper and that has lowered the average price level. Due to this situation, our farmers are not getting good prices even for their premium quality produce", said Jijo Thomas, an official from Devikulam Cooperative Society.

Under such circumstances, the society is continuously looking for new and innovative ways to fetch better prices for its member farmers. Doing collateral management through bank financing saves farmers from distress sell. But now, after the relaunch of pepper contract on agri commodity exchange platform - NCDEX, officials of Devikulam have found a new ray of hope for direct marketing of the farmers' produce.

"Currently, we are selling the procured pepper at the mandi level only, as the stringent quality standards set by the Exchange are difficult for farmers to meet. However, we're in the process of constructing a grading and processing plant soon to address this area. As soon as it gets ready, we will commence working on the NCDEX platform with admissible quality standards", says Mr. Sunny MJ, Secretary, Devikulam Cooperative Society.

In fact, the Devikulam team have already begun taking advantage of the NCDEX Pepper Futures contract to hedge their stocks from any price fall. Just last month the society managed to successfully save around Rs. 5 lakh by trading on the Exchange platform. "We had a stock of around 20 MT and prices began to fall due to excessive import quantity. There weren't any buyers around. Then, we used the NCDEX platform to hedge our quantity in 2 lots and later sold them in Kochi mandi. This way we were able to reduce our losses to Rs. 5 lakh in lieu of Rs.10 lakh which we could have incurred had we not used the hedging tool" - says Mr. Sunny MJ. Industry insiders say farmers have no choice other than to sell their crop to processors as they don't have the right resources to upgrade their produce up to the tradable quality. But with the newly launched pepper contract, FPOs such as Devikulam Cooperative Society are all set to change the rules of this game. The FPO has already started training their members in the areas of quality upgrades that will provide them with a direct marketing tool to fetch best prices for their member farmers

Nari Shakti Sarvangin Vikas

Kota, Rajasthan
December 2017

kheti ke sikander

Futures trade provides better realization for Nari Shakti Sarvangin Vikas Sehkari Samiti

It all started with an ambitious plan to fetch better prices for farmers, which initially faced some hurdles. Despite major setbacks, the farmers federation didn't give in; instead it decided to pursue something out of the box. After a continuous and persistent inquest, it found its way to Futures which eventually revealed the way to better realization.

Nari Shakti Farmers' Federation, working under a livelihood program endorsed by the Rajasthan government under the name 'Rajeevika', decided to procure some crops from its farmer members for the first time. Their plan was to sell the procured crop and bring the pricing benefit to the farmers. Things progressed as per plan and the Federation managed to procure around 80 quintals of Soybean and 900 quintals of Mustard from farmers. The crops were put in warehouses which was followed by a quest to find a suitable buyer. This is when the Federation stumbled upon the biggest roadblock in their plan - Selling the stock.

The Federation roped in NCDEX e-Markets Limited (NeML), a wholly owned subsidiary company of the premier agri-commodity exchange - NCDEX, to sell the stock in the spot market. However, due to a relatively small quantity of stock, NEML found it unviable to sell it through an open online auction among traders. The Federation was perplexed since they needed a place to sell their stock, but having got a relatively large quantum of crop was becoming a double-edged sword. They had earlier expected a good bargain with the large quantity. But, now, the same assets were at a risk of being sold at a discount.

This is when the Federation came across the Futures trade platform. The more they learned about Futures trade, the more they understood that this was the way to go. Nari Shakti Federation registered itself with the exchange and went on to hedge 9 lots of Mustard in the price range of Rs.3,950 - 4,150. At that point of time the price prevalent in the mandi for Mustard was Rs.3,600-3,800 while the average purchase price of the crop from farmers was Rs.3,400 per quintal.

The Federation held the crop for almost 9 months in warehouses, the cost for which was Rs.81,000. Transport, mandi tax, bags, labour, weight loss etc. totalled Rs.2,75,400 i.e. Rs.306 per quintal. Finally, when the complete stock was offloaded, the total price realized by farmers was Rs.500 per quintal more than what was paid to them, thus, fetching each farmer a surplus of Rs.194 per quintal as compared to their procurement price.

This was a truly fulfilling trade for the Federation which successfully exposed them to a better way of fetching a higher price for their produce. Extremely satisfied with the decision of trading in the Futures markets, the Federation cluster said in a formal statement, *"This exposure to the Futures markets has proven to be meaningfully important for the small farmers who have always been selling their farm produce at low prices, that too with high cost inputs. These farmers are now able to map the whole value chain and are envisaging integrated community businesses"*.

Jaisi Nagar Soya Samriddhi Producer Co. Ltd. (JSSPCL)

Madhya Pradesh
January 2018

kheti ke sikander

Quality warehousing gifts the privilege of time to Jaisi Nagar Soya Samriddhi Producer Co. Ltd.

Failure is just another step towards success. This was clearly the learning when it took a decade for Srijan, an NGO working with farmers organizations, to reorganize the farmers onto one platform. After a failed attempt at creating a farmers' milk cooperative in 1999, Srijan brought together around 1,000 Soybean producers in Jaisi Nagar block of Sagar district in Madhya Pradesh under the aegis of Jaisi Nagar Soya Samriddhi Producer Company Limited in 2015-16 with the help of SFAC India (Small Farmers' Agri-business Consortium).

The FPO felt that the need for farmers to get right information at the right time was of paramount importance. The farmers were unaware about the use of fertilizers, seed and farm preparation techniques before sowing, etc. Hence, the FPO arranged training sessions on good farming practices and prudent use of inputs. At the end of first year of its commencement, the Jaisi Nagar FPO finally decided to embark upon what most FPOs strive for - business to benefit its stakeholders.

In October 2016, the FPO started focusing on procuring Soybean from its member farmers. This was easier said than done. Farmers were struggling to trust an unknown entity and had many reservations around the payment system. As a result, the FPO could procure only 55 quintals of Soybean and the real challenge was yet to come. FPO was also ignorant about when and how to sell the procured produce. The stock was kept in their office rooms and when the monsoon set in, the moisture started creeping in into the crop. FPO were forced to sell the crop in haste which impacted their selling price. Ultimately, the FPO ended up losing close to Rs. 150 per quintal net on the procurement price. The net loss was more, once logistic costs were added.

The first year taught Jaisi Nagar FPO that selling their crop was the most crucial part of the effort to increase their member farmers' agri-income. This necessity compelled them to look beyond a traditional mandi to sell their crop. With the help of their mentor NGO Srijan, the FPO officials explored for a solution from different stakeholders of the agri ecosystem. Bundi branch of the NGO in Rajasthan had already found a solution for their Soybean producers with the agri-commodity exchange NCDEX. Shadowing their example, Jaisi Nagar Soya Samriddhi FPO also decided to emulate the practice. With their concerted and sustained efforts, the FPO successfully procured 275 quintals of Soybean from its farmer members in the 2017-18 harvest season. The average price of the procurement including logistic costs came up to Rs. 2885 per quintal.

Putting their stock at the NCDEX accredited warehouse gave them the freedom to take as much time as it suited their marketing strategy. The FPO was under no pressure to sell the stock. Using the NCDEX platform for the first time, the FPO sold 1 lot (100 quintals) of Soybean in December at Rs. 3,262 and made around Rs.400 per quintal for its members. In the third week of January, they sold another lot at 3,464 further increasing the profits. "We are ecstatic to have found such a fantastic tool for our farmers. This has not only effectively taken away the price risk for them, but has also increased their profits in a secure manner", said Naveen Bolumalla from Srijan.

