

# Template for Development of Business Plan by Farmer Producer Organisation

Central Sector Scheme for promotion  
of 10,000 FPOs

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## List of Abbreviations

FPCL	Farmer Producer Company Limited
BOD	Board of Directors
CFC	Common Facility Centre
FPO	Farmer Producer Organization
FCSC	Farmer Common Service Centre
Ha	Hectare
HHs	House Holds
Kg	Kilogram
KVK	Krishi Vigyan Kendra
IA	Implementing Agency 10,000 FPOs Formation and Promotion Project
MRP	Minimum Retail Price
MSP	Minimum Support Price
PPP	Private Player Parties
SWC	State Warehousing Corporation
SFAC	Small Farmer Agribusiness Consortium
PA	Producer Association
PC	Producer Company
PG	Producer Group
Sq. Ft	Square Feet
Qt	Quintal
MTG	Multitask Group

## Background

Department of Agriculture, Cooperation and Farmers' Welfare, Ministry of Agriculture & Farmers' Welfare, Government of India has launched a Central Sector Scheme for formation and promotion of 10,000 Farmer Producer Organizations (FPOs) with following objectives:

- To provide holistic and broad-based supportive ecosystem to form new 10,000 FPOs to facilitate development of vibrant and sustainable income-oriented farming and for overall socio-economic development and wellbeing of agrarian communities.
- To enhance productivity through efficient, cost-effective and sustainable resource use and realize higher returns through better liquidity and market linkages for their produce and become sustainable through collective action.
- To provide handholding and support to new FPOs up to 5 years from the year of creation in all aspects of management of FPO, inputs, production, processing and value addition, market linkages, credit linkages and use of technology etc.
- To provide effective capacity building to FPOs to develop agriculture entrepreneurship skills to become economically viable and self-sustaining beyond the period of support from government.

### Farmer Producer Organizations (FPO):

FPO is a generic name, which means and includes farmer- producers' organization incorporated/ registered either under Part IXA of Companies Act or under Co-operative Societies Act of the concerned States and formed for the purpose of leveraging collectives through economies of scale in production and marketing of agricultural and allied sector. However, FPOs registered under Cooperative Societies Act of the State (including Mutually Aided or Self-reliant Cooperative Societies Act by whatever name it is called) for the purpose of this Scheme, is to be insulated from all kinds of interference including in election process and day to day management through suitable provisioning in their Memorandum of Association and Bye-laws with a view to encourage healthy growth and development of FPO.

### Broad Services and Activities to be undertaken by FPOs:

The FPOs may provide and undertake following relevant major services and activities for their development as may be necessary: -

- Supply quality production inputs like seed, fertilizer, pesticides and such other inputs at reasonably lower wholesale rates.
- Make available need-based production and post-production machinery and equipment like cultivator, tiller, sprinkler set, combine harvester and such other machinery and equipment on custom hiring basis for members to reduce the per unit production cost.

- Make available value addition like cleaning, assaying, sorting, grading, packing and also farm level processing facilities at user charge basis on reasonably cheaper rate. Storage and transportation facilities may also be made available.
- Undertake higher income generating activities like seed production, bee keeping, mushroom cultivation etc.
- Undertake aggregation of smaller lots of farmer-members' produce; add value to make them more marketable.
- Facilitate market information about the produce for judicious decision in production and marketing.
- Facilitate logistics services such as storage, transportation, loading/un-loading etc. on shared cost basis.
- Market the aggregated produce with better negotiation strength to the buyers and in the marketing, channels offering better and remunerative prices.

### Implementing Agencies:

In order to form and promote FPOs in uniform and effective manner so as to achieve the target of formation of 10,000 new FPOs in 5 years and to make the FPOs economically sustainable, nine Implementing Agencies, namely, Small Farmer Agribusiness Consortium(SFAC),National Bank for Agriculture and Rural Development(NABARD), National Agricultural Cooperative Marketing Federation of India Ltd (NAFED), National Cooperative Development Corporation (NCDC),Watershed Development Department (WDD), Small Farmer Agribusiness Consortium – Haryana (SFAC-HR),Small Farmer Agribusiness Consortium – Tamil Nadu (SFAC-TN), Ministry of Rural Development (MoRD), North Eastern Regional Agricultural Marketing Corporation Limited (NERAMAC)shall be responsible to form and promote FPOs.

### Development of Business Plan:

Since the BoDs of FPOs are farmers, preparation of bankable business plan is a challenge for them. Many a time the business plans are prepared by external consultants without much involvement of Board of Directors or even CEO of FPO and as a result the business plans are not translated into doable businesses for the FPOs.

A Good Business Plan acts as a compass to the FPO – showing the right direction needed from time to time. Several FPOs prepare business plans for the sake of preparation and it remains a statement of intention rather than a tool for direction. However, a good Business Plan (BP) is the engine that drives the FPO to the destination it has envisioned.

A good business plan helps the CEO to put their efforts in proper perspective and directs the plan of activities for the next five years. While preparing a business plan, the CEO should have the information of all the farmer members with respect to their area under crops, the yield and income levels, the status of value addition of the crops and the pain points in cropping, as well as past harvest stages. This helps designing a bottom up micro plan starting from the last mile producer.

FPO as a business model is an emerging trend in the agri-business markets in the country. A good business plan for an FPO should handle the financial affairs and



simultaneously address the concerns regarding the burden of agriculture in terms of input logistics, quality parameters, technology and satisfactory returns to the efforts and investments in FPOs.

**This tool kit / template is an attempt to create the clear guidelines for development of Business plan by the FPOs formed under the central sector scheme addressing all the important aspects of a good business plan.**

## Executive Summary:

The executive summary is probably the most critical part of the business plan format. Many business plan readers will read the executive summary and then decide whether to proceed further or discard the plan.

The executive summary should be written last, once all the other sections are complete. It should not exceed two pages and should eloquently summarize the most important aspects of the plan.

**Key elements** that should be included in the executive summary are:

**Main Objective of the FPO:** It should be “SMART” (Simple, Measurable, Achievable, Replicable and Time tested) enough and reflects the essence of the business of an FPO  
For Ex: “The Krishiphala Farmers’ Producer Company (FPC) will improve the income of its farmer members from an average of Rs. 75,000 per annum per household by 15 percent in three years starting from 2020”

**Profile of the FPO:** Profile reflects the number of shareholder members, number of BoDs, number of internal committees, equity capital collected, number of villages, major Commodities being handled by the FPO, asset structure and any goodwill (in terms of Competent expert director or any well-known progressive farmer on the board, Commendation /appreciation received for any other activity of the BoD members / farmer members / CEO etc.)

**Pain points of the farmer members:** In one or two sentences, the pain points of the farmer members with regards to their livelihoods are to be summarized

**Generation of Business Ideas or Value Chain Proposition:** The choice of selection of major crops and major activities for the crops is to be given, based on Value Chain Index and Market Conditions

**Market Strategy:** Strategies to manage the target market, customers and likely competition are mentioned here

**Financial Summary:** Overview in terms of revenue generation, likely profits to the Organization, estimated financial ratios indicating the financial viability plan and the funding requirement to execute the business as per the plan, are to be indicated here

**Management Team:** A good business plan requires a good team to execute it. The members of the management team and their short profiles are to be noted in this section

## Chapter 1: Introduction:

### Farmer Producer Organization (FPO) at a Glance:

S. No.	Particulars	Details
1	Name of the FPO	
2	Legal status	
3	Registration act	Companies Act / Coop Societies Act
4	Registration number and date	
5	Place of registration	
6	Address of registration	
7	Contact details <ul style="list-style-type: none"> <li>• Address</li> <li>• Phone/Fax</li> <li>• Email</li> <li>• Website</li> </ul>	
8	Board of Directors <ul style="list-style-type: none"> <li>• No of directors</li> <li>• Women directors</li> </ul>	
9	Name of the CEO & Contact Number	
10	Number of employees on payroll	
11	Share capital (Rs. lakh) as on ..... <ul style="list-style-type: none"> <li>• Authorized Paid up</li> </ul>	
12	Number of shareholders <ul style="list-style-type: none"> <li>• Farmer members</li> <li>• Institutional members</li> <li>• SHGs</li> <li>• JLGs</li> <li>• Farmer clubs</li> <li>• Non shareholder farmers Total</li> </ul>	
13	Bank account <ul style="list-style-type: none"> <li>• Bank and branch</li> <li>• Account number</li> <li>• IFSC</li> </ul>	
14	Funding agency <ul style="list-style-type: none"> <li>• Name</li> <li>• Sanction date</li> </ul>	
15	Area of operation <ul style="list-style-type: none"> <li>• Districts</li> <li>• Blocks</li> <li>• Panchayats</li> </ul>	

