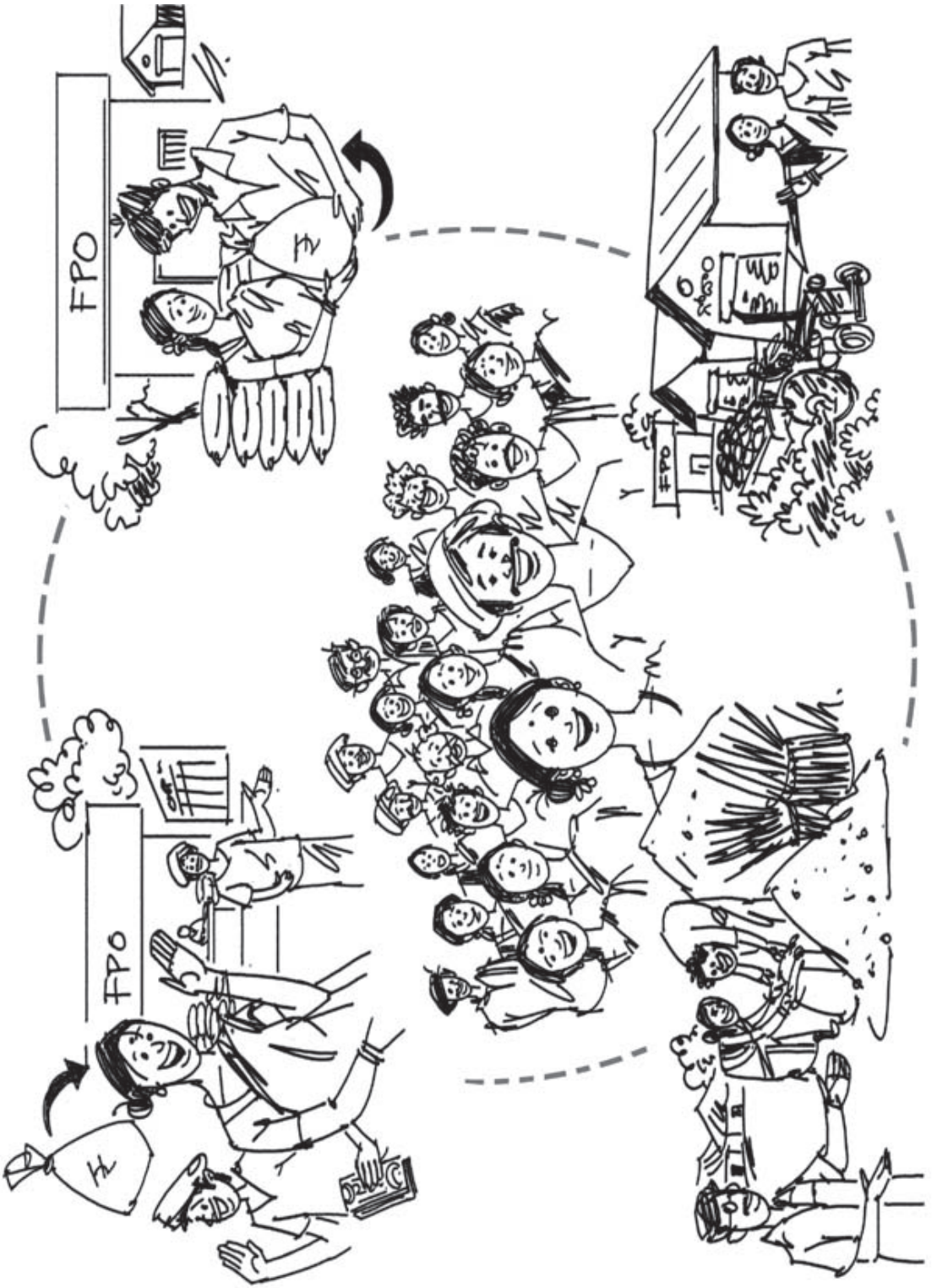


OUTPUT MARKETING BY FARMER PRODUCERS ORGANIZATIONS



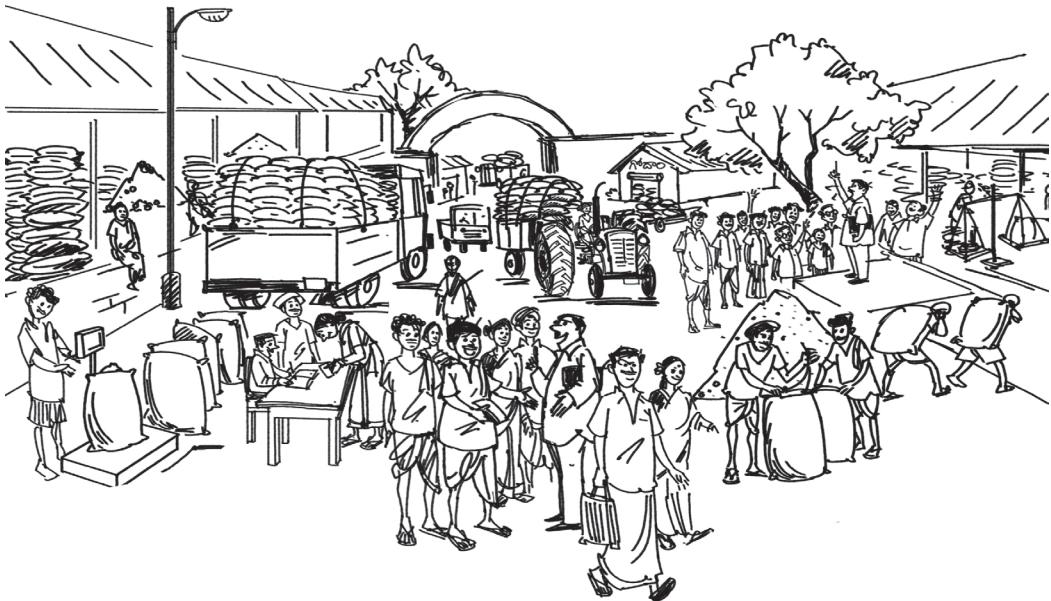


9A

Vipani

OUTPUT MARKETING - BY FARMER PRODUCERS ORGANIZATIONS

**Self Learning Module for
Board of Directors of FPOs**



Vipani

OUTPUT MARKETING

By Farmer Producers Organizations

First Edition – Dec 2020

Price – Rs. 100

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Why Self-Learning Module Kit for FPO Board of Directors?

Though Indian farmers are facing a number of challenges, agriculture sector has achieved significant momentum in the past decade. Mobilizing farmers into their collectives, as Farmer Producer Organizations (FPOs), has emerged as the most preferred institutional mechanism for farmer prosperity by policy makers & practitioners. FPO is the lynchpin strategy for Doubling Farmers' Income in India over the next five years. Almost 10,000 FPOs have already been promoted by different agencies in India and there is a plan to promote another 10,000 new FPOs during 2020-2024 under the Central Sector Scheme (CSS) of Government of India announced by Prime Minister of India in the year 2019. The FPO movement is still at a nascent stage with FPO Board of Directors being dependent on their promoters as their own vision, business orientation & capacities being limited as very limited training provided to them. FPOs face several other challenges such as good governance, management of business, effective systems, access to finance & markets and government schemes. The ability to influence the agri-value chain development in a significant manner remains far-fetched for the FPOs.

Building the capacities and capabilities of the Board of Directors of FPOs is fundamental & a prerequisite to the success of the FPOs and their ability to emerge as business organizations providing a range of need-based services to member-farmers to increase their profits from agriculture. Continuous training and mentoring of the FPO Board of Directors, staff and wider membership is the top most priority for APMAS, through its FPO Incubation Centre, as we have been engaged in promoting a large number of FPOs and in mentoring FPOs promoted by others to engage in appropriate agriculture value-chain development initiatives.

Having reviewed existing training manuals and modules on FPOs, we found a major gap of not having high-quality, practical and user-friendly self-learning modules for FPO Board of Directors. Building on our experience of developing self-learning modules on self-regulation of SHG institutions and 20 years of experience in institution building trainings, APMAS team led by

Mr. Madhu Murthy & Mrs. Ramalakshmi, worked for more than two years in collaboration with resource organizations, partner NGOs, training institutions and FPO representatives to develop a series of 12 easy-to-use self-learning modules kit (booklets) for FPO Board of Directors covering Need & Importance of FPO, Institutional Design, Membership, Leadership & Governance, Management, Registration & Legal Compliance, Business Planning, Productivity Enhancement, Collective Marketing (input & output), managing Farm Service Centre, Accounting & Financial Management.

FPOs being democratic autonomous business entities in perpetuity, there will always be need for capacity building of the FPO Board of Directors as there will be periodic election and change of Board of Directors. We are certain that these easy-to-use self-learning module kits will be of immense use for the FPOs to become viable organizations serving their membership. FPO promoters have to systematically support FPO BoDs to learn from these self-learning module kits. The FPO promoters and other Stakeholders will also be able to use FPO BoD Self-Learning Module Kit to effectively mentor and work towards FPOs becoming self-managed and viable business organizations. APMAS has taken responsibility of producing these self-learning module kits in Telugu & English, based on the demand, these modules are translated into Gujarati, Hindi, Kannada, Marathi Orisa & Tamil in partnership with Resource Organizations: BAIF, CYSD, MYRADA, Centre for Excellence on FPOs Karnataka, ILRT and Tamilnadu FPO Consortium. NABARD and BIRD Lucknow are already using / reproduced our FPO BoD self-learning modules and we hope other Implementing Agencies of the FPO central sector scheme and Cluster Based Business Organisations (CBBOs) and other agencies make best use of these modules to building the capacities of the FPO BoDs to effectively manage their FPOs as viable business organisations. Very much look forward to your feedback!

