

# THE REPORT

## FIRST COMPREHENSIVE **SURVEY OF FPOs** IN KARNATAKA



Survey conducted as a part of the  
Uniform Branding Initiative of FPO  
products in Karnataka

**Report made by**

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Indian Administrative Fellowship

with the support of

Ashish Karamchandani, President, Nudge Institute  
Transforming Agriculture for Small Farmers



# Acknowledgements

Special thanks for supporting in the designing of the survey, socialising the survey requirements with the FPOs, support in nudging FPOs to complete the survey

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- Ms. Rashmi Alias – DD, Department of WDD
- FPO team from NABARD
- Dr. Richa and Dr. Annapurna from Azim Premji University

# Executive Summary (1/2)

- FPOs are seen as a way of aggregating small farmers to reduce costs of engaging with them and give them better bargaining power; leading to higher and more stable incomes for these farmers.
- The Government of India has been encouraging FPOs including through the recent goal of 10,000 FPOs. The state of Karnataka has a rich history of supporting FPOs and has a wide variety of FPOs
- This survey was conducted as part of the Uniform Branding Initiative of FPO products in Karnataka. It was done in conjunction with the Departments of Horticulture, Watershed, Agriculture and Sericulture, NABARD, and CoEFPO. It was coordinated by Dr. Gayathri Swahar, Indian Administrative Fellow, The/Nudge Institute. The “Transforming Agriculture for Small Farmers” team at The/Nudge Institute provided analytical support
- The aim of the survey was (a) to give a current snapshot of FPOs in Karnataka and their needs, so they could be supported to grow and prosper and (b) start compiling a baseline so progress could be monitored and supported.
- 600 of the 700+ FPOs in Karnataka were contacted. This report is based on self reported data from 187 FPOs (hereafter called the Sample FPOs)
- The Sample FPOs have a larger member farmer base (average number of shareholders 750) than the national average (582) and 80% have collected equity from all their members. They include small and marginal farmers (similar to distribution in the State) and support non-member farmers.
- Paid up capital in Karnataka is 6 lakhs/FPO vs. national average of 12.2 lakhs, Karnataka has a larger proportion of Category B & C FPOs (cat B has paid up capital of 25 to 50 Lakhs, Cat C 10 to 25 L). A higher paid up capital can be used to support higher trade volumes
- The FPOs include farmers with a very diverse crop mix (40% have farmers with more than 4 categories of crops out of Pulses, Millets, Vegetables, Fruits, Spices and Plantation crops)

# Executive Summary (2/2)

- The FPOs are in different stages of evolution. 34% in early stages (from mobilizing farmers to doing basic activities as a group), 29% have started business activities, 28% are “clocking revenues” and 12% have entered “farm entrepreneurship” stage (value added products)
- 90% are doing awareness activities with members, 70% are providing at least some inputs, 60% are providing at least some linkage to markets, 50% are at least sometimes engaging in value added products, and 14% have created some common infrastructure
- While 60% of FPOs have >50% active members; only 8% say it is easy to aggregate and start supply and 25% say it is somewhat easy to mobilize, but may have to do some groundwork. Two thirds say it is not easy/very hard/impossible to aggregate farmers and supply to buyers.
- Only 52% of the sample have shared revenue data, and of these 19% have annual revenues above 50L while 81% have revenues below 50L. This is different from data from the departments and the difference needs to be understood. Interviews with a few FPOs to understand their costing has indicated that with a revenue of 92 lakhs of only input business or 1.9 Cr (if 50% each of input and output) is the minimum required to cover costs. Approximately 5 Cr of revenues will make the FPOs profitable.
- On support required, 132 FPOs responded and 40% of them wanted support on market linkages, 15% wanted training for their CEO/Board of Directors, 27% wanted infrastructure like warehouses, collection centers, 16% wanted finance linkage/working capital and 11% wanted support on inputs (lower deposits, assistance getting licenses, etc.
- The survey provides a good snapshot of the current situation and needs of the FPOs that responded to the survey. It would be good to get the remaining FPOs to respond as the current respondents may not be representative of the general population, and a more complete set may help different players provide more effective support to the FPOs in Karnataka. It would also be good to do the survey regularly as it will help track progress and bring out the needs as they evolve

# Objective of the Survey

- Karnataka has been among the top 10 states promoting FPOs effectively.
- In order to support the FPOs to the next stage, there was a need to conduct a comprehensive survey to map the FPOs in Karnataka in terms of –
  - their stage of evolution – based on the number of members, equity paid , engagement rate of farmers with the FPO
  - Performance of FPOs –based on activity rate of farmers, revenue of the FPO, different activities they are engaging in and infrastructure
  - Support needed by the FPOs for growth and development as expressed by the respondents

# Number of FPOs in Karnataka (pre-Amrut FPOs) and survey data

## The FPOs from different data sources

Department	Registered
NABARD	276
WDD	174
Horticulture	100
Agriculture	24
Sericulture	11
KSSDB	5
NFSM - GOI	6
SFAC	13
Animal Husbandary	24
Thanda Development Corporation	18
Coconut Development Board	13
<b>Total</b>	<b>664</b>

Data taken from the FPO cell creation – Government Proposal

Data from MCA	
Active FPO	688
Strike off	13
<b>Total</b>	<b>701</b>

Data collated from MCA – By APU

For the uniform branding, the plan is to start with non-perishable food products and the list of FPOs were collated from the following departments

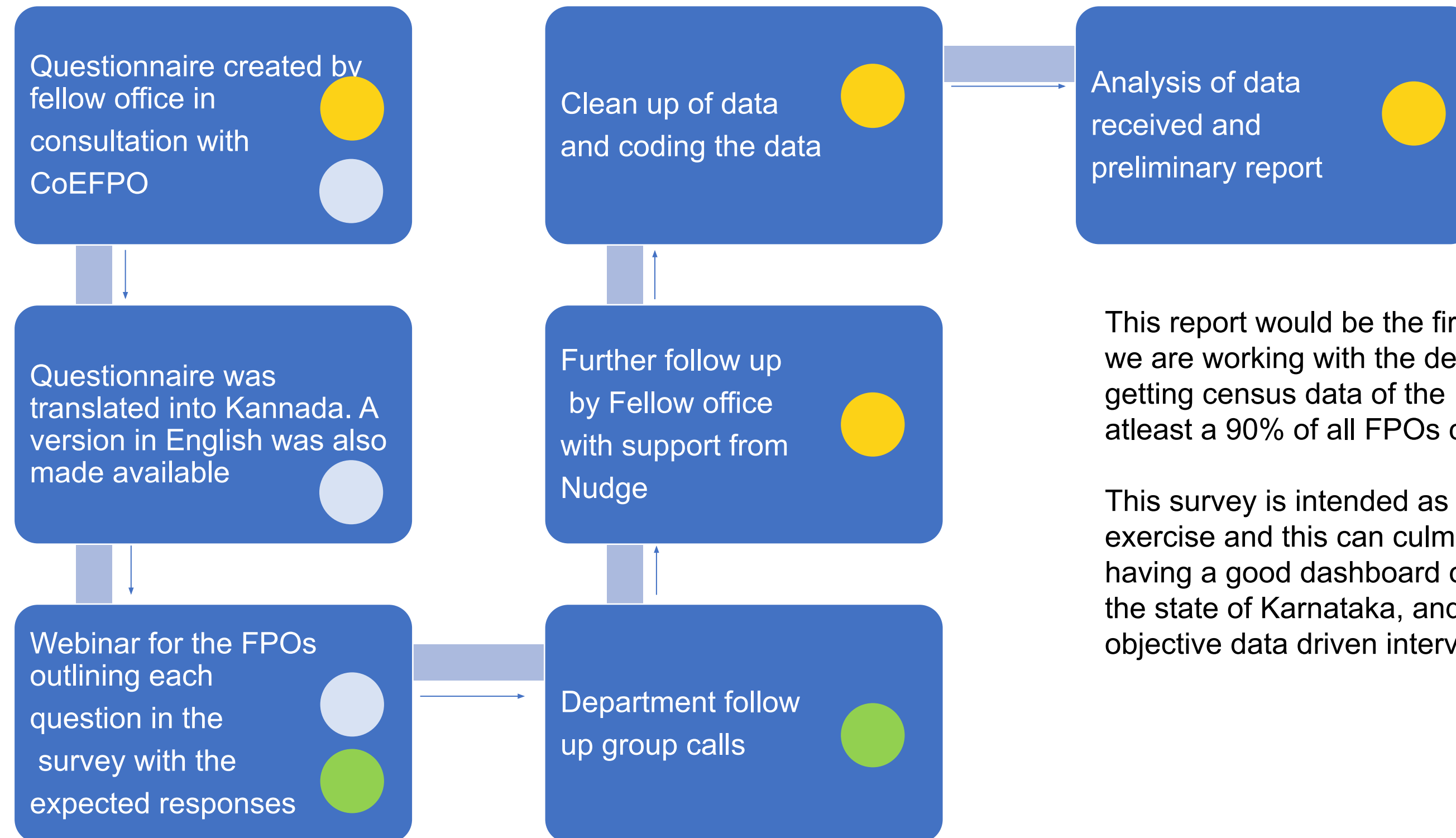
List of FPOs with contact details		
Department	shared	Responded
Horticulture (including the ones promoted by SFAC)	123	65
WDD (Under RKVY)	130	
WDD (CSS)	100	89
NABARD	231	22
Sericulture	16	6
Others		37
<b>Total</b>	<b>600</b>	<b>218</b>

Of the 218, this report has analysed the data from 187 FPOs\*

Sample may not be representative of all Karnataka FPOs

- The 31 data received recently and would be included in the subsequent report

# The survey process - For ease of execution, was decided to have the data collected by sharing a self-filling questionnaire



This report would be the first version and we are working with the departments on getting census data of the FPOs or at least a 90% of all FPOs covered

This survey is intended as a periodic exercise and this can culminate in having a good dashboard of FPOs for the state of Karnataka, and have objective data driven interventions