	<ul style="list-style-type: none"> <li>• Villages</li> <li>• Markets</li> </ul>	
16	Sectors in which the FPO is working	<ul style="list-style-type: none"> <li>• Block wise Agr-Hort</li> <li>• Agro forestry</li> <li>• Bamboo</li> <li>• Honey</li> <li>• INM</li> <li>• Oil Seeds</li> <li>• SPL Category</li> </ul> (Retain whichever is applicable)
17	Key commodities and core Activities	
18	Proposed commodity(s) and value chain Activities	
19	Licenses obtained <ul style="list-style-type: none"> <li>• Fertilizer</li> <li>• Pesticide/Insecticide</li> <li>• Seed</li> <li>• FSSAI</li> </ul>	(Please indicated license number and date)
20	Infrastructure available with FPO	(Enclose Annexure if necessary) <ul style="list-style-type: none"> <li>• Godowns</li> <li>• Office building</li> <li>• Retail outlets</li> <li>• Others</li> </ul>
21	Business turnover achieved	Rs.                      Year
22	Profit	Rs.                      Year
23	Major risks faced	
24	Good practices promoted by the FPO	
25	Major markets and distances	
26	Major banks and distances	

### About Producer Company:

**FPO Name** Producer Company Limited was registered on D/M/YY under the Companies Act 1956 and has its registered office at **Block Name** of **District Name**. The **FPO Name** has a strong back up of committed promoters and directors who are however not very skillful in terms of marketing and financial aspects of business management but have expertise in agriculture production and understand collective marketing concepts. **It has applied for Rs. 15 Lakh for Equity grant from the Implementing Agency assisted by the 10,000 FPO Formation and Promotion of Central Sector Scheme and implemented by the Govt. of India. FPOs can get up to Rs. 18 lakh / FPO as Management Support.** This Company will have its main revenue generating business activities in terms of collective purchase of inputs (seeds & fertilizers), product aggregation and marketing of produce, as well as primary processing of agricultural produce i.e. cleaning, sorting and grading of the produce.

The Producer Company formed in **FPO Cluster Name**. This FPO has been established in **FPO Cluster Name** village of **Name of** district. The major crops identified for leveraging in this block are **Crop1, Crop2, Crop3, Crop4 and Crop5** etc. Details about the crop portfolio in this block is detailed out in this plan. This section also highlights the number of villages located in this block within the block. These **Number of** villages form the Watershed for business for the FCSC that is proposed to be established. There are around **Figure of** HHs with cultivable land of **Figure of** Ha in the area.

### Block Index Map:

This Business Plan has been developed by generating related business ideas in consultation with the members of the Producer Company. Accordingly, the Profile of FPO, Crop/Commodity Portfolio details, Marketing Strategy, Operational Plan and Financial Plan including Income Expenditure Statement, Cash Flows, Chart, etc. have been developed and incorporated. This Business Plan has been prepared taking into consideration existing membership of ..... farmer producers from ..... Gram Panchayats and ..... villages. The average land holding is ..... HA per producer. Also, taking into consideration assumptions of proposed produce productivity (Qt/ha), seed rate (Kg/ha), average sale price (Rs/Kg), minimum support price of the commodity (Rs/Quintal), average mandi price of the commodity (Rs/Quintal), quantity and no. of times of fertilizer application and average price of the fertilizer, percentage of marketable surplus of the produce and percentage of allocation of land for different commodities in Kharif and Rabi season.

The major commodities identified for undertaking target business activity with **FPO Name** are **Commodities Name** with allocation of land ..... % and ..... % of the cultivated area respectively in Kharif season, whereas in Rabi season the proportion is ..... % and ..... % of the cultivated area respectively for cultivating **Commodities Name**.

This Business Plan has been prepared in consultation with representatives of **FPO Name** in coordination with other stakeholders of the **10,000 Central Sector Scheme Project**. This Plan has been developed for a period of 5 years.

### SWOT Analysis for the proposed business of the FPO:

Strength	Weakness
<ul style="list-style-type: none"> <li>• Knowledge on Production Activity</li> <li>• Collectivized producer individuals seeking to generate big volume.</li> <li>• Fine understanding of the concept of FPO and its importance in FPOs leaders</li> <li>• Membership of farmers (SF/MF)</li> <li>• Ownership by farmers</li> <li>• Professional support from Implementing Agency, Team NPMA</li> <li>• Possesses written constitution and article to guide operations</li> </ul>	<ul style="list-style-type: none"> <li>• Limited financial resources</li> <li>• Inadequate capacity to afford skilled human resources</li> <li>• Inexperienced board</li> <li>• Poor infrastructure facilities</li> <li>• Limited entrepreneurship skills</li> <li>• Low investment capacity of members (equity)</li> <li>• Inadequate support of Bankers and other funding organizations</li> </ul>
Opportunity	Threats
<ul style="list-style-type: none"> <li>• Vast untapped potential to increase membership</li> <li>• Scope for value addition</li> <li>• Diversification potential towards more remunerative crops &amp; activities</li> <li>• Internal &amp; external financial access through leveraging services of apt institutions and schemes.</li> <li>• Equipment hiring services</li> <li>• Agri input business</li> <li>• Seed production</li> <li>• Joint marketing of produce (avoiding exploitative middlemen)</li> <li>• Scope for producers to secure</li> <li>• To seek maximum share in consumer price.</li> <li>• To seek better and competitive marketing opportunities.</li> <li>• To minimize cost of production.</li> </ul>	<ul style="list-style-type: none"> <li>• Failures of crops</li> <li>• Market fluctuation</li> <li>• Changing Govt. Policies</li> <li>• Competition from local business</li> <li>• Cooperative failure due to influence</li> </ul>

## Business Activity – I (Input Shop):

**The Businesses the FPO can undertake shall be classified into three main categories**

- Trading – “buying and then selling” businesses such as procurement and sale of inputs, commodities, value added products etc.
  - Production – Primary / secondary processing of the goods of their farmer members
  - Services – Providing services such as dissemination of latest pre and post-harvest practices and technology, doorstep delivery of inputs, crop health monitoring, advisories on Integrated Pest Management (IPM) and good agriculture practices (GAP) and marketing of produce on behalf of farmer members
    - Need of the proposed business activity
    - Operational Plan
- a) Advertisement of activities
    - Input Promotion
    - Output Promotion
  - b) Collection of indents
  - c) Vendor selection
  - d) Pricing and payments
  - e) Delivery of inputs to farmers
  - f) Pert Chart depicting the activities along with timeline for supply of inputs

## Sale of inputs:

### Business Summary – Seed Facilitation:

S. No	Particular	Y1	Y2	Y3	Y4	Y5
1	No. of Members					
2	No. of Active Members					
3	No. of Non-Members					
4	Seed Quantity Required (in KG)					
	Crop 1					
	Crop 2					
	Crop 3					
	Crop 4					
	Sub Total					

5	Seed Value (in Rs.)					
	Crop 1					
	Crop 2					
	Crop 3					
	Crop 4					
	Sub Total (Rs.)					
6	Seed Revenue (in Rs.)					
	Crop 1					
	Crop 2					
	Crop 3					
	Crop 4					
	Sub Total (Rs.)					

#### Critical Assumptions:

- Producers willing to purchase seeds from FCSC is based on discussions held with BoDs of the FPC
- The growth in members is the estimate based on consultation with the BoDs of the FPC
- The area under these producers are based on the average area (..... HA) per producer in the FPC
- Seed Rate per hectare is based on expert opinion.
- Member growth is .....% every year against total household of the block
- First year .....% of non-members against members and 2<sup>nd</sup> year onwards .....% increase in non-members.
- Transportation expenses for the inputs to and from the FCSC will be borne by the farmers and the transportation cost of delivering the inputs at FCSC location will be ensured from the supplier's side
- .....% inflation is considered for operating costs and revenue every year
- Rate for the seed is based on the current market rate and is subject to change over a period of time.



### Business Summary – Fertilizer Facilitation:

S. No	Particular	Y1	Y2	Y3	Y4	Y5
1	<b>No. of Members</b>					
2	<b>No. of Active Members</b>					
3	<b>No. of Non-Members</b>					
4	<b>Fertilizer Quantity Required (in KG)</b>					
	Urea					
	DAP- (di-ammonium phosphate)					
	Any other fertilizer					
5	<b>Fertilizer Value (in Rs.)</b>					
	Urea					
	DAP – (di-ammonium phosphate)					
	Any other Fertilizer					
	<b>Sub Total (Rs.)</b>					
6	<b>Fertilizer Revenue (in Rs.)</b>					
	Urea					
	DAP – (di-ammonium phosphate)					
	Any other Fertilizer					
	<b>Sub Total (Rs.)</b>					

#### Critical Assumptions:

- The Area under these producers are based on the average area (..... Ha) per producer in the FPC.
- The member growth is the estimate based on the discussions with the BoD of the FPC
- Fertilizer dose per acre is based on expert opinion
- Rate for the fertilizer is based on the current market rate and is subject to change over a period of time
- Discount offered by the fertilizer supplier is based on the difference in the rate at the distributor level and the retailer & subject to change over a period of time
- Member growth is .....% every year against total household of the block
- First year .....% of non-members against members and 2<sup>nd</sup> year onwards .....% increase in non-members.
- .....% inflation is considered for cost and revenue every year

### Business Summary – Pesticides/ Insecticide:

S. No	Particular	Y1	Y2	Y3	Y4	Y5
1	No. of Members					
2	No. of Active Members					
3	No. of Non-Members					
4	Pesticide application in Hectare					
	Cost of pesticides application per Ha (Rs.)					
5	Pesticide value (in Rs.)					
6	Pesticide revenue (in Rs.)					