Best

CS Reddy

CEO of APMAS

CONTENTS

About the Learning Manual	6
Glossary / Acronyms	8
Baseline	11
1. Importance of Marketing by Farmer Producers Organizations (Fpos) ...	12
2. Output Marketing – Introduction & Components	21
3. Marketing Models & Marketing Cycle	31
4. Assessing The Market	38
5. Market Planning	51
End line	63

FIGURES

Figure 1: Agricultural Market	13
Figure 2: Need for Market for functioning of FPO	14
Figure 3: Need for FPO to overcome constraints in marketing	19
Figure 4: BoD members balancing members and customers	30
Figure 5: FPO Collective Marketing	33
Figure 6: FPO as Intermediary	34
Figure 7: Output Marketing Cycle	36
Figure 8: Market Assessment	44
Figure 9: Tie-up with Buyers	59

TABLES

Table 1: Examples of successful marketing	17
Table 2 Summary of Krishi FPO Marketing Plan	53

About the Self-Learning Module

BoD Self-Learning Module

1. FPOs: Introduction & Rationale
2. Institutional Structure & Design of FPOs
3. Membership in FPOs
4. Governance in FPOs
5. Management of FPOs
6. Legal Compliances of FPOs
7. Business Plan
8. Accounting & Finance
- 9. A. Output Marketing by FPOs**
- 9. B. Output Marketing by FPOs**
10. Value Addition by FPOs
11. A. Input Supply Services
B. Farm Productivity Enhancement Services
12. Leading the FPOs

“Output Marketing by FPOs” is another Booklet in the series of self-learning modules for BoD members of FPOs. As Marketing is the crucial for success of any business and thus for FPOs as well, this module assumes high significance.

Purpose

The purpose of this module is to enable the BoD members of FPOs equip with necessary understanding and orientation so that they can play their role effectively and lead their FPOs into vibrant entities benefiting their members.

Target Group: This module is aimed for Members of the Board of Directors of Farmers Producer Organisations. Such members of the BoDs shall have undergone some basic training on FPOs and have at least one year experience in governing their FPO.

Learning Objectives

Following are the key learning objectives of this module on Marketing.

- » To realize the need and importance of Marketing for FPO business
- » To gain awareness on Output Marketing cycle and it's different steps
- » To gain understanding on Market assessment and planning for marketing

Structure and Contents

This Booklet starts with need and importance of marketing for FPOs and need for having market orientation. After introduction to Marketing, it get's into the details of Marketing models, Marketing Cycle and different components of it. Then, it covers the components of Market Assessment and Market planning.

How to Use

The BoD members can use this module on their own or they can also have an external resource persons to facilitate the learning from these modules through participatory training & learning sessions. Along with this module, there are posters related to this module which the BoD members can display at relevant places for learning.

We wish you enjoy the learning from this module and take up marketing in your FPO in more effective and efficient manner.

Glossary / Acronyms

- FPO (Farmer Producers Organization)** : A Farmer Producers Organization (FPO) is a registered organization owned and controlled by their farmer members. The purpose of FPO is to meet the common needs of it's members by providing required services to them. FPOs are engaged in different activities in Agriculture and allied sectors. As FPOs are formal business organizations, they need to have their office/ infrastructure, staff, systems and are governed by the BoDs.
- Sub-committees** : For each major function like marketing, finance, input supply etc, FPOs Board can form a sub-committee among them (2-3 member). Each sub-committee look after their concerned function and work under the overall supervision of the Board.
- Collective Marketing** : This is a model of marketing wherein the FPO buys the produce of their members and sell in the market after required processing. It means for a farmer member, their FPO itself is the buyer of their produce. In this model, the stock is the property of the FPO and thus the marketing is the (on?) onus of the FPO. Collective marketing is an important service to members so that they overcome many constraints in marketing of their produce individually.

Branding : Branding is giving a name, symbol or design for a product so as to differentiate it from other products and get unique position in consumers' minds.

For example, an FPO can give specific name like *Lalmoti* for Arhar Dal (Redgram or Pigeon Pea) or their place which is known for Redgram cultivation like Gulbarga Lalmoti as brand name and state “a quality product directly from farmers” as their tag line.

Value chain : The entire set of activities in agricultural commodities from seed till delivery of the final product for consumption by the consumer is called value chain. Different stages like pre-production, production, post-harvest, processing, first sale (wholesaling), second sale (retailing) etc. are interlinked like a chain.

As we go from beginning to the end of the chain, the value of the product keep on increasing and that is why it is called value chain. For taking up any activity in any agricultural commodity, it is important to understand different activities and players (like input suppliers, financial institutions, processors, distributors, wholesalers, retailers etc.) who add value to the product, in the value chain of that commodity.

Procurement : Procurement is the process in which an FPO collects/ buys the agricultural produce from their member farmers. For taking up procurement, FPOs can set up required infrastructure like collection centre with quality testing, packing and local storage arrangements. FPO can also send their transport vehicle to villages with required material and procure the produce at village level.

Primary processing : Primary processing is the basic processing of agricultural commodities through activities of cleaning, grading, drying and packing. Primary processing is compulsory for agricultural commodities for making them marketable.

Secondary processing : Secondary processing is the advanced processing through which the agricultural commodities are made into value added products. Value addition through secondary processing is done through making agricultural commodities into ready to cook/ eat products (like dal, atta, oil etc.), storage, transportation to high demand areas etc.

Minimum Support Price (MSP) : Minimum Support Price is the price set up by the government to purchase some agricultural produce directly from farmers. In cases when market price fall below the MSP, the government intervene and purchase the produce at MSP.

Baseline

In this booklet of FPO Board of Directors self learning modules, we deal with the topic of Output Marketing. Before getting into different sessions of Marketing, let's answer some questions ourselves. The purpose of this baseline is to assess our present understanding on Marketing and thus get into learning more about it.

1. *What is the importance of marketing for functioning of FPOs?*

.....
.....
.....

2. *What is the need for having market/ customer orientation for BoD members?*

.....
.....
.....

3. *How can services of FPOs can help members to overcome different constraints in marketing of their agricultural produce?*

.....
.....
.....



IMPORTNACE OF MARKETING BY FARMER PRODUCERS ORGANIZATIONS (FPOs)

Session Objective



To recognise the importance of marketing for FPO and importance of having market orientation

To know the role of FPO in meeting the marketing needs of their members

Key content items

1. Need and importance of marketing
2. Importance of having market orientation
3. Role of FPO in meeting marketing needs of their members

As we can recall from Booklet 7 (Business Plan) of BoD self learning module, the important service that has to be provided by our FPO to our members is Marketing of crops cultivated by them. Often times, we notice that lack of adequate market is a major issue for farmers and marketing facility is an important required service for them. Thus, let's get into this Learning Module on Output Marketing by FPO.

Figure 1: Agricultural Market

1.1 Need and Importance of Market

To understand more about the need and importance of market, let's look at the following questions.

Can any business organization run without Market for their products, for example, a tractor company without any buyers for their tractors? Let's write down what do we think.

The answer, as we discussed, is most probably NO. As our FPO is also a business organization, it also can't function without Market for it's products.

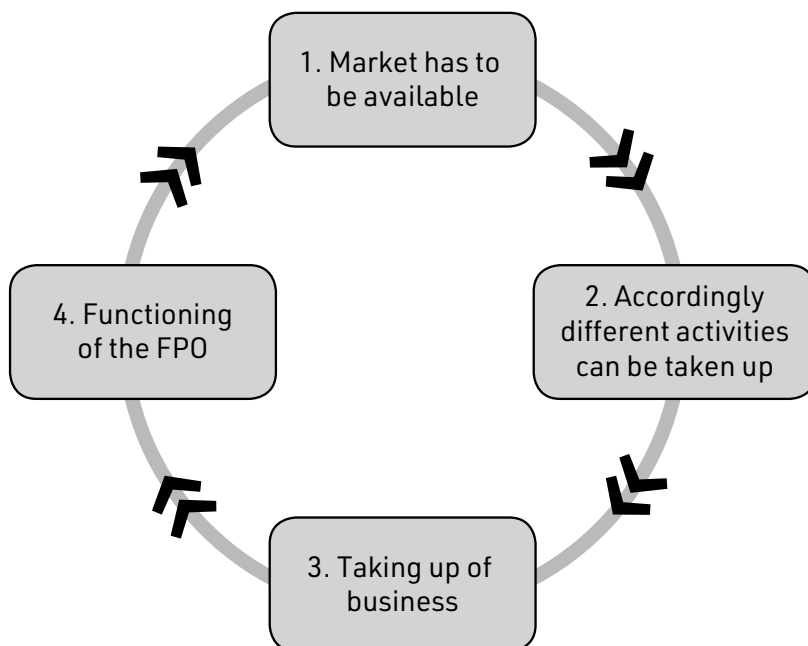
What happens if Market is not available for the produce cultivated by farmers for selling?

If there is no market for their produce, farmers can't earn any income and thus can't sustain their livelihood.

Thus, we can note that Market is very important for both functioning of our FPO and livelihoods of our farmers.

Let's take an example of an FPO dealing in cotton as their members mostly cultivate cotton. As depicted below, first of all, market has to be available for cotton product of the FPO. Only then the FPO can take up required activities like cotton procurement from their members, ginning, storing etc. By taking up such business activities, the FPO exist and function. Thus, FPOs can't function in vacuum without market for their activities.

Figure 2: Need for Market for functioning of FPO



Thus, there are many FPOs which became successful and sustainable because they secured market for their products. At the same time, there are many more FPOs which failed also in view of not securing market for their products.

1.2 Importance of Having Market Orientation

Question 1: Is market orientation necessary for a Farmer Producer Organization? Let's write down three reasons why do we think so.

1. _____
2. _____
3. _____

Just like any other business enterprise, it is important that FPOs also have market orientation. Let's look at the following two caselets to understand the importance of having market orientation.

Caselet 1: Vimukha FPO took up the activity of procurement of soybean and Tur (redgram) from their members. However, they have not assessed the market for these products and not looked for buyers before procurement. They started looking for market only after procurement. So, there was time gap in getting the market linkages and meanwhile the quality of produce got reduced as there was no proper storage arrangements. In view of this, the sale price of the produce came down from the procurement price and thus the FPO incurred loss.

