



## SMALL FARMERS' AGRIBUSINESS CONSORTIUM (SFAC)

### **Guidelines regarding submission of bids for identification of resource institutions**

#### **Introduction**

Indian agriculture today presents a scenario characterized by millions of small producers who are finding it increasingly difficult to manage the high risk of farming, evidenced by growing weather uncertainties, uneven access to technology, unreliable input supplies, stressed infrastructure in the power and irrigation sectors and uncertain marketing arrangements. This combination of factors limits the potential of the available natural resource base to support agriculture based livelihoods and weakens the bargaining power of the vast majority of these producers. Their situation is likely to worsen in the near future without the urgent adoption of new and innovative institutional solutions to address these challenges. Building farmer producer organizations (FPOs) is one innovation that is likely to mitigate at least some of the risks and constraints faced by isolated and weak producers.

FPOs offer a pathway to farmers, especially smallholders, to successfully deal with a range of challenges by overcoming the constraints imposed by the small size of their individual farms. FPO members are able to leverage collective strength to access credit and technology, reduce transaction costs, tap high value markets and enter into partnerships with private entities on more equitable terms. The aggregation opportunities offered by FPOs attract both wholesale agents and processors to enter into direct buying arrangements with producers and create competition and fairer price discovery. International and limited national experience in the performance of FPOs gives rise to fresh hope and makes a strong case for supporting member based farmer bodies to significantly reduce risks and improve access to markets.

Small Farmers' Agribusiness Consortium (SFAC), a Society promoted by Dept. of Agriculture, Govt. of India, has been nominated by Ministry of Agriculture to act as a nodal agency to coordinate with various State Governments, civil society partners, private sector, financial institutions, resource persons and other stakeholders to help in the conduct of baseline studies, promote FPOs across the country and link producer groups (both existing ones and newly formed institutions) to marketing opportunities.

#### **Project description**

The purpose of the project is to collectivize farmers, especially small producers, at various levels across several states, to foster technology penetration, improve productivity, enable improved access to inputs and services and increase farmer incomes, thereby strengthening their sustainable agriculture based livelihoods. The second part of the intervention involves linking producer groups directly to market aggregators to enable integration of the agriculture value chain and bring agri produce through capable market aggregators directly to consumers.

### **Project components**

The major components of the project include- (a) Conduct of baseline studies; (b) Building and nurturing farmers' groups at the primary and apex level, (c) Planning and implementation of agriculture based livelihood initiatives, especially aimed at productivity enhancement, (d) Formation and development of Kisan Producer Company/Producer Association/Cooperative for market linkage and obtaining extension and knowledge services and (e) Linking producer groups to marketing opportunities by market aggregators (basically institutions involved in forward linkage).

Separate entities/institutions are expected to perform activities listed at (a) to (e). However, wherever suitable competence is proved, activities listed at (b) to (e) can be entrusted to the same entity.

### **Promotion of farmer producer organizations**

The purpose of the project intervention is to mobilize farmers into producer collectives. The standard structure envisaged is multiple Farmer Interest Groups (FIG) of between 20-25 members each at the village level. This is a flexible format which can be adapted to local conditions to accommodate ground realities. However, each project intervention will aim to mobilize at least 5000 producers per district, as far as possible in dense clusters, to facilitate large scale demonstration and achieve economies of scale. FIGs will choose their own priorities to focus on, but technology transfer, inputs, credit and marketing will be among the areas to be stressed upon by the promoting agency.

Once the FIGs are stabilized they will be federated into a Kisan Producer Company, or other institutional form (such as cooperative/MACS/association) depending on their preference in each cluster, where the members of the PGs will become equity holders. About 1000 farmers will be federated in each such institution. However, this number may vary as per local requirements. This body will eventually become the formalized local institution of farmers to address the issues of agribusiness and agriculture extension. A trained team of agribusiness professionals, recruited by the FPO, will help them to plan and implement their business plans.

Local Resource Persons (LRPs), men and women, will be groomed on institutional and technical aspects so that they can serve as service providers in the local area.

Training, exposure and constant handholding to the FPOs and LRPs will be the key strategy of the project. The FPOs and LRPs are expected to be leading the project implementation with facilitation support by the project staff.