### Critical Assumptions:

- In market there are a range of pesticides and related suppliers. Therefore, we have considered Rs. .... per Hectare as purchase cost for the pesticide.
- .....% margin is considered on the pesticide purchase cost.

### Business Activity – II (Aggregation and Sale of Produce):

#### • Proposed business activity:

Farmers of this block undertake individual sale of their produce. They sell their produce to traders in the local mandis only. They have limited exposure to other markets or sales channels. They have inadequate knowledge of business terms & conditions of other procurers like processors, traders of terminal markets, direct license holders etc. They submit to the dictates of the local traders due to inability to scout and link with other potential buyers and suffer from unfavourable trading terms. About .....% of the famers in this block go for distress sale of their produce in order to service credit availed for agro-input purchase and domestic requirements. This becomes more pressing after kharif due to the need for reinvesting on agro-inputs for Rabi cropping.

The FPC members decided to explore other markets with assistance from the FCSC service provider and line department officials to help the farmers expand their market in search for better prices and trade terms. They also decided to facilitate aggregated sale of produce.

#### Operational Plan:

##### a) Scouting buyers:

FPC Leaders will scout market players and make exhaustive commodity-wise list of potential buyers along with the terms of trade. They will shortlist potential buyers based on negotiated settlements and draw up rate contracts. The PC will be supported by the FCSC service provider during the 1st year of this business so as to enable them to do it independently in subsequent years.

##### b) Awareness generation:

The PC will brief the PC leaders the terms of trade and quality specifications and prices prevalent at higher order markets. The PC leaders will in turn share the same with PC members and enlist quantum of surplus produce that each member is willing to sell collectively through FCSC. Public notices will also be put at important locations (like GP, School, Hospital, FCSC etc.) to make other farmers of the block aware about the initiative of the FCSC. Quality requirements and price offers of higher order market will be mentioned in such notices along with invitation to sell through FCSC.

**c) Aggregation of produce:**

Each FPC leader will create a list of interested group members along with surplus quantum available for sale through FCSC. These lists will be submitted to the FPC BoD. Non-members directly convey their willingness and quantum of surplus produce to be sold through FCSC to the FPC BoD. Final list outlining the quality and quantum of produce available for sale through FCSC will be drawn up by the FPC BoD. ....% of produce after cleaning grading will sold immediately to the bulk purchasers in the region and rest of the produce will be stored at nearest SWC (Farmer will be motivated by FPC to store at least .....% to .....% at SWC for good remuneration with support of pledge by nearest nationalized bank).

**Following are the details of the nearest Storage facilities:**

Sr. No.	Name	Godown Storage Capacity (MT)
1		

**d) Soliciting and servicing orders:**

The FPC will identify buyers from higher order markets and negotiate with them for rate contract and supply orders. As per the demand from these identified buyers the FPC will undertake supplies at pre-negotiated rates. The FPC will also undertake regular market scouting and maintain liaison with other buyers to ensure that regular enquiries are received by the FCSC. As and when a suitable order comes up, the FPC will intimate the farmers through FPC leaders and open notices about the crop, quality specifications and quantum requirement. The FPC will intimate the terms of payment and time and location of aggregation under the same notice.

The FPC will also take up spot sales from time-to-time based on queries from the market. In such cases, the FPC will announce the rates to the farmers on daily or deal basis after deducting FPC facilitation charges. Farmers will be asked to bring their produce to the FCSC at a given time. FPC will monitor the entire process based on terms of the buyer. Record of the quality of produce & price offered will be noted at the FCSC and supply and payment receipts will be issued to the farmers. The FPC will keep equipment like moisture meter and weighing machine for free use of members to facilitate trading.

**e) Payment to farmers:**

Buyer will pay money of produce bought to FPC that the FPC will pass on to the members either through the FPC bank account or directly to farmers in cash after deduction of facilitation charges. FPC will then transfer money to members in case

of account transfers. For other farmers, the treasurer of the FPC will directly make the payment from FCSC counter.

The FPC will insist on advance or spot payment from the buyer. It will pay the farmer after receiving payment from the buyer. Under ideal circumstances, the farmer will get money within 48 hours of the transaction.

In the financial calculations, the rates for the produce have been maintained at the average mandi price of nearby APMCs at the time of preparation of this proposal. No variations have been shown over the 5 years of project period. This has been done to overcome possibility of hazardous estimation due to inconsistent movement of commodity prices and low annual increment of MSP.

## Sale of produce

### Marketing Strategy:

The FPC has extensively discussed the challenges and opportunities in marketing of agro-produce in the district and other major markets. Such deliberations were facilitated by inputs from the FCSC service provider. The FCSC service provider gained insights on the same through interaction with various market players covering, local traders, processing industries and terminal market traders. It was found that willingness exists among processors and terminal market traders to procure directly from a farmers' organization if quality and supply issues are suitably addressed. They are ready to offer rates that were better than those offered by the local traders with whom the farmers of this block have been traditionally dealing. Many of these buyers from higher order markets are ready to lift the produce from the FCSC if supply quantity is adequate and timely availability is ensured.

The FPC will establish contacts with potential buyers. They will be guided by the FCSC service provider in the process. Samples of produce will be sent to the buyers and purchase terms negotiated with defined targets regarding price and payment terms.

The FPC will undertake sale facilitation for both processed (cleaned, sorted and graded) and unprocessed (assorted) products. They will try to target specific market segments as buyers of different categories of product. Pricing of the products will also be different for the processed and unprocessed categories. It is assumed that the unprocessed produce will sell at a discount of .....% compared to processed product.

The FPC intends to reduce its dependence on local markets for sale of the farmers' produce with an eye on maximizing returns. Therefore, it targets to sell .....% or more of the produce to processing industries and traders of terminal markets. It is assumed that better price will be realized from the higher order markets. However, for financial calculations the lower rates similar to those quoted at nearby APMCs have been used in keeping with the conservative nature of accounting practices.

### FPC can provide the marketing support to its members in two ways:

1. Trading: FPC may purchase the produce of its members at the rates prevailing in the local market. Aggregate, Clean, Sort, grade, pack and sale the aggregated lots in local/ terminal market or to the processors. In this case the ownership of produce will get transfer from member to FPC upon purchase of the produce and FPC will be required to pay the farmer at the committed price irrespective of loss or gain in

the transactions. This is a risky proposition for the FPCs and shall be exercised very carefully.

2. Alternatively, FPC can provide aggregation, segregation, cleaning, sorting, grading, packaging, standardization, quality assaying and marketing support to its members i.e. small and marginal farmers who have small quantities by aggregating the lots of similar qualities in trackable lots to derive economy in transport. Proper record of Quantity and Quality received from each member shall be maintained by the FPC. Aggregated lots shall be sent for sale to local / terminal markets or processors. Sales realization per quintal or per Kg is derived by dividing the total sales realization of the lot by the lot quantity. Sales realization is distributed to the members at this particular rate multiplied by his quantity after deduction of transport charges and service charge of the FPC for the services provided. In this case the ownership of the produce remains with the member (farmer) till the produce is sold. FPC have neither incur any profit nor any loss on such transactions and earn only the service charges at a fixed percentage of the sales realization which is fixed well in advance for all the transactions.