CoEFPO

The departments promoting the FPOs

Fellow Office, Department of Horticulture and Nudge





# FPO Survey Data Management

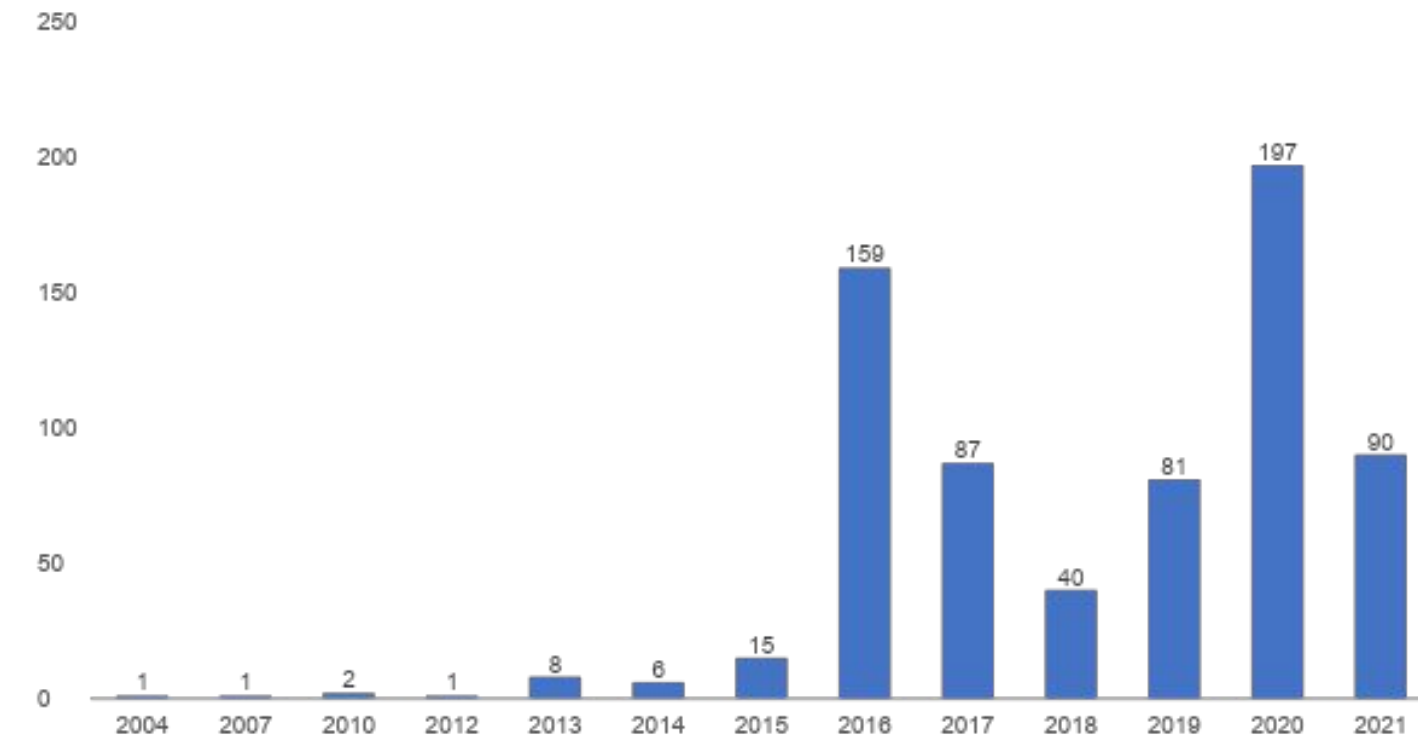
Particulars	Values	Remarks	Department	List of FPOs with contact details shared	Respo nded	Remarks
Total no. of mails sent to FPOs	577	WDD-230, 100- Horticulture, NABARD-231, Sericulture- 16	Horticulture (including the ones promoted by SFAC)	123	65	11 FPOs whose phone numbers are wrong
			WDD (Under RKVY)	130	89	17 FPOs whose phone numbers are wrong
			WDD (CSS)	100		68 FPOs whose contact details are not given as very new FPOs
Total no. of follow up calls made	561	WDD- 230, Horticulture- 100, NABARD- 231 (No list of FPOs received for sericulture)	NABARD	231	22	NA
			Sericulture	16	6	No list available wit the Fellow office
			Others		37	Not matched with any of the above departments
			Total	600	218	

# Overview of the FPOs

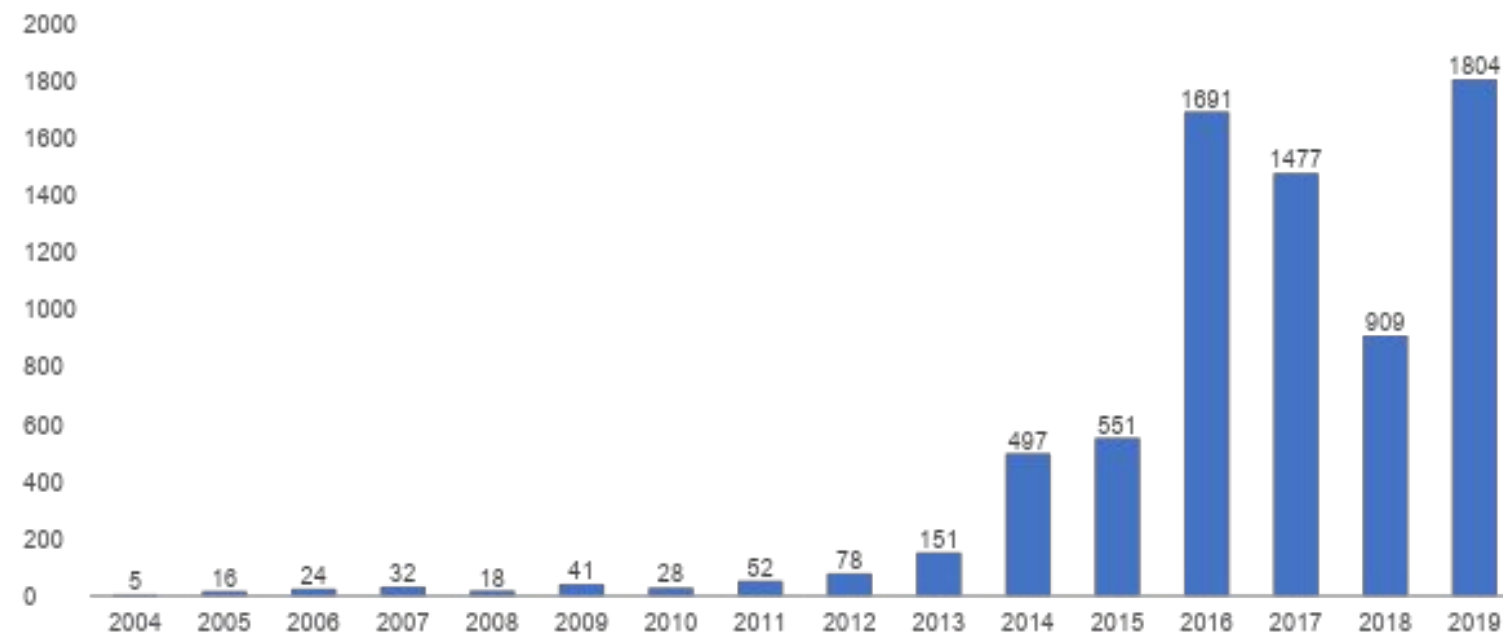
The various central and state government schemes to promote FPOs have resulted in the increase in registration of FPOs in the past 6 years. The dip in 2018 corresponds with the completion of NABARD's produce programme – the 2 Billion fund established in 2014-15 to support FPCs.

In the year 2020 alone there were  
4959 FPCs registered across India  
197 from Karnataka  
1950 during the year in Maharashtra