Agriculture based technology introduction, validation and adoption will be the key to bring in positive change in the livelihood status of producers linked to the FPOs. The basic methodology followed in this regard will be the ATMA pattern of setting up “Farm Schools”, which are participatory learning platforms of farmers with technical support by the project promoters. The aim is to embed technology upgrade mechanisms within the farming community through the FPOs on a sustainable basis.

Once the farmer organizations acquire scale and confidence (typically by the end of the second year) they will be assisted with services such as networking, DPR preparation etc. to enable them to seek VCA from SFAC for investments in technology, infrastructure and value addition.

**Key activities:** There are **four main sets of activities** proposed in this project:

- (1) training, exposure and several capacity building interventions for the FPOs and LRPs,
- (2) agriculture based livelihood interventions such as trial and demonstration of Good Agriculture Practices (replacement of varieties, pre-and post-sowing practices, seed production and dissemination, INM, IPM, etc.),
- (3) formation and development of Kisan Producer Company or other institutional form, which will include awareness building, federating, drafting constitution, registration of the company, develop and establish system and procedures related to admin, accounts, HR, develop business plan and implementation, statutory compliance, etc. and

### **Role of market aggregators**

The institutions/entities identified to play the role of market aggregators may also seek empanelment for promotion of FPOs. However, they will have to show how producer groups will be linked to the market.

Empanelment of institutions that are focused on institution building will be limited to mobilizing and training of FPOs only.

### **Methodology**

SFAC will identify suitable civil society, private sector and State level partners in each target State through a process of empanelment based on open bidding to promote new FPOs and strengthen existing one. The choice of locations to plan the intervention will be made in close consultation with the concerned State Governments and the final choice on selection of the institution will be that of the State Government. The entire cost of FPO mobilization and

training will be passed on to the selected promoting partner as grant-in-aid by SFAC, subject to achievement of pre-agreed outputs and milestones in a given timeframe. (Please see detailed Process Guidelines posted on the SFAC website for details)

## **Project Results**

### Economic

- Increased agriculture productivity
- Food security will be ensured to the target families
- Market linkage for the backward and forward integration will be ensured with competitive market and as a result there will be at least 30-40% savings / gain at the farmer's level.
- There will be additional employment generated due to increased intensity of farming.
- There will be sub-sector development for agriculture such as seed production, organic fertilizer production, aggregation of produce and primary processing, poultry production, etc. All these will contribute to energize the local economy for multiplier effect.

### Social

- Social capital built in the form of FPOs
- Federating FPOs into producer company/cooperative will weave the primary groups together and carry a lot of collective bargaining power.
- Leadership role of producers in technology absorption
- Benefits in terms of reduction in migration, improved food and nutritional security, etc. will reduce social conflicts and risks and enhance welfare at household level

## **Eligibility criteria**

The following are eligible to bid for participation in this project:

1. Any public or private sector institution
2. Any institution registered as a trust, society, cooperative

Provided that:

1. The institution has completed at least 5 years of functioning (financial years) as on 1<sup>st</sup> April 2011.
2. There are audited financial reports of the last 4 years available (i.e. upto financial year ending 31<sup>st</sup> March 2010).
3. The institution has direct experience of promoting member based farmer producer institutions in India for at least the last 3 years as well as substantial knowledge and experience of agriculture related livelihood issues, including technology, marketing, training etc. Previous project experience in this regard will have to be substantiated with copies of work orders, letters etc.

4. It has on its rolls experienced staff with direct experience of farmer institution building and agriculture based livelihoods.
5. The institution is not black-listed by any Central or State agency.
6. It is in compliance of all necessary laws and statutes on the date of application.
7. Refundable Earnest Money of Rs. 10,000.00 (Rupees ten thousand only) is submitted in the form of a demand draft payable to “Small Farmers’ Agribusiness Consortium” at New Delhi.

Necessary documentary evidence for items 1-4 will have to be provided with the application. A declaration on plain paper signed by the Chief Executive of the institution will suffice for items 5 and 6. Originals of documents should not be attached with the applications, only self certified copies are required.

### **Bid methodology**

In the first stage, only technical qualification will be undertaken. Interested bidders may provide full details of their profile, experience, area of operation, capacity, etc. A detailed proposal will be sought only from short listed parties. EMD of institutions which are not short listed will be returned immediately.