Business plan may include the quantities transacted by both the above methods in the tables below for the five years

**Business Summary – Aggregation and Sales of Produce (Trading):**

S. No	Particular	Y1	Y2	Y3	Y4	Y5
1	<b>No. of Members</b>					
2	<b>No. of Active Members</b>					
3	<b>No. of Non-Members</b>					
4	<b>Budgeted Procurement Quantity (in Qtls)</b>					
	Produce 1					
	Produce 2					
	Produce 3					
	Produce n					
5	<b>Budgeted Procurement Value (in Rs.)</b>					
	Produce 1					
	Produce 2					
	Produce 3					
	Produce n					
	<b>Sub Total (Rs.)</b>					

<b>6</b>	<b>Budgeted Sale Value (in Rs.)</b>					
	Produce 1					
	Produce 2					
	Produce 3					
	Produce n					
	<b>Sub Total (Rs.)</b>					
<b>7</b>	<b>Budgeted Profit / Loss (Rs.)</b>					

Business Summary – Aggregation and Sales of Produce on behalf of members:

<b>S. No</b>	<b>Particular</b>	<b>Y1</b>	<b>Y2</b>	<b>Y3</b>	<b>Y4</b>	<b>Y5</b>
<b>1</b>	<b>No. of Members</b>					
<b>2</b>	<b>No. of Active Members</b>					
<b>3</b>	<b>No. of Non-Members</b>					
<b>4</b>	<b>Budgeted Quantity (in Qtls)</b>					
	Produce 1					
	Produce 2					
	Produce 3					
	Produce 4					
<b>5</b>	<b>Budgeted Sale Value (in Rs.)</b>					
	Produce 1					
	Produce 2					
	Produce 3					
	Produce 4					
	<b>Sub Total (Rs.)</b>					
<b>6</b>	<b>Service charges @ x% of sale value (in Rs.)</b>					
	Produce 1					
	Produce 2					

	Produce 3					
	Produce 4					
7	<b>Service Charges received (Rs.)</b>					

**Critical Assumptions:**

- The Area under these produces are based on the average area (..... Ha) per producer in the FPC.
- The member growth is the estimate based on the discussions with the BoD of the PC
- Only .....% of marketable surplus is aggregated and traded by the FPC.

**Business Activity – III (Primary and secondary processing of surplus produce):**

**Need of the proposed business activity**

Farmers have expressed their concerns regarding lack of remunerative prices for their produce in all group meetings. However, during interaction with market players (traders, procurement agencies, processing units etc.) it was clearly stated that they are unable to pay better prices as produce brought in by the farmers are a mix of good and poor quality and supply consistency is lacking. The market players, especially the industries, expressed their willingness to pay more for quality produce specifically for cleaned and graded products supplied as per order and specifications. During subsequent meetings these findings were shared with FPC leaders. The leaders discussed the matter among themselves and group members and expressed their desire to take up basic cleaning & grading through the FCSC and also facilitate aggregation and collective marketing of the produce to higher order markets to achieve better price through negotiated settlements long-term tie-up. This will help farmer members to realize better prices for their produce.

**Operational Plan:**

*Plant capacity & product priority:*

The common facility center will have a cleaning, sorting, grading and packing unit with capacity to process 1-2 tons of produce per hour. In terms of cleaning and grading unit, it is assumed that with ..... hours of daily operation with .....% efficiency around ..... tons of produce will be processed per day. This capacity will allow the processing unit to clean and grade only a small portion of total grain production in the block. Keeping this limitation in mind, priority will be accorded to those crops that have the highest volume of production and good market demand. Therefore, **commodity name** will be the priority products for this processing unit.

*Batching and queuing:*

Particulars	Year	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
-------------	------	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

Quantity (in MT)	Yr 1												
	Yr 2												
	Yr 3												
	Yr 4												
	Yr 5												
Average Quantity Daily (in MT)	Yr 1												
	Yr 2												
	Yr 3												
	Yr 4												
	Yr 5												

#### Service charges:

Members will have to pay Rs. .... per quintal (Rs. .... per quintal for non-members) for cleaning, sorting, grading and packing or part thereof as processing fee after weighing of the produce at the entry gate. The payment will be entered in the processing log book and a receipt will be issued to the farmer. The processed goods will be handed over to the farmer on production of the receipt. The FPC Secretary will compile and maintain FPC wise records of all processed produce on a daily basis. This information will come in handy while interacting with buyers and fixing actual transaction days during sale of the produce. The rates and revenue realization figures are presented in the following tables. Processing charges will be enhanced by ..... % every year.

#### Business Summary - Cleaning and Grading Unit

S. No	Particular	Y1	Y2	Y3	Y4	Y5
1	No. of Members					
2	No. of Active Members					



3	No. of Non-Members					
4	Processing Quantity (in Qtls)					
5	Service Charges (in Rs.)					

#### Critical Assumptions:

- .....% of the aggregated commodity will be cleaned and graded so that members will realize a good market price (apart from the traded commodity, the rest will be charged for the services)
- The facility of FPC established is a useful infrastructure in the locality for all farmers.
- Average working of the plant will be ..... hours considering power cuts and other risks. The ..... TPH machine will work at .....% efficiency.
- First year .... % of non-members against members and 2<sup>nd</sup> year onwards ..... % increase in non-members.
- .....% inflation is considered for cost and revenue every year.

#### General Profile of FPO:

S. No	Particulars	Details
1	Name of Organization	Name of FPC
2	Status of Organization	Producer Company
3	Type of Farmer Common Service Centre	Cereals & Grain& F&V
4	Location of Producer Association	District Name
5	Catchment Location	Block Name
6	Gram Panchayat	Xyz
7	District	ABC
8	Block	Xyz
9	No. of Villages in the block	123 etc
10	Share collection till date ... Month 2021	
11	Share allotment till date .... Month 2021	
12	Paid-up Capital at the time of registration (in Rs.)	

13	Bank balance as on Date/Month/Year	
14	Proposed PC Paid-up Capital (in Rs.)	
15	Authorized Paid-up Capital (in Rs.)	
16	FPO Project Land Detail	FPO has finalized land for FCSC and the same has been registered

FPC village wise detail:

S. No	Village	Distance from FCSC block in Kms	Average Land Holding (Ha)	No of producers in block	Village Area of (ha)
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					

Crop wise area, production, and productivity of Block (Based on Baseline and DPR):

Sr. No	Name of the Crop	Area (Hectares)	Production (MT)	Productivity (Quintal/Hectare)
1				
2				
3				
4				
5				

Crop wise Area, production, and productivity of shareholders:

Sr. No	Name of the Crop	Area (Hectares)	Production (MT)	Productivity (Quintal/Hectare)
1				
2				
3				
4				

Personal Information about BoDs:

*BoD Profile:*

Designation	Name	Age	Gender	Landholding (Hectares)	Role

**Main Objective of the Producer Company:**

It should be “SMART” (Simple, Measurable, Achievable, Replicable and Time Tested) enough and reflects the essence of the business of a producer company  
For Example:

“The XYZ Farmers’ Producer Company (FPC) will improve the income of its farmer members from an average of Rs. 75,000 per annum per household by 15 percent in three years starting from 2020”

**Business Intervention Proposed by Producer Company:**

Value chain in the block for agriculture produce:

*Value chain gap versus proposed interventions:*

Value Chain	Gaps	Interventions

Input Services		
Procurement		
Storage		
Processing		
Market Linkages		

*Gaps identified, and interventions proposed:*

S. No	Period	Issues	Proposed Business idea
1	Pre-sowing		
2	Supply of inputs		
3	Agri. equipment after harvesting/ Value Addition		
4	Marketing		
5	Storage		

In order to plan the above-mentioned major business activities with reduced risk, comprehensive consultation was held on the major issues that the producers faced from pre-sowing activity to post-harvest activity. The FPC has decided to establish and operate an FCSC for cereals and grains undertaking the below mentioned 3 business activities.

- Input Supply:
- Collective Marketing of Surplus Agri Produce:
- Cleaning and grading services:

## Chapter 2: Business Idea and Business Opportunity – Value Chain

*Analysis – Scope in the area – Key Commodities / Activities:*

**Value Chain Analysis:**

A successful Business Plan is one that has found a way to create value for customers – i.e., a way to address a need of customers. The customers in an FPO can be farmer members or retailers or wholesalers depending on the type of product or service the FPO chooses to operate with. The very foundational objective of an FPO is adding value to the produce as against selling the raw product directly in the market.

**“Value Chain Development” in the context of FPO:**

Value chain development activities of an FPO, may be defined as under for easy understanding of our share holder farmer members

**“The full range of activities that is required to produce a product or service from pre-production, soil preparation, sowing of seeds and up to packing and sale to the final customers constitutes the Value Chain. It involves combination of physical transformation and the input of various producer services.”**

In short, a value chain effectively:

- Traces product flows and shows value addition at different stages
- Identifies key actors and their relationships in the chain
- Identifies enterprises that contribute to production, services and required financial support
- Identifies bottlenecks preventing progress
- Provides a framework for sector specific action
- Identifies strategies to help local enterprises to compete and to improve earning

Opportunities

- Identifies relevant stakeholders for program planning

### Value Chain in Practice:

Value chain thinking begins from the farmer's point of view as well as from the consumer's point of view. Farmer's point of view refers to the scope of developing the value chains based on existing gaps in processes or activities/products of the farmers. As this is planned from the viewpoint of farmers this can be called as supply driven value chain.

**Farmers buy in retail and sell in wholesale losing at both the ends**

**So, an FPO should learn to buy in wholesale (Inward logistics) and sell in retail or up markets (Outward logistics), for its farmer members.**

### Value Chains of Interest:

Value Chain Analysis shall be conducted for the Primary and Secondary crops allotted to the FPOs.