Now the FPO is left with 75 quintals, 25 short of a lot to be able to trade at NCDEX. Therefore, it's looking at ways to sell the stock in an open market. With the stock safely kept at a quality warehouse, they have the privilege of time to strategize their sell. With the good experience of this year, Jaisi Nagar Soya Samriddhi FPO is now set to amplify its operations further with a goal to increase the income level of its member farmers.

Parivartan Organic Farmers' Producer Company Limited

Washim, Maharashtra
February 2018

kheti ke sikander

The Best of Futures Benefits in the Very First Attempt

In 2016 a handful of farmers came together to form an organization under the guidance of Maharashtra Agriculture Competitiveness Project (MACP) in the city of Washim in Maharashtra. Gradually this organization grew to a sizeable number of 300 farmers from across 15 villages. This informal organization was then formally registered under the name of Parivartan Organic Farmers' Producer Company Limited. The members of Parivartan Organic FPC were mostly Soybean producers. Therefore, it was never difficult for the company to procure the crop from the member farmers. The FPC acquired 200 quintals of Soybean in the first year of its inception itself.

This brought forth the real problem – how to manage the procured crop? With Rs. 13.5 lakhs received from the MACP, the FPC successfully built a warehouse and invested in some machines for cleaning and grading the crop. In this Rs. 20 lakh project, the FPC parted with the rest of the amount. The crop was cleaned, graded and put in the warehouse. The FPC was working towards reaping maximum benefits for the farmers, but something was amiss when they started thinking about price realization.

Coincidentally around this time, the FPC was invited to participate in a workshop organized by NCDEX in Pune. "We heard about the Futures market for the first time. Even though we couldn't understand everything in the workshop clearly, we learned about NCDEX and how it could be used to sell our crops to fetch better prices with respect to the mandi", says Dnyaneshwar Dhekade, Chairman of Parivartan Organic FPC. In the following month the same officials participated in another workshop, organized by Agriculture Technology Management Agency (ATMA) at the district headquarter.

Dhekade came in contact with the local representative of NCDEX there, "who helped us a lot in understanding the working of Futures platform", said Dhekade. After further learning about the Futures market and how it functions, Parivartan Organic got registered with one of the members of NCDEX for Rs. 1,000. This was their first step towards a whole new world of marketing and farmer empowerment. The FPC experienced the phenomenal transformation in the way it handled the produce when it made its first sell trade.

In October 2017, Parivartan Organic sold 400 quintals of Soybean at Rs. 2,950 in the near month contract when the mandi price was in the range of Rs. 2,500-2,550 per quintal. Dhekade narrates an interesting story - "When we went to a farmer having 50 quintals of Soybean for purchasing the crop, he denied the trade. He chose to sell it to a village trader instead for Rs. 2,500 and we purchased the whole quantity from the trader for Rs. 2,550.

When people learned about this, it became the talk of the town. The fact that a farmer company can purchase crop from a trader was a fantastic example of farmers' economic empowerment", told Dhekade. After this incident, farmers started flocking to sell their crop to the FPC which enabled it to trade 4 lots on NCDEX in the season.

"It was an awesome experience where we sold the crop in near month contract. The local NCDEX executive was with us all the time guiding us with their technical knowledge. Although we had predicted that the prices were to go northward, we were slightly nervous. So we decided not to rollover", said Dhekade. The FPC could pass on a profit of Rs. 350 per quintal to its farmers from its very first dive in the Futures marketing tool. Now with 1,000 tonnes of Soybean still under their possession, the farmer members of Parivartan Organic FPC are just waiting for the right time to enter their second trade. This is just the start of a promising journey which has many more milestones to cover.

NGO Reliance Foundation

Patan, Gujarat
March 2018

kheti ke sikander

Banas FPC: Reaping benefits of Futures in Guar and Jeera

It all started with farmers awareness efforts initiated by a NGO. In Radhanpur and Santalpur blocks of Patan districts in Gujarat, the NGO inspired farmers to use better farm practices in terms of input usage. But soon it was felt that efforts on individual farmers are not going to yield much fruits. So in April 2016, farmers of some 15-17 villages came together to form a farmers group which was named as Banas Khedut Utpadak Company.

Due to the consistent efforts made by these farmers under the guidance of NGO Reliance Foundation, the farmers were already witnessing record increase in productivity. But now they had another problem, the problem of marketing the produce. Jeera harvesting was in full swing when the FPC came into existence. So the pilot project was undertaken in Jeera with procurement of 12 tonnes of the commodity. It involved 32 farmers from a single village of Varnosari. The procured commodity was put in a community hall in the village and was sold after 10-15 days. Just keeping the produce for a fortnight fetched them around Rs. 2,250 per quintal as they successfully sold the commodity at Rs. 11,250 per quintal whereas at the time of procurement the price of Jeera in Unjha mandi was around Rs. 9,000 per quintal.

So with the experience and enthusiasm of Varnosari, the FPC moved on to procure 20 tonnes of Guar at Rs. 590 and kept it at a warehouse in Disa. And that is when they learnt a new way of marketing their produce, by way of using regulated futures platform National Commodities and Derivative Exchange (NCDEX). They sold the Guar in December series on NCDEX at Rs. 698 making profit of Rs. 5 per kg. It was a great boost for the member farmers of Banas FPC. And that encouraged them to play bigger on the futures platform. But unfortunately the last season was not good for Jeera growers of Radhanpur, in particular. Due to bad weather and untimely rains, the crop in that area was hurt badly in 2017. So the FPC could procure only 6 tonnes at the rate of Rs.17,800 per quintal and sold at Rs. 21,000, again using the futures platform.

With 3-4 highly successful examples having been worked out, Banas FPC is now all set to build on with other social initiatives. Wives of farmer members have ventured into cattle feed business with trade in oil cakes. The FPC buys oil cakes from the city canter and sells it in the village through the women members. For example, in Rampura village the women farmers sold 300 bags in 3 months with profit of Rs. 100 per bag. Along with it, they have also started collection and selling of Neem seed. Last year, around 1,000 farmers indulged in the activity in Nayatwara whose collected Neem seed were bought by the FPO at an average rate of Rs. 8-9 per kg which GNFC bought on an average price of Rs. 13-14 per kg. At one point of time last year, it even reached at Rs. 18 per kg.

Banas FPC is now planning big on procurement, transport, warehousing and marketing. The procurement of Jeera has already started and the FPC is all prepared to reap more benefits for its farmers this season by using the regulated futures platform of NCDEX.

Jageshwar Farmer Producer Companies (FPCs)

Akola, Maharashtra
April 2018

kheti ke sikander

How Jageshwar FPO addressed to the uncertainties of commodity world

Farmer Producer Companies (FPCs) are meant to strengthen the capacities of small individual farmers and that is precisely what Jageshwar FPC has been doing for its member farmers for the last 3-4 years. Usually FPCs yearn for financial help after coming into existence. But Jageshwar FPC was lucky enough to have been created only to take benefit of such a grant.

In fact, there were a number of SHGs working in Akola district in Maharashtra since 2010-11 promoted by Agriculture Technology Management Agency (ATMA). Then during 2013-14, the agency contacted these SHGs to find out how many of them were active and working as per their mandate. This followed a series of meetings which culminated in making a farmer producer group with 12 SHGs in Balapur block and the group was named as Jageshwar FPO. Subsequently the FPO was registered as a company in April 2015.

