



Government of Andhra Pradesh



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Government of Andhra Pradesh

Partnership for Prosperity



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**CEO's Round Table Meet on PPP
for Promotion of FPOs in Andhra Pradesh
2016-17**

The overall goal of FPO initiative is to increase productivity, maximise profitability and realization of proper pricing through processing, market linkages, value chain development and better knowledge system.



Background:

Government of Andhra Pradesh is giving high priority to primary sector – agriculture and allied sectors. Considerable efforts are being made to strengthen Agriculture, Horticulture, Fisheries, Dairy, Meat and Livestock sectors. Infusion of new technology, innovative practices, strengthening infrastructure, knowledge, IT applications, market intelligence, access to credit and finance for higher productivity, with an objective to make agriculture & allied sectors a viable business proposition. Certain commodities have been identified as growth engines for providing necessary support systems for the entire production/ value chain Development. In this entire process, one of the important elements is developing and nurturing institutions of farmers. Experiences in India and other parts of the world clearly indicate that the farmers institutions which are financially robust and well connected (to technology, research, markets, banks and other infrastructure facilities) provide enormous economic benefits to its member farmers. Such collective action goes beyond coming together for infrastructure development, but also goes to realms of business and markets. Such membership based institutions are found to be the backbone for primary sector. With this background, both Central Government and State Government of Andhra Pradesh is putting considerable emphasis on promoting “Farmers Producer Organizations (FPOs)"/FPC.

Key interventions through PPP

1. Mobilizing farmers into Farmer Producer Organisation.
2. Converting FPO to FPC
3. Technology infusion
4. Value addition
5. Market Linkage
6. Project management



New Vision for Agriculture – A Way To Achieve Double Digit Growth

1. The State Government of Andhra Pradesh launched primary sector mission during 2015-16 with the objective to achieve double digit inclusive growth and accordingly strategies were formulated for Agriculture & Allied activities under Primary sector mission
2. As per the advanced estimates of 2015-16, the GSDP at constant (2011-12) market prices registered a growth of 10.99 percent as against the corresponding national growth of 7.6 percent. The overall Gross Value Added (GVA) registered an impressive growth of 10.50 percent at constant (2011-12) basic prices as against the national growth of 7.3 percent for the same period and has bolstered the image of the state. The agriculture sector could register 8.40 per cent growth despite drought, with support from allied sectors, it is heartening to note that the per capita income has reached Rs.1.07 lakh for the first time. The State is aiming to achieve 15 per cent growth in the next fiscal year so as to maintain a leadership in agriculture allied sector across India and place the state among the best in the country.

In Andhra Pradesh, Horticulture in an extent of 14.78 lakh ha with a production of 185.84 Lakh MTs contributes 7.4 percent to GDP of State and its GVA is Rs. 41478 crores at current prices during 2015-16. Andhra Pradesh stands at 2nd position in Sweet Orange and Papaya, 3rd position in Acid lime, 4th position in Sapota and Pomegranate, 5th position in Mango and Onion, 6th position in Banana and Tomato in the country. Among the horticulture produce, vegetables and fruits have the largest share of production and contributes substantially to the growth of economy. The growth engines identified are Banana, Chillies, Tomato, Mango, Papaya, Brinjal, Bhendi, Sweet orange, Lemon, Cashew nut and Coconut. 491 crop clusters are identified in thirteen districts to increase production and value chain development. The Department of Horticulture has been promoting institutional mechanism through collectivizing the farmers into Producer Organizations and build their capacities to manage input resources, access better technology and ensure better bargaining power through market aggregation. 36 FPOs are registered and another 24 are under the process of Registration with an aspiration to reach 345 FPOs covering 3.00 lakhs farmers. NABARD and Coconut Development Board are actively involved in nurturing the FPOs. Under Japan International Cooperation Agency (JICA) the Department is planning to promote FPOs for Mango, Chillies and Tomato and develop value chains for these crops.