**Exploring the market opportunities, include:**

- Displacing existing suppliers whose customers are finding them unreliable
- Import substitution
- New products
- Opportunities currently being missed such as reaching to the FMCG base of a product
- Understanding the consumers' piece of the value chain thinking puzzle should lead farmers to ask:
- What products, and what characteristics of those products, are consumers looking for?
- Which crops and how much should I grow and how should I grow them?

- Can I process those crops to make them more attractive/valuable to the consumers?
- How can I improve my share, in the overall process leading to the crop reaching the consumer?

Though simple in definition, the concept of value chain holds tremendous meaning to it. Farmers start their agricultural activities from pre-sowing and end up with marketing of their produce, during which, the initial produce will transform into a consumer good. A full range of value chain prism is to be visualized from pre sowing to marketing for describing this value chain. A habit of looking at any agricultural produce through its value chain prism must be cultivated for understanding the business elements of operation of the produce.

### Mapping the Value Chain:

Value Chain of priority for our FPOs has already been identified and communicated as primary and secondary crops allotted to FPOs. Now let us proceed with the next step of mapping of each value chain.

#### *Mapping the value chain has three main objectives:*

- Visualize networks to get a better understanding of connections between actors and processes in a value chain
- Demonstrate interdependency between actors and processes in a value chain
- Create awareness of stakeholders to look beyond their own involvement in the value chain

“An FPO can become sustainable if ...50... % of its activities are focused on input supply for the .... - ..... core crops identified, ...30..... % on marketing of one core commodity and ...20. % on technology and services.

**An FPO should learn and plan to buy in wholesale (Inward logistics) and plan to sell in retail or up markets (Outward logistics), for the benefit of its farmer members.**

## Chapter 3: Market Plan & Risk Analysis

### Market Plan and Risk Analysis:

Once the Business Opportunities are identified, analysis should be made on markets. i.e., market for selling the inputs to its members and non-members and market for selling its products.

Many FPOs struggle to find potential markets for their produce. Sometimes even the availability of potential markets is enough as they lack professional approach to markets. Due to this, they prefer to restrict themselves to input businesses with their share holder farmers and non-shareholders as it is a low hanging fruit and risk free.

However, the role of marketing gets very important as an FPO matures from selling the

primary products to secondary and tertiary products or processed goods. To sustain in the business, it is advised to cater to the needs of both members as well as non-members albeit with an advantageous treatment towards members to encourage their presence and growth with the FPO.

#### Assessment of Market Opportunities:

Assessment should begin with analysing the strengths and weaknesses of an FPO in terms of its product/service, access to consumers and the capability to reach different segments of the market. This can be done by

**Understanding the markets** - Complete information about the market - its coordinates like distance, climate, seasons, traders etc. It is good to target more than one market so that one can hedge the other in times of eventualities

**Profiling the customers** - Profiling is about understanding the type of consumers, them

needs, and their attitude towards the product/service of the FPO. Complete information about buyers or consumers - their age group, ethnicity, sex, behaviour, preferences, occasions of buying, frequency of buying, education levels and cultural demographics among others

#### Type of product Type of customer targeted

S. No.	Type of Product	Type of customers targeted

**An understanding about the quality of the product** - Quality is the extent to which a product or service meet the needs, from the customers' point of view. Quality includes functionality, attractiveness, and safety with respect to certification requirements. Profile the product/service to be marketed. Its uniqueness is an important aspect. Ask yourself the question "why market should buy our product instead of the other competitor's product?" Profile the product in terms of its shelf life,

quality, consumer preference, Price advantage, competitiveness in processing and other special features such as organic or residue free

**Understanding the Competitors** - To the extent possible an FPO should match if not exceed to the “essential needs” offered by the competitors

**Understanding the pricing of the product** - Pricing depends on transportation charges in addition to cost of production, processing, value addition, packaging etc. In certain instances, it may not be workable to handle a customer at a faraway place, if the transportation charges are included or its shelf life doesn't support for the duration of its transport or for any other factors affecting its viability

**Understanding features of your product** – Based on the markets it is catering to, appealing features such women produced products made from natural ingredients, product with unique features like tribal products etc. can be marketed by emphasizing this value proposition

### **Robust Supply Chain Model:**

Supply Chain and Market are closely existing entities. FPO should have a robust supply chain model in place before attempting to approach markets. The key informants about of a robust supply chain model are

- Total saleable quantity in the given season/week/sale period
- Specifications about packing/labelling/branding etc.
- Grading and quality specifications meeting the market best standards of that commodity
- Weekly/daily/monthly volume of saleable quantity out of total saleable quantity
- Point or place of delivery (Ex-delivery point)
- Transport details
- Sample circulation norms
- Expected Price
- Payment terms
- Tax related information

Without the above informants firmly in place, any attempt by an FPO to approach markets,

may sometimes be a less remunerative exercise and on occasions may even result in a failure.

### **Designing the Strategies for Marketing:**

Strategies for marketing in most cases are for increased sales. Sales is about contacting

potential customers and convincing them to buy the product or service of the FPO. An FPO handles the products that are seasonal in nature. Planning for marketing requires logistics such as warehouse, cold storage etc. In the absence of strong initial capital, it can sometimes be difficult for an FPO to survive without a down payment by the customers. However, this may not always be possible keeping in view the market standards and sales policy of the competitors. In such cases setting a credit policy is also plays a major role. However, the credit policy should clearly state:

- The customers for whom the credit will be extended
- Credit amount limits for each customer type



- Duration of the credit
- Penalties and consequences of default or delayed payment
- Maximum quantity of sales that should be allowed in credit

#### Post Sales Service that an FPO can offer:

- Terms of replacement of goods
- Compensation for damaged goods
- Insurance in transit
- Risk free transport without damage

#### Customer Communication:

Communication is a process of business (“Sender”) giving “information” related to products and services to the customer (receiver). The receivers here can be:

- Farmer members for the input sales and product procurement requirement
- Suppliers of services such as seed and fertilizer business dealers, mulching, drip equipment dealers etc
- Retailers, wholesalers, and the final consumers, about the products/services of the FPO

While an FPO can do the business with both members and non-members, to sustain its business, preferential treatment can be given to the members as a privilege feature for being associated with the FPO. As this communication strongly reaches out to across, there is a possibility of increasing the membership of the FPO leading to its growth. It is the responsibility of the FPO to identify the robust suppliers of services in the market and communicate them about the potentiality of their FPO. Similar is the case with retailers, wholesalers, and customers of the product market. Considerable time must be spent on communication which becomes the key factor to achieve the desirable growth of the FPO. Hence, planning for communication involves,

- Deciding the objective
- Understanding the target audience
- Designing and executing the plan of reaching the target audience

**It is better to discuss and finalize the credit policy in the FPO board meeting**

#### Risk Management:

Identification of risks and setting possible safeguards to manage them is an integral part of the risk analysis. Though in an ideal world all risks can be envisaged to be eliminated, it is an impossible proposition. So, risk management must involve the process of identifying risks and assessing whether they can be eliminated entirely or mitigated to manageable proportion through operational resilience. If the risks seem unmanageable to the extent of affecting the very existence of the business, then one may discard the business idea all together. As risks may continue to remain in the business environment both internally and externally, even after starting the business, it is extremely important to develop a risk assessment mechanism and risk mitigation strategy. Some of them can be:

**Identifying and mapping the processes/factors** that would have the biggest impact on earnings, if disrupted. *For Example*, a bad monsoon may severely affect crop production in rain-fed areas thus reducing earning of the FPO considerably

**Identifying critical infrastructure** - including processes, relationships, people, regulations, plant, and equipment - that supports the FPO's ability to generate earnings.

For instance, the

break-down in the Bulk Milk Chilling unit, could lead to the whole stock of milk to be spoilt and go waste, besides adversely affecting the supply chain.

**Identifying the main vulnerabilities** - Vulnerability is the inability to cope with the adverse effects of an event or risk. *For Example*, storage, processing, and trading of commodities can come under new regulation, imposing conditions which the FPO may find difficult to comply with, at a short notice.

**Identifying the weakest links** - the elements on which all the others depend. For instance, a single buyer for all produces, is the weakest link in this scenario

**Developing planned response to mitigate the risks.** Consider an enterprise creating some critical infrastructure like a spare refrigerated van for ferrying chilled milk as part of its contingency plan

**Support from Government departments and Corporates for market linkages**

State and Central Governments have schemes for preferential procurement of produce from FPOs. *For Ex:* procurement of certified seeds through FPOs has been implemented by the Government of Chhattisgarh. The facilitating agency should be able to get the relevant information from the respective Governments.

The corporates need continuous supply of desired quality produce for processing and value

addition. Therefore, they prefer to enter a contract with few FPOs who will meet their requirements.