Caselet 2: In Asamagra FPO, the inputs of seed and fertilizers are provided to members for their crops of Chhole (bengalgram/ chickpea) and kusum (safflower). However, this FPO did not take up marketing of these crops even though the members needed it. As a result of this, the members had to resort to a private trader (who also supply inputs) even if it was not attractive for them and did not show interest in taking inputs from the FPO in next season.

Question 2: Why do the Vimukha FPO made a loss?

Question 3: Why do the farmers did not show any interest in the inputs in the subsequent season in the case of Asamagra FPO?

From the above caselets, it is evident that FPOs need to have market orientation for their proper functioning and services to members. For this, we as BoD members need to have market orientation and drive our FPO accordingly.

Start with Market
First look for market and then produce accordingly rather than producing first and then looking for market.

This is demonstrated by long standing successful FPOs and other cooperative enterprises as shown below.

Table 1: Examples of successful marketing

Amul (Dairy Cooperative) ¹		If there was no Bombay (the market for their milk), there would have been no Anand (the place of Amul)
Vasundhara Agri-Horti Producer Co. Ltd (VAPCOL) ²		Multiple agricultural and horticultural products with market linkages at multi state second tier level
Shri Mahila Griha Udyog ³		Wide range of papad, masala, atta, chapatti, appalam across the country
The Mulukanoor Women's Mutually Aided Milk Producers Cooperative Union Limited (Mulukanoor Union) ⁴		Women dairy with leading share in local market

Question 4: Do we think Shri Mahila Gruha Udyog had a market in mind when promoting the organization? Or they were looking only at women's ability to produce Papad?

¹ <https://www.amul.com/>

² <http://vrindavan.co.in/>

³ <http://www.lijjat.com/>

⁴ <http://mulukanoordairy.com/>

1.3 Marketing Needs of Members and Role of FPO

Now, let's list down below the key constraints that our members are facing with regard to marketing of their agricultural produce and also how can we overcome those constraints through our FPO. Few examples are given for further filling the table.

Constraints faced by members in Marketing	Ways to overcome constraints through FPO
<p><i>Not able to retain the produce and thus low price at the time of harvest</i></p> <hr/> <hr/>	<p><i>Provision of storage facility for the produce to capitalize on price increase</i></p> <hr/> <hr/>
<p><i>Market available at far distant place</i></p> <hr/> <hr/> <hr/> <hr/>	<p><i>Procurement service at the nearest point of members</i></p> <hr/> <hr/> <hr/> <hr/>

Similarly, let's work out the cost for marketing of produce in detail and how the costs can be reduced through activities of FPO.

Cost of marketing of produce*	Ways to reduce cost through FPO



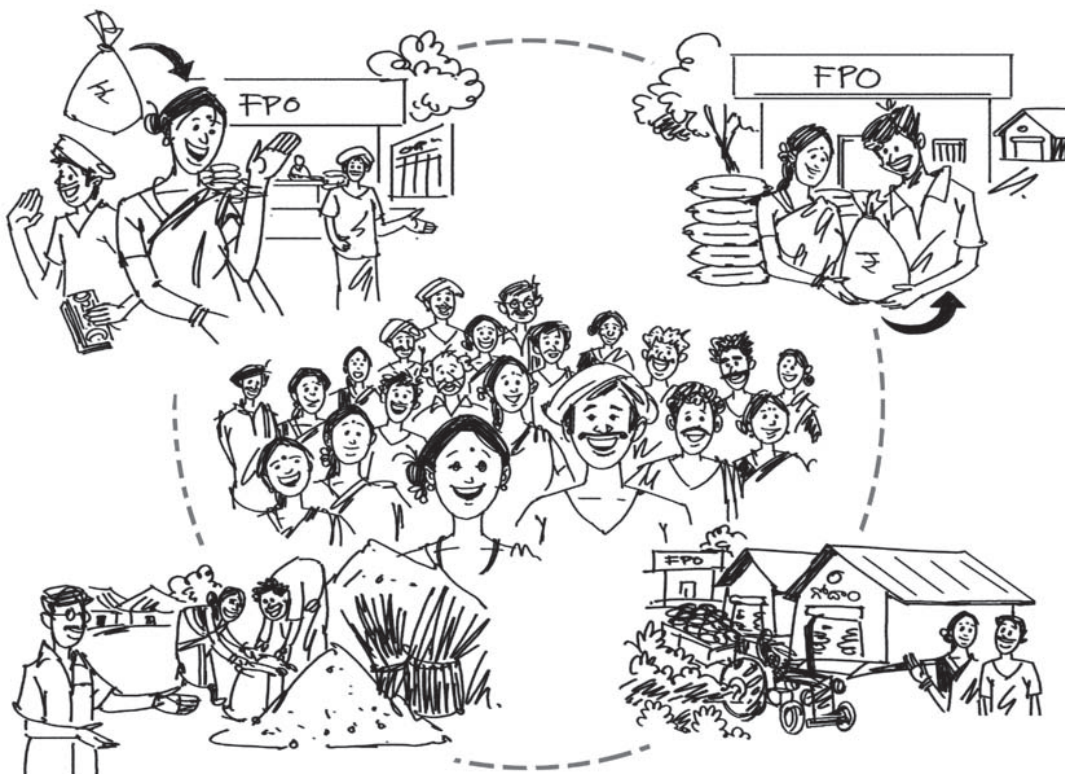
*Detailed break-up of different cost items like Transportation, Storage, Wages, Incidentals, Cess, Foregone wages etc.

Work out the total cost for a local unit (like 1 quintal of produce; produce of 1 acre etc.)

As listed above, our members are facing various constraints and incurring high costs in marketing of their produce and thus the FPO need to provide required services to members to overcome those constraints and reduce costs. As the following diagram also shows, farmers individually face many constraints in marketing of their produce. Whereas, as a collective of FPO, they can overcome such constraints by virtue of different services from their FPO.

Figure 3: Need for FPO to overcome constraints in marketing





From this session, it is evident that our FPO BoD members need to understand the market for taking up output marketing, develop market orientation, encourage members to produce as per market needs, offer required services to members to overcome different constraints in marketing and reduce marketing costs.

OUTPUT MARKETING – INTRODUCTION & COMPONENTS

Session Objective



To identify the importance of having customer orientation

To understand balancing between member needs and customer interests

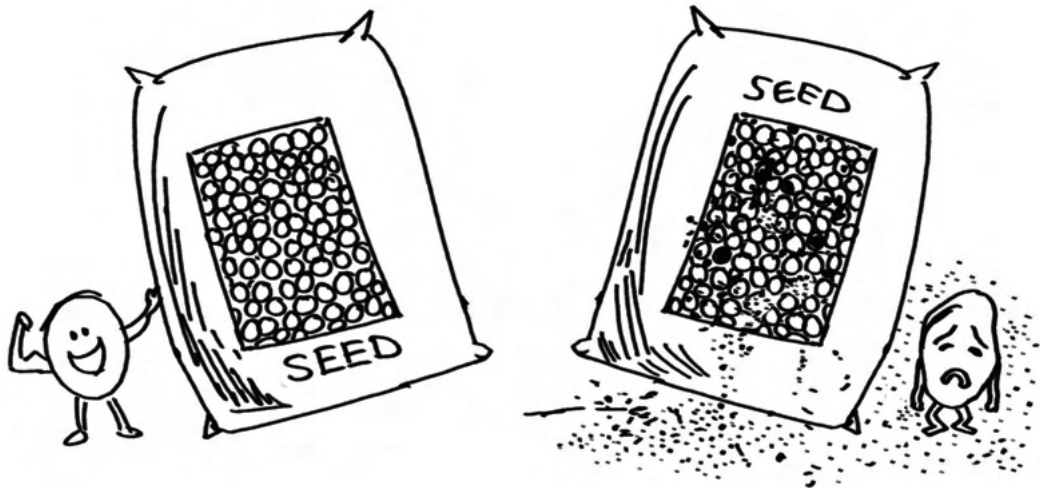
Key content items

1. Understanding Customers
2. Balancing between member needs and customer interests

Introduction

As we have seen in earlier session, our FPO need to take up different activities for better marketing of the produce of their members and also to reduce the cost of marketing for them. However, before getting into details of such activities by our FPO, shall we spend some time on understanding Output Marketing and it's different aspects?

Exercise: Let's take two packets of seeds: one bright and clean and the other part damaged and soiled. Both the packets have same quality and quantity of seeds. Let's look at these packets and discuss which one would we prefer to buy.



Now write down the answers.

From our interaction with our farmers on the two seed packets, let's answer the following questions.

Why did the farmers choose that particular packet, though both had same quantity and quality of seeds at the same price?

When our FPO is selling it's products, what will the consumer be looking for?

Marketing is not new to us, we all are progressive farmers and have been dealing with markets for long – both in terms of selling our produce and buying the required inputs for our farming. Nevertheless, it will be of use to

get common understanding on marketing and how it operates at FPO level. From the earlier session, we also got affirmed that any business has to start with market i.e. customers or buyers and their demand. No business organization can continue functioning without market for their products. This is the case with our FPO also.

Thus, let's start with customers/ buyers in this session and we will also see the difference between members needs and customers interests, need to balance it and the role of BoD members in balancing it.

2.1 Marketing Overview

Exercise: Let's discuss and list down five marketing activities that we regularly perform in our area.

1. _____
2. _____
3. _____
4. _____
5. _____

As we all are agriculturists, we engage in different activities from time to time with regard to marketing of our agricultural produce, as listed above.

Now, to get an overview of marketing, listed below are different such instances of marketing activities that an FPO engages in. As we see, these are the common instances that we notice in agricultural marketing.