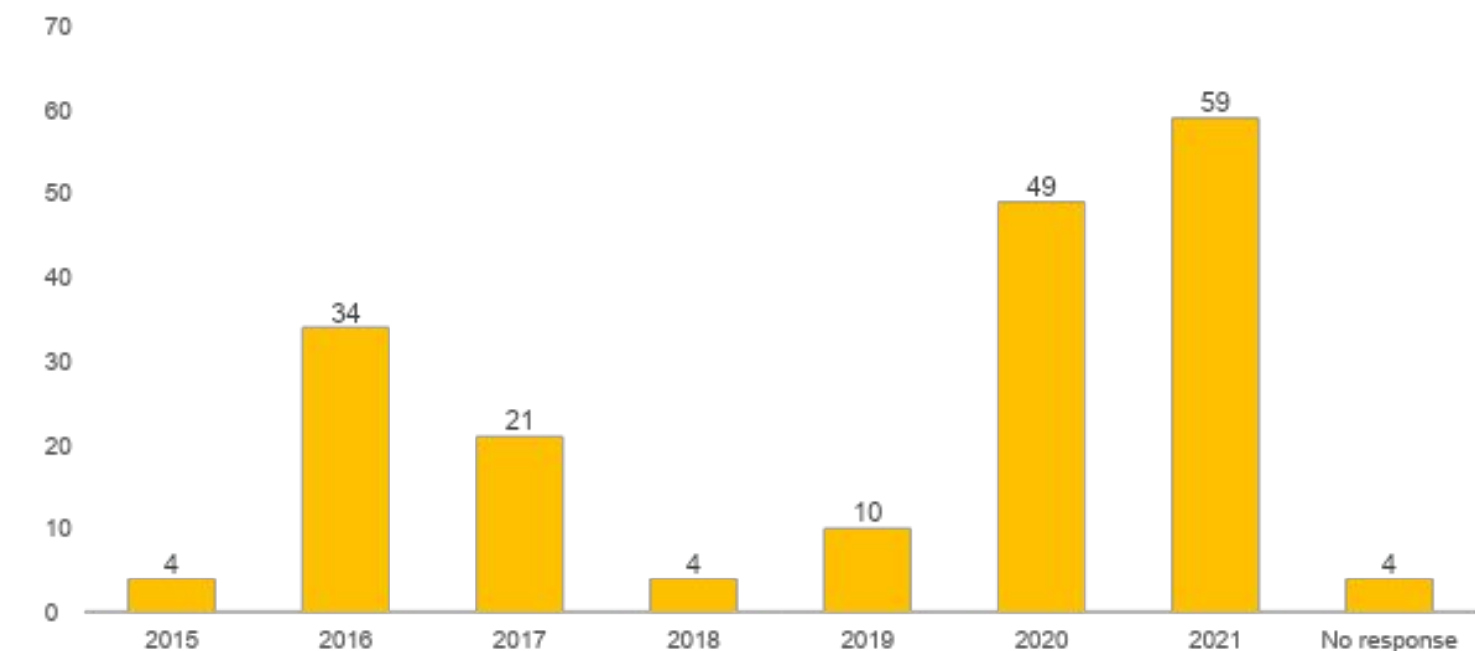
688 Active FPCs in Karnataka MCA



All India - FPCs Registered in MCA 2013-2019



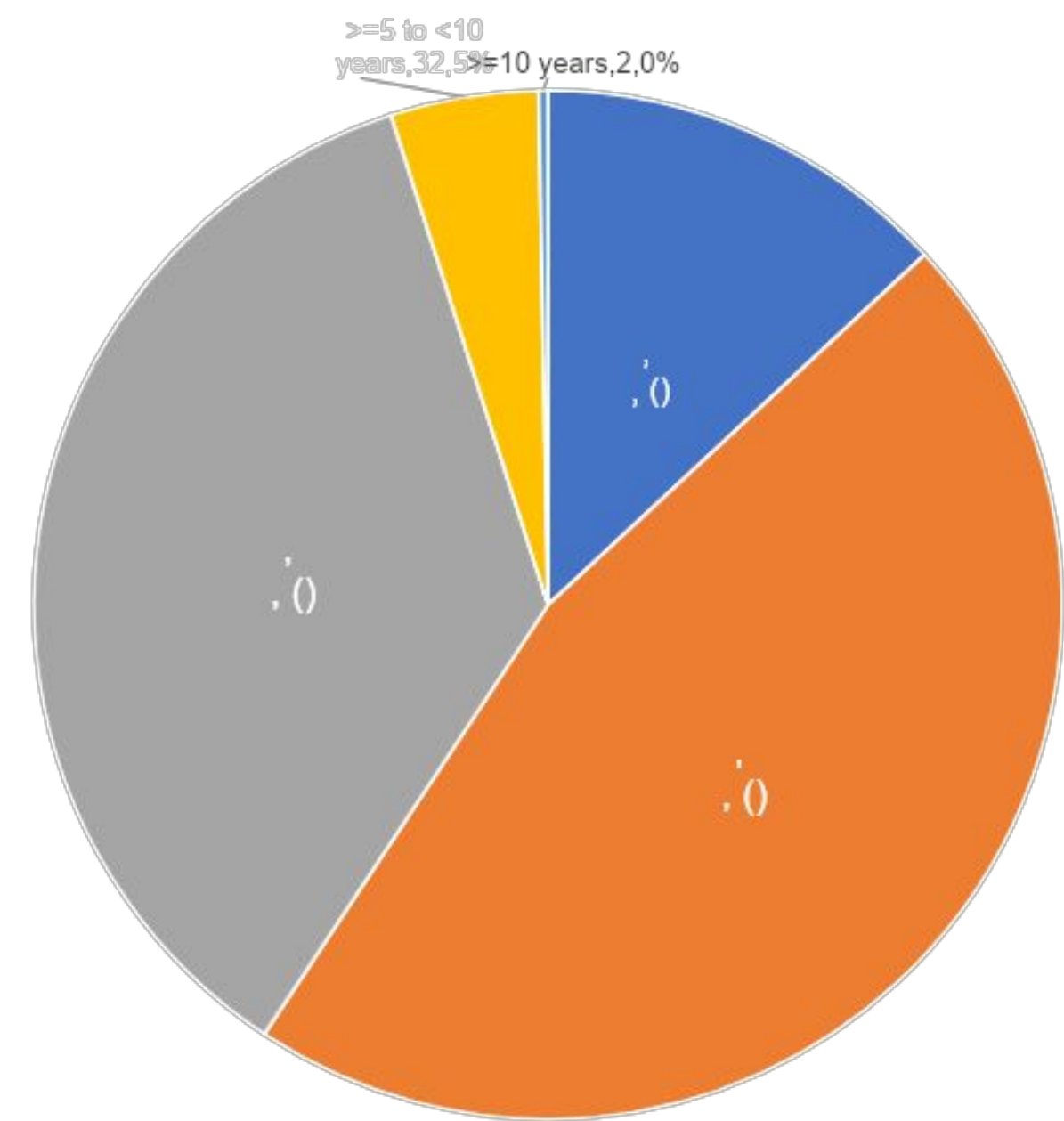
187 FPOs surveyed





# Low strike off rates is not indicative of health of the FPOs

Age of the FPOs in Karnataka



N = 688 – MCA data collated by APU

MCA “Strikes off” 13 companies in Karnataka. Across India this number is 445 till 2019.

MCA strikes off companies for the following reasons –

- (i) failure to commence business operations within one year of incorporation, (ii) failure of original subscribers (shareholders) to fully pay committed subscription (share capital) within 180 days of registration, and (iii) failure to carry out any business or operation for a period of two immediately preceding financial years without applying within that period for the status of a dormant company under Section 455.

While the “struck off” percentage for Karnataka appears, it is important to note that companies can be struck off only after two years of failing to maintain operations, and after they have been given time to respond to Ministry notifications.

## Strike off Percentage

	Karnataka	India
Age	Percentage of FPOs registered	
<1 year	0	0
>=1 to <3 years	0	0
>=3 to <5 years	0	2%
>=5 to <10 years	38%	38%
>=10 years	50%	46%

The sample FPOs from Karnataka are able to attract more farmers in comparison to India average, keeping the paid up capital lower

	FPCs registered and Active	
	Karnataka (Till March 2021)	India (Till March 2019)
Total Number	688	6926
Average Shareholders per FPO*	750	582
Total Number of Shareholders (farmer members)	5,16,000	40,00,000
Total Paid Up capital	0.4 Billion	8.4 Billion
Average Paid up capital per FPO	0.6 Million	1.22 Million
Average Paid up per Shareholder	878	2092
Median Paid up Capital	1,20,000	1,10,000

- From Survey data, rest from MCA Data Collated by APU
- N=185 Survey Data; N=688 MCA Data

# Large paid up capital does not necessarily mean higher turnover, it is more indicative of the availability of funds for higher trade volumes

Just a cursory look at the paid up capital data, which is used to classify FPOs into different categories, Cat B and C FPOs in Karnataka is almost twice the percentage in comparison to India

		Karnataka		India	
PUC Category	Definition	Number of FPOs	% of total	Number of FPOs	% of total
Cat A	PUC >= 5 Million	4	1%	90	1%
Cat B	PUC >= 2.5 Million < 5 Million	14	2%	87	1%
Cat C	PUC >=1 and < 2.5 Million	175	28%	767	11%
Cat D	PUC < 1 Million	441	70%	5982	86%
	Split of Cat D		0%		0%
	PUC >=0.5 and < 1 Million	48	8%	1465	21%
	PUC >=0.1 and < 0.5 Million	60	9%	1146	17%
	PUC = 0.1 Million	117	18%	2680	39%
	PUC < 0.1 Million	216	34%	691	10%
Total		634		6926	

Data extract from the the paper FPO companies in India -  
[http://ras.org.in/farmer\\_producer\\_companies\\_in\\_india](http://ras.org.in/farmer_producer_companies_in_india)

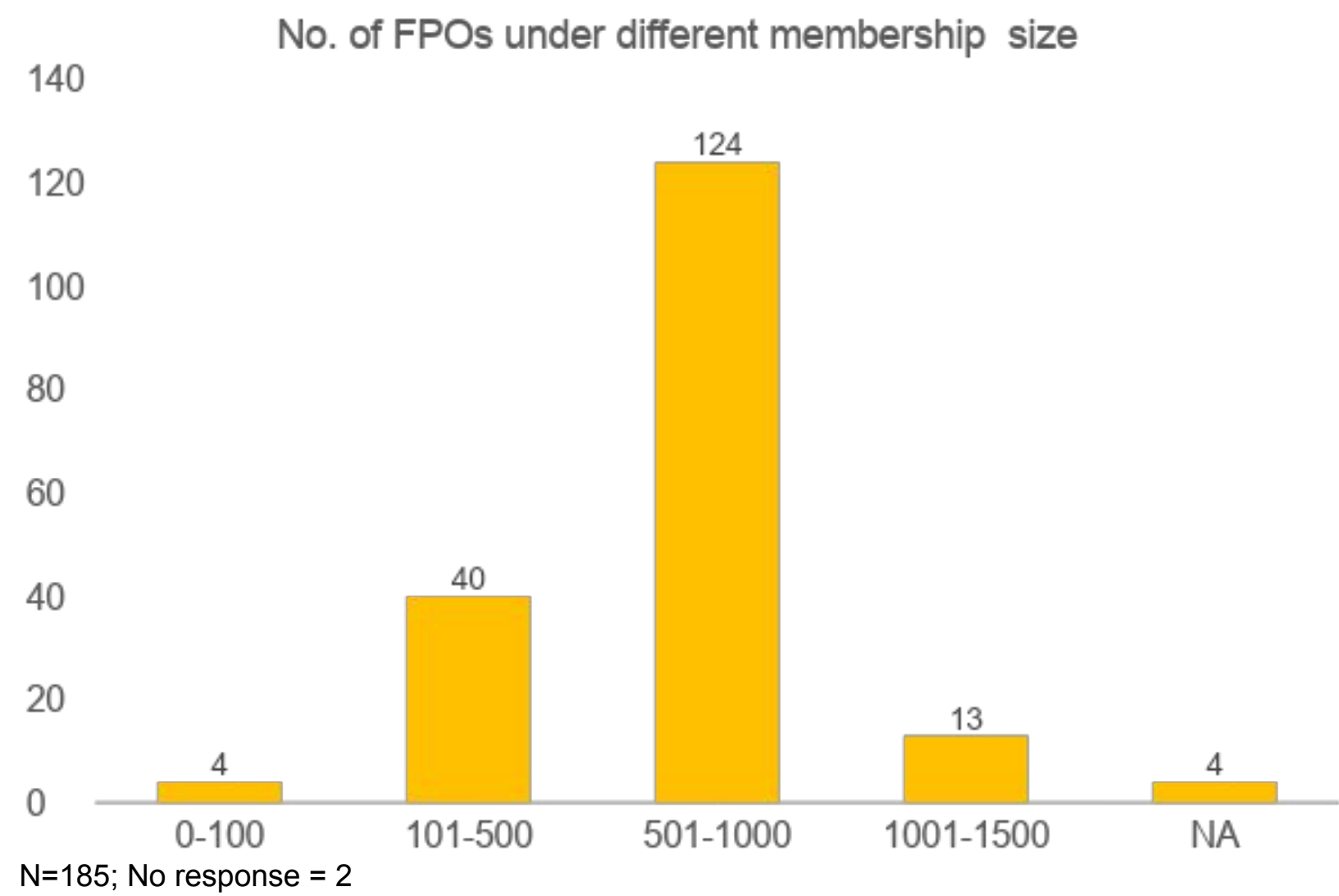
## Top 10 States with Highest Number of Cat A FPOs (Till March, 2019)

*Note:* Includes only companies with “active” status.