Usually the following mechanisms are adopted:

- Retail chains tie up with FPOs for procurement, especially for continuous supply of vegetables & fruits and processed staples
- Corporates extend dealership for farm machinery and inputs to FPOs
- Corporates provide primary processing machinery to an FPO with a buy-back arrangement for the produce
- Corporates can initiate contract farming with buy back arrangement of assured markets

**Harvesting Schedule:**

Crops	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec

Plan for Purchase of Inputs and sale of Outputs:

*Purchase plan for Kharif inputs:*

Items	Specifications	Total Volume	UNIT	Rate/Unit	Amount (Rs.)
Seeds					
Seeds					
Seeds					
Pesticides					
Fertilizer					
<b>Total</b>					

*Purchase plan for Rabi inputs:*

Items	Specifications	Total Volume	UNIT	Rate/Unit	Amount (Rs.)
Seeds					
Seeds					
Seeds					
Pesticides					
Fertilizer					
<b>Total</b>					

Sale Plan of Agriculture Outputs:

Items	Specifications	Total Volume	UNIT	Rate/Unit	Amount (Rs)
<b>Kharif</b>					
<b>Rabi</b>					
<b>Total</b>					

*Plan for Sale of Inputs and Outputs:*

- Sales plan for Kharif inputs
- Sales plan for Rabi inputs
- Sales plan of Agriculture outputs

*Monthly Sales Plan of Agriculture outputs:*

Items	Apr	Ma y	Ju n	Jul	Au g	Se p	O ct	No v	De c	Ja n	Fe b	Ma r	Tota l

*Available Market and Input Traders for FPC:*

S. No.	Name of Input Company	Name of Representative	Location
1	Syngenta		
2	HM Cluse		
3	VNR		
4	Nunhems		
5	Rassi(Hyveg)		
6	PestisideIndia		
7	Biostad India		
8	Garada Chemical		
9	Saha Seeds		

*Monthly Sales Plan of Agriculture outputs:*

Items	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total

*Available Market and Input Traders for FPC:*

S. No.	Name of Input Company	Name of Representative	Location
1	Syngenta		
2	HM Cluse		
3	VNR		
4	Nunhems		
5	Rassi(Hyveg)		
6	PestisideIndia		
7	Biostad India		
8	Garada Chemical		
9	Saha Seeds		

## Chapter4: Organizational and Management Plan

### Human Resource Plan:

Human Resources required for the smooth running of the FPC

- CEO
- Accounts/MIS
- Supervisor

### Role and Responsibility of Staff:

#### CEO:

- Manage affairs of FPO
- Operate / authorize to operate bank account
- Safe custody of cash /assets
- Sign documents as authorized by the Board
- Maintain books of accounts, prepare annual accounts, present audited accounts to Board & Members in AGM
- Inform Members about operations & functioning of PC
- Make appointments subject to delegated powers
- Assist Board in formulation of policies / objectives /strategies
- Advise Board on legal & regulatory matters
- Exercise powers required in ordinary course of business
- Any other functions / powers as delegated by the Board

#### Accounts/MIS:

- Preparing accounts and tax returns
- Administering payrolls and controlling income and expenditure
- Auditing financial information
- Compiling and presenting reports, budgets, business plans, commentaries, and financial statement
- Analyzing accounts and business plans
- Providing tax planning
- Financial forecasting and risk analysis
- Managing colleagues, workloads, and deadlines
- Designing, Monitoring, analyzing the IT systems

#### Supervisor:

- Set goals for performance and deadlines in ways that comply with Company's plans and vision and communicate them to subordinates
- Organize workflow and ensure that employees understand their duties or delegated tasks
- Monitor the productivity and provide constructive feedback and coaching to farmers
- Receive complaints and resolve problems
- Maintain timekeeping and personnel records
- Pass on information from upper management to employees and vice versa
- Prepare and submit performance reports to CEO
- Decide on reward and promotion based on performance
- POP training to Farmers

### Role of Responsibility Governing Board (BODs + Promoters):

- Approval of budget and adoption of annual accounts
- Issue of bonus shares
- Declaration of limited return & distribution of profit
- Conditions and limits of loans to Directors
- Include new members into the company
- Appointment/superintendence/Control of CEO and Staffs
- Make sure the books of accounts are maintained properly; Prepare annual accounts
- present in AGM with Annual's report
- Buy and sell properties in the ordinary course of business
- Sanction loans to members not being the directors or his relatives

### Organogram:

## Chapter 5: Financial Plan

The financial plan translates all the other parts of the business - the value chain proposition, opportunity, the operating plan, the marketing plan into anticipated financial results. It contains the status and the future projection of financial performance of the business with the selection, evaluation, and interpretation of financial data along with other relevant information in financial decision making. It represents the best estimates of the risks involved and the return on investment.

Three financial areas are generally discussed in the financial plan:

- A. Capital requirement and financing pattern
- B. Financial projections indicated in the form of statements
- C. Financial returns indicated in the form of financial ratios

### **A. Capital Requirement and Financing Pattern:**

Any FPO will have financial requirement to start and run the business. The capital requirement will depend on the nature and volume of business which would vary from one business to another. Both fixed costs and variable costs determine the capital requirement of an FPO.

### **Estimating Costs and Margins for an FPO:**

Measuring costs and margins enables the FPO to determine the priority with which the activities are to be taken up among the core processes identified. It compares profit potential of one value chain with that of another, to assess whether it may be worthwhile to switch from one chain to another.

Margins for FPO may not always be the top priority. If farmer members' margins are increased because of the FPO activities, they remain loyal to the organization. Loyalty pays off in terms of patronage-based business and equity payment.

### **Variable Costs:**

These are costs that are dependent on the production output. While calculating some of the variable costs such as transport costs, they may change based on volume as well as distance to be transported. Cost of transit losses are also to be accounted while calculating transport costs, storage costs etc.

### **Examples of Variable Costs of an FPO:**

- Procurement of raw material, storage cost, processing, transportation, insurance, etc.
- Management and administration cost for day to day activities, which may include staff
- Salary, (Manager/CEO, Production Officer, Accountant, Marketing officer, etc.) travel,
- Electricity, water, meeting expenses of BoD/GB, insurance & other statutory fee and other miscellaneous expenses
- Training and Capacity Building of BoDs and PC functionaries: Training on subjects as
- Provisions in the act, rules and regulations, statutory compliances, roles and responsibilities of BoD/General Body, banking operations and also by exposure visits to successful FPOs.

### **Fixed Costs:**

- These are the costs, for the expenses paid out regularly that do not fluctuate

with the sales level.

- Examples include general office expenses, rent, depreciation, utilities, telephone, property tax etc.
- Land tenant charges, an amortization, capital costs (interest on long term loans) then it should be counted as fixed costs.

### Other Costs:

- Money spent on repaying loans
- Money spent on buying productive assets (e.g. machinery, land etc.)
- Direct costs - Money spent specifically for production of goods or providing services. The examples are raw material cost and labor cost
- Indirect Costs are money spent on running the business but on activities not directly related to production of goods or services. For Ex: interest on loans

### Understanding Revenue:

Revenue is the money that a business earns by selling its products or services

### Following are NOT accounted as revenues

- Borrowing money for running the business
- Capital investment by the owner
- Money received through selling of productive assets (like building, machinery)

### Understanding Profitability

- Profitability, as a percentage number, tells us how many rupees out of 100 rupees revenue is the profit
- Profitability % = (Profit/Revenue) x100

### Understanding Capital:

- Capital is the total amount of money needed by the business to perform business operations
- Capital in business consists of Fixed Capital and Working Capital
- Fixed Capital is necessary for buying productive things (assets) such as machinery, land,
- buildings, storage etc. Working Capital is used for the day-to-day tasks such as buying
- materials, paying wages, paying salaries, etc.

**Sources of Capital:** Equity capital, Reserves and Short-Term Loans

### Opportunity Cost:

It is defined as the foregone benefit that would have been derived by the option not chosen.

*For Ex:* an FPO has a working capital of Rs.2 Lakhs. It has two choices for doing business. One is supplying high quality seed and the other is supplying fertilizers at wholesale price to the farmer members. Only one business can be done with its limited



working capital availability. The business the FPO will forego to undertake the other business is the opportunity cost.

**Financial Statements Include:**

- Trading and Profit & Loss Account (Expenses & Losses and Incomes & Gains)
- Cash Flow Statements (How cash flows through operations, investing and financial activities)
- Balance Sheet (Assets, Liabilities and Capital)

**Working on Variables (Assumptions):**

The CEO of an FPO along with key office bearers and board members should collect the basic financial data regarding the FPO. Profiling on basic business aspects of FPO including its present position in terms of members, share capital collected, asset position and costs will help in working out the financial statements. The assumptions regarding the yield, procurement cost, transportation cost, storage costs etc., should also be considered based on the current year’s data by discussing with experts. An example sheets for Basic Assumptions are placed below for ready reference.