1. *An FPO is engaged in collective marketing by procurement of Arhar (redgram) and millets from their members and then selling to buyers.*
2. *The mangos are not packaged properly and thus got rejected while selling.*
3. *The quality of groundnut oil got deteriorated by discolouration and mix of other vegetable oils.*
4. *The rava made of korra is branded so that customers are able to identify and associate with the manufacturer.*
5. *The groundnut seed packets for marketing are labelled as per legal requirement.*
6. *The organic products of certain manufacturer are not certified thus the consumers are doubtful about their pure organic nature.*
7. *The price of sunflower oil was set bit high whereas many cheap products are available in the market.*
8. *The vegetables are not sent to the right place of collection centre near a metro city where the demand is high and thus could not be sold.*
9. *The vegetables are transported through a refrigerated van and thus their quality is kept good till they reached consumers.*
10. *The marigold flowers are supplied to the city market at right time of festival demand.*
11. *A manufacturer of millet products opted the distribution channel of traditional trader rather than direct retail buyer which is more remunerative.*
12. *The products of packed milk, ice cream, butter and ghee of a dairy company are selling well in the market in view of effective product promotion through advertisement and sales promotion.*
13. *To supply to a paddy procurement centre, the farmers got their paddy cleaned, dried and packed properly and thus got more value addition.*

14. An FPO procure Arhar (redgram) from their members, got them processed into dal and then sell in the market.

15. An FPO has been consistently getting enough orders for it's fruits for last five years in view of consistent customer relations maintenance.

These instances, indeed, indicate different aspects of marketing. We will deal with such aspects in coming sessions of these booklets.

2.2 Customers / Buyers

Before getting into any business, it is of utmost importance that we need to understand who are the customers/ buyers for our products and what are their needs. Accordingly only, we need to develop the products and supply to them in time at competitive price and quality. No business can sustain without the required customer base.

An illustration of this is given below.

The area of Phala FPO is traditionally reputed for production of quality mangos. Given the demand for quality mangos by many customers, the FPO aimed at elite customers in a metro city, 150 km away and well connected by a highway. The FPO is directly supplying the mangos to outlets in complexes of software companies and gated residential communities in the city. There is demand for benishan and dasheri, in takeaway packs (2 kgs, 5kgs and 10 kgs) in their vicinity. The quality is of high – naturally ripened, yellow, carbide free, at least 300 gm weight, uniform size. In view of making use of the opportunity of elite customer base, the FPO earned 50% more profits than selling to traditional buyers.



From the above illustration, it is clear that we need to first understand the customers thoroughly and then only plan for the marketing of our products.

Assignment: Based on the above, let’s take up the customer/ buyer analysis for our products and then plan accordingly. Following checklist can be used to do this assignment.

- » What is the product?
- » Who are the buyers for the product?
- » Where are they located?
- » How much is the demand from buyers?
- » What is the seasonality of demand?

2.3 Balancing Between Member Needs and Customer Interests

As seen above, customers are the fundamental requirement for marketing of any product. However, as we also know, the primary purpose of our FPO’s activities is wellbeing of our members by meeting their needs. But, sometimes the expectations of members and interests of customers may not match. Let’s take up the following exercise to understand more in this regard.

Exercise: Given below are different aspects of marketing of any product. On whatever of these relevant aspects in our FPO area, let’s list down different instances where member expectation and customer interest are not matching.

Aspect	Member expectation	Customer (buyer) interest
» Price		
» Quality		
» Time of purchase		

» Quantity		
» Payment		

As the exercise shows, often times, member expectations and customer interests may not match. So, how to manage such situations?

Let's also look at the following two FPOs examples in this regard.

Vikraya FPO:

Vikraya FPO is engaged in supply of mangos to a mango processing unit. The processing unit takes only Grade-A mangos and pay a rate Rs.15 per kilo, which is just equal to the minimum price expectation of members. The processing unit pay 5% of the total value of supply as commission to the FPO. The FPO did not make any marketing arrangements for other quality grades mangos of their members. The buyer make only 50% payment to farmer at the time of buying and remaining 50% is paid only after one month.

In view of this, the members got disinterested in the FPO and started withdrawing from it. However, the FPO thought that maintaining the business relations with the processing unit is important. And they continued the supply of mangos to the processing unit by sourcing them from non-members in other areas.

Question: Do the BoD of the Vikraya FPO was right in maintaining the relation with the processing unit only, rather than with members also?

Question: What can we suggest that the BoD members of Vikraya FPO do?

Vaibhava FPO

Vaibhava FPO procure different vegetables from their members and sell to a corporate wholesale buyer. As agreed during negotiations, the price is decided based on the market on that particular day and generally it is little higher than the market price. Generally, payment is made to the FPO in two working days.

However, very few times when the market price is higher than the corporate buyer price, the FPO refused to supply the produce to the regular buyer. There was also no regularity in supply of vegetables by the FPO as many times the FPO did not engage in the activity even though members have sufficient produce.

In view of the above, the buyer started not to give any more order to the FPO and looked for other reliable supplier.

Question: Do we think the Vaibhava FPO was right in discontinuing the supply when the price offered by the Corporate Buyer was lower than the market?

Question: What can we suggest that the BoD members of this FPO do?

As the above cases indicate, if FPOs stick on to only satisfying customer interests by compromising member needs, then they lose their basic purpose. However, they can't also fulfil member needs without securing customer base.

2.3.1 Role of BoD members

As seen above, it is of utmost importance to balance the member needs and customer interests for sustenance of FPOs. It is the responsibility of BoD members to balance these two aspects in their FPOs. The BoD members should have the required approach to meet the needs of their members on one hand and also keep the interests of customers on other hand. This is in view that such long term, win-win partnerships are crucial for successful and sustainable business activities of any FPO.

Figure 4: BoD members balancing members and customers



Key takeaways for the role of BoD members

- » *Understand the customers, their needs and plan for marketing accordingly*
- » *Balancing between members needs and customers interests*

MARKETING MODELS & MARKETING CYCLE

Session Objective



To identify different models of marketing and the difference between them

To know different steps in Marketing cycle

Key content items

1. Models of Marketing
2. Marketing cycle

In this session, we will look into different models of marketing. After this, we will get into the Marketing cycle and its different components.

3.1 Models of Marketing

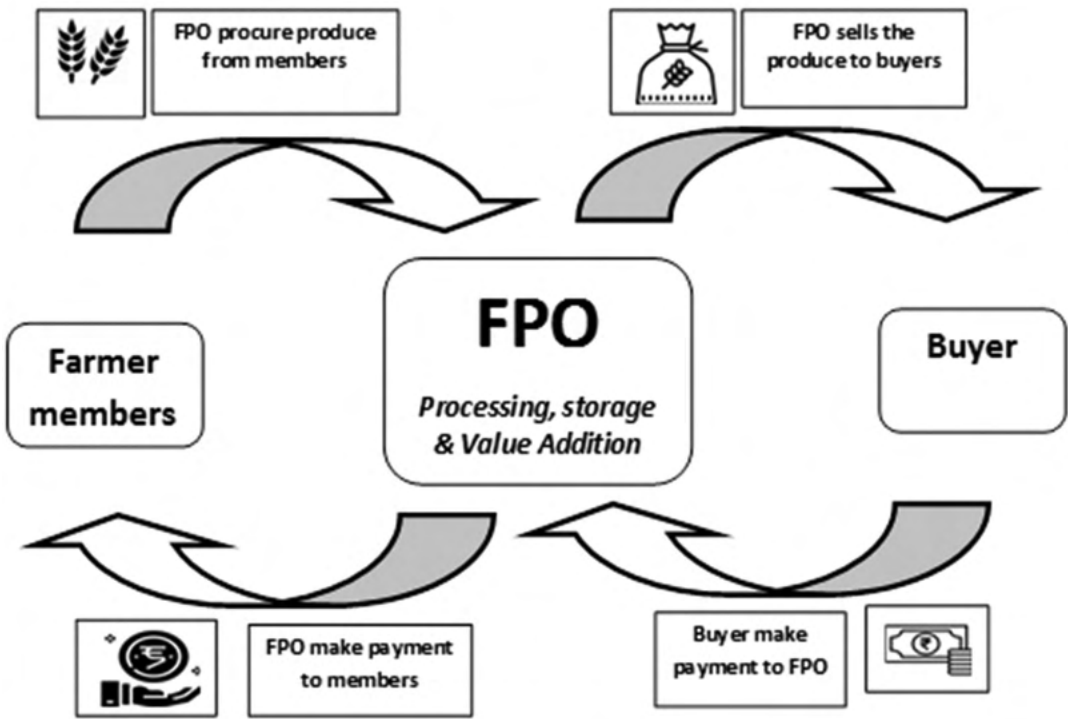
To know about different models of marketing, let's look at the following examples.

Samishti FPO is into the business of procurement and marketing of Arhar (redgram) cultivated by their members. The FPO has setup procurement centre with necessary facilities for cleaning, grading and packing. The FPO has also setup a storage facility. The FPO buys the produce from their members, make the payment to them, if necessary store for some time and sell the produce in the market.

Pratinidhi FPO is into vegetables business. The FPO gets a buyer who setup a procurement centre in FPO area, procure the vegetables from farmers, make payment directly to farmers and market the vegetables. For facilitation of linkage with farmers, the buyer pay 2% of the total procurement value as commission to the FPO.