With the help of Word Bank, in its first year of inception, Jageshwar FPO got a well-built warehouse and a cleaning and grading plant under 1000 square foot shade. While the harvest and subsequent processing was being done by the farmers, officials at Jageshwar FPO thought to go a step further. The FPO collaborated with a transport company to carry the crop to mandi at lower fare and 4-5 labourers were also hired on permanent basis to help in the process. The FPO procured soyabean from the farmers. Although the total procured quantity was a meagre 40 MT, the farmers who participated in the process got an increased realization of Rs. 25-50 per quintal. This was a major psychological boost for the FPO in the first year.

Then in the next year in 2016, Jageshwar FPO planned to repeat the previous year on larger scale. It procured tur and chana along with soyabean. Farmers' participation increased double in number. The FPO procured around 45 MT of soyabean, 20 MT of tur and 30 MT of chana. With increased procurement, number of buyers were also increasing, but this is when a buyer from Nagpur declined to keep up with his obligation to buy FPO's soyabean as the prices decrease after the agreement, the FPO encountered with the problem of uncertainty in the commodity world.

On both the trades, the FPO fetched a surplus of Rs 100 per quintal for its members as compared to the prevailing prices in local mandi. But the feat came with hard learning. Some lots were rejected by the exchange for not meeting the prescribed quality standards. "For the coming season, we want to work on NCDEX with more quantity. But that depends upon the quality of crop our members could get. Because if the crop is not up to the Exchange's standards, we can't work on the platform. Especially in chana, we find it more difficult to match the quality standards", says Vivek Sontakke from Jageshwar FPO.

But the silver lining is that Jageshwar FPO has found a platform that respects and gives premium for its quality crop and is also free from default risk on part of the buyer. And Sontakke is hopeful to get more benefits by the virtues in the years to come.

Girimala Farmer Producer Company (FPC)

Aravali, Gujarat
May 2018

kheti ke sikander

Girimala FPO: Milking Prosperity in a Dry and Arid Land

Gujarat is not known for opulence in natural resources, especially when it comes for creating a friendly environment for agriculture. Aravali, a district with more proximity to the landscape of Rajasthan, is among those which face acute water shortage and have not so productive soil. So, it was an obvious choice for Reliance Foundation when in 2013-14, they began to look for lending support to farmers for capacity building through village associations.

The Foundation chose 18 villages in Meghraj block and formed farmers' associations in each village involving 70-80 farmers. The first move for village associations was to work for overall agriculture development by focussing on irrigation, soil fertility and supply of good quality seeds. The help and continuous guidance received, the farmers managed to increase the productivity by 2016. But with more production farmers began to face the problem of plenty. The foremost of them were the issues related to storage and transportation. These need led to requirement of an umbrella organization encompassing all the village associations for better coordination and solving the challenges of increased production and market.

It was when in 2016, Reliance Foundation helped them establish Girimala FPO which was subsequently registered as a company. The FPC then started procurement and trade in castor and cocud (cotton seed oil cake). In FY17-18 season, the FPC procured 10 MT castor from 8 farmers and offered them Rs. 4000 per quintal when the mandi rate for same castor was only at Rs. 3750. But for such an adventurous business proposition, they must have had a place where they could sell it at even higher rate. And that place they found in agri commodity exchange National Commodity and Derivatives Exchange (NCDEX). Girimala FPC sold castor at NCDEX platform for Rs. 4200 per quintal. Thus at one hand, the 8 farmers were given Rs. 250 more per quintal for their crop as compared to the prevailing price in mandi and, on the other hand the FPC also hedged their price risk and by selling the produce on Exchange platform.

Similarly, the FPC traded 2 lots (1 lot = 10 MT) of cocud on NCDEX at Rs. 1237 and Rs. 1187 respectively for each lot and the current prevailing market price is Rs. 1700 per quintal. Even after incurring transport cost the landed at FPC is at Rs. 1400 per quintal which is much almost Rs. 300 cheaper than the prevailing market price.

Along with such direct trading activities, the FPC has taken up some other projects too in its hand to help its member's farmers in increasing their household income. Collection of neem seed is one of such activities. To milk the opportunity provided by the government's initiative to produce neem coated urea, Girimala FPC has tied up with GNFC and is selling neem seeds to it at prices as high as Rs. 12-13 per kg. This is helping the female members of the households to be meaningfully engaged in economic activities. The FPC has also tied up with Jain Irrigation to provide infrastructure of drip irrigation at discounted prices.

With so many innovative cost saving and marketing ideas, Girimala FPC plays significant role in improving the economic lives of its member farmers'. This also shows how even small and marginal farmers with due collectivization can use the available market tools to their benefit. In nutshell, Girimala FPC has shown what kind of potential an organization of farmers can unleash to change the lives of its members even in an area where both water and fertile soil are not less than luxuries.

Parivartan Organic Farmers Producer Company Ltd.

Washim, Maharashtra
June 2018

kheti ke sikander

Parivartan FPC: Making future bright with future trades in Soybean

This might be a classic story of a community success, driven by the conviction of a few individuals. But the catch is that these few individuals were not some highly educated lads having earned adorable degrees in leadership programs. Instead, they were naïve farmers with decades of farming in their background, but with an iron determination to use modern marketing tools.

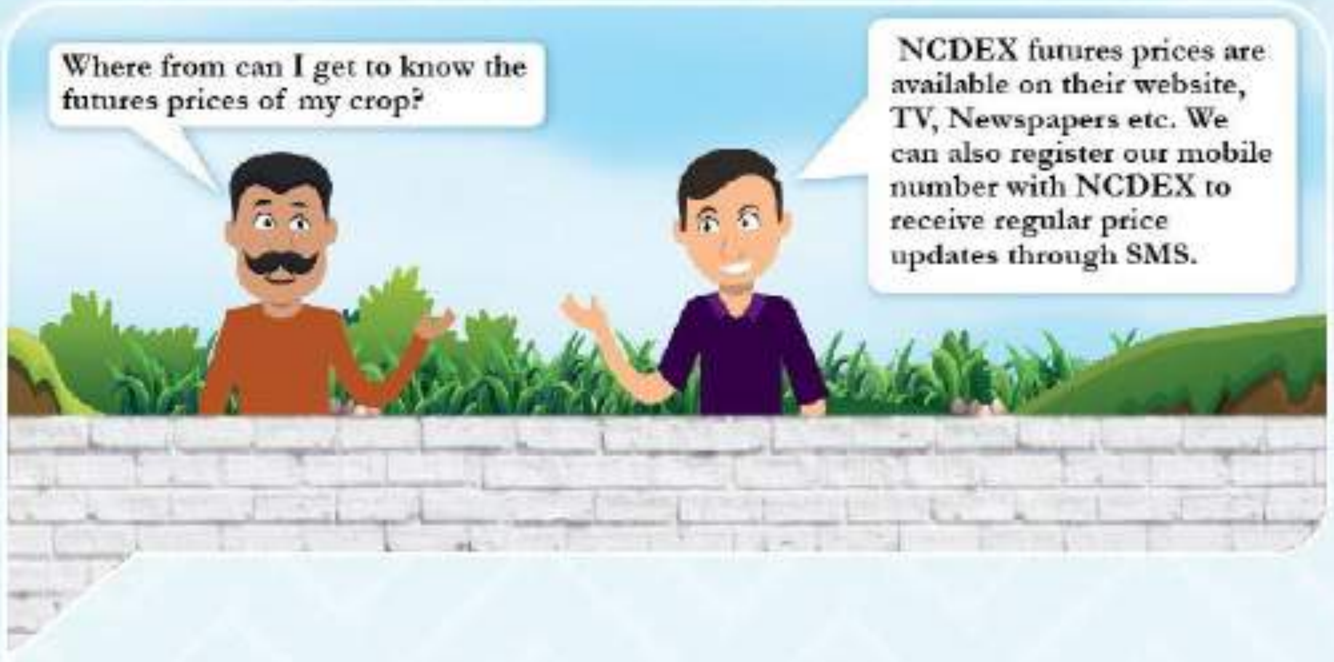
These farmers from Washim in Maharashtra were working under the name of Parivartan Organic Farmers Producers Company Limited which was founded by 25 farmers in early 2016 with the help of some state Government agencies. Although the group successfully got its first big bang project in the form of a cleaning and grading plant with an expenditure of Rs. 18 lakh, its first agri project of Soyabean seed production failed, initiating a need for looking markets other than traditional mandis to fetch better prices for these superior quality soyabean.

