



FREQUENTLY ASKED QUESTIONS

Volume 1

ON PRODUCER GROUPS UNDER DAY-NRLM

DAY-NRLM is promoting the Producers' Groups through mobilization of small and marginal women farmers who are involved in production of similar commodities. The Producers Groups are supporting their members for production related activities. Till date around 1.56 lakhs Producers Groups have been promoted under DAY-NRLM. Out of these, around 45,000 Producers Groups are involved in the next level of activities like aggregation and marketing of commodities handled by their members.

The mission through its dedicated structure has built the capacity of these Producers Groups with regular training & capacity-building programs. Further, to support these Producers Groups one community cadres named Krishi Udyog Sakhi are also being promoted who act as the business manager of the Producer Groups.

Promotion of sustainable PGs involves a comprehensive process including observing formation formalities, developing sound governance structure, and effective capacity building to achieve this, there is need for proper understanding of the basic concept of Producer Groups, key design variables, record-keeping, social capital building, process management etc.

To provide resource support to promoting institutions and other stakeholders, DAY-NRLM has developed a FAQ (Frequently Asked Question) document on Producer Groups. The major source of information for this manual has come from action research and study reports, experiences of SRLMs, DAY-NRLM guidelines etc.

The Objective of this Manual is to act as a guide to SRLMs in Promoting and Capacity Building of Producer Groups (PGs) and help them towards better Management and Business Development

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CHAPTER

1

CONCEPT OF PRODUCER ORGANIZATIONS

1.What is a Producer Organization (PO)?

A Producer Organization (PO) is an entity formed by primary producers, viz. farmers, milk producers, fishermen. A PO can be a producer company, a cooperative society or any other form which provides for sharing of profits/benefits among the members. The Producer Groups are also the Producer organization which is not a legal entity where other forms of PO like FPO/FPC, Cooperative societies are the legal entity.

2.What is the need for PO?

The main aim of PO is to ensure better income for the producers through an organization of their own. Small producers do not have the volume individually (both inputs and produce) to get the benefit of economies of scale. Besides, in agricultural marketing, there is a long chain of intermediaries who very often work non-transparently leading to the situation where the producer receives only a small part of the value that the ultimate consumer pays. Through aggregation, the primary producers can avail themselves of the benefit of economies of scale. They will also have better bargaining power vis-à-vis the bulk buyers of produce and bulk suppliers of inputs.

3.What are Producer Groups?

Producer Groups are informal groups of producers that would work primarily towards reducing the transaction cost occurred in the marketing of agriculture produce, both perishable & non-perishable by collective procurement and marketing of farm produce, and gradually move towards primary processing of commodities to create a unique selling proposition itself.



4. Why DAY-NRLM promotes Producer Groups?

Under DAY-NRLM, a sizable percentage of SHG members are dependent on Agri, Livestock and NTFP for their livelihoods. To support these primary producers in accessing the market for their producer through aggregation, primary value additional, women Producer Groups involving the SHG members involved in similar activities are promoted under DAY-NRLM. DAY-NRLM promotes Producer Groups (PGs) below CLF level.

5. What is the Aim to make the Producer Groups?

It envisages providing benefit to its members through the act of aggregation, will play a key role in helping farmers accessing the local market for more price realization through reduction in transaction cost. Producers' Groups are seen as a business centric institution that will continue to have organic links with the community institution architecture of SHGs and federations but will focus more on creating value for small farmers and producers by enabling direct market linkage through aggregation & primary value addition. The overall aim is to make the Producer Groups efficient to reduce transactions costs & be market ready.

6. Are Producer Groups legal entities?

No, PGs are not legal entities. They are promoted Under DAY-NRLM, Below CLF Level.

7. What are the Benefits of aggregation on Groups by forming the Producer Groups?

Aggregation of commodities by a groups farmers members through the Producer Group will support reducing the transaction cost on marketing borne by the individual producer, help the PG to negotiate in the marketplace for better price, build transparency, better price realization, access to technology etc.



