

**Step by Step Guide**  
**To**  
**Business Planning**  
**By**  
**Farmers Producers' organisations**



**Bankers Institute of Rural Development**

**Lucknow**

**2017**

---

## FOREWORD

**My grandfather used to say that once in your life you need a doctor, a lawyer, a policeman and a preacher but every day, three times a day, you need a farmer!**

**-- Brenda Schoepp**

Despite the important role played by the farming community, majority of the farmers are facing distress due to a combination of several factors which include small land holding, lack of access to quality inputs (seeds, fertilizers, pesticides, credit, etc.) and problems related to marketing of output. These problems are faced more by small, marginal and tenant farmers who constitute 90% of the total farmers in India.

Collectivization of such producers, into Farmers' Producer Organisations (FPOs) has emerged as one of the most effective ways to address the challenges faced by these farmers. The FPOs facilitate hassle free access to financial and non-financial services at doorstep of the farmer at the right time on one hand and in realising bigger pie of consumer rupee for their products, on the other. More than anything farmers will have comfort of an umbrella that would be working "24X7" for their welfare.

While the FPOs are promoted by multiple development agencies like, NABARD, Small Farmer Agri-business Consortium (SFAC), Corporates, Community Based Organisation CBO), etc., it is for the FPOs to mould themselves from being mere sellers and buyers to business organisations with commercial outlook. For such a thing to happen, FPOs need to have a proper vision which gets reflected in a realistic business plan with numbers and time-lines attached to it.

Bankers Institute of Rural Development (BIRD) has been fore-runner in capacity building of FPOs from inception of FPO movement in the country. The feedback from the field revealed that access to financial resources is major impediment in broadening their business activities. In addition to low capital base, lack of a sound business plan dissuade the financial institutions in extending credit facility the FPOs. This has emerged as a critical gap in the FPO movement. To fulfil this gap, BIRD has designed a manual on "**Step by Step Guide to Business Planning by FPOs**" which will be of immense help to FPOs.

Although, this manual is supposed to be like a "do it yourself" type guide, it will be preferable that it is administered in by a trainer who has either gone through a trainers training programme (TTP) on FPOs or has good understanding of the subject.

I congratulate Team BIRD for bringing out this, one of its kind, manual.

I look forward for suggestions from all the stakeholders for improving this small contribution by us.



(Dr D V Deshpande)

Director, BIRD

03 Aug 2017

---

## Author's note

---

With more than 85% of framers being small and marginal category, the limited requirements of inputs, limited farm surpluses force the farmers to source the inputs in retail and sell unprocessed, ungraded/ sorted product in bulk at village level. In such situation, sourcing the inputs and primary processing and marketing of outputs by farmers on a collective manner is the only way through which farmers can expect to take advantage of collective bargaining. Such collectives also facilitate extension efforts of Government much easier and also industry can deal with one agency for their raw materials rather than large number of farmers. Delaying in markets is very effective through active farmers' collectives.

More than 5000 Farmers' Producers' Organisations (FPOs) are established across the country through initiatives of NABARD, SFAC and other agencies. These FPOs are expected to work on business lines. Based on the interactions in the Programmes and other feedback from NABARD, SFAC and other agencies, we feel that the challenges in the FPOs regarding business plans are as under:

- Conceptualising the business potential existing in their area of operation
- Analysis of the risk involved
- Selection or scoping the business and how it can impact the FPO and it's members
- Understand the business they can pickup
- Designing a risk mitigation plan for the business they plan to enter
- Understanding fund requirement
- Preparation of a financial plan with proper numbers
  - o Manpower planning
  - o Infrastructure plan
  - o Expenditure and income Statement
  - o Projected Balance Sheet
  - o Assessment of funds requirement
- Tapping the funds
- Rolling of business plan
- Designing a benefit sharing mechanism with members and ensuring adherence to same

A business plan without Governance structure and understanding the compliance requirements will only lead to future issues on sustainability of FPO as an organisation. The present attempt is to provide a step by step guide to preparation of business plans by FPOs.

A common refrain is that FPOs may not be in a position to prepare such business plans. Authors of this guide book would like to reiterate that the inputs in this book are based on actual business plans prepared by many FPOs across the country (yellow sheets) and so it would not be impossible for any FPO aspiring to run a business to prepare a reasonably good business plan (white sheet),

---

perhaps, with some initial help from Producer Organisation Promoting Institutions/departments/agencies etc.

The booklet is designed in such a way that the CEO would be seeing a chapter plan and content from one of the business plans prepared else-where in the country and would use the same for filling up the data in the blank sheets provided for his business plan. The sources from where the data can be tapped or generated is also given so that he can access the same. Let us also try from village sarpanch, block office or wiki villages in India and you would find that information is, after all, readily available.

The contributions and suggestions of many faculty members of BIRD/NBSC and officers from NABARD at various offices and encouragement and precise inputs and feedback from Director and Joint Director of BIRD are invaluable in bringing this guide book to present shape and respectfully acknowledged.

We look forward for your feedback and suggestions for improvement.

All the best! Let us say ready set go!



Bhallamudi Sridhar  
Faculty member,  
BIRD, Lucknow  
July 2017

Address for Feedback

[training.birdlucknow@nabard.org](mailto:training.birdlucknow@nabard.org)

[bird@nabard.org](mailto:bird@nabard.org)

[bhallamudi.sridhar@nabard.org](mailto:bhallamudi.sridhar@nabard.org)

or

contact me @ +91 9937197666

## Contents of the Guide Book

Chapter no	Contents	Page no
	Cover Page	1
	FPO at a Glance	3
	Model contents page	7
01	Context of the project	9
02	About Farmer Producer Company	12
03	Promoters and Proponents	15
	Location map	21
04	Profile of the project area	23
05	Project Villages & Demography	46
06	Business objectives and product planning	56
07	Governance structure	94
08	Financials and business plan	103

**Note :- To download the book please visit**

[http://notnul.com/Pages/Search.aspx?SearchText=BIRD\\*~BIRD\\*~BIRD\\*~BIRD\\*~BIRD\\*~BIRD\\*~](http://notnul.com/Pages/Search.aspx?SearchText=BIRD*~BIRD*~BIRD*~BIRD*~BIRD*~BIRD*~)

2. Hard copy of the book may be obtained from BIRD Library, Lucknow. Price-Rs. 1500

---