In their quest to search for a modern alternative market, some of the FPC's representative visited Pune to participate in a seminar where for the first time, they got to know about Futures market. It was an interesting subject, but a complex one. All that the FPC officials could understand was that hedging and delivery based trading were the way out for them to beat the limitations of a traditional market. To make it more workable, the FPC officials requested ATMA to organize a workshop on the future markets at Washim so that more farmers can understand the concept. By the time the soyabean had already been harvested and half of them were sold in the mandi. To sell half of the soyabean, the FPC decided to register on National Commodity and Derivatives Exchange (NCDEX), the premier Agri Commodity Exchange of India. At the time of registration, the difference between future price of next month contract and mandi was around Rs. 300-400 per quintal.

But, the member farmers were not ready to risk their crop for some alien institution called NCDEX. So, the 10 board of directors (BoDs) took the leadership and contributed 10 quintals each to trade on future platform. At the time soybean was selling in the range of Rs. 2500-2700 in the local mandi. But the rate on NCDEX was around Rs. 3100. After that, when the BoDs developed some more conviction in the working and processes of Sebi regulated market platform NCDEX, they contacted a microfinance company and succeeded in fetching a loan of Rs. 15 lakh. With this amount they started buying soybean from farmer members by paying them Rs. 50 above the mandi price. After purchasing 300 quintals from around 35 farmers, Parivartan FPC sold 3 more lots at the same rate of around Rs. 3100. Even at that time, the selling price in mandi was at Rs. 2600 per quintal.

Finally in January 2018, when the crop was selling at Rs. 2900 per quintal in the mandi, the FPC sold 200 quintals of the commodity at Rs. 3754 under the May contract. These trades when translated in terms of net profit after deducting all expenses, benefitted farmers by around Rs. 112 per quintal. "Due to NCDEX, now we know rates sitting in our homes. The rates of soybean under October contract is around Rs 3400, whereas the MSP declared by government is only Rs. 3200. So, the farmers may easily know where he is getting more benefits," said Dnyaneshwar Dhekade, Director of Parivartan FPC.

The fabulous results witnessed by farmer members of Parivartan FPC has developed a strong confidence among farmers. And now, as Dhekade says, some 125 farmers are ready to deposit their soybean in the next season. But as Dhekade laments, the FPC could barely make a fortune as the interest on loan took its toll. So may be, it's time for Dhekade and his FPC to take a lesson or two in commodity financing or collateral management.



Godavari Valley Farmers Producer Company Ltd.

Hingoli
July 2018

kheti ke sikander

FPOs are such a fantastic tool in the hands of farmers that it is sometimes impossible to even imagine what all a small farmer with 2-3 acres of lands can actually do through it. Thankfully, we have a number of successful models already in place, which are continuously stretching the limits. Godavari Valley FPO, formed by the farmers of Kalamnuri block in Hingoli district, is one of them. Having been formed in 2016 by 232 farmers including 5 directors, this FPO has already achieved a landmark by crossing Rs. 10 cr in turnover, in the very first year of its inception.

Godavari Valley FPO deals primarily in chana, soybean and turmeric. After its registration on 26th August 2016, the FPO surveyed around 4000 farmers who were linked to the organization's activities through mobile messages. The FPO focussed on creating post-harvest infrastructure with internal resources and established a pulveriser, 5 machines for polishing with capacity of 1 MT per hour and a grader with capacity 3 MT per hour for turmeric, a polishing unit for chana and a cleaning unit for soybean with a total capital expenditure of around Rs. 80-85 lakh.

And the best part of the story is that all these infrastructure are readily available to be used by the small and marginal farmers tied up with the FPO. When the FPO finds a buyer, it sends messages to all the producers of that particular commodity. Farmers come and use the facilities without any cost to upgrade the quality of their crops and sell it to the FPO. In case, the Godavari Valley FPO gets more commodity than the demand, it keeps the surplus in its warehouse and sell it on some future date when the prices are in favour.

"We watch the prices of all these commodities very closely on NCDEX and send them on farmers' mobiles daily when the markets open. Whenever we think it is judicious to sell the crop, we ask farmers and sell if they agree", said Suryaji Shinde, a founder director in the FPO. In 2017, the FPO traded around 700 MT of turmeric. Around 550 MT was sold to private bulk buyers whereas 4 lots (10 MT in one) were traded on NCDEX platform. Rest of around 100 MT was sold to a private miller as powder. The FPO sold the total quantity at an average rate of around Rs. 7300 whereas the average rate for turmeric in local mandi was around Rs. 7000 in the season.

"We distributed Rs. 100 per quintal as bonus to all the turmeric farmers who had sold us their crop. The figure was Rs. 150 for the member farmers", told Shinde.

Likewise, the FPO could sell 2500 MT of soybean to a single buyer from Coimbatore in the price range of Rs. 3200-4000 during October 2017 to March 2018. In that deal also, the farmers could fetch Rs 100-150 per quintal more as compared to local mandi rates, claims Suryaji Shinde. The sale of chana is still on with 26 MT already sold. The speciality of this sale is that all the quantity that the FPO sold was graded first, then polished and the baked on 100 degree Celsius which could get the farmers around Rs 200 more per quintal than what they could have got by selling it in raw form. Such meticulously planned business strategy got Godavari Valley to clock Rs. 12 crore turnover in 2017. And in 2018, with only 4 months passed, the FPO has already crossed this mark. In nutshell, this is not what an FPO have done in all, but this is what farmers with meagre land of cultivation have achieved. This is the power of organization, this is the power of FPO.

South Gujarat Progressive Farmers Self Reliant Producer Company

Gujarat
August 2018

kheti ke sikander

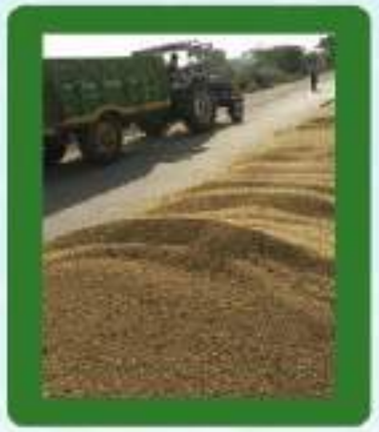
An FPO empowering marginal farmers in Tribal Gujarat (South Gujarat Progressive Farmers Self Reliant Producer Company)

South Gujarat is mostly tribal area with very little support from market ecosystem. So, when a social initiative from Reliance Foundation got to establish a farmer producer organisation (FPO) South Gujarat Progressive Farmers Self Reliant Producer Company, it was a genuine relief for small and marginal tribal farmers of Umarpada, Mandvi, Mangrol and Netrang blocks of Surat and Bharuch districts. With around 2000 members, the FPO was registered in March 2010. The member farmers were involved in cultivation of red gram, black gram, jowar, paddy and cotton in kharif and gram and groundnut in rabi. But they had no option other than local traders to sell their crop. With an average 2 acres of land, these farmers had very limited bargain power and totally dependent on local traders' discretion for price determination.