8. What are the differences between Producer Groups and Producer Companies?

Criteria	Producer Group	Producer Enterprises/Companies
Nature of Organization	Un-Registered, Informal	Registered entity as FPC/Co-operative
Ownership	Infrastructure would be owned by CLF	PE owned by Members and infrastructure and other assets owned by PE
Key Objective	Better price realization through reduction in costs (overheads) by aggregation, farm gate value addition (sorting, grading etc.), linkage to nearby large markets	Better price realization through value addition, market linkage, economies of scale, higher bargaining power etc.
Area of Operation	Limited to a Village or cluster of villages	Preferably large scale covering large areas except in NTFP / tribal areas or areas with niche Products
Scale of Operation	Low Village/Cluster level Activities	High Large scale entities covering large area with value addition, market linkage to big markets
Business Model	Simple Business Model with Limited Need of WC and Infrastructure capital	Robust model and taken up in a Project Mode
Management Structure	One to two of the PG members would ensure that proper records of transactions are maintained and would manage the operation (aggregation, sorting, grading, transport to market etc.). Volunteerism is Ensured	Professional management, structure as defined in the Producers' Enterprise Guidelines
Governance	Informal governance mechanism to be decided by the members	Board of Directors



9. Where to register a Producer Groups?

Producer Groups are unregistered entities, promoted by DAY-NRLM. The Producer Groups profile, members details & business are to be uploaded in the portal developed by by DAY-NRLM.

10.What are the important activities (key function) of a Producer Group?

Key Functions of Producers' Group may cover Selection of Potential Commodities, Continuous Access to Market Information, Continuous Assessment of Transaction Cost, Organize Market Led Production Planning, Establish & Run Village Level Aggregation Centre (VLAC) for Aggregation of Produce, Primary Processing in the form of Cleaning, Washing, Grading, Sorting, Packing etc., Develop a Relationship with market players, Assured market for aggregated market produce, Recording Transactions & Disbursement of proportional sales of receipt.

11. Who can become a member in Producer Group?

All primary producers residing in the relevant geography, and producing the same or similar produce, for which the PG has been formed, can become members of the PG. Membership is voluntary.

12. Who is the primary producer?

Anyone involved in activities linked to or associated with any primary produce is considered a producer. Primary produce encompasses the output of farmers engaged in agriculture and related activities. This category extends to any efforts aimed at enhancing the production or quality of the products or activities. Individuals engaged in agriculture, horticulture, animal husbandry, fishery, sericulture, apiary, handloom, handicrafts, etc., are eligible to become members of the appropriate Producer Group (PG). Additionally, individuals involved in the collection of minor forest produce can also join a PG, even though they gather these items from forests and may not strictly be considered producers.



13. Can a person become a member of more than one PG?

Yes, a women producer can be a member of different PGs. Family is the unit of production in rural areas. Benefits from the PG will accrue to members in proportion to the volume/value of produce given to the PG. Therefore, one person from a family can provide the whole produce of the family to the PG and get the same amount of benefit as multiple members providing the same volume/value. If, however, there are two different PGs in the vicinity, each for a different type of produce, say vegetables and milk, one person can become member of both these PGs, if the family produces both milk and vegetables.

14. Who will manage the PG?

Each PG will have an elected Management Committee (MC). The MC can engage Udyam Sakhi to manage its affairs. In the initial years, professional and managerial assistance is usually extended by the CLF and Livelihoods Staff of SRLM. As the leaders of the PG gain experience, they should take over the affairs of the PG completely.

15. Can a PG procure produce from non-members?

The objective of the PG is to ensure better income to the member-producers through aggregation. Therefore, procurement from non-members is usually not undertaken. However, market exigencies at times may necessitate such procurement. There should be provision in the PG to enable procurement from non-members during such exigencies.

16. What important factors should be kept in view while facilitating formation of PG?

The implementer needs to have prior knowledge and understanding on the potential commodities, business opportunities, value chain of the select



commodities, business models and potential markets prior to the promotion of PGs. Understand the profile of the village w.r.t. different commodities, resources etc. and various business opportunities around are also having importance. These will help the implementors or the promote of the Producer Groups through building the confidence among the potential members in forming a strong and effective producer group.