State	Paid-up capital category (in millions)				Total PCs
	A >=5	B >=2.5 and <5	C >=1 and <2.5	D <1	
Kerala	28	16	28	133	205
Maharashtra	11	17	126	1,723	1,877
Tamil Nadu	5	14	135	333	487
Madhya Pradesh	5	5	35	368	413
Haryana	5	4	38	251	298
Telangana	5	2	10	383	400
Andhra Pradesh	5	2	10	207	224
Karnataka	4	5	125	225	359
Rajasthan	4	1	16	307	328
Assam	3	4	9	91	107



# The sample of FPOs have higher farmer members than India Average

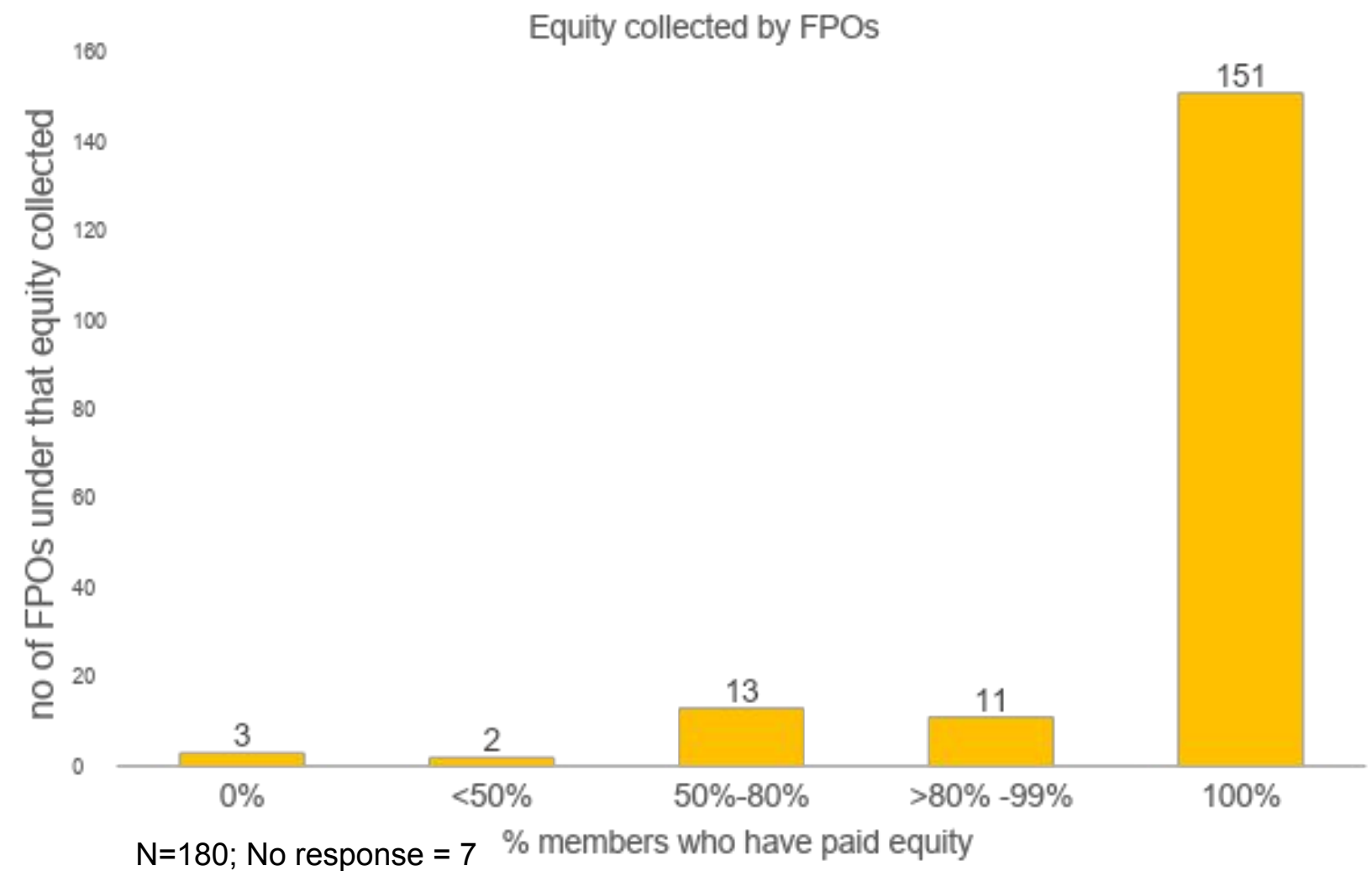


Sample Average	India Average*
750 Shareholders / FPO	582 Shareholders/FPO

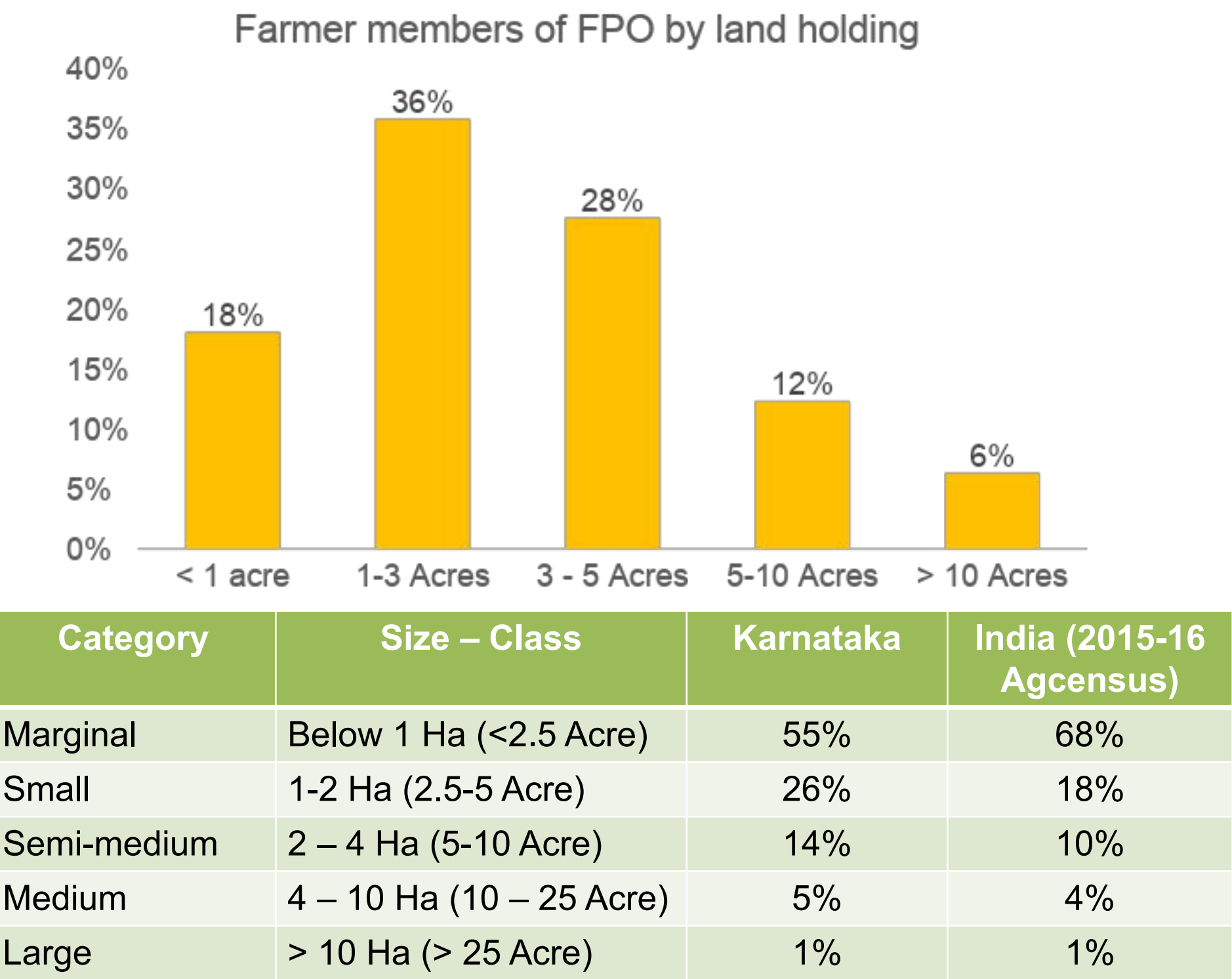
\*India Average is an weighted average of NABARD and SFAC  
 NABARD 2019 report – 2075 FPOs with 7.65,000 farmer members – Average of 369 Shareholders / FPO

SFAC 2019 report – 819 FPOs with total 8,20,000 farmer members – Average of 997 Shareholders / FPO

# Of the sample FPOs, 80% of FPOs have collected the equity from their shareholder farmers

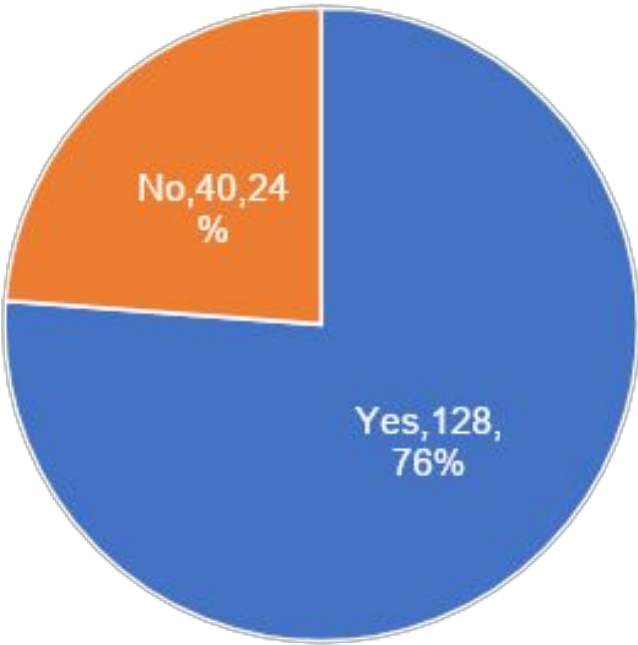


The sample data shows that FPOs have been inclusive of marginal and small farmers in terms of membership. It may be important to understand where they stand in the power structure of the FPOS



N = 187

Three fourths of FPOs support Non-member farmers possibility of increasing base as well as develop goodwill in the neighbourhood



N = 168; NR 19

To understand the crop details of the FPOs, the crop categories we divides into

- Pulses
- Millets
- Vegetables
- Fruits
- Spices
- Plantation crops

And under each, the details of the different crops were collected.