So, the first task South Gujarat Progressive Farmers Self Reliant PCL took in its hand was the aggregation of produce. It started with black gram and subsequently tur etc. were added to the list. The FPO procured the commodities from farmer members at pre-designated collection centres and started selling them to millers directly. This increased the price realization for farmers. Before selling them to millers, the FPO also started cleaning and grading of crops which increased their saleability. During Dec, 2017 - Jan, 2018 harvest season, the member farmers got Rs. 32-34 per kilo as against Rs. 24-26 a kilo prevailing in the local market for tur. They even tied up with Ambuja Exports for selling soybean and started getting Rs. 7-8 more for each kilogram. Apart from better price realization, farmers were also saved from cuts in weightage and other trade malpractices from this initiative.

Not only this, the aggregation made possible such things for the farmers which was otherwise unthinkable for them a couple of years ago. Last year, when NAFED started government backed procurement, the FPO participated in the process and sold 400 tonnes of tur, chana and groundnut worth Rs. 4 cr to benefit 700 of its member farmers. The benefit was substantive as they fetched Rs. 5050, Rs. 4400 and Rs 5500 per quintal according to the MSP announced by the government as against Rs. 3500, Rs 3200 and Rs. 4700 per quintal respectively in local market/mandi.

After the agriculture and agri marketing started settling down in favour of small poor farmer members, the FPO turned its attention to the second most prevalent allied livelihood of the farmers that is animal husbandry. Farmers, primarily were dependent on crop residual for fodder and that too was expensive and not easily available in off-season. So, this year the FPO decided to try the future platform of agri commodity exchange NCDEX for a fodder commodity. In the month of July, 2018 they bought for the first time 10 tonnes of cotton seed oil cake (cocud) from the platform. After getting delivery, the total landed cost for the cotton seed oil cake (cocud) was Rs. 1919 per quintal as against Rs. 2450 per quintal in local market. "We are very happy with this experience. We have saved around 25% on this fodder and the quality is also far more superior that what we get in local shops. Now in the next stage, we are planning to sell soybean using NCDEX platform. We expect to get 40 tonnes of the crop this October and we have decided to hedge our price risk on the future platform in soybean," said Amit Bhai Chowdhary, Director of the FPO.



Soybean

September 2018

kheti ke sikander

The soybean is one of the richest and cheapest sources of protein and is a staple in the diets of people and animals in numerous parts of the world. The seed contains 17-18% oil and 62-63% meal, 50% of which is protein. Because soybeans contain no starch, they are a good source of protein for diabetics. Soybean is one of the most popular Kharif crop which is grown primarily in Madhya Pradesh, Rajasthan, Maharashtra, Karnataka and Telangana. Almost all the cultivated produce of soybeans are processed by millers so that the derivatives can be consumed. There are number of value chain participants between the producer farmer and the actual consumer, such situation often creates a big gap between the prices received by the primary producer and that paid by the consumer.

According to USDA, the domestic as well as international Soybean crop projections for the crop year 2018-19 are better than the last year.

Soybeans		2015/16	2016/17	2017/18	2018/19
Domestic	Supply	72	114	93	108
	Demand	68	106	91	106
	Balance	4	8	2	2
International	Supply	5,269	5,729	5,854	6,182
	Demand	4,464	4,762	4,906	5,099
	Balance	805	967	948	1,083

The above figures are in lakh MT

The above table shows that internationally the supply is projected to be higher than the demand, which generally leads to lowering of prices volatility. In such a scenario, facilitating soybean farmers to secure fair prices through is always a challenge for governments.

Last year (2017-18) one intervention was made by the government of Madhya Pradesh through Bhavantar Bhugtan Yojna (BBY) during the month of October-December 2017 for a number of Kharif crops including soybean. Under the BBY scheme government declared to pay the difference between MSP and modal price directly into farmers bank account. The program was reasonably successful with around 23 lakh farmers registered under the scheme and government of MP disburse around Rs. 944 crore. With respect to soybean, the success was also announced by the fact that the arrival of soybean in MP mandis went up by 50% than 2016 and 96% than 2015 (between October to December). Due to higher than normal arrival, it also led to a decline in prices of soybean during the same period, indicating supply exceeding the current demand , a natural market phenomenon. It also impacted the farmers who were out of the ambit of BBY to sell their crop at market price and not getting the benefit of BBY.

For the current crop year (2018-19):

In case of soybean states has announced procurement plans. MP government plans to provide a flat Rs 500 per quintal as deficit finance to soybean and maize farmers (who have registered under the scheme) of the state under the Bhawantar Bhugtan Yojana (BBY). In case of Rajasthan, the govt has announced to procure around 7.5 lakh tonnes of groundnut and soybean at MSP.

This can again lead to volatility in prices for this year's kahrif harvest.. Government always sets limits per farmer under such schemes depending on their land holding. Farmers who have not registered or the farmers who will have excess Soybeans (compared to the limit set by the government) will have to sell their produce at prevailing market prices.

Farmers have one more opportunity available at their disposal through NCDEX. Farmer producer companies (FPCs) can participate in NCDEX Soybean futures contract by taking a sell position any time after sowing and can lock the price for their estimated crop production well in advance. Members of the FPC will be benefited by price protection against the normal downward trend at the time of peak arrivals. The price protection ultimately leads to a fair price realization.

NCDEX has been continuously spreading awareness for price risk management (hedging) within the FPCs registered by different institutions. This effort has contributed in the way that 78 FPCs growing Soybeans have registered with NCDEX. The spread of these FPCs are as follows:

State	No of FPOs registered	No of Farmers representing FPCs
Maharashtra	56	25,271
Madhya Pradesh	16	21,090
Rajasthan	6	6,374

In August 2018, 2 FPCs traded 140 MT of soybean on NCDEX platform which swelled to 230 MT traded by 5 FPCs in September 2018. The data signals that the FPCs are finding the soybean futures contract useful in their price risk management. These FPCs have hedged the price of Soybeans between Rs 3225-3325 per quintal in the month of August and September.

This is an opportunity available to all the farmers across the country and is always rewarding for those farmers who produce more with less cost. NCDEX also launched Soybean Option contract, which is much easier tool for the FPOs to safeguard against any adverse price movement of their crop. Participating in Soybean options contract will go a long way in securing their interest in finding one more robust market tool to hedge their price risk more efficiently.

A detailed product contract specifications is available through this link.
https://www.ncdex.com/Downloads/ContractSpace/Contract_Specification_SYBEANIDR_26092018.pdf

Saurashtra FPO

October 2018

kheti ke sikander

From paucity to plenty: Journey of Saurashtra FPO

Paucity of water and perennial drought conditions don't make any news in most of the rural Gujarat. And so, these areas are no less than a nightmare for any farmer living there. But other side of the story is that, farmers in these areas have no other mean to survive and farming is their only option for their livelihood. In such a scenario, fighting with destiny is the only way to go and this is precisely what the farmers of Jasdan, the biggest block in Rajkot district decided. That was 2013 when 18 villages in the block established Village Associations (VA) under the guidance of Reliance Foundation, an NGO working for overall upliftment of rural population.