17. What is the optimal size of a Producer Group (PG) and what are the parameters?

The producer group (PG) may be formed with at least member size of 20 producers having common interest of producing similar products and services with the opportunity of collectivization, aggregation, value addition and marketing of produces. However, the size of the producer groups will depend upon the scope for aggregation, price of the commodity, market access & management etc. Focus may be given to incorporate small and marginal women farmer households. Women, irrespective of whether they are SHG member or not, should be mobilized as members of the Producers Groups.

18. What should be the minimum and maximum number of members in a PO?

The producer group (PG) may be formed with at least member size of 20 producers having common interest of producing similar products and services with the opportunity of collectivization, aggregation, value addition and marketing of produces. However, the size of the producer groups will depend upon the scope for aggregation, price of the commodity, market access & management etc. Focus may be given to incorporate small and marginal women farmer households. Women, irrespective of whether they are SHG member or not, should be mobilized as members of the Producers Groups.



19. How does DAY-NRLM extend its focus to Producers Groups (PG)?

As part of value chain development, DAY-NRLM promotes Producers Groups (PG) below Cluster Level Federation (CLF) level. These groups aim to create value for small farmers and producers by enabling direct market linkage through aggregation and primary value addition.

20. Can men participate in Producers Groups?

DAY-NRLM is a Women empowerment program so men can't participate in Producers Groups, contributing to collective efforts.





CHAPTER

2

ESTABLISHMENT OF PRODUCERS GROUPS

21. Whats are the important activities to be carried out before establishment of Producer Groups?

The preparatory activities for the promotion of good quality producer groups include Understanding the Post Farm Gate situation in the Block, Feasibility Assessment, Business Opportunity Assessment, Business Model and Revenue Model, understanding the cost-benefit matrix, Assessment of Risk, Indicative price, and actual price. Considering the points mentioned a scoping to establish Producer Groups can be prepared.

22. What are the roles and responsibilities of block level staff of SRLM?

The primary responsibility of the block-level staff of SRLM is to do the scoping on the promotion of the PGs in a block, see that the PG reaches a sustainable level of business and the staff of the PG acquires technical and managerial capability to run the business successfully when the block-level staff of SRLM withdraws its support. The broad responsibilities of a block-level staff of SRLM are indicated below & this activity can be carried out with capacitate the Krishi Udyog Sakhi.

ü Cluster identification, Diagnostic and Feasibility Studies, Business Planning, Mobilization of Producers and Registration of PG, Resource Mobilization, Development of Management Systems and Procedures, Business Operations, Assessment and Audit.

23. What critical interventions could be covered under Grant and credit support for PGs?

Under DAY-NRLM, provisions have been made to provide infrastructure and working capital support to the producers' groups. Guidelines on "Financing Producers Collectives DAY-NRLM," issued on 24th May 2020 from the Ministry may be referred for funding support to the Producers Groups. The PG executive committee and PG may be adequately and regularly trained on the various business activities.



24. There is No CLF but having the potential to Form PGs? How is this support to give those PGs?

For area/villages where CLF/GPLF has not been formed but the area/villages have the prospect of promotion of PG, the promotion and financing of the Producers Groups in such area may be taken up at block mission unit where the mission must have placed dedicated staff for value chain development.

25. What is an ideal process of promoting Producer Groups?

The process for promotion of Producers Group majorly covers understanding the post-farm gate situation in the block, creation of the business idea, awareness creation & mobilisation of the producers' members towards formation of producers' collectives, formation of Producers Groups and lastly Establishment of system and processes

26. What is the purpose of a VLAC in a Producers Group?

A VLAC serves as a crucial point for aggregation and primary processing, facilitating relationships with market players.

27. Can Producers Groups engage in primary processing of commodities?

Yes, Producers Groups can gradually move towards primary processing to create a unique selling proposition.

28. What is the systematic process for setting up a Producer Group (PG)?

The process involves creating awareness about the PG concept, mobilizing prospective farmers in villages, and facilitating the formation of a PG.