While the diversity of crop mix grown by member farmers may make focus complicated, it also opens more avenues for FPOs to reach out to variety of buyers

Crop Mix	Number of FPOs
Pulses	109
Millets	129
Vegetables	107
Fruits	73
Spices	38
Plantations	117

N=185 – The data is not additive as FPOs would have member farmers with diverse crop mix

Half of the FPOs with member farmers growing vegetables, half of them have atleast one of the OTP

73 FPOs (40%) have farmer members with diverse crop mix > 4 categories of crops

Crop Mix of farmer members	Number of FPOs
Only 1 Category	12
2 categories	19
More than 4 categories	73

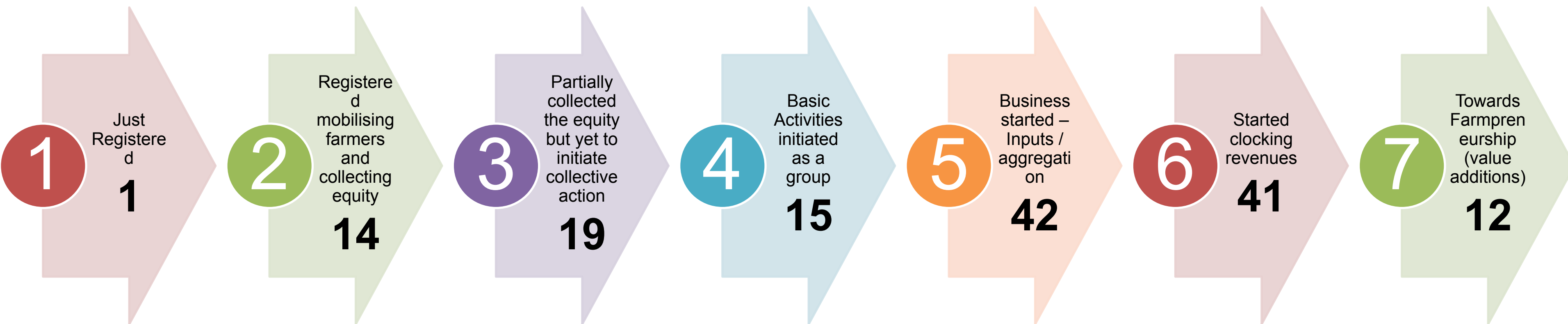
N=185

Crop Mix of farmer members	Number of FPOs
OTP (any one)	55
Other Vegetables	106

N=106



# Evolution of FPOs



Where do Karnataka farmers stand in terms of FPO evolution?

Two thirds of the FPOs have started business transactions  
12 FPOs (8%) have entered the 'farmpreneurship' stage concentrating on value added products

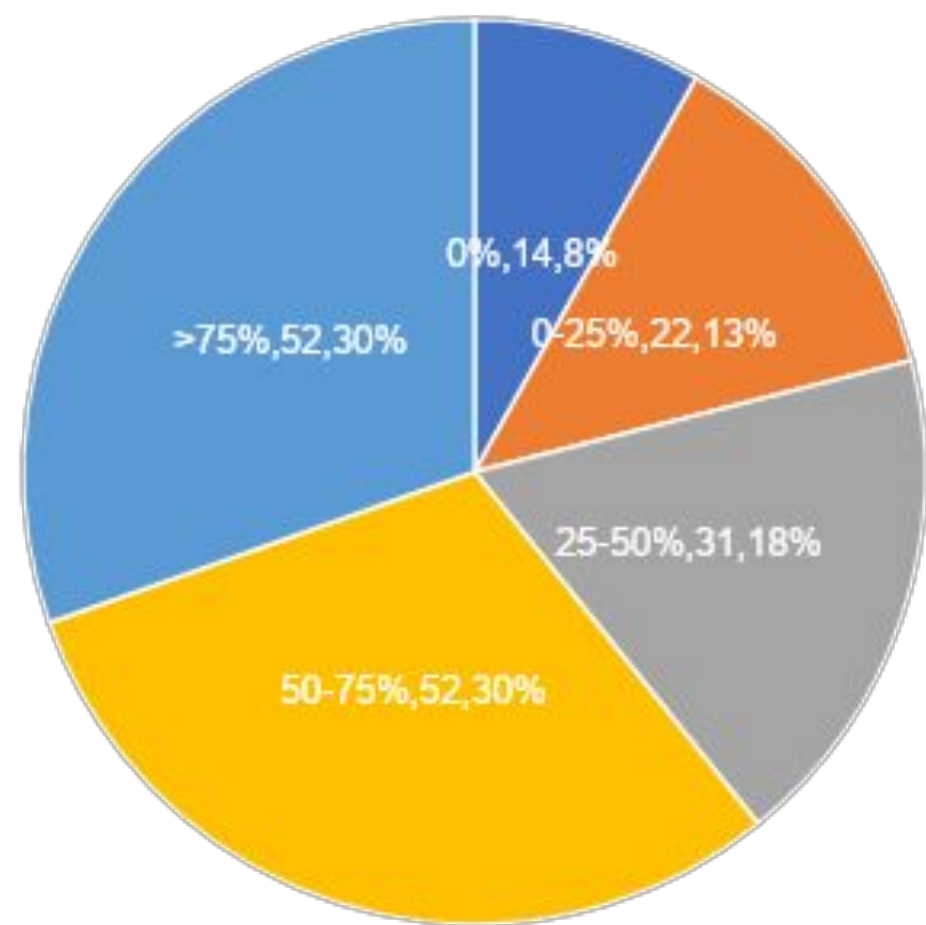
N=144, there are 41 FPOs who have not responded to this question

# FPO Activities



Despite 60% of the FPOs claiming that more than half of their members are active, 52% claim that it is not possible to aggregate the farmers.

Percentage of active members as claimed by FPO



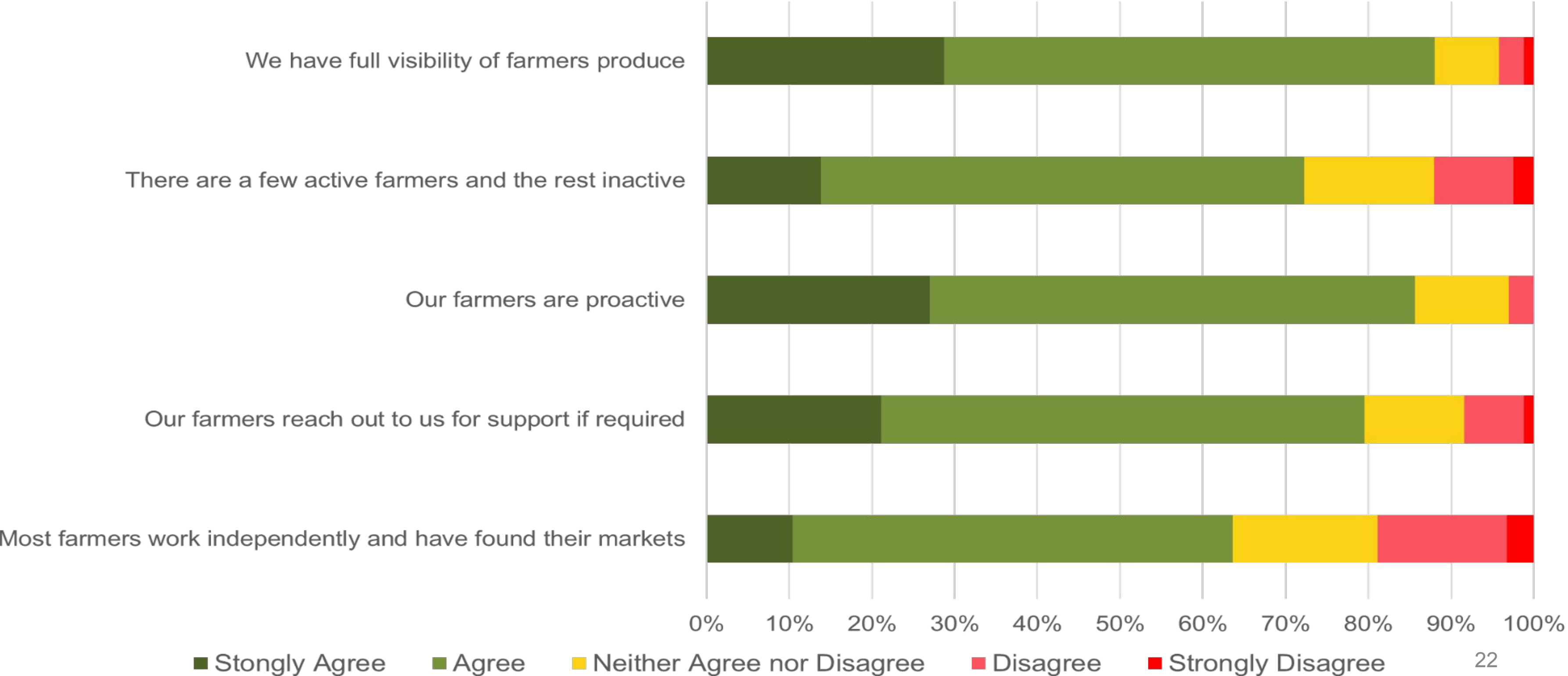
N=171; No response: 14

Level of difficulty / Ease of Aggregation	No of FPOs
It is very easily for us to aggregate and start supply right away	12
Somewhat easy to mobilize, we might have to do some groundwork	36
Not so easy, there will be lot of work done to convince farmers	22
Very hard to mobilize, most of our farmers operate alone	6
It is not possible for us at this stage to aggregate and supply to buyers as farmers are more individualistic in their approach	70