Creation of viable and sustainable farm livelihoods by promoting Organic Farming in 130 clusters and Natural Farming in 566 clusters of 116 Mandals benefiting 10 Lakh Agriculture farmers of Andhra Pradesh.



Objectives:

- To bring together 10 lakh farmers through 1000 FPOs and start-ups in the state through strengthening on-going efforts of line departments, NGOs and other agencies by developing necessary support systems
- Providing handholding support for improving the productivity through effective extension services, suitable technologies and knowledge systems
- Facilitating infrastructure facilities for improved efficiency in production systems and reduce cost of production
- Promoting as a business model for generating higher income through Public Private Partnership

Guiding Principles:

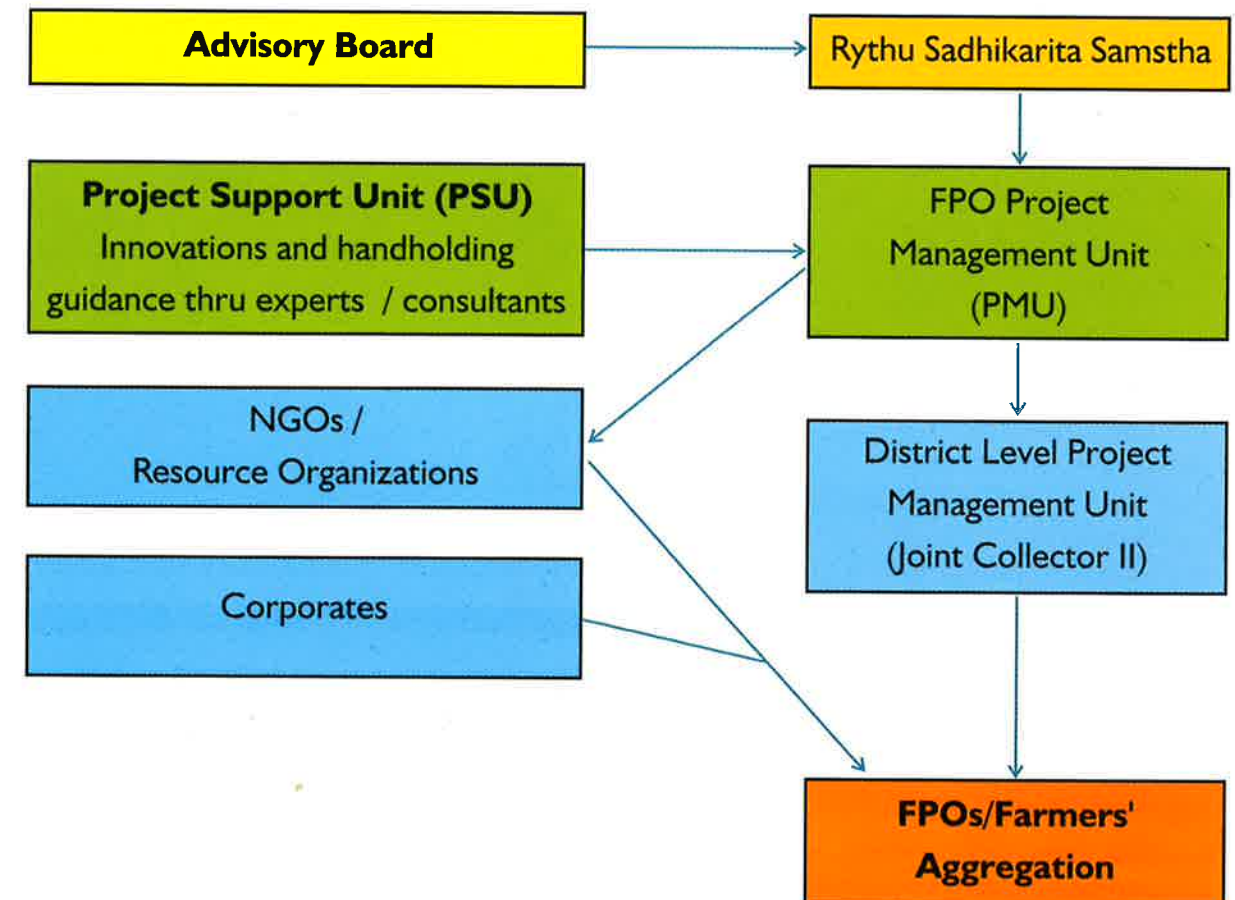
- Promoting robust autonomous farmers' institutions which would trigger economic growth of members.
- Strategy for promoting FPOs / FPCs facilitating the evolution of different models. The respective departments/ promoting agencies are empowered to make a considered decision on the required model.
- Legal Aspects of Farmers' Institutions:
 - a. A typical Farmers' Producers Organization may have 500 to 1000 members. In case of special circumstances (tribal regions, commodity specific needs), the number of members in a FPO could be less than 500.
 - b. The legal status of the entity should enable business/ trading/ other commercial activities that generate income to the members. Hence, farmers' Institutions would be registered either as a cooperative under Mutually Aided Cooperative Societies Act 1995 or as a producer company under Companies Act (2013).
 - c. These entities could also be nested institutions i.e., cooperatives (under MACS) at primary level becoming members / share holders of a producer company, at apex level/ federation level.