29. How does a Producer Group evolve over time?

PGs evolve based on their business plan, increasing membership, and maturity. They may transition into legal entities like cooperatives, producer companies, or trusts.

30. Why is there a focus on visualizing large-size commodity clusters in PG promotion?

Focusing on large-size commodity clusters enhances the scope for effective promotion of producer groups, allowing for better aggregation and market impact.

31. What is the significance of converting a PG into a legal entity like a Cooperative or Producer Company?

Converting a PG into a legal entity provides formal recognition, governance structure, and potential access to various benefits, supporting sustained growth and development.

32. Why is understanding the post-farm gate situation important in PG promotion?

Understanding aspects like value chain, actors, production data, seasonality, and marketing in a block is vital for identifying potential commodities business opportunities, and market information.

33. What is involved in a feasibility assessment for PG promotion in a village?

Feasibility assessment includes evaluating the area and livelihood profile, crops under cultivation, and other livelihood details. It provides essential insights into the viability of establishing a PG.

34. Why is a SWOT analysis conducted for the produce in villages?

A SWOT analysis helps assess the Strengths, Weaknesses, Opportunities, and Threats related to the produce, aiding in understanding the market dynamics and formulating effective strategies.

35. How is the transaction cost analyzed in the business opportunity assessment?

The analysis involves calculating costs like packing, transportation, loading/unloading, travel expenses, commission, and deductions, providing insights into the actual realization of price per unit.

36. What is the significance of a business model in PG promotion?

A business model outlines the approach, size, products, markets, pricing, and promotion strategy, guiding the entity in achieving business goals and revenue generation.

37. Why is financial analysis crucial in PG promotion?

Financial analysis, including cost-benefit and break-even analysis, ensures the sustainability of the business. It helps in meeting stakeholder expectations and achieving profitability.

38. What risks are associated with the PG business in agriculture?

Risks related to produce quality, market access, price, and realization are common. Identifying and mitigating these risks is essential for the success of PGs.

39. How is indicative pricing determined for the produce through a PG?

Indicative pricing considers prevailing market prices, deducting costs like moisture loss, price buffer, marketing expenses, and payment to Krishi Udyog Sakhi, providing a fair price to PG members.



40. Why is risk assessment critical for the success of a PG's business?

Risk assessment helps identify potential challenges in production, post-harvest management, and marketing, allowing for proactive measures to safeguard PG's business.

41. What is the role of the block level mission unit in the scoping and setup of PGs?

The block level mission unit plays a pivotal role in scoping and setting up PGs, involving tasks like conceptualizing the business model, setting promotion targets, and supporting Krishi Udyog Sakhi.

42. How is a tentative business plan prepared before scoping and setting up PGs?

The tentative business plan is developed by considering factors like financials, risk assessment, and indicative pricing, providing a roadmap for the PG's establishment.

43. What is the role of Krishi Udyog Sakhi in the pre-formation activities of PGs?

Krishi Udyog Sakhi actively participates in understanding the post-farm gate situation, feasibility assessment, and business opportunity evaluation, supporting the overall promotion process.

44. How can PG's business plan contribute to its success?

A well-prepared business plan guides PG in making informed decisions, managing finances effectively, and addressing potential challenges, contributing to its long-term success.

45. Why is the participatory approach important in identifying business activities for Producers' Group (PG) development?



A participatory approach ensures the involvement of intended women farmers in understanding potential commodities, business opportunities, and developing a business plan tailored to their needs.

46. What role do intend PG members to play in the scoping process?

Intended PG members actively participate in discussions to understand the village profile, generate business ideas, and finalize the business framework, including the business model, financials, and risk assessment.

47. Why is the development of a business plan crucial in PG promotion?

A business plan provides a structured roadmap, including details on business activities, financials, risk assessment, and other essentials. It ensures clarity and guides PG towards successful establishment.

48. What aspects of PGs need to be discussed during the scoping process?

Important aspects include the importance of a business plan, cash/fund management, action plan, profit-sharing, resource planning, financials, and key assumptions. These discussions orient intended members to the PG structure and operations.