N=146, No response 39

# Farmer-FPO have built their base, needs to translate to stronger relationship and hence better trade opportunities

Perception about FPO-farmer relationship



# Potential Pathway to build a strong FPO-Farmer relationship



**Advisory services** is easiest to build the relationship with farmer

**Input services** then enables the farmer to see value in his association with FPO. The more value he perceives, the more sticky he would be to the FPO and its activities

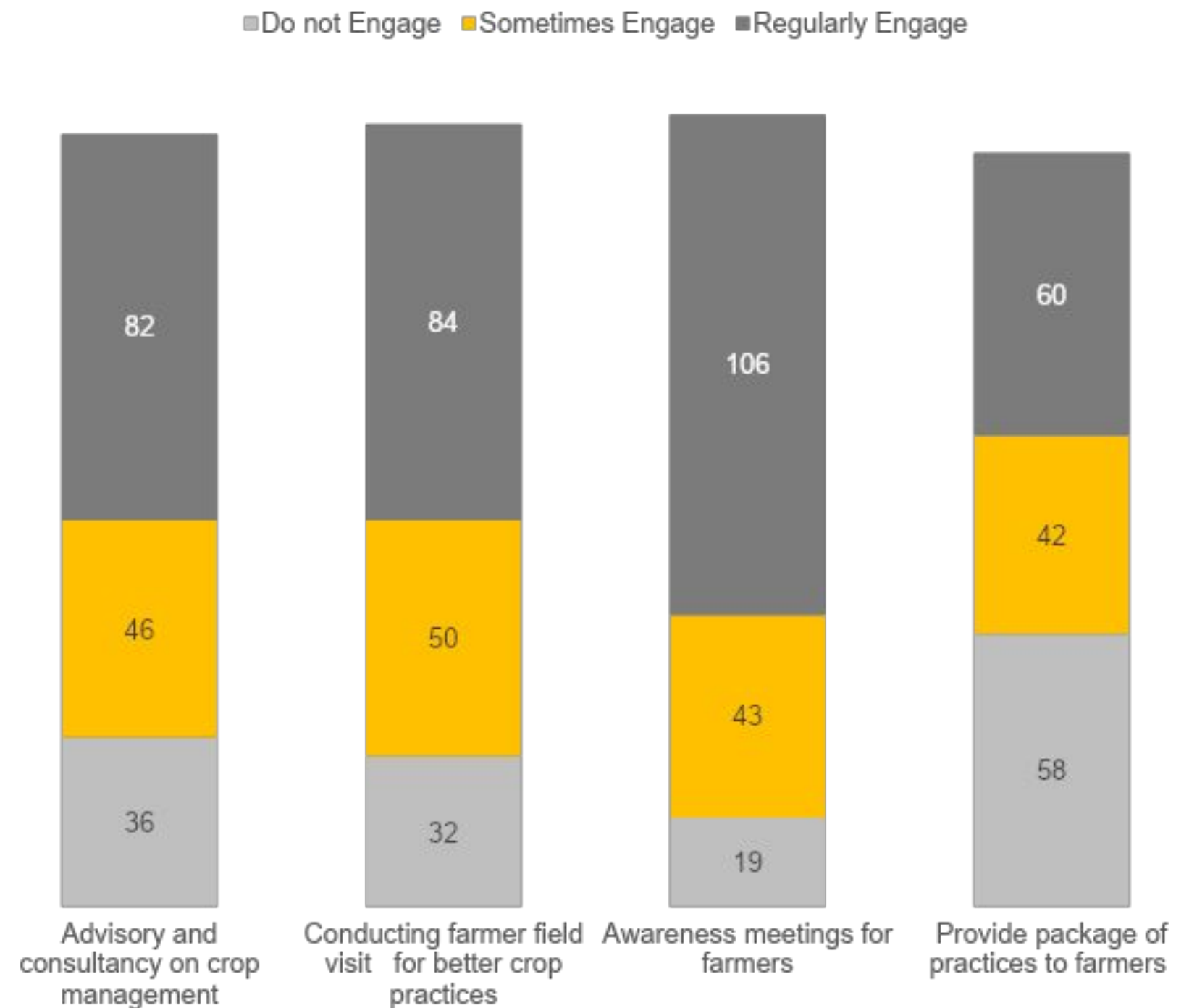
**Output services** now furthers the value for the farmer. If there is a good output service being established, the FPO-farmer relationship would be furthered. At this stage, farmer members could become advocates for the FPO

**Credit services** although comes under input services, usually undertaken in a relatively evolved stage where the FPO is able to vouch for the farmer and also enable the farmer to better his credit rating through ensuring repayments etc

**Debt and capital raising as an FPO**  
Unless the farmer relationships are not intact, and output services not reaching a critical volume, it would be difficult for FPOs to raise and service the debts

- Awareness building
- Conducting field visits and advising on crop practices
- Advisory and consultancy on crop management
- Provide a full POP for cropping