- Increasing benefits to the members by appropriate market linkage is the fundamental requirement/ purpose of establishing FPO/FPC.
- FPO/ FPC are to be established in the context of existing markets or emerging markets that they could potentially access in future. Based on a systematic assessment of market potential, business plans of FPO/ FPC have to be developed.
- The timeline for promotion of FPO/ FPC is 3-5 years
- On-going efforts by departments, NGOs and other agencies would be consolidated and further

strengthened by developing necessary support systems

- FPOs Empowerment - our commitment
 - a. Improving productivity through improved extension services; infusion of appropriate technology and knowledge systems by partnership.
 - b. Provide infrastructure facilities for improved efficiency in production systems and reduce cost of production
 - c. Create business opportunities that generate higher incomes

Institutional Arrangements:



The Livestock Sector contributes to the Double Digit Inclusive Growth of the State through three major commodities which are identified as Growth Engines viz., Milk, Meat and Eggs. The milk production during 2015-16 is estimated to be around 108 Lakh Metric Tonnes, meat and egg production to be 6 Lakh MTs. 62.54 lakh families in Andhra Pradesh are engaged in livestock rearing activities. Milk is the single largest commodity contributing Rs.30667 Cr (5.50%) to the State GSDP at Current Prices.

The state is leading in Egg production (1309.79 Crores) producing almost one egg out of every five eggs produced in the country. The state is also one of the top producers of Meat (4th position 5.28 LMTs) and Milk (6th position 96.56 LMTs) in the country and aims to become one among the top three states in the country in Milk, Meat & Egg production by 2022. Aims to achieve overall production growth rate of 12% in livestock sector.



Key Strategies

- Policy support for promotion and sustainability of FPOs / FPCs through linking with financial institutions.
- Exploring the opportunities for CSR funding with due credit for their contribution.
- Convergence of different departmental schemes for assured fund flow and proper allocation.
- Monitoring by third party agencies for maintaining transparency, accountability and public information system.
- Linkage to markets as a business proposition through Public Private Partnership.
- Skill development of rural youths to work as facilitators for strengthening FPOs.
- Use of ICT tools/ products for enhancing business efficiency of FPOs
- Sustainable Organic/ Natural farming – as a service/ choice to members of FPOs

Expected Outcomes:

A. Quantitative:

- Increase in Income by 20% to 35%.
- Reduction in cost of production by 20%
- Minimise losses in production, procurement and marketing (by 10%)
- Productivity enhancement – 5% to 20%

B. Qualitative:

- Better price realisation by farmer/producer. Maximum share of price goes to producer.
- Reduced intermediaries in value chain. Farmers / producers get higher share of prices
- Branding and Presence in the markets for FPOs
- Employment generation (direct and indirect)
- Empower FPOs to contribute major share of production.
- Making an FPO a viable business entity over a period of 3 to 5 years.