In this part of Jasdan taluka, functional tube wells are hard to get due to low ground water availability. . In these circumstances, the VAs started working on the water availability, as their first area of intervention. Around 150 small and big check dams were created which got the farmers a bountiful supply of 60 lakh cubic meters of water after only 10 days of rain in the area. This single initiative by the farmers provided water for irrigation around 1000 hectares of land. This immediately improved the productivity in both Rabi and Kharif crops. From 16 quintal per acre, the production of groundnut reached to 21 quintal per acre. Same was the pattern in other crops. Farmers began to reap marketable surplus. And then came the problem of marketing. To aggregate and market the produce of all the farmers, a new FPO took shape by mid-2015 which got a formal registration in August 2016 with 990 members by the name of Saurashtra Farmers Producer Company Ltd.

As the whole purpose of forming FPO was to bring in economies of scale through aggregation of produce, Saurashtra FPO started to look for new marketing avenues. In the process, they got to know about NCDEX's futures platform. After due research and training board members of Saurashtra FPO vetted for hedging through NCDEX futures platform and thus made the first purchase in May 2018.

"Most of our farmer members have cows and buffalos and purchase cocud from local markets as animal feeds. In May we decided to try NCDEX platform to purchase it as we heard about cocud with low price and better quality there. I enquired and found it was selling at around Rs. 1100 in May while the local market price for it was Rs. 1400-1450 per quintal," told Dilip Bhai Bayal, CEO of the FPO. But, at the same time, the FPO also realized it was not possible for it to take the benefit by the way of delivery as according to the Exchange's rule, it was not certain if they would get it from Kadi or Akola. If they had to take it from Akola instead of Kadi, they would have lost the saving of around Rs. 300 per bag available at NCDEX in comparison to Kadi local market. So, the FPO devised another way to save the money using NCDEX's platform. They actually moved forward with the trade and bought 1 lot of cocud contract just to square off their hedge position as prices went up. By doing so they saved around Rs. 11,000 on their buy hedge or long hedge, as it is commonly known, position and bought cocud from local market.

According to Investopedia - A long hedge refers to a futures position that is entered into for the purpose of price stability on a purchase. Long hedges are often used by users of that commodity (manufacturers and processors) to remove price uncertainty. For this reason, a long hedge may also be referred to as an input hedge, a buyer's hedge, a buy hedge, a purchaser's hedge or a purchasing hedge.

With NCDEX launching options in Soybean, Saurashtra FPC took a test drive in that too and locked in a price by way of buying a Put Option which helped them in protecting their sale price of soybean. "It was done to understand the product. We will do it more in coming days as we get confidence about it," told Dilip bhai. There is nothing unprecedented in the futures and options trades done by Saurashtra FPC Ltd. More and more FPOs are understanding the benefits of derivatives market ecosystem to lock in the price of their produce with reasonable success. But when the beginning of Saurashtra FPC Ltd is taken into consideration with the challenges it was pitted against, the real achievement of this historic development shines with contrast. And it can't be more of that.

Gir Krushi Vasant Producer Company Ltd.

Gir, Gujarat
November 2018

kheti ke sikander

Inching towards the goal of attainment

It all started with a quest to make more profits for Kesar mango, which is one of the most sought after crop for farmers in Gir region in Gujarat. Although the State Government puts much effort to help farmers in providing them various platforms, it is up to the individual farmers to make most of it. Naturally, in such a situation, neither the government nor the farmers were at ease with the facilities being provided. This prompted 10 farmers of Junagadh to form a farmer producer organization in October2016. Other farmers too realized the potential of working collectively and the membership of Gir Krushi Vasant Producer Company Ltd swelled up to 132 in next few months. The FPO started working with aggregation of Kesar mango and using government provided platforms, exhibitions etc. to sell their mango collectively in 2017 mango harvest season.

The change in the business proportion and price realisation was evident. "The farmers got 30-40% more price for the same mango they had been selling for years", said Tushar Dhameliya, Director of the FPC. Buoyed by this experience, the FPC decided to extend the experiment to other crops also. With the vision, the FPC started procuring groundnut on MSP in December 2017 on behalf of the government. The prevalent price in local markets for the commodity was Rs. 600 per 20 kg whereas the MSP was Rs. 900 for the same quantity. The response among farmers was huge and as against its membership of 132 farmers, 614 farmers rushed to sell their groundnut to the FPC. In the process, total of 1100 MT groundnut was procured and sold at the price which was 50% more than the market price.

This year the FPC, for the first time, has tested waters at the futures platform too. As most of the farmers in the FPC have cattle, they are collectively a big consumer for cotton seed oil cake (cocud) as cattle feed. Till now, they had no option other than to buy it from the local market. But now, they have got an optional platform to purchase the commodity. "With cocud available on NCDEX, we decided to use it as pilot basis. We have already bought a lot of cocud and are expecting good saving for our farmer members over delivery", says Rajesh Dhameliya, CEO of Gir Krushi Vasant FPC.

Apart from the business activities, the FPC has also been organizing training sessions for farmers since last year. These sessions are primarily focussed on organic cultivation. So far, around 200 farmers have been trained in 4 sessions. Although the conversion rate is still low at 20%, the FPC is hopeful by the way of supplying subsidised organic input. On the same lines, it also plans to help its member farmers by supplying cheaper chemical fertilizers and pesticides after procuring license for which it has already applied. "There is a huge interest among farmers about the working of FPC and they are showing interest to join it in big numbers. We already have 100 pending application for membership from farmers, says Tushar.

According to Investopedia - A long hedge refers to a futures position that is entered into for the purpose of price stability on a purchase. Long hedges are often used by users of that commodity (manufacturers and processors) to remove price uncertainty. For this reason, a long hedge may also be referred to as an input hedge, a buyer's hedge, a buy hedge, a purchaser's hedge or a purchasing hedge.

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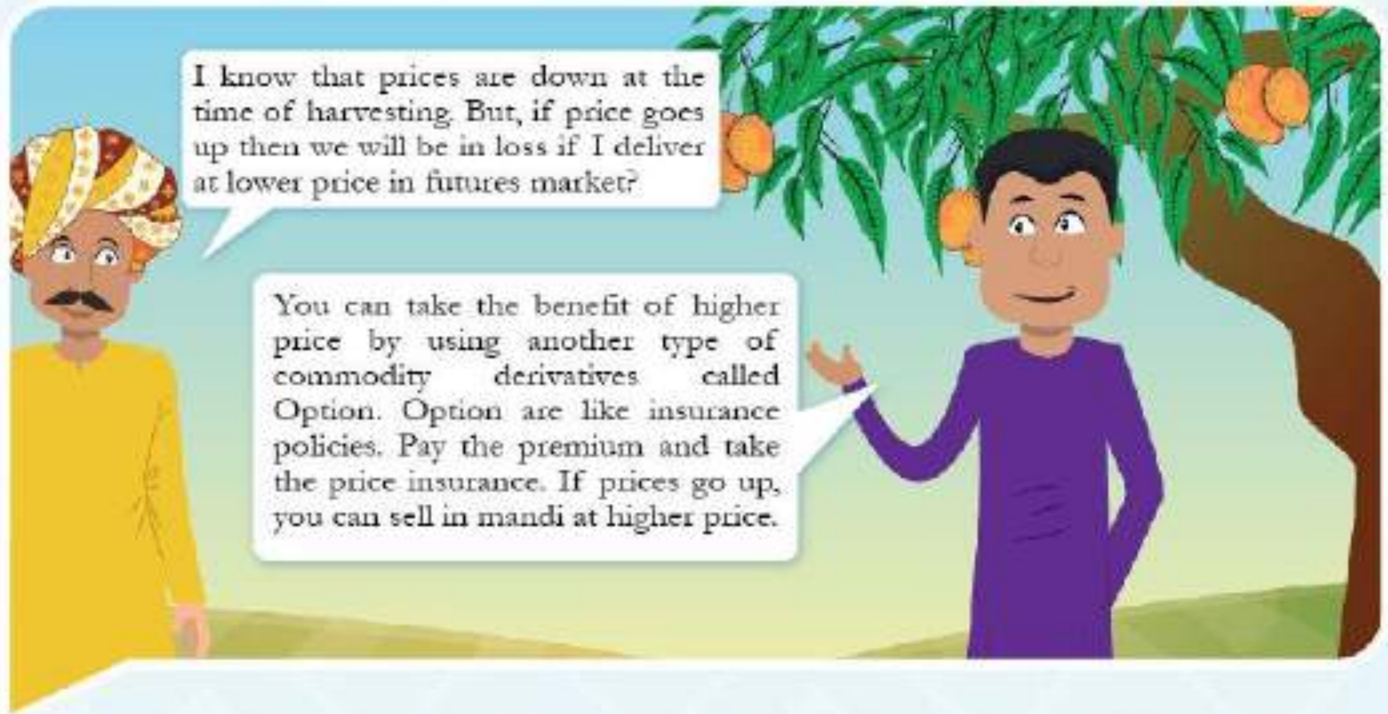