49. How is cash/fund management addressed in the scoping process?

Discussions cover opening bank accounts, collecting initial membership fees, and support through Community Livelihood Fund (CLF), detailing who manages funds and how.

50. What is included in the action plan for PGs?

The action plan outlines the series of activities PGs need to undertake, such as developing a business plan, scheduling products for the market, data collection on marketable surplus, market/buyer identification, pre-



supply arrangements, repayment schedule for working capital etc.

51.What does resource planning involve in the context of PG establishment?

Resource planning includes infrastructure, working capital, institution building, internal and external sources, assessment, and management. It ensures the availability of necessary resources for PG operations.

52.What financial aspects are discussed during scoping?

Financial discussions encompass sales, purchases, expenses, surplus/deficit, member wise/product-wise realization, providing a comprehensive view of the financial aspects of PG operations.

53.Why are assumptions important in a business plan?

Assumptions form a crucial part of a business plan, helping in realistic goal setting. They include factors like the number of villages and members, marketable surplus, expected prices, transportation costs, and incentives for Udyog Mitra.

54.How does the indicative business plan template support PG development?

The template serves as a guide, providing a structured format for PGs to develop their business plans, ensuring they consider essential elements for successful establishment.

55.What is the role of Udyog Mitra in PG activities?

Udyog Mitra plays a vital role in facilitating various aspects of PG operations, including fund management, market linkages, and providing support to ensure the success of PG.

56.What is the initial step in setting up a Producer Group (PG)?



The process begins with creating awareness among prospective farmers in villages about the PG concept and facilitating the formation of a PG with a clear business idea and execution plan.

57.How can SRLM facilitate PG formation in a block?

Based on the scoping study, SRLM can design a PG formation drive, deputing staff to work with Krishi Udyog Mitra, conduct meetings to share business plans, orient members, decide on group name, form a management committee, and address various logistical aspects.

58.Why is endorsing the shared Business Plan crucial during PG formation?

Endorsing the Business Plan ensures that all PG members are aligned with the selected commodities, business processes, and objectives, providing a cohesive foundation for collective action.

59.How are PG leadership roles decided?

Leadership roles are identified and defined during PG formation, including the rotation of the management committee, the responsibilities of Udyog Mitra, and clear delineation of roles to ensure smooth operations.

60.What is the significance of opening a bank account for a PG?

Producers Groups are recognized by the Reserve Bank of India, and banks are advised to open current accounts for them, facilitating transparent financial transactions and management.

61.What are the critical considerations for establishing a Village Level Aggregation Centre (VLAC)?

Key considerations include awareness on selection parameters, renting existing space based on business requirements, avoiding land purchase or



lease unless in the business plan, cost management, and proper orientation of the management committee and Udyog Mitra.

62. Why is the establishment of VLAC crucial for PGs?

The VLAC serves as a common point for aggregating produce, storing assets, and conducting necessary operations, aligning with the business plan, and facilitating efficient processes.

63. Can land be purchased or leased for VLAC without being specified in the business plan?

No, land acquisition for VLAC should be explicitly indicated in the business plan, ensuring that all decisions align with the pre-defined goals and requirements. It will help the producer groups to avoid the risk of managing any fixed asset.

64. What is the role of Krishi Udyog Sakhi in managing VLAC?

Krishi Udyog Sakhi is oriented on various aspects to manage the VLAC efficiently, ensuring proper execution of plans, adherence to guidelines, and smooth operational activities.

65. Who bears the cost for running a VLAC?

The PG bears the cost of running VLAC, and it is essential to generate profits from operations to sustain its functioning.

66. What topics are covered in training and capacity building for stakeholders involved in PG promotion?

Training covers critical aspects such as business planning, management, financials, records maintenance, institutional processes, legal compliance, environmental safeguards, outreach plans, and product knowledge.



67.How often is repeat training conducted after the promotion of PG?

Repeat training on critical aspects is conducted post-PG promotion to reinforce knowledge and skills, ensuring stakeholders stay updated on relevant topics.

68.Is there a specific module for training stakeholders in PG promotion?

