

Customising Solutions - Success Story of FPCs in Madhya Pradesh

A **Farmer Producer Company** is a hybrid between cooperative societies and private limited companies. They are owned and governed by shareholder farmers (or artisans) and administered by professional managers. Consistent with its business model, one of Samunnati's strategies is to work closely with Farmer Producer Companies (FPCs) and Community Based Organisations that work in the agri space (CBOs). Samunnati believes that the collective actions of farmers will help bring down production costs as well as help farmers realise better prices for their produce. In addition to providing financial assistance, Samunnati also offers non-financial and co-financial services to eligible FPCs/CBOs and its members.

As part of its engagement strategy, Samunnati has designed an engagement and assessment tool exclusively for the FPCs/CBOs to integrate credit with capacity development. The tool will help ascertain:

- An FPC's/CBO's current credit worthiness
- An FPC's/CBO's capacity building needs
- Current and potential value addition for an FPC's/CBO's members and to capture its impact over time and to
- Provide them with an action plan and milestones for enhanced lending

Samunnati works with over 350 FPCs/CBOs across the country. One such NGO is based in Madhya Pradesh and has promoted 53 FPCs with over 70000 farmers as shareholders.

Founded in 1996, this NGO, among other activities, has been promoting "Collectives" of small farmers in the form of Farmer Producer Companies. The objective of this activity is to integrate small farmers with the supply chain of the agriculture commodity. In this FPC model about 1500-2000 small farmers are organised and then registered under the Producer Companies Act. These FPCs provide agri input support to all their members but due to paucity of funds, not all farmers were able to take advantage of the lower input prices.

In June 2015, the NGO approached Samunnati for financial assistance and to design a crop loan product for its members. Samunnati appraised the FPCs and understood the potential for successful interventions and the need for offering customized solutions. Samunnati decided to do a pilot intervention to start off with and chose 613 farmers from six FPCs. These farmers were provided financial assistance of Rs. 46.28 lakhs for purchase of inputs for Wheat cultivation. The product was designed in a manner that Samunnati paid the FPCs on submission of input purchase invoices by the farmers. Samunnati also helped in linking the FPCs with input dealers, which in turn enabled the six FPCs to negotiate and avail substantial cash discount on purchase of inputs.

The availability of quality inputs at the right time enabled the farmers to carry out sowing activities on time, thereby resulting in increased productivity. The increase in produce meant increase in revenues for the farmers. The loans were repaid by the farmers using the deduction at source model whereby on sale of the produce by the farmers to the FPC, the latter deducted and paid the amounts due to Samunnati first and then paid the balance to the farmers. The entire loan amount was repaid by the farmers through the FPCs on time.

Based on the successful completion of the pilot, Samunnati has since sanctioned an overall borrowing limit of Rs. 5 crores in June 2017 to the FPCs promoted by the NGO. The disbursements are primarily through the Samunnati Pay Card wherein the farmers could pay the FPCs using their pre-loaded cards.

Through its financial, non-financial and co-financial services, as well as the CBO/FPC engagement tool, Samunnati is hopeful of creating a difference in the lives of many more farmers associated with such organisations.