kheti ke sikander

Avantika

December 2018

Small and marginal farmers have no option other than to come together, and farmers in Agar district of Madhya Pradesh learnt this formula while scrambling for good prices for their crops. Under guidance from NGO Reliance Foundation, the farmers got their group registered as a farmer producer company (FPC) in October 2010 by the name Avantika. The FPC started working with a share capital of around Rs. 4 lakh contributed by 2000 member farmers. Almost all the members were marginal farmers with around 1.25 acres of average land with bare minimum surplus production for initiating any business activity. Therefore, in the initial 3-4 years, the company focussed only on capacity building of farmers through various extension services, learning water saving activities, less use of chemical and seed treatment practices. As production started to pick up, training and awareness programs were organized to get the farmers learn about the power of aggregation and volume, along with changing their outlook by introducing a business aspect to farming.

Embarking upon its first business activity, Avantika did a pilot with the collection of soybean from member farmers during 2013-14 season. Around 800 quintals were procured and sold to the nearest plant. The experiment proved to be an important learning for the FPC in understanding the nitty-gritty of maintaining quality desired by the market, along with the paperwork and other processes. When Avantika FPC aspired to scale up business activities, it was felt that sufficient share capital is not available with the company. To get extra funds, Avantika FPC proposed to increase the share capital by giving 5 to 15 additional shares to its members in 2015-16. The move went well and around 850 farmers subscribed different numbers of additional shares to take the share capital up to around Rs. 15 lakh.

In 2016-17, the company registered 2400 hectares from 1400 farmers with Round Table Responsible Soya (RTRS), an international civil society organization and managed to sell 15000 quintals in staggered manner at an average Rs. 3000 per quintal. The same year some officials of Avantika FPC got a chance to participate in a NCDEX training program and got a first-hand information about benefits of hedging and managing risks. Seeing value in participating on the agri commodity exchange's future platform, Avantika FPC did its first trade on NCDEX in October 2018. "We sold 3 lots of Soybean on NCDEX platform in October and gave delivery in month of November. With the encouraging results, our FPC members showed interest in repeating the trade in December again. We again sold 3 lots on 1st December and delivered the commodity the same month. It's all well up till now and we are learning a lot of things about packaging and improving quality of the commodities at farm gate. This has given us a confidence to increase the participation", said Mr. Mehboob, an official of Avantika FPC.

With such marketing experiments, the FPC is increasingly gaining support and confidence of more and more farmers which is reflected in its membership. In the current year, the FPC once again mopped up Rs. 3.05 lakh through issuing new shares to member farmers and now sitting on around Rs. 18 lakh share capital. To help its 4600 members in all stages of cultivation the FPC has also started business in input supply, where it clocked a turnover of Rs. 4.8 cr in 2016-17 and has already crossed Rs. 6 cr till December this financial year.

kheti ke sikander

Samradha Kisan Producer Company

Ujjain, Madhya Pradesh

January 2019

The long journey of 'Samradha' in a short time frame

In Ujjain district of Madhya Pradesh, Samradha Kisan Producer Company is not as much old as profound is its success story. The incorporation was the easiest part of the journey. But to attract small and marginal farmers to become members by paying share capital seemed to play a spoilsport. The FPC officials struggled to unsuccessfully sell an alien idea to their target audience, but to no avail. Then the board decided to try another strategy. "We went to some 1-2 big farmers in each target village and explained them the concept of farmers group. They readily agreed to pay Rs. 1000 as share capital", told Mr. Jitendra Malviya, CEO of Samradha Kisan Producer Company and the caravan marched on.

To broad base their membership, the FPC first ventured into the business of inputs, i.e seeds, fertilizers, pesticides etc. With supply of inputs at around 10-15% less prices than free market, Samradh started attracting small and marginal farmers easily. And the board members of FPC thought of taking one more step forward, with seed production. In kharif season of 2018, it first started seed production with soybean. They procured 6 quintals of breeder seed from the nearby Agri University and got 150 quintals of foundation seed from it. Now, the FPC plans to pack it and sell in May 2019.

In the current rabi season too, the FPC has distributed 100 quintals of wheat seeds to its members to be sown in 400 bighas. The FPC is expecting total production of around 2000-2500 quintals which would then be bought from the farmers at MSP of Rs. 1840 per quintal. Apart from input and seed production business, the FPC has also got Ujjain APMC trading license and participates in the mandi for buying its members' crop. Now in less than 4 seasons of its activities, Samradha FPC has already started influencing the overall price levels in the nearby mandi. "Even if we don't participate in a particular auction, the price levels of auction moves up by Rs. 50-60 with mere news of some guy from Samradha being present at the venue. The traders fear they won't get good crop if they don't quote better prices for it", says Mr. Sanjay Singh Solanki, Chairman, Samradha FPC.

And now, the group has found one more medium to sell its produce. Last year, during October, November and December, the company traded 650 MT of soybean on future platform National Commodity and Derivatives Exchange (NCDEX) Limited out of which 170 MT was settled through delivery while rest of 480 MT was used for hedging the price risk. Even in January, the FPC took position for 60 MT and settled 20 MT in delivery. With its location in Ujjain, a NCDEX delivery centre, Samradha FPC is not only doing its own business on future platform, but also facilitating trades and deliveries for other FPCs from Badnagar and Agar in MP.

Working on future platform has come with a set of another skill set for Samradha. For the first time, Samradha has successfully availed financing facility against its soybean produce stored in ITC Chopal Sagar, Ujjain warehouse. This has helped the FPC in the procurement of all the produce of its member farmers and saved the farmers from distress selling. What Samradha has achieved is a splendid milestone especially considering its short life span. But the zeal of its BoDs is an assurance of the long journey for farmers' 'samradha', the FPC has already embarked upon.