*Area, Yield and Production of the shareholders of primary and secondary crops:*

Crops or Commodities	No of Shareholders	Total Area under shareholder members (Acres)	Average yield of the Crop(Q/Acre)	Total Production of the Crop (in Q)	Total Production on market Surplus available for FPOs (in Q)	Estimated Unit rate for FPO (Rs./Quintal)	Total Procurement Cost (Rs.)
1	2	3	4	5	6	7	6x7
Crop 1							
Crop 2							
Crop 3							
Other Commodities							
Please specify any other commodities							

Input requirement of the crops based on area (in Tonnes)



*Projected P&L in Rs.*

Source	Income	Expenditure	Remarks

**Capital Investment:**

The infrastructure and machinery equipment enlisted below are as per the need of the FPC in that block to establish a FCSC for (C&G). This is in accordance with the support that Implementing Agency has proposed for primary processing during Stage – I of establishment of FCSC. The FPC even highlighted the need for storage facility as currently they do not have any in their village. They propose to have rural go down of around ..... MT after few years of establishment of FCSC. During the first few years of the business, the FPC will be able to assess the no. of producers that would be interested in availing storage facility and also the quantum that would be stored in the go down before sale of the produce through FCSC.

**Work Shed:**

FPC had approached for government land and got gram panchayat approval and they are waiting for district collector's approval. A pucca structure with concrete floor and tin roof will be constructed having ..... sq. ft. plinth area. The work shed will have 3 sections

- Produce Receiving Area (preferably raised dock)
- Office equipped with computer, printer, internet and telephone
- cleaning and grading section equipped with necessary equipment
- storage section and
- input shop
- Going forward a Generator of suitable capacity

An electric motor driven machine with sieves will segregate dirt and refuse matter from the grains under the first step and grade it into ..... or ..... categories as per the operations. The machine has a processing capacity of ..... **tonne per hour @ .....** **% efficiency** but taking into consideration of external factors like electricity cut. It will require ..... labours to feed and operate the machine. Output will be collected in sacks.

*Moisture Meter:*

A multi-grain digital moisture meter fit for simple use will be procured with guidance from experts from the Implementing Agency. It may be battery operated with changeable power cells.

*Weighing Machine:*

A platform type digital weigh scale with capacity of 150 Kg and sensitivity of 10 g will be purchased through shopping. The machine will be electric powered with provision for operation through batteries.

*Bag Stitching Machine:*

Electric/battery operated handheld bag stitching machine with double run stitch facility will be procured. It will be used to seal the sacks after weighing.

Capital Investment that would be needed to start the FCSC and undertake the Business of FPO.

S. No	Particulars	Amount (Rs.)	PC Contribution (Rs.)	Grant (Rs.)
A	Building and Interiors			
C	Plant and Machinery			
E	Working Capital Margin			
<b>Total</b>				

Add Assumption:

*Capital Investment Details:*

S. No	Particulars	Unit	No. of unit	Per unit cost (Rs.)	Total Cost (Rs.)	Total Cost (Rs.)
<b>A.</b>	<b>Building and Interiors</b>					
	Work-shed Construction (sq. ft.)					
	Sub-total					
<b>C.</b>	<b>Plant and Machinery</b>					
	Weighing Machine (Kg)					
	Moisture Meter					
	Grain Cleaning, Grading & Sorting					

	Processing Machine (TPH)					
	Machine Transportation					
	Bag Stitching Machine					
	<b>Sub-total</b>					
<b>E.</b>	<b>Working Capital Margin</b>					
	Sub-total					
	<b>Grand total</b>					

*Expenditure Estimates:*

Fixed Cost

*Administration expenses*

S. No	Description	Y1	Y2	Y3	Y4	Y5
1	Administration expenses					

- i. Repair and maintenance cost  
Repair and Maintenance expenses:

S. No	Description	Y1	Y2	Y3	Y4	Y5
1	Repair and maintenance cost					

- ii. Institutional expenses:

S. No	Description	Y1	Y2	Y3	Y4	Y5
1	Institution expenses					

- iii. Fixed Electricity Expenses:

S. No	Description	Y1	Y2	Y3	Y4	Y5
1	Fixed monthly connection charge (minimum connected load)					

- iv. Advertisement Expenses:

S. No	Description	Y1	Y2	Y3	Y4	Y5
1	Advertisement expenses	Conservative lump-sum estimate				

*Manpower Expenses (Indirect):*

S. No	Manpower	Description	Y1	Y2	Y3	Y4	Y5
1	CEO						
2	Marketing Manager						
3	Accountant						
4	Supervisory Staff						
5	Machine operator						
6	Watchman/ Security						

**Variable Cost:**

**i. Raw Material Cost – Agriculture Produce:**

*Agri-produce purchase quantity in quintals:*

S. No	Particular	Y1	Y2	Y3	Y4	Y5
	<b>Procurement Quantity (in QTLS)</b>					
1	Crop 1					
2	Crop 2					
3	Crop 3					
4	Crop n					

*Agri-produce procurement expenses*

S. No	Particular (Rs.)	Description	Y1	Y2	Y3	Y4	Y5
1	Crop 1						
2	Crop 2						
3	Crop 3						
4	Crop n						
	<b>Sub Total (Rs.)</b>						

*Input Purchase Cost: Agri. Input quantity*

S. No	Particular	Y1	Y2	Y3	Y4	Y5
<b>A</b>	<b>Seed Quantity (in kg)</b>					
1	Crop 1					
2	Crop 2					
4	Crop 3					
5	Crop n					

<b>B</b>	<b>Fertilizer (in kg)</b>					
1	Urea					
2	DAP					
	Any other Fertilizer/ Manure					
<b>C</b>	<b>Pesticide (in Ha)</b>					
	Pesticide					

*Variable Electricity Expenses:*

Variable electricity cost estimates:

S. No	Expenditure component	Y1	Y2	Y3	Y4	Y5
1	Net drawn power					
2	No. of working hours					
3	Variable tariff per unit					
	<b>Total variable tariff</b>					

*Manpower Expenses (Direct):*

Direct manpower expenses:

S. No	Component	Particulars	Y1	Y2	Y3	Y4	Y5
1	Aggregation and marketing						
2	Cleaning and grading						
3	Input Shop						
<b>Total</b>							

*Depreciation estimates:*

Depreciation employing the Straight-Line Method:

Depreciation	Y1	Y2	Y3	Y4	Y5
<b>Building</b>					
Asset Value					
Depreciation					
Accumulated Depreciation					
Net Fixed Assets					

<b>Plant and Machinery</b>					
Asset Value					
Depreciation					
Accumulated Depreciation					
Net Fixed Assets					
<b>Gross Fixed Asset</b>					
<b>Total Depreciation</b>					
<b>Accumulated Depreciation</b>					
<b>Net Fixed Assets</b>					

Income estimates:

Cleaning and Grading:

Members' and Non-Members' Cleaned and Graded Quantity in Quintals:

S. No	Particular	Y1	Y2	Y3	Y4	Y5
1	Members					
2	Non-Members					

Cleaning and Grading Income Estimates:

S. No	Commodity	Cleaning & Grading Charges (Rs)	Y1	Y2	Y3	Y4	Y5
1	Member						
2	Non-Members						
<b>Total</b>							

Trading:

Agri-produce trade quantity in quintals:

S. No	Particular	Y1	Y2	Y3	Y4	Y5
	<b>Traded Quantity (in Q)</b>					
1	Crop 1					
2	Crop 2					
3	Crop 3					
4	Crop n					



*Agri-produce trade estimates:*

S. No	Commodity	Description	Y1	Y2	Y3	Y4	Y5
1	Crop 1						
2	Crop 2						
4	Crop 3						
5	Crop n						
<b>Total</b>							

*Input Shop:*

Agri-input trade quantity:

S. No	Particular	Y1	Y2	Y3	Y4	Y5
<b>A</b>	<b>Seed Quantity (in kg)</b>					
1	Crop 1					
2	Crop 2					
4	Crop 3					
5	Crop 4					
<b>B</b>	<b>Fertilizer (in kg)</b>					
1	Urea					
2	DAP					
3	Any other Fertilizer					
<b>C</b>	<b>Pesticide (in Ha)</b>					
	Pesticide					

Agri-input trade estimates:

S. No	Commodity	Description	Y1	Y2	Y3	Y4	Y5
<b>A</b>	<b>Seed</b>						
1	Crop 1						
2	Crop 2						
3	Crop 3						

4	Crop 4						
<b>B</b>	<b>Fertilizer</b>						
1	Urea						
2	DAP						
3	Any other Fertilizer						
<b>C</b>	<b>Pesticide</b>						
<b>Total</b>							

#### Working Capital Requirement:

Assessment of working capital has been considered based on the following calculation:

S. No	Particulars	Days	Year 1	Year 2	Year 3	Year 4	Year 5
<b>A</b>	<b>Current assets</b>						
1	Stock of Finished Goods						
2	Stock of Raw Material						
3	Receivables						
	<b>Total current assets</b>						
<b>B</b>	<b>Current liabilities</b>						
1	Creditors- raw material						
2	Creditors- others						
	<b>Total current liabilities</b>						
	<b>Working capital</b>						

#### Profit and Loss Statement:

Figures in Rs.