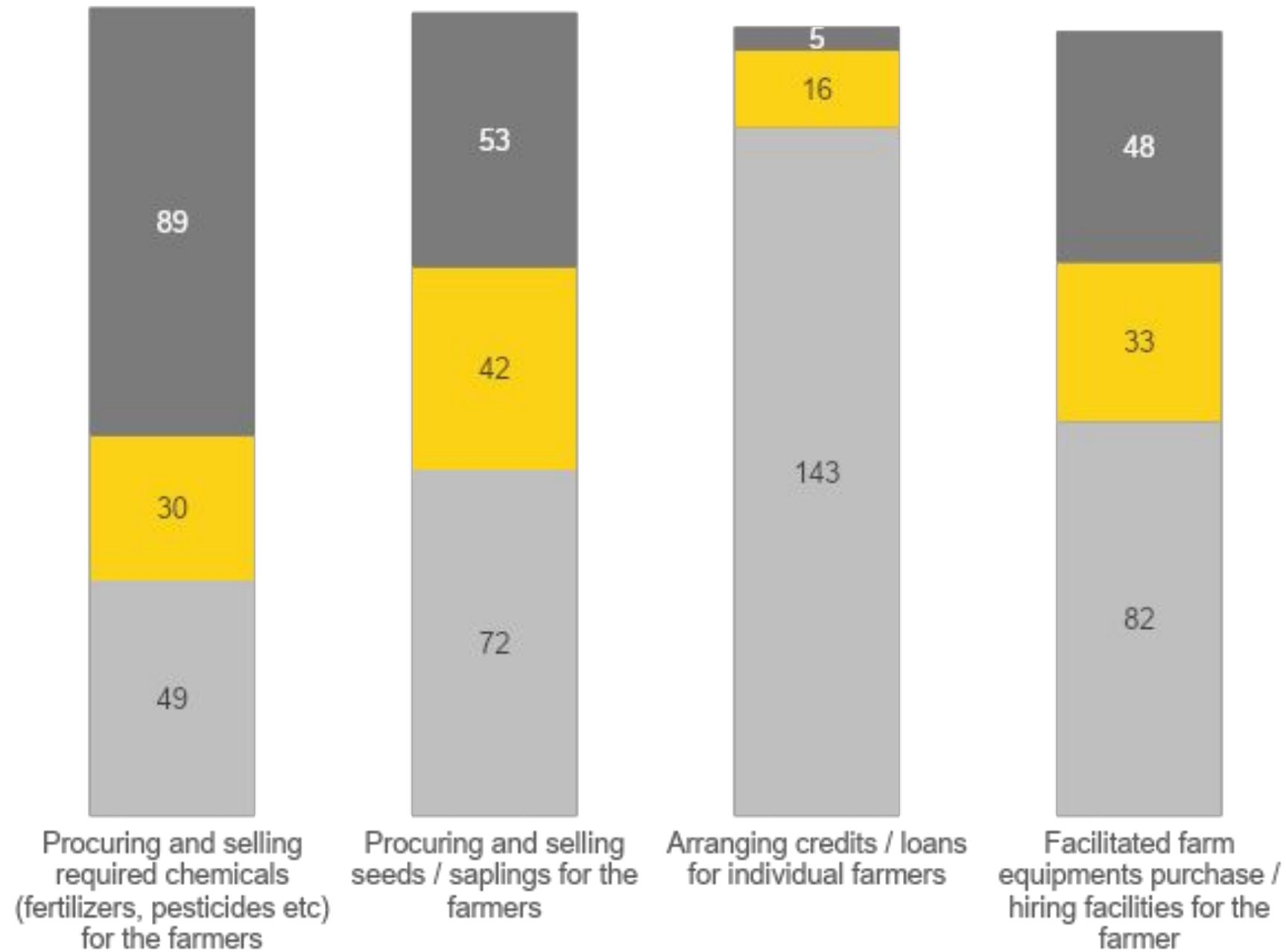
## Advisory Services by FPOs





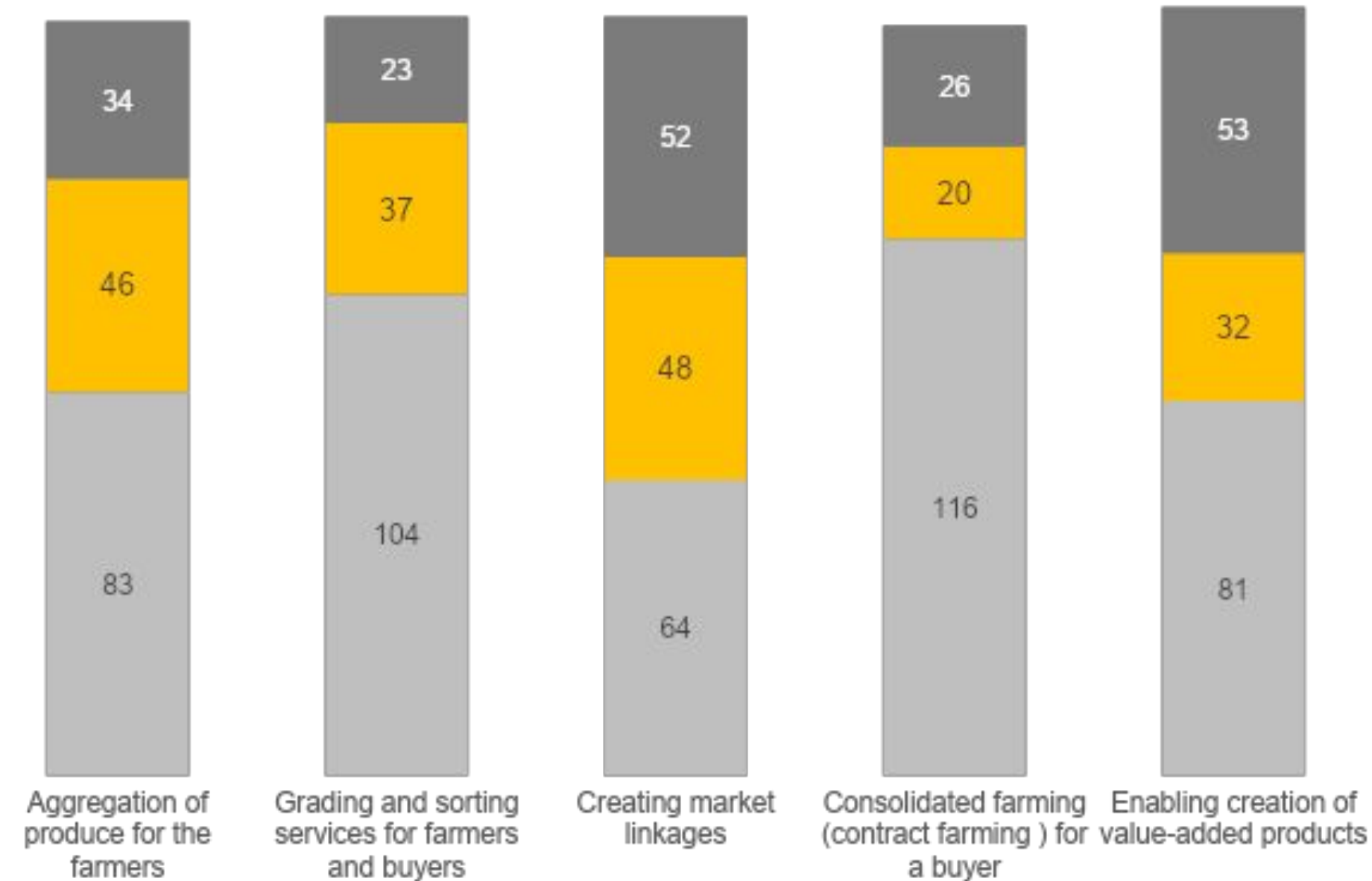
## Input Services Undertaken by FPOs

■ Do not Engage ■ Sometimes Engage ■ Regularly Engage

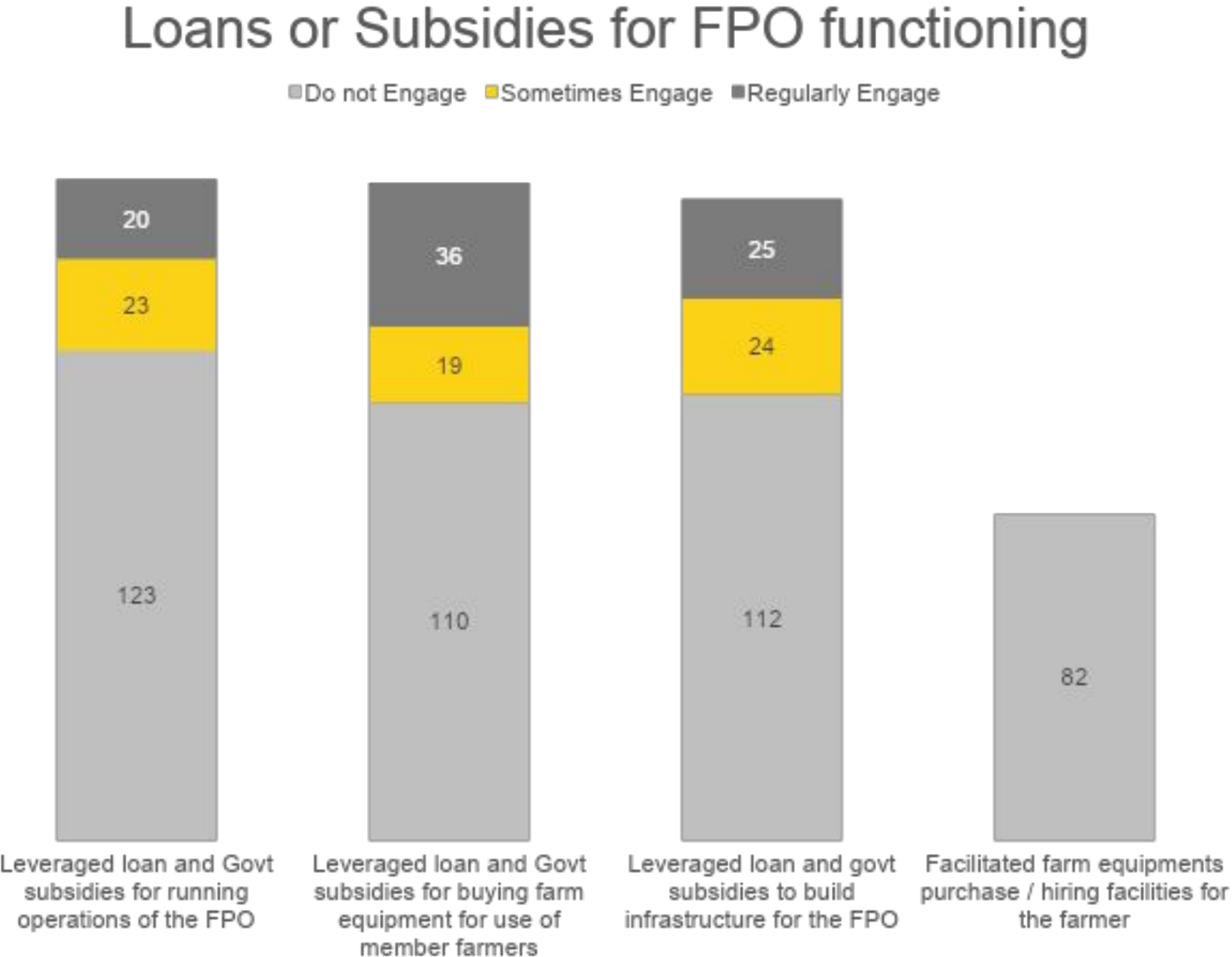


## Output Services Undertaken by FPOs

■ Do not Engage ■ Sometimes Engage ■ Regularly Engage



All the FPOs registered have received full or part equity grants from the government and also the formation support. Beyond the equity grant, very few FPOs have leverage other loan facilities or subsidies



n=185

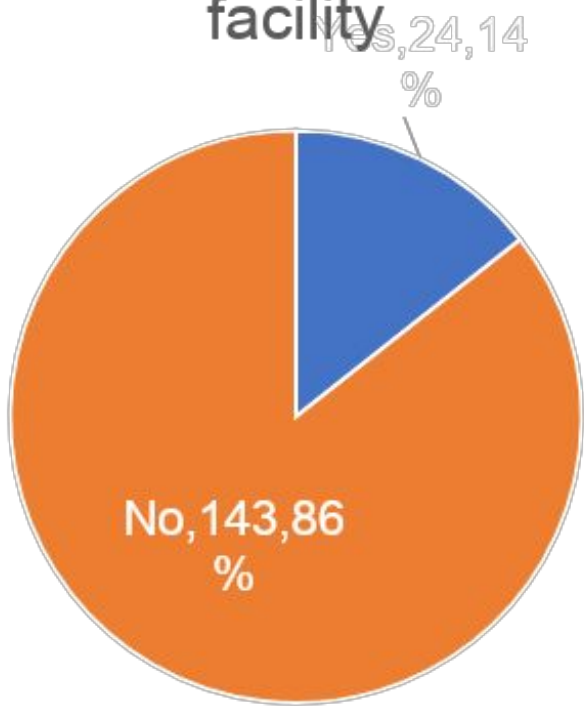
While 1 in 3 FPOs say they engage regularly in value added products, their infrastructure, licenses and brand creation are relatively small

Creation of value added products	Number of FPOs
Do not engage	81
Sometimes Engage	32
Regularly Engage	53

n=166; NR = 21

7 FPOs have created their own brands  
18 FPOs have got the FSSAI Licence

Only 14% of the FPOs have created common infrastructure facility



Facility	Number of FPOs
Sorting and Grading	13
Pre-cooling	6
Cold Storage	8
Washing Lines	3
Primary Processing	5
Packaging lines	5
Secondary Processing	3

n=24; The data will not be additive because some FPO have more than 1

58% of FPOs have not responded to the question on revenues. Even among those reported, there is an underclaim of revenues. There seems a reluctance in sharing the revenue data, for periodicity of assessments, a data trust needs to be established

FPO revenue in 2020-21

	Total	<2 years	2-3 years	3-5 years
Less than 1 lakh	11	6	3	2
1 – 10 lakh	11	4	6	1
10 – 50 Lakh	6	0	1	5
50 lakh - 1 Cr	5	1	1	3
1 cr above	4	0	1	3

The revenue data from 118 NABARD promoted FPOs (FY2020)

Revenue	FPOs
> 1 cr	9
50 - 1 cr	8
10-50 lakh	33
<10 lakhs	54
No Response	0

The revenue data from 100 Horticulture Promoted FPOs (FY2020)

Revenue	FPOs
> 1 cr	23
50 - 1 cr	22
10-50 lakh	24
Not Audited	31

The revenue data from 223 WDD Promoted FPOs (Revenue from Inception)\*

Revenue	FPOs
> 1 cr	4
50 - 1 cr	2
10-50 lakh	51
<10 lakhs	64
No Response	102

Date received from the respective Departments

\* All the data shared are from FPOs formed In 2020 or later

## Sample Balance sheet from one of the FPOs promoted by Horticulture Department

Amt. in ₹			
Particulars	Note No.	2021	2020
<b>Revenue</b>			
Revenue from operations	12	5,63,54,373	5,60,95,310
Other income	13	10,14,960	8,66,578
<b>Total revenue (A)</b>		<b>5,73,69,333</b>	<b>5,69,61,888</b>
<b>Expenses</b>			
Cost of material consumed	14	5,43,07,564	5,34,71,261
Employee benefit expenses	15	10,22,500	12,29,640
Finance costs	16	32,611	9,850
Depreciation and amortization expenses	6	67,837	81,972
Other expenses	17	9,45,084	11,84,896
<b>Total expenses (B)</b>		<b>5,63,75,595</b>	<b>5,59,77,619</b>
<b>Profit before tax (A-B)</b>		<b>9,93,738</b>	<b>9,84,268</b>
<b>Tax expense</b>			
Current tax			-
Deferred tax		(2,444)	(7,858)
<b>Total tax expenses</b>		<b>(2,444)</b>	<b>(7,858)</b>
<b>Profit after tax</b>		<b>9,96,182</b>	<b>9,92,127</b>
<b>Earnings per equity share of Rs 10 each</b>			
Basic		4.98	4.96