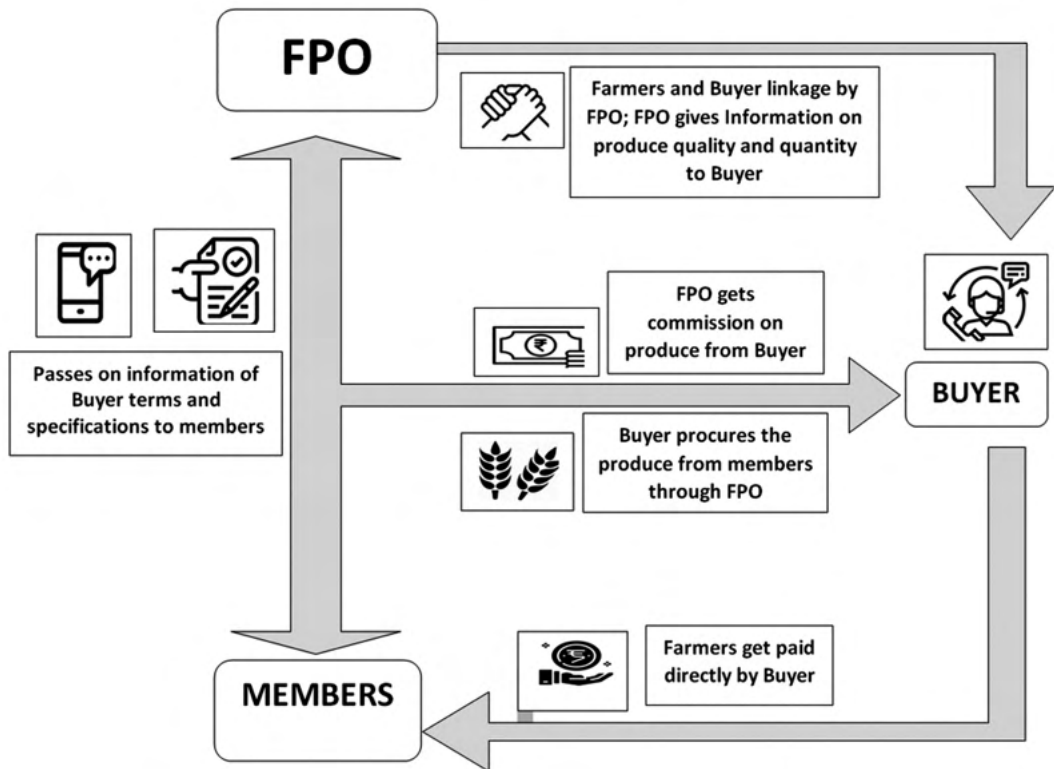
The first model of marketing where FPO is the direct buyer is Collective Marketing. In this model, the stock is the property of the FPO and thus the marketing is the onus of the FPO. However, it avoids the issues of consistent and timely buyers from farmers and also all margin goes to the FPO only.

Figure 5: FPO Collective Marketing



In the second model, the FPO plays the role of an intermediary/ commission agent. The stock is the property of the external buyer and the onus of selling the produce is on the buyer only. The FPO may get only some commission for linkage.

Figure 6: FPO as Intermediary



Question: What are the advantages of model of directly buying from farmers and making the payment (Model 1)? For what kind of the commodity this model can be used?

- a. _____
- b. _____
- c. _____

Question: What are the advantages of model of being an intermediary between the buyer and the members (Model 2)? For what kind of the commodity this model can be used?

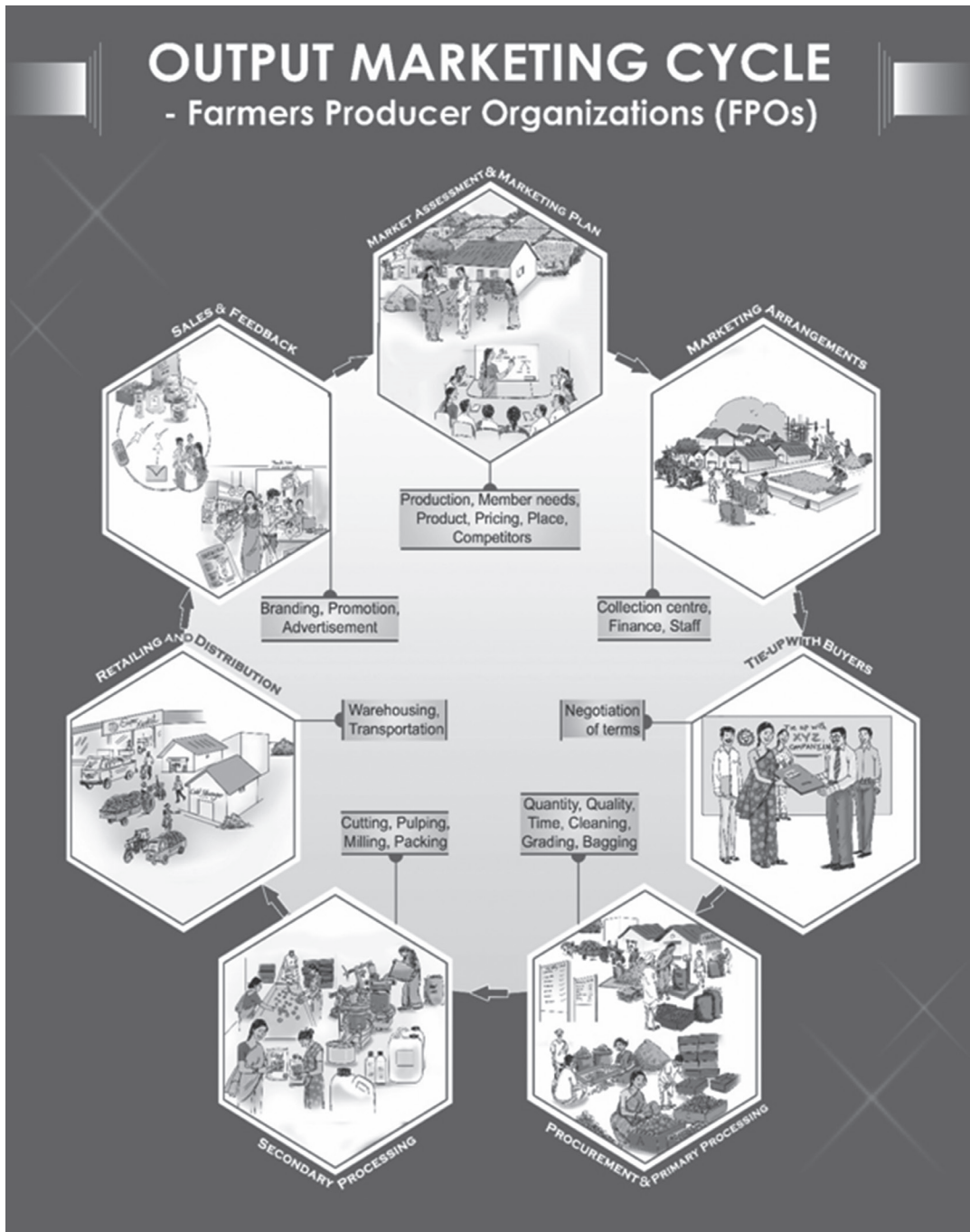
- a. _____
- b. _____
- c. _____

While each of these models have it's own advantages and disadvantages, which model to follow depends on the specific business, product and situation. Based on the need, it can be a combination of these two models also from time to time.

3.2 MARKETING CYCLE

Having understood the basic aspects of marketing, we can get into the practice of marketing through different activities in the marketing cycle. While there are different components in marketing cycle, the specific components to be taken up depends on the FPO and their business. Nevertheless, following is the depiction of the marketing cycle with all components.

Figure 7: Output Marketing Cycle



As the diagram indicates, the marketing cycle starts with understanding the market situation by required assessments. Based on the findings from market and need assessment, planning has to be done for marketing. To implement the plan, buyers' confirmation has to be obtained. It is also important to make all necessary arrangements like infrastructure, finance and persons for taking up marketing activities. Once these arrangements are made, different activities of procurement, processing, distribution and sale have to be taken up.

We will see, in detail, these different components of Marketing Cycle in further sessions of this module.



Key takeaways for the role of BoD members

- » *Workout the appropriate marketing model for our products*
- » *Understand different components of the marketing cycle*

ASSESSING THE MARKET

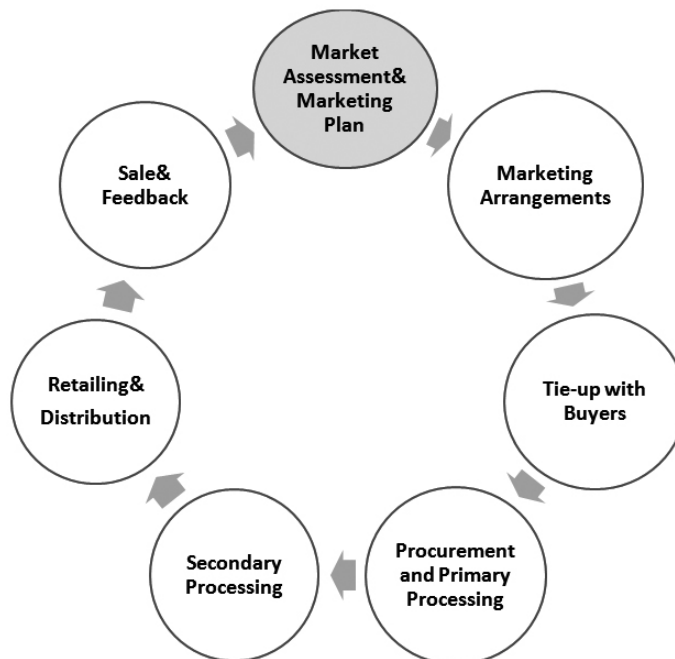
Session Objective



To know the importance of market assessment for taking up marketing activities

Key content items

1. Market assessment
2. Competition & competitive advantage



As discussed in earlier session regarding the Marketing Cycle, we will take up the initial components of the cycle i.e. Market assessment in this session. Assessment is the first step in any marketing activity. Only after proper study of market & production situation and member needs, proper planning for marketing can be done.