Yes, a comprehensive training module is prepared and implemented, covering various aspects like business planning, management, institutional processes, legal compliance, and environmental safeguards.

69.What is the role of PG Committee members in the training process?

PG Committee members actively participate in training sessions to build their capacity and enhance their understanding of critical aspects related to PG operations.

70.Why is Mitigation measures to safeguard the environment included in the training module?

Mitigation measures ensure that PG operations are conducted in an environmentally responsible manner, contributing to sustainable and responsible agricultural practices.

71.How does DAY-NRLM provide support to Producers' Groups (PGs)?

Under DAY-NRLM, provisions are made to provide infrastructure and working capital support to PGs. Guidelines on "Financing Producers Collectives under DAY-NRLM" issued on May 24, 2020, from the Ministry serve as a reference for funding support.



72. When should a Producers Group consider registering as a formal entity?

PGs, based on business plan requirements and increased membership, should consider registration as a legal entity (Cooperative, Producer Company, LLP, etc.) after 2-3 years of operation, assessed on business performance, member strength, and an articulated plan.

73. What factors determine the graduation of a Producers Group into a formal entity?

Graduation is determined by business performance, member strength, and a plan for registration as a legal entity. Legal experts may be consulted, and a comparison of various legal forms may be shared with PGs to make informed decisions.

74. Can a Producers Group be promoted as an FPO under certain conditions?

If a PG has done business for a minimum of two years with a significant volume and adopted business processes, it may be promoted as a Farmer Producer Organization (FPO) to receive support under the scheme "Promotion of 10,000 FPOs" of the Ministry of Agriculture.

75. How can Producers Groups explore convergence opportunities with other Ministries/Departments?

Producers Groups can explore convergence opportunities with schemes/programs of other Ministries/Departments such as Article 275 and Van Dhan Vikas Kendra of the Ministry of Tribal Affairs, MGNREGA/RUBAN of the Ministry of Rural Development, RSETI/KVK/TRIFED, PM Formalization of Micro Enterprise of MoFPI, Agri Infrastructure Fund of Ministry of Agriculture, and state-run programs compatible with PG activities.



76. Why should a PG prepare a business plan?

Every business, irrespective of size, needs planning. Business planning is essential for growth and sustainability. It provides broad ideas to meet the expected and unexpected opportunities and obstacles the future holds. In case of a PG, it is even more essential since most of the members will be acting as businesswomen for the first time. A business plan helps the PG in the following ways:

- It helps in examining the viability of the venture in a particular market.
- It provides guidance to the PG for organizing and planning activities.

It serves as an important tool in accessing finance/funding.





CHAPTER

3

MANAGEMENT OF PRODUCER GROUPS

77.What activities are covered under the business processes of a Producers Group (PG)?

The business processes include mapping business activities with accountability, differentiating perishables/non-perishables, market assessment, seasonal calendar preparation, farmer-level processes, market intelligence, product handling, marketing, market access, dispatches/delivery management, and documentation. A responsibility matrix is essential for effective business planning.

78.Why is it crucial for a PG to close business transactions quickly for perishable commodities?

To avoid losses, PGs need to close business transactions within one to two days for perishable commodities. Storing perishables for an extended period can lead to losses.

79.What is the role of the Management Committee in a Producers Group?

The Management Committee oversees day-to-day activities, provides leadership, manages business transactions, supervises Udyog Mitra activities, ensures alignment with the PG's vision, and facilitates capacity building for PG members.

80.How often should the Management Committee be rotated?

The rotation of the Management Committee should be ensured every two years to bring in fresh perspectives and ensure effective governance.

81.What responsibilities does a Krishi Udyog Sakhi have in a Producers Group?



Krishi Udyog Sakhi plays a key role in seeding and scaling up value chain interventions, including identifying potential commodities, promoting producers' collectives, market linkages, business plan preparation, and capacity building of producers.

82. When should the honorarium of Krishi Udyog Sakhi come out of the profit generated by the PG?

After initial support from SRLM for the first 2 to 3 years, the honorarium of Krishi Udyog Sakhi should come out of the profit generated from the business of the PG.