Particulars	Y1	Y2	Y3	Y4	Y5
Income from C&G job work services					
Income from commodity trading and input sales					

Closing stock of finished goods					
<b>Total Revenue</b>					
Opening stock of closing goods					
<b>Variable Cost</b>					
Raw Material Cost					
Purchase of Inputs					
Manpower – Direct					
Variable electricity cost					
<b>Fixed Cost</b>					
Administrative Expenses					
Institutional Expense					
Manpower – Indirect					
Repair and maintenance cost					
Fixed electricity cost					
Marketing and Advertisement					
<b>Total Operational Expenses</b>					
<b>Earnings Before Interest, Depreciation, Taxes and Amortization (EBITDA)</b>					
Depreciation					
<b>Earnings Before Interest and Taxes (EBIT)</b>					
Interest Expense					
<b>Earnings Before Taxes (EBT)</b>					
Tax					
<b>Earnings After Taxes (EAT)</b>					

Cash Flow Statement:  
Figure in Rs.

S. No	Particulars	Y1	Y2	Y3	Y4	Y5
1	Profit After Tax (PAT)					
2	Working Capital loan					
3	Equity/ Share capital					
4	IA Investment Grant					
5	Increase of current liabilities					
6	Depreciation					
	<b>Sub Total (A)</b>					

Cash Outflow (Rs.)						
<b>1</b>	<b>Capital Expenditure</b>					
A	Building and Interiors					
B	Plant and Machinery					
<b>2</b>	<b>Increase of current asset</b>					
<b>3</b>	<b>Loan Repayment</b>					
A	Working capital loan (interest + instalment)					
	<b>Sub Total (B)</b>					
	<b>Net Cash Flow (A-B)</b>					
	Opening Cash and Bank					
	<b>Cumulative Cash Balance</b>					

Balance Sheet:

Figure in Rs.

Particulars	Y1	Y2	Y3	Y4	Y5
<b>ASSETS</b>					
<b>Current Assets</b>					
<b>Cash and Bank Balance</b>					
Accounts Receivables					
Other Current Assets					
<b>Total Current Assets</b>					
Gross Fixed Assets					
Less: Depreciation					
<b>TOTAL ASSETS</b>					
<b>LIABILITIES &amp; SHAREHOLDERS EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Accounts Payable & Accrued Expenses					
Other Current Liabilities					
<b>Total Current Liabilities</b>					
<b>TOTAL LIABILITIES</b>					
Share capital					
Grant					
<b>Reserves and Surplus</b>					
Add: Opening Balance (P/L Account)					
Profit & Loss) During the Year					
Appropriation – Dividend					
Total Reserves					
<b>TOTAL EQUITY</b>					
<b>TOTAL LIABILITIES &amp; EQUITY</b>					

Sensitivity Analysis:

Sensitivity Analysis					
Quantity Variation (%)	Y1	Y2	Y3	Y4	Y5
Income from C&G job work services					
Income from commodity trading and input sales					
Closing stock of finished goods					

<b>Total Income</b>					
Expenditure					
Opening stock of closing goods					
Fixed Cost (Excl. of Depreciation, Amortization and Interest)					
Variable Cost					
<b>Total Operational Expenses</b>					
Depreciation					
<b>Earnings Before Interest and Taxes</b>					
<b>Cost Variation (%)</b>	<b>Y1</b>	<b>Y2</b>	<b>Y3</b>	<b>Y4</b>	<b>Y5</b>
Income from C&G job work services					
Income from commodity trading and input sales					
Closing stock of finished goods					
Total Income					
Expenditure					
Opening stock of closing goods					
Fixed Cost (Excl. of Depreciation, Amortization and Interest)					
Variable Cost					
Total Operational Expenses					
Depreciation					
<b>Earnings Before Interest and Taxes</b>					
<b>Quantity Variation (%)</b>	<b>Y1</b>	<b>Y2</b>	<b>Y3</b>	<b>Y4</b>	<b>Y5</b>
Income from C&G job work services					
Income from commodity trading and input sales					
Closing stock of finished goods					
<b>Total Income</b>					
<b>Expenditure</b>					
Opening stock of closing goods					
Fixed Cost (Excl. of Depreciation, Amortization and Interest)					
Variable Cost					
<b>Total Operational Expenses</b>					
Depreciation					
<b>Earnings Before Interest and Taxes</b>					
<b>Cost Variation (%)</b>	<b>Y1</b>	<b>Y2</b>	<b>Y3</b>	<b>Y4</b>	<b>Y5</b>
Revenue from processing service charge					
Revenue from facilitation of sales					
Revenue from facilitation of input supply					
<b>Total Income</b>					
<b>Expenditure</b>					
Opening stock of closing goods					
Fixed Cost (Excl. of Depreciation, Amortization and Interest)					

Variable Cost					
Total Operational Expenses					
Depreciation					
<b>Earnings Before Interest and Taxes</b>					

Key Financial Indicators:

- **Internal Rate of Return (IRR):**

The project internal rate of return **should be more than** ..... % as per the current financial scenario of the country. The project IRR is..... %, therefore, it is clearly indicating that the project is feasible for investment.

- **Break Even Point:**

The average break-even percentage is ..... %and as per financial standards it should be **below** .....%.

- **Payback Period:**

The Payback period for the project is almost ..... **year** ..... **months** whereas equity payback is..... **Months**. It should **be less than 4 to 5 years** therefore the project payback periods are within the limit.

- **Net Present Value:**

With a discount rate of ..... % and a span of 5 years, the projected cash inflows are worth **Rs.**...../- today, which is greater than the initial cash outflow of **Rs.** ..... /-. The resulting positive NPV of the above project is **Rs.** ..... /- which indicates that pursuing the above project may be optimal.

- **Return on Capital Employed:**

The return on capital employed for the project is ..... % **for the 1<sup>st</sup> year** which is above the expected financial standards of ..... % - ..... %.

## Chapter 6: Expected Impact of the proposed project

- **Individual member benefit:**

The members of the FPC are envisaged to gain from the activities of the FSCS. Such benefits can be categorized into direct and indirect benefits. Under direct benefit, the PC is set to benefit from their share in the profit due to ownership of shares in the PC. However, the indirect benefits far outweigh the direct ones. Such benefits are noted hereunder.

**1 Purchase of inputs:**

- Reduction in transport cost and time due to availability of inputs in the village.
- Lower price of inputs due to passing on of bulk purchase discounts by PC.
- Timely availability of quality inputs due to planned and negotiated purchases by FPC.

**2 Aggregated sale of produce:**

- Better rates than APMC due to lower deductions in weight and lower transaction charges.
- Proper weighing and rate fixation due to transparent operations.
- Stability in rates due to negotiated rate settlement with buyers by PC.

**3 Processing of produce:**

- Availability of facility for value addition where there was none.
- Better rates for produce after Processing.

**4 Leasing of agro-equipment:**

- Availability of mechanized farming facility where very few options exist.
- Cheaper access and user rates for thresher.
- Savings through low or no labour costs and reduced exposure to vagaries of nature.

**5 Incremental asset:**

- Increased value of shares in a profitable business entity leading to asset enhancement.

## Chapter 7: Annexure

S. No	Documents	Required
1	Certificate of Incorporation	
2	MoA	
3	AoA	
4	Route Map	
5	Registration Copy	
6	Copies of Licenses <ul style="list-style-type: none"> <li>• GST</li> <li>• PAN</li> </ul>	
	<ul style="list-style-type: none"> <li>• Seed</li> <li>• Fertilizer</li> <li>• Pesticides/Insecticide</li> </ul>	
7	Organogram	
8	Board Structure	
9	Audited/Unaudited Financials Year	
10	List of FPGs	
11	List of working Committees	
12	Area Map	
13	Copies of MoA and AoA	
14	Copies of Business Rules if any	
15	Copies of Service conditions if any	
16	Bank Statement	
17	Subsidy Sanction letters	
18	Merit Certificates/Testimonials	
19	Case Studies/Success Stories if any	
20	Photographs of Activities	

### Sources referred:

Practioners' Guide for Business Development Planning om FPOs: National Institute of Rural Development and Panchayati Raj, Ministry of Rural Development, Government of India and Policy and process guidelines for Farmer Producer Companies, Department of Agriculture, GOI

Operational Guidelines: Formation and Promotion of 10,000 FPOs, Department of Agriculture, Co-operation & Farmers' Welfare, Ministry of Agriculture & Farmers' Welfare