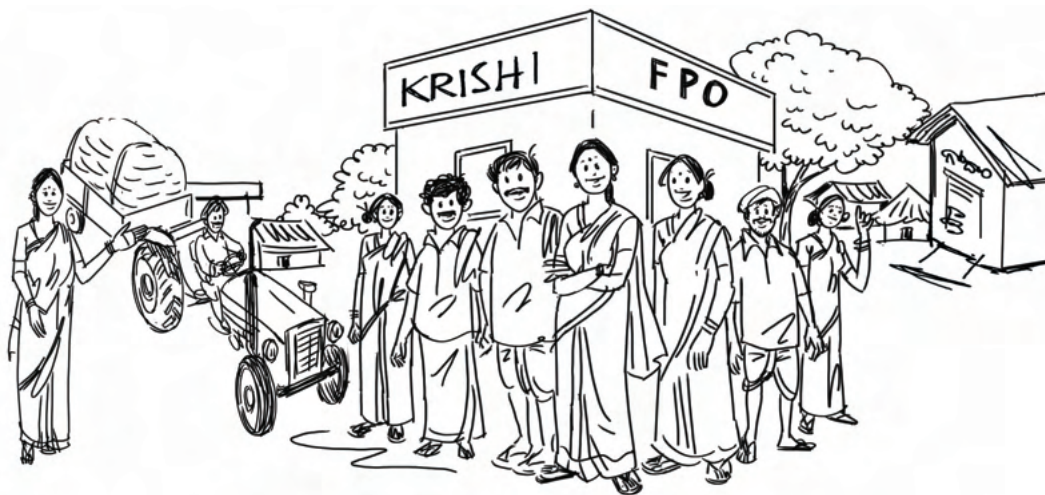
Regular information and update on market & production trends and member needs is a continuous process. Our FPO needs to have internal systems to regularly get information on these aspects and thus be updated.



4.1 CASE OF AN FPO

For our learning of different business activities by FPOs, let's take the following case of Krishi Farmer Producer Company Limited (Krishi FPO). As of now, basic details of Krishi FPO are given in the case. Further details about Krishi FPO are given in the modules as and when they are required. Let's also note that we take the case of Krishi FPO for use in other booklets as well.

Now, are we all set to go to Siripur?



CASE

Krishi Farmer Producer Company Limited (Krishi FPC)

Background

Krishi Farmer Producer Company Limited (Krishi FPC) is formed three years ago and is located in Siripur, which is the block headquarters. Siripur is well connected by a pucca motorable road to the district headquarters of Vijaynagar on one side at 40 km distance. On the other

side, it is connected to Rajapet, a big trade & business town at just 30 km away. A metro city is located at a distance of 190 km from Siripur and connected by a national highway from the district headquarters.

Agriculture Scenario

This area, just like any other rural area of our country, is mostly agrarian with few dependent on services. Even if two-thirds of the land is rainfed area, there is some irrigated area as well with sources of tanks and borewells. Many farmers with little irrigation facility have adopted drip/ sprinkler irrigation system with active support from government departments.

Traditionally, groundnut (mostly in kharif and to some extent in rabi also under irrigated condition) and Arhar (redgram) (kharif) are the main crops cultivated in the area. The FPC area is also known for vegetables (mostly bhendi, chilli, brinjal and gourds and few other vegetables like beans, tomato etc.) cultivation. Of late, farmers in the area are also taking up the millets of ragi (finger millet) and korra (foxtail millet) in view of increasing demand.

Membership and Governance

There are 900 shareholder members in the FPC who are mostly small & marginal farmers. These members are from 16 villages located closely to each other in compact manner. The FPC is run by a Board of 12 committed, entrepreneurial directors including 5 women. Apart from these 12 regular Directors, there are following three Independent Directors in this FPC.

Ms. Lakshmi, a senior Bank Manager dealing in agricultural finance.

Mr. Sitaram, an agri-business specialist having extensive experience in both agri-produce marketing and input supply.

Mr. Swaminath, a retired official from Department of Agriculture, State Government, having extensive experience and expertise on technical aspects of agricultural production.

The Board is chaired by Mr. Ramaiah. Mr. Ramaiah is a highly respected person having extensive farming experience and concern for the welfare of farmers in the area. He is also known for resolving many conflicts/ issues in that area.

Management

The Board also appointed Mr. Ganesh as the Manager and Ms. Durga as the Accountant for their FPC. Mr. Ganesh mainly looks after business activities of the FPC whereas Ms. Durga takes care accounting & bookkeeping, administration and legal compliances. Both of them are working actively in the FPC for last two years.

The FPC has their office cum Farmers Service Centre (FSC) in Siripur. In this building, apart from a small office room, there is space for FSC, a small meeting hall in which they generally conduct their Board meetings and monthly review meetings. This also has a small storage facility in which different input items, some equipment etc. are kept. The FPC office is well furnished with required furniture, a computer, internet and telephone facility.

The FPC has taken necessary organizational licenses of PAN card and GST registration and also business licenses of inputs (seed, fertilizer and pesticides), market, shops & establishments.

Business Activities

Currently, the FPC is taking up input supply and marketing activities for their members. For taking up these activities, the FPC has also taken a working capital loan of Rs.10 lakhs (cumulatively) over last two years.

They are engaged in collective buying of required inputs for their members. The FPC also keep some equipment like tarpaulins, power weeders, sprayers etc. for use by their members. The FPC is also taking up collective marketing of agricultural produce of their members.

However, currently these activities are being taken up at low scale only and the Board is determined to take all required services to all members from next season onwards.

Membership in Federation

The FPO has also taken membership in Jaikisan FPO Federation by paying a share capital of Rs.50,000. This is a cluster level federation formed one year ago and located in Rajapet. In fact, the Krishi FPO itself is one of the promoting agencies of this Federation! The other members in Jaikisan FPO Federation are Dharani, Vasundhara, Prithvi and Sasya FPOs.

4.2 MARKET ASSESSMENT

Figure 8: Market Assessment



We need to note that the first and the foremost step in any marketing activity is assessment of the situation and potential. For an example of assessment, let's look at the case of Krishi FPO.

In the backdrop of need for expansion and scaling up of business activities, Shri Ramaiah, Chairman of Krishi FPO called for the Board meeting. Smt. Bharati, the Vikasa NGO representative is also invited for the meeting.

In the meeting, there were long discussions on constraints faced by members, the required services for them etc. During the meeting, Mr. Sitaram, Mr. Swaminath and Smt. Bharati suggested the Board to get done a proper and thorough assessment of market and production for getting required clarity on business potential.

The Board agreed for that and requested Mr. Sitaram to take up the overall responsibility of getting the assessment and guide the FPO accordingly. They decided to take two students as interns from the Management Institute in Vijaynagar for doing the assessments along with Mr. Ganesh, their Manager. On the suggestion of Smt. Bharati, the Board also formed a sub-committee comprising of Mr. Sitaram, Mr. Ganesh and two other Board members to look into the aspect of value addition and marketing.

Soon, the interns arrived and did intensive market study in coordination with the sub-committee. For this, they studied already available information from secondary sources, conducted group discussions with farmers in all villages, made individual consultations with different stakeholders like best practitioners, experts, buyers, processors, government officials etc. The summary of the study is presented below.

Market Assessment:

Even if the Market Yard (Agricultural Produce Market Committee APMC) exists in Siripur, it is not fully functional in view of outdated storage, drying and other infrastructure. The major APMC market near to Siripur is Rajapet only.

For crops of Groundnut and Redgram, the farmers in Siripur depend on Commission Agents in Rajapet where 6-10% has to be paid in the form of commission and other charges. In total, for one quintal of Groundnut or Redgram, the marketing expenses are as high as Rs.300. For these

crops, small & marginal farmers are getting, on an average, Rs. 300- Rs. 500/ quintal less price than the peak price.

For vegetables, the commission and other charges range from 8% to 10%. Apart from Rajapet, some farmers reach out to Vijaynagar for sale of chilli, bhendi and brinjal. Vijaynagar has facility of AC and non-AC Godowns and hence crops like Paddy, Bengalgram, Redgram, Maize, Chillies are stored in these godowns during price fluctuations.

For 60% of members, the major source of livelihood is groundnut based cropping (groundnut intercropped with redgram). With annual income of Rs. 50,000 and 120 days of employment, they stands first as the major source of income for majority of members in Krishi FPO area. Vegetables stands after this with average annual income of Rs. 30,000.

There are promising institutional retail buyers for vegetables in the nearby metro city. If a Collection Centre is set up in local FPO area, then these buyers are willing to come and buy from this place. For wholesale sale also, some institutional buyers can be reached. This is in view of continuity in association, stability in demand etc. Part of the produce can also be sold to well-known state level or interstate individual traders so as to realise any quick increase in prices etc. For broken dal, husk and powder, there is huge demand in poultry and feed industries in Vijaynagar. If the brand and market linkages are established, there is enough space that the FPO can become an important market player.

As indicated in the above case, different aspects with regard to market and production have to be studied and analysed properly. Assessment is not a onetime activity. In fact, it is a continuous process – if any business has to sustain, they have to continuously study the market, be updated on latest market developments and then only plan accordingly. FPOs need to have required systems and arrangements to be continuously updated with market.

Assessment can be done on following aspects which can be used as checklist.



Production

Through production assessment, we need to know the details of what produce (including quality), how much produce, and what time.

- » Area under different crops
- » Production of different crops
- » Seasonality of production
- » Quality of produce

Example: Out of 900 members of Krishi FPO, 500 members produce an average of 5 quintals of redgram during Mid-December to Mid-January. Generally, the quality is of fair average quality.



Market

Identifying the marketing problem/ opportunity for the FPO – Marketing is to see an opportunity in a problem!

- » Market arrival trends
- » Seasonality in demand
- » Price trends

» Major buyers - their demand, seasonality, terms

Example: For last five years, while the price of redgram commodity at farmer level has not increased much, the price of dal at consumer level has been on rising trend.



Member Needs

- » Crop selling
- » Price expectation
- » Storage requirement

Example: The members of Krishi FPO are in high need of marketing support for redgram particularly soon after the crop harvest i.e. second half of December.

4.2.1 Competition & Competitive Advantage

A competitor is another agency/ person who is taking up activities (like supply of seeds & fertilizers, buying of crop produce, processing of agricultural commodities, transportation etc.) similar to what our FPO is also doing.

Question: Let's name three competitors for our FPO.

1. _____

2. _____

3. _____

Competitor analysis is another important aspect of market study. It involve knowing about the following.