83. What books of accounts should a Producers Group maintain?

A PG should maintain books such as Cash Book, Daily Business Register (Procurement and Sales), Member Ledger, Member Passbook, Assets Register, Membership Fees Register, and Vouchers File.

84. How is profit distributed among PG members after each business cycle?

After calculating operating profit/loss, 75% of the profit is distributed among active members based on their patronage, and 25% is kept as a corpus fund for future needs or losses. The ratio may also be decided by the PGs member considering the current scenario of the PG.

85. How is the corpus fund utilized in a Producers Group?

The corpus fund is kept compensating for losses or meet exigency expenses in the future, contributing to the financial resilience of the PG.





CHAPTER

4

MONITORING OF PRODUCER GROUPS

86.What are the key indicators monitored at the CLF level for Producers Groups (PGs)?

The CLF monitors the number of PGs promoted, PGs submitting business plans, members covered, funds received, infrastructure procured, target business volume/value, actual business volume/value, and PGs squaring off accounts with CLF.

87.How is information on new PGs formed reported at the CLF level?

The CLF receives information on new PGs, members' details, business volume/value, and PGs squaring off accounts through regular reporting mechanisms and updates on the CLF website.

88.What data does the block-level monitoring include for Producers Groups?

Block-level monitoring includes indicators such as the number of PGs promoted, submission of business plans, funds received, infrastructure shared, target business volume/value, actual business volume/value, members covered, and PGs squaring off accounts with CLF.

89.How is state-level monitoring conducted for Producers Groups?

State-level monitoring involves tracking the number of PGs promoted, submission of business plans, funds received, target and actual business volume/value, PGs squaring off accounts, and member coverage. The state staff conducts field visits to a minimum of 10% of PGs annually.

90.What indicators are monitored at the national level for Producers Groups?

National-level monitoring includes tracking the number of PGs promoted, submission of business plans, target and actual business volume/value, and the number of PGs squaring off accounts. This data provides an overview of the program's progress on a larger scale.





CHAPTER

5

UNDERSTANDING TERMINOLOGY

91. What is the concept of value chain development?

The value chain comprises all the activities at different yet interlinked stages that add value to a particular product through the different phases of production, including procurement of raw materials and other inputs. Usually, there are many actors along the value chain for producing, transforming/processing, and bringing goods and services to end-consumers through a series of sequential activities. When the produce originates from agriculture, we call it an agricultural value chain. Let us take the case of milk. For producing milk, the farmer requires milch cattle, feed and fodder and shed for the cattle. After milking (once/twice a day), the milk is taken to the collection centre where the volume, fat and SNF contents are measured. From the collection center, milk is transported to the Bulk Milk Chilling Unit, where the milk is filtered and chilled to keep it fresh. From there, it goes to Milk Processing Plant, where bacteria are deactivated through pasteurization, and distinct types of milk and milk products are made. Liquid milk (whole milk, toned milk, vitamin-A fortified milk) is made into packets and sent to wholesalers. The retailers get milk packets from the wholesalers and sell them to the consumers through milk booth and/or through door delivery. Processed milk products like butter, curd, cheese, ghee etc., also reach the end-consumers from the processing facility thorough the same channel. The whole chain from purchasing of milch cattle to delivery of milk packets to consumers is the value chain for milk. Though value is added at each stage, major addition takes place through Milk Chilling, Pasteurization and Processing. All the persons/agencies undertaking one or more activities in this chain are called the actors in the value chain.

92. What is value chain intervention?

The PG may choose to undertake any one or more than one activity of the value chain. In the example above, the PO may manufacture/procure concentrated feed and supply it to the farmers. It can purchase milch cattle in bulk from outside the state for the members. It can establish Bulk Milk Chilling Unit or Milk Processing Plant. It can purchase refrigerated vans for transport of milk and milk products. It can establish milk parlors



parlors to sell milk and milk products to the end-consumers. Any such activity will be a value chain intervention. The key is to choose the intervention where the value-addition (and therefore the margin) is high, and which can be effectively managed by the PG keeping in view competition in the market.