Revenue required to become viable  
(just to run status quo operations)

Input (at 6%)	Output (at 2%)	Revenue Needed (in lakhs)
100%		96
	100%	288
50%	50%	192

## Bare-shell Costing as given by FPO

	Per month	Per Year
Salary Cost (CEO + 1 person)	30000	360000
Travel	5000	60000
Rental	6800	81600
Telephone and other expenses	1200	14400
Stationary, postal and other charges	2000	24000
Statutory compliances	2000	24000
Maintenance	1000	12000
<b>Total</b>	<b>48000</b>	<b>576000</b>

Input Business Margin = 5-6%  
Output Business Margin = 1.5-2%

Revenue required to become  
profitable  
**~ 5 Crores**



# Support Sought by FPOs

When asked for the support required 40% FPOs have asked for marketing support however as seen earlier 70 FPOs are not confident of being able to mobilize their farmers. Some of these latent needs need to be analysed and interventions planned

Areas in which support sought	No of FPOs	Percentage
Market Linkage	53	40%
Infra like warehouse, collection center, storage etc	35	27%
Training for CEO/BoD	20	15%
Finance linkage/working capital support	21	16%
Input dealership support for fertiliser & pesticide (lower deposits , assistance in getting license etc)	15	11%
Enforcing payment terms with large buyers	3	2%
Credit to farmers/ Cooperative loans to FPO members	4	3%
Other support	25	19%

*Note : These are not additive , each FPO has mentioned more than 1 area in which they need support*

n=134, 53 didn't respond.

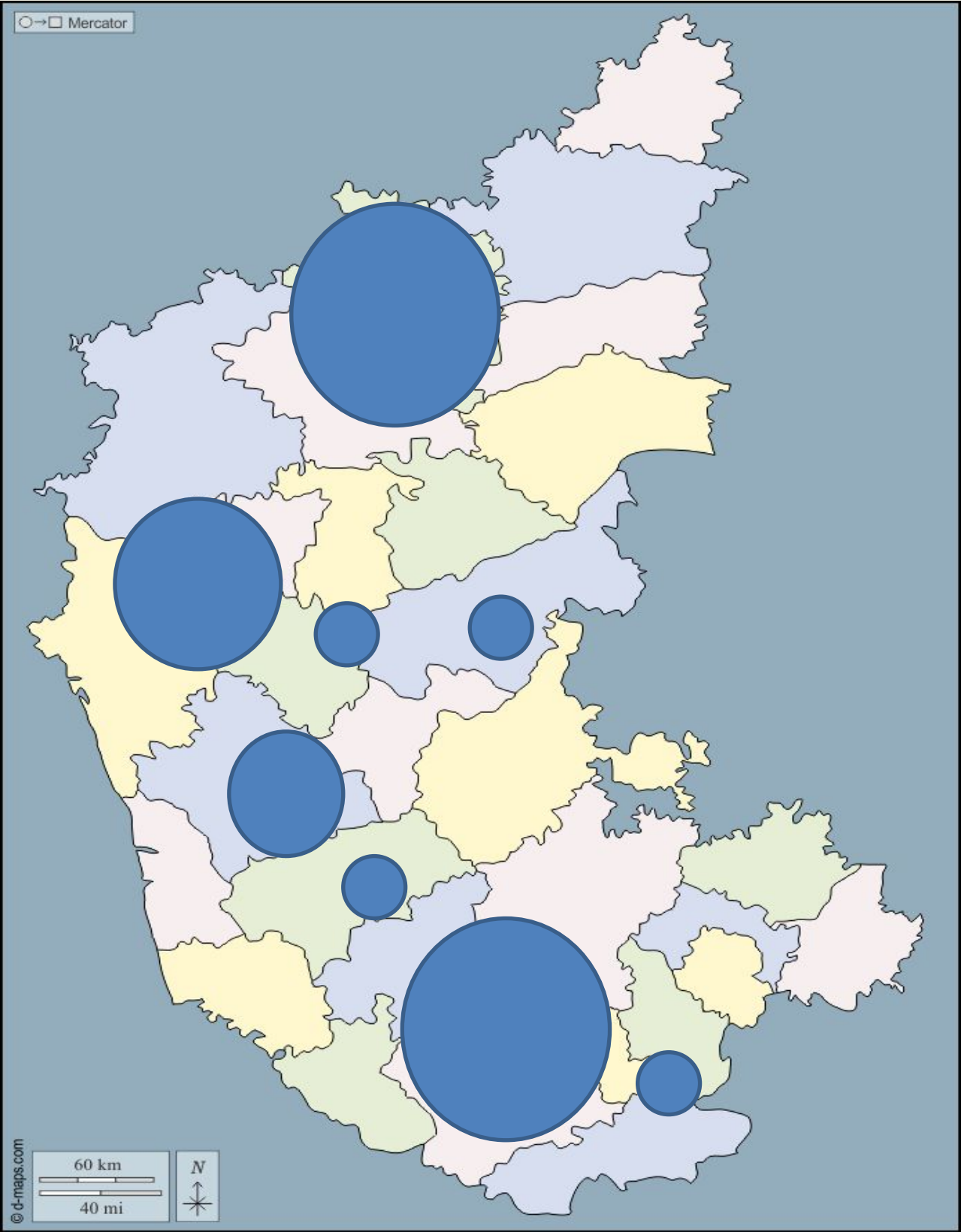
# Next Steps

A **CENSUS SURVEY** of all the FPOs – This would enable Karnataka to have a clear understanding of the FPOs in the State

Convert the survey into an **PERIODIC TRACKING TOOL** with continuous updation of the number of farmers members, crop mix, volumes etc. An easy online tool can be deployed for the same

Create an **DYNAMIC AND INTERACTIVE DASHBOARD** which would focus on the produce and volume, this would enable businesses in the state to directly reach FPOs without the need of a facilitating agency

# Karnataka State Farmer Producers Organization



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31 Districts

10 lakh farmers

688 FPOs

50 crops

100 crores Revenues 2020-21

Year

FILTERS

Establishment Year

Sponsoring Agency

Crops

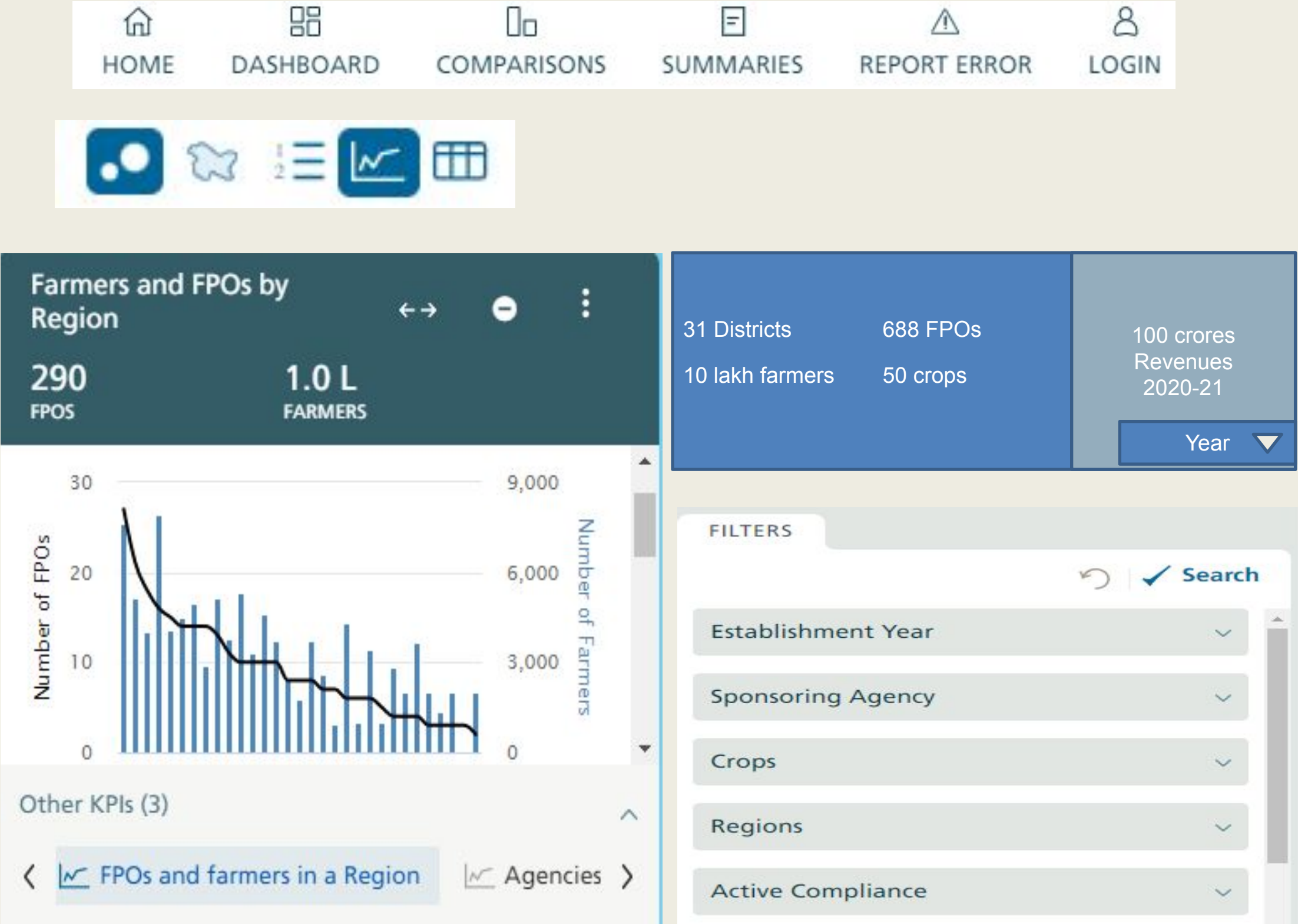