- » Who are our competitors, how many
- » What are the strengths and weaknesses of competitors
- » What are the strategies of competitors
- » What is our competitive advantage i.e. more advantageous position compared to your competitors

For example in Krishi FPO, there are competitors of small traders in Siripur and Rajapet and also some millers in Rajapet. Even if there are many traders, about 3 are the big competitors as they have high business, lend required finance to farmers and influence the local market.

So as to sustain, FPOs need to continuously provide required services to their members in a better way compared to other service providers/ competitors.

Exercise: Let's list down all business activities that our FPO is taking up/ planning to take up. For each activity, let's visualize what competitors can do to take more share in the business. And also think of what we should we do to overcome the competitors. One example is given for the reference.

S. No.	Business Activity	What can your competitor do?	What should our FPO do to overcome competitor?
1	Supply of bengal gram seed	Supply the seed at lower price of Rs.20/kg than the price of FPO. But quality is poor.	Treated seed so that the pest attack will be less, good quality for higher germination. Awareness to members regarding this.
2			
3			
4			
5			
6			
7			



From this session, it can be known that as BoD members, we need to understand the market trends, competition for our FPO and develop the required competitive advantage for our FPO.

MARKET PLANNING

Session Objective



To get awareness on Market planning by FPOs

To identify appropriate marketing strategies for FPOs

To realize the importance of tie-up with buyers and negotiation of terms with them

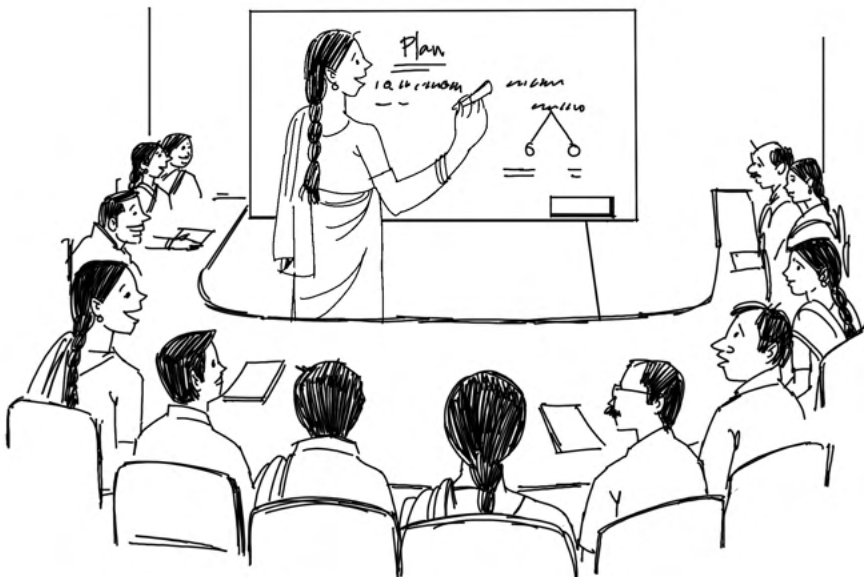
Key content items

1. Components of Marketing plan
2. Marketing strategies
3. Tie-up with buyers



Marketing plan – a component under Business Plan

As we can see from the earlier Booklet on Business Plan, if we want to run our business well, we must develop a marketing plan, an important component of our FPO Business Plan.



In continuation of the Krishi FPO, as per request of the Board, Mr. Ganesh (CEO) and Mr. Sitaram (Independent Director) prepared marketing plan and it's summary is presented below.

Table 2: Summary of Krishi FPO Marketing Plan

S. No.	Particular	Details
1	Product Range	Groundnut, Redgram, Vegetables and Millets
2	Quality	as per AGMARK specifications
3	Pricing	Mostly market/ demand based as most of the sale is through retail and wholesale and the prices are mostly market fixed in these products
4	Price risk strategies	Planning for production and storage as per seasonal demand requirements – for eg, tapping the increased price of dal by onset of monsoons; Having portfolio of buyers is another strategy – retail, wholesale and trader so that risk is diversified
5	Distribution	Timely distribution in in view that the sales are indirect (to institutions, wholesale etc); Storage and transportation arrangements will be planned in such a manner to place the product in peak demand seasons.

6	Distribution channel	50% of products will be distributed through the channel of Traders, 30% through wholesalers and 20% to retail buyers; In case of vegetables, so as to realise the required share in the value, it is planned that at least 80% of the produce will be sold to institutional retail buyers.
7	Number of members	Out of 900 members, at least 700 members will be provided with marketing service.
8	Volume	Procurement of 5 quintals of non-perishables of groundnut, redgram, millets etc. per member, on an average from 500 members; For vegetables, the plan is to procure 2 tons per member for 200 members.
9	Estimated Turnover	Rs. 1.65 crore per year
10	Required investment	Rs.15 lakhs (into collection centre and procurement infrastructure)
11	Required working capital	Rs. 30 lakhs
12	Required staff	One procurement person and one sales person

As indicated above, for any business, Marketing plan has to be made. Following checklist can be used in making the Marketing plan.

Checklist for Marketing Plan

- » Product - range, quantity at different times, quality, packing, branding
- » Arrangements for basic processing (cleaning, grading, packing)
- » Expected price, price fluctuation
- » Buyers/ customers
- » Product delivery to the buyer – place, time – storage & transportation arrangements
- » Product promotion & publicity
- » Marketing cost
- » Marketing strategies
- » Required staff

5.1 Marketing Strategies

Marketing strategies are an important component of marketing plan. It is very important that we need to have required strategies for effective marketing of our products.

We can adopt different ways to effectively implement our marketing plan. For example, we can:

Start with local market

Start with a big market
that is far off

Sell multiple products

Start with only one of
the products

Go to a portfolio of buyers

Set a long term deal
with single buyer

We can sell Producer to consumer	Producer to Wholesaler to Retailer
We can work with major value chain player	We can locate many small players in VC
We can do Branding	We can sell without any Brand name
We can sell high quality to few customers	We sell average quality to large number
Own required infrastructure	Hire required infrastructure
High price but low volume	Low price but high volume

Each of these are called strategic choices. We can reach our goal, maximum benefit to members, by choosing either of the two. But making the choice is the responsibility of the members of the Board of Directors (BoD).

For example, following are some of the marketing strategies taken by FPOs.

» ***Start with local market***

Example – for packed milk of a dairy cooperative, if there is market in nearby towns in 50 km range, it need not go to a city market which is 150 km from the cooperative as it incur additional costs.

» ***Multiple products***

Example – with same investment into a procurement centre, if an FPO deal with more commodities (like groundnut, redgram, vegetables etc.) produced by members, then the risk is diversified. Also, instead of only one form like groundnut commodity, if there are different products like groundnut pods commodity, decorticated pods and oil, the risk is diversified.

» ***Portfolio of buyers***

Like in the above case of different products, if there is a portfolio of buyers

like traders, wholesalers, retailers, millers, institutional buyers for different products, the risks are diversified.

» ***Producer to consumer***

As always, the prices of final product at consumer level are in rising trend, wherever possible, FPOs can directly reach out to consumer through retailer, retail selling etc. This enables FPOs to realize more share in the consumer value. For examples, directly supplying quality, packed mangos to premium consumers in urban areas.

» ***Price***

Premium pricing for quality mangos.

» ***Major value chain player***

Getting into processing of redgram into dal and marketing the dal.

» ***Branding***

Develop a brand name for redgram dal and packing so as to have unique identity in the buyers.

» ***Quality***

Position the redgram dal as a quality product from FPO.

» ***Having required infrastructure***

Like warehouse, procurement infrastructure etc.

» ***Responding to changing market situation from time to time***

For example, the customers' needs may change for high quality, health conscious products.

Krishi FPO: The next steps

The BoD members and the staff of Krishi FPO went for an exposure visit to a marketing FPO which is renowned for its work on procurement of produce from members and selling to institutional and retail buyers at good margins. The FPO Manager and BoD marketing sub-committee members also participated in a buyer-seller event organized by Department of Horticulture in Vijaynagar.

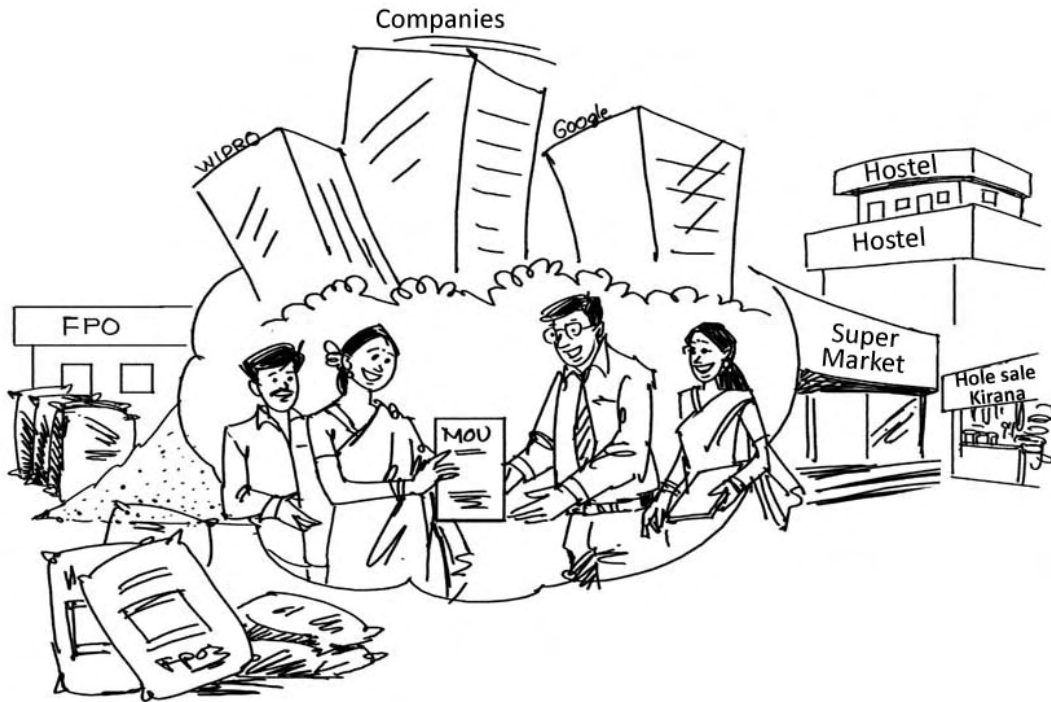
In the next Board meeting of the FPO, Marketing was taken as the single most important agenda item. Through the collective marketing experience and exposure visits, the BoD members got convinced that Marketing is one of the most important activities influencing the business viability of the FPO and ensuring significant share in the value to the farmer. And thus, the resolution was taken by the Board that the marketing activity has to be taken up in a full-fledged manner.