Badnagar Farmer Producer Company (FPC)

Ujjain, Madhya Pradesh
February 2019

kheti ke sikander

Riding high on Soybean experience, Badnagar FPC all set to sail through Chana now

Badnagar Farmer Producer Company (FPC) in Ujjain district is a young organizations just getting ready to celebrate its second birthday. But the records it has under its belly about its trading activities are no novice. After having been incorporated in March 2017 as part of SFAC's program to create 7 farmer producer companies in Ujjain district, Bad Nagar FPC has expanded exponentially, both in terms of value of trade and numbers in membership. It started with a little more than 200 farmers and now has crossed 1,000, majority of whom are Soybean and Chana producers. And so, the first business activity that Badnagar FPC took in its hands was to trade in Chana. This, in a way, carves it out from the herd mentality where most of the FPCs choose the easiest way of mobilising their membership as trading in inputs like fertilizers, pesticides, seeds etc.

Instead, Badnagar FPC, with whatever little share capital it had (Rs. 60,000 at its inception), chose to venture into a more uncertain territory. It procured Chana from some of its member farmers at an average rate of 3,200-3,300 per quintal and after keeping it with the company for around 1.5 months, sold it to the government at MSP of Rs 4,400 during 2017-18. Although the net profit was not big after leaving all the costs involved, the learning, confidence and exposure that it gave to Badnagar FPC strengthened its core. The company distributed around Rs. 6000 to farmers from whom Chana was procured and rest of around Rs 6,000 was retained in its own books.

But even with this little profit, the activity did the trick. Farmers started to come to the FPC. It received Rs. 50,000 more as share capital and invested Rs. 1.10 lakh for purchasing Weedblock, an herbicide. The company sold it to farmers at Rs. 810 per litre (the payment was cash) as against Rs. 850 per litre in the open market. The response was so huge that it kept on buying and selling the medicine along with some other inputs and did a turnover of Rs. 9 lakh apart from the net profit of Rs. 50,000. The membership swelled around 5 times. And then with full of confidence from 2 successful business activities, Badnagar FPC decided to give a try to futures trade.

From October 2018 to January 2019, the FPC traded 150 MT in Soybean on NCDEX. But somehow they miscalculated the arrival of Soybean and the FPC had to square off the trade of 40 MT, but 110 MT trade was duly settled with deliveries. "We made a profit of Rs. 5,000-10,000 per trolley. But the profit is not what we as an FPC are celebrating. The bigger thing is that we have got a new tool to deal with the market. Earlier we used to think NCDEX is only for big traders or processors. But now we have seen how well it works for us," said Surendra Singh Chauhan, Director, Badnagar FPC. With the zeal and experience of Soybean trades on NCDEX, the FPC is giving final shape to their plan to trade in Chana in the current season on NCDEX.

Gudha Bala Ji Producer Company Ltd.

Bundi, Rajasthan
March 2019

kheti ke sikander

Building lives through 'Future' brick by brick

In Bundi district in Rajasthan, water is a perennial problem for farmers and so, there are quite a few NGOs and organizations who are working in these geographies to help farmers in creating awareness about optimum utilization of water resource along with rejuvenating some old sources. But one solution often leads to another problem, albeit the latter happens to be a problem of plenty in many cases. The NGO Sarv Mangal Grameen Vikas Sansthan, which had been active in the area since 2011, also experienced the same. It was felt by the Sansthan that even after the farmers got water for agriculture, the situation couldn't improve as they had no idea about which fertilizer or pesticide to use, they had no avenue to get short term loan and they had no place to sell their crop other than traders and commission agents.

With the help of NABARD, the NGO moved to organize the farmers there into a Farmers Producer Company (FPC). But the journey was not easy. Farmers had to buy shares of the company and this was something they had never heard of. Lack of vision and trust overpowered wisdom. Hardly 40 farmers came forward to become shareholders of this newly formed Gudha Bala Ji Producer Company Limited. Directors purchased shares worth Rs. 5000 and others in the range of Rs. 500-1000. The company was registered in May 2016 and decided to start with input business, but the share capital of Rs. 50,000 was far from enough to start a new business. Then the promoter NGO came forward with an interest free loan of Rs. 2 lakh to help them out.

Gudha Bala Ji Producer Company Limited got license to trade in fertilizers, pesticides and seeds in June 2017 and the business started. The profit margin was decided at 10% by the FPC Board. It was also decided that no purchase would be allowed on credit. So, in a place where 80-90 per cent of farmers are linked to local money lenders and commission agents for their day to day financing needs, getting cash against sell was a tough task. Nevertheless, the business picked up gradually and in the first year till June 2018, the FPC clocked a turnover of Rs. 18 lakh. In the meantime, the membership of the company also increased and reached up to 350.

Bundi is a district where almost each farmer normally possesses many cattle and animal husbandry is a parallel source of income with production agriculture. Cotton seed oil cake, also known as Kapas Khali (COCUD) is a major input for them in dairy production. When the farmers of the FPC got to know about trading of cotton seed oil cake on NCDEX's future platform, they decided to try it. The FPC bought 20 MT of COCUD at Rs. 1940 per quintal when the prevailing prices in the local market was around Rs. 2200-2300. But due to some problems in transport arrangement, it finally decided to square off its position, resulting into a savings of roughly 10%. "Now in the rabi season, we are planning to procure 500 MT wheat from our member farmers and plan to sell it through NCDEX if it provides us a good trading opportunity" said L S Pandey, Manager, Gudha Balaji FPC. Bundi being primarily a crop area for Chana, Maize, RM Seed and wheat, gives the FPC ample opportunity to increase its activities on future platform and according to Pandey, the company is all set to harp on it.

DOs and DON'Ts

DOs

- ✓ Read SEBI/ Exchange circulars available on the Exchange website.
- ✓ Trade only through Exchange registered member.
- ✓ Fill KYC mandate unique client code (UCC).
- ✓ Insist on rights and obligations and risk disclosure statement.
- ✓ Insist on bill/ contract notes for every settlement.
- ✓ Register your mobile number and email id with the stock broker, to receive trade confirmation alerts/ details of the transactions through SMS or email
- ✓ Ensure that the contract note contains all relevant information, such as - member registration no., order details, trade no., trade rate, quantity and arbitration clause.
- ✓ Cross check trade genuineness through trade verification facility available on Exchange website.
- ✓ Pay required margin and MTM obligation in time and understand consequences on non-payment.
- ✓ Be aware of risks associated with dabba trading.
- ✓ Reconcile the statement of transactions from the member & holding statement of the depository participant post every transaction. In case of any discrepancy, voice the same immediately.
- ✓ Issue account payee cheque/ demand draft in name of the broker as it appears on the contract/SEBI registration certificate.
- ✓ Insist on periodical statement of accounts of funds and securities from broker.
- ✓ Check accounts and notify brokers if any discrepancies
- ✓ In case you wish to execute Power of Attorney (POA) in favour of the Stock broker, authorizing it to operate your bank and demat account, please refer to the guidelines issued by SEBI/ Exchanges in this regard.
- ✓ Funding from unauthorised intermediaries aren't covered under settlement guarantee mechanism of the Exchange, hence beware.

DON'Ts

- ✗ Don't fall prey to market rumours.
- ✗ Don't simply go by any explicit/ implicit promise made by analysts/ advisors/ experts. Analyse yourself.
- ✗ Don't simply go by the reports/ predictions made by various print and electronic media.
- ✗ Don't deal with unregistered intermediaries. The list of members is available on the Exchange website.
- ✗ Don't undertake off-market transactions.
- ✗ Don't get carried away by alluring advertisements, rumours, hot tips or any promise of assured returns.
- ✗ Don't accept unsigned/ duplicate contract notes.
- ✗ Don't start trading before understanding risk disclosure clause.
- ✗ Don't let risks against positions accumulate beyond your capacity to bear.
- ✗ Don't miss on keeping track of your financial and contractual obligations against your positions.