Andhra Pradesh is blessed with a long coast line of 974 Kms with a continental shelf area of 33,227 sq Kms spread in 9 coastal districts. There are 555 coastal fishermen villages with 349 fish landing centres and 31,132 marine fishing fleet Infrastructure facilities like 4 fishing harbours, 29 cold storages 45 freezing plants, 55 processing plants, 235 ice plants are supporting the marine sea food industry in the Sate. Fisheries sector in the state is providing employment for about 14.5 lakh population either directly or indirectly & contributed 6.04% to GSDP during 2014-15 (constant price 2004-05). Andhra Pradesh stood first in fish and prawn both in terms of production and value in the country from 2013-14 (17.69 lakh tones out of 95.79 lakh tones in India with 18.47% share) onwards. During 2014-15, fish production of 19.78 lakh tones with Gross Value Addition of 22,707 crores was achieved.



Andhra Pradesh State has announced an industry friendly Food Processing Policy. The State has published EOIs for establishment of Mega Food Parks, Integrated Food Parks and Cold Chain Projects and other food processing units. The state has Signed 66 MOUs in recently held Partnership Summit. With an investment out lay of INR 5593 Crores targeting direct employment generation of 77,100. The Govt of AP in collaboration with Japan is in the process of creating smart agribusiness platforms.

JICA has agreed to fund 7 value chains in phase-I of its funding disbursement through irrigation interventions that include Mango (Processed Variety), Mango (Table Variety), Chilli, Coconut, Maize, Shrimp and Tuna Fish.



- ❖ Cereals
- ❖ Millets
- ❖ Pulses
- ❖ Oil Seeds
- ❖ Organic Farming

- ❖ Fodder-Silage bales
- ❖ TMR Blocks
- ❖ Poultry
- ❖ Milk

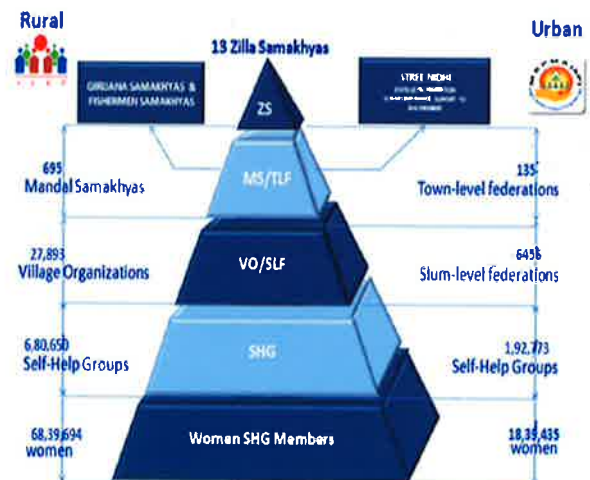


- ❖ Cage Cultivation
- ❖ Prawns
- ❖ Murrel
- ❖ Tuna Fish

- ❖ Fruits
- ❖ Coconuts
- ❖ Vegetables
- ❖ Flowers
- ❖ Cocoa
- ❖ Chillies
- ❖ Sweet Corn
- ❖ Baby Corn



The state is rich in social capital in the form of Women SHGs and its federations at various levels with enormous financial capital base through savings. *It becomes imperative that the credit and capacities of Community Based Organizations are converted into productive outcomes for the SHG members as well as for the economy around them. This would involve a segregated livelihoods strategy for over 80 Lakh SHG members at different scales of capacity.* Society for Elimination of Rural Poverty (SERP)'s livelihood strategy therefore focused at three levels of FPO formation - household based livelihoods, SHG linked enterprises and businesses and finally, on building value chains, second generation institutions and verticals around sectors that can create high value for the SHG members in terms of income



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