Exercise: To set up the agenda for our board meeting, what issues of marketing would like to be discussed by our Board:

- a. _____
- b. _____
- c. _____
- d. _____
- e. _____

5.2 TYING-UP WITH BUYERS

Figure 9: Tie-up with Buyers



Once market assessment is done and based on this planning is made, tie-up with buyers has to be done. Buyer identification and tie-up has to be done beforehand itself rather than first doing production/ procurement and then looking for buyer!

5.2.1 Set of Buyers

It is also better to have a set of buyers for different products/ different quality grades of a product. This is to ensure that our FPO can offer marketing service for all products/ all quality grades of products of members. For example, in case of vegetables, a corporate wholesale buyer may want only 1st grade

vegetables. Whereas, there can be other buyers (like hostels, hotels, distant wholesale markets etc.) for other grades of 2nd and 3rd.

5.2.2 Negotiation of Terms

Thorough negotiations have to be done with buyers and the BoD marketing sub-committee members have to play key role in this regard. Success of a business often depends on good negotiations.

In view of availability of vegetables in their operational area and also nearby FPOs area, Krishi FPO planned to scale up and regularize the vegetables business through collective marketing of bhendi, chilli, brinjal, gourds and few other vegetables like beans and tomato. As per the lead of Mr. Sitaram, the Expert Director, Mr. Ganesh, their Manager started talking to a corporate retail buyer who has set up of distribution centre in a major town which is 70 km away from Siripur.

Following are the terms that they negotiated with the buyer.

- » The buyer will give a minimum indent of 3 tons of vegetables per day at least one and half day before the delivery time.
- » The buyer will indicate the price range as per quality grade at the time of issue of indent. However, the final price will be as per the prevailing market price in the morning of the produce delivery day.
- » The FPO has to supply only graded vegetables as per the quality specifications of the buyer.
- » The vegetables have to be packed as per packing specifications of the buyer. The FPO has to arrange packing material on their own.
- » The FPO has to deliver the produce to the distribution centre on their own.
- » The produce has to be delivered at the distribution centre between 2pm-4pm in the next day of indent from the buyer.

- » The buyer will issue Receipt cum weighment slip (RCWS) to FPO upon delivery of the produce at their distribution centre.
- » Buyer will make payment to FPO in 3-7 days of delivery of the produce.

Like in the above case, clear terms have to be negotiated in the beginning itself so that there will not be any confusion or communication gap later. It is also required to have all those terms in writing (email, phone message etc.) so that it is clear to everyone.

Generally, following are different terms on which agreement has to be made with buyers.

- » Quantity
- » Quality – what quality, quality parameters, quality check
- » Price
- » Payment – when, mode of payment
- » Time of delivery
- » Place of delivery
- » Other costs (like loading, unloading, packing etc.) – who have to bear

Conclusion

In this session, we started with different steps of Marketing Cycle. As shown, Assessment is the first and the continuous step to be done in any marketing activity. During Assessment, all the three aspects of production, market and member needs have to be studied. Based on the findings of market assessment and potential, Marketing Plan has to be made. The key aspects in Marketing Plan and preparedness are competitor analysis and marketing strategies to be successful in business. Also as discussed, once the Assessment and Planning are done, tie-up with buyers has to be made

before starting production/ procurement. All necessary terms have to be negotiated with buyers clearly beforehand itself so as to avoid any confusion later.

With the above steps of Assessment, Marketing Plan and Tie-up with Buyers are done, we will get into the next step of “Marketing Arrangements and Systems” in next session. But before that, let’s not forget to take the following assignment!

Assignment:

As discussed in this session, now let’s get Marketing Plan developed for our FPO. Let’s keep in view our production profile, market situation and members’ needs in preparation of this Marketing Plan.



Takeaways for BoD members

- » *Ensure marketing plan for the FPO as per the market study/ information from time to time*
- » *Workout the appropriate strategies for effective marketing by our FPOs*
- » *Identify the appropriate set of buyers and clearly negotiate the terms*

End Line

We can recall that at the beginning of the module, we had Baseline in which we answered some basic questions about Marketing by FPOs.

Now, as this module came to an end, an End line is given to assess ourselves regarding additional understanding after going through this learning module. So, let's answer some more questions.

1. *What are the different steps in Marketing cycle of an FPO?*

2. *What can be the important strategies for effective marketing by FPOs?*

3. *How FPOs can develop competitive advantage for their products?*

KEY ACTION POINTS FROM THE MODULE

9.A. Vipani: Output Marketing by Farmer Producers Organizations

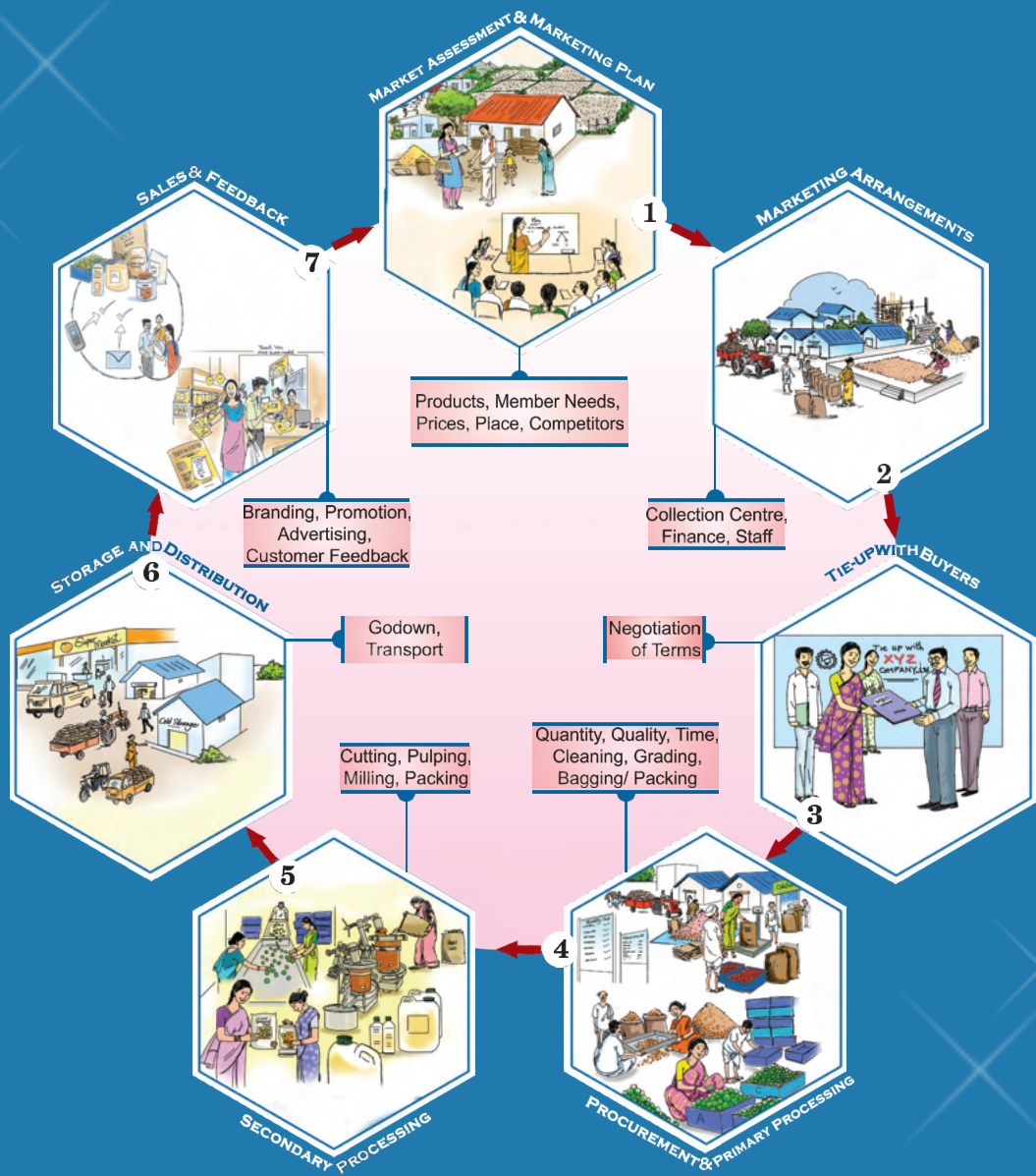
Now let's write what can be the key action points for our FPO from this Module "Vipani: Output Marketing by Farmer Producers Organizations".



NOTES

OUTPUT MARKETING CYCLE

- Farmer Producer Organisations (FPOs)



About APMAS

APMAS is a not-for-profit national level resource organization working for the empowerment of people's institutions such as women's Self Help Groups (SHGs), SHG Federations, Cooperatives, Farmer Producer Organizations (FPOs) & other Community Based Organizations (CBOs) who believe in and practice self-help, mutual benefit, self-responsibility and self-reliance as guiding values.



Vipani - Output Marketing by Farmer Producers Organizations

FPO Incubation Centre promoted by APMAS is a one-stop-centre to provide incubation and nurturing support to FPOs to develop these institutions into viable and sustainable enterprises in partnership with FPOs and FPO promoting and supporting agencies. It provides institution development services such as visioning, statutory compliances, management, governance and capacity building to strengthen these institutions. It also provides business development services such as business planning, financial linkages, marketing and technical assistance to develop business potential of FPOs



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