93. What is the benefit from Value chain concept?

The benefits may be in terms of pricing, both for input supply, output delivery and services. In Agricultural value chains, benefits may come from the following, which would result in cost reduction or revenue maximization.

- Business Processes: Aggregation, segregation, and logistics
- Productivity: Man, material, money, input, and output
- Warehousing: Space, costs, and logistics
- Processing: Own vs. out-source
- Products: Whole foods to processed foods and to derivatives
- Risk mitigation

94. What is a business plan?

Business plan is a succinct document that specifies the components of a strategy regarding the business mission, external and internal environments and problems identified in earlier analysis. A business plan is not written each time a modification to a strategy is made. It should be written when a new venture is developed, or a major new initiative is launched. Sincere contemplation is needed about the business concept, the business opportunity, the competitive landscape, the essential elements for success, and the people who will be involved. The exercise will often lead to more questions, and these new questions must be thoroughly researched to gain deep insight into the issues and challenges that lie ahead. In short, the business plan must contain answers to the questions “Who/What/Where/When/Why/How/How Much.”

95. What is business planning?



The business planning process starts with Generation of Business Ideas, followed by Opportunities & Threats Analysis leading to Identification of suitable Business . Once a Business Opportunity is identified, a Marketing Plan is prepared. The final part of the process deals with the Financial Plan.

- Business Ideas Generation
- Short-listing Business Ideas
- Opportunities/Threats Analysis
- Business Opportunities Identification & Selection
- Market Plan
- Financial Plan

96. What are the elements of a business plan?

The business plan provides broad parameters for achieving the goals of the PG. A typical business plan will contain the following:

- Executive summary
- Business Description
- Industry/Sector analysis
- Marketing plan
- Operations plan
- financial plan

97. What is market analysis?

The market analysis should cover details about:

- The overall market
- Changes in the market
- Market segments, their attractiveness, profitability
- Target market and customers
- Description of customers
- Competitors – Direct and indirect



98. What is a 'Budget'?

A budget is a forecast of all cash sources and deployments. Budgets help to determine how much money one has or can access, where to use it, and whether the financial targets will be achieved. It shows the flow of money into, through and out of the business. The three basic elements of a budget are:

- Sales revenue
- Costs
- Profits

99. What is the fixed cost?

a. Fixed cost is the expenditure which will normally be a one-time expenditure. The expenses for minimum office setup with furniture, fixtures and other equipment like computer, printer, Almirahs, Internet/telephone connections are fixed cost. b. Normally the PGs are engaged in the activities of procurement, aggregation, and grading of raw produce before sale. In such cases, Infrastructure like warehouse, weighing machine, graders/ sorters, etc. will be required for any PG, which is also a fixed cost. This infrastructure can be purchased or can be taken for rent depending upon the situation.

100. What is running or working capital requirement?

The cost required by a PG its day to business is called 'running cost' or working capital requirement. The working capital of any business unit is calculated based on the following criteria:

- Procurement of Raw material, storage cost, processing, transportation, insurance, etc.
- Management and administration cost for day-to-day activity, which may include salary of Udyam Sakhi, travel, rent, electricity, water, telecommunication, Phone /Fax, Stationary, Cleaning, Meeting Expenses of MC/GB, and Other Miscellaneous Expenses



101. What is monitoring?

Monitoring can be defined as a systematic collection and analysis of information of an ongoing project. It is aimed at improving the efficiency and effectiveness of the project implementation to derive maximum benefits for the producers/PG.

102. What is efficiency?

Efficiency speaks about whether the output in terms of benefits exceeds the expenditure. It is the ratio of output and input.

103. What is effectiveness?

Effectiveness is a measure of the extent to which the project achieved the specific objectives it set. For example, if the objective of a project is to increase the income levels by reducing the transaction cost of all the farmers 'producers' engaged with the PG, we must measure the extent of reduction in transaction cost. Similarly, if one of the objectives is to increase the volume of the produce, we shall measure the extent of increase. These assessments will indicate how effective the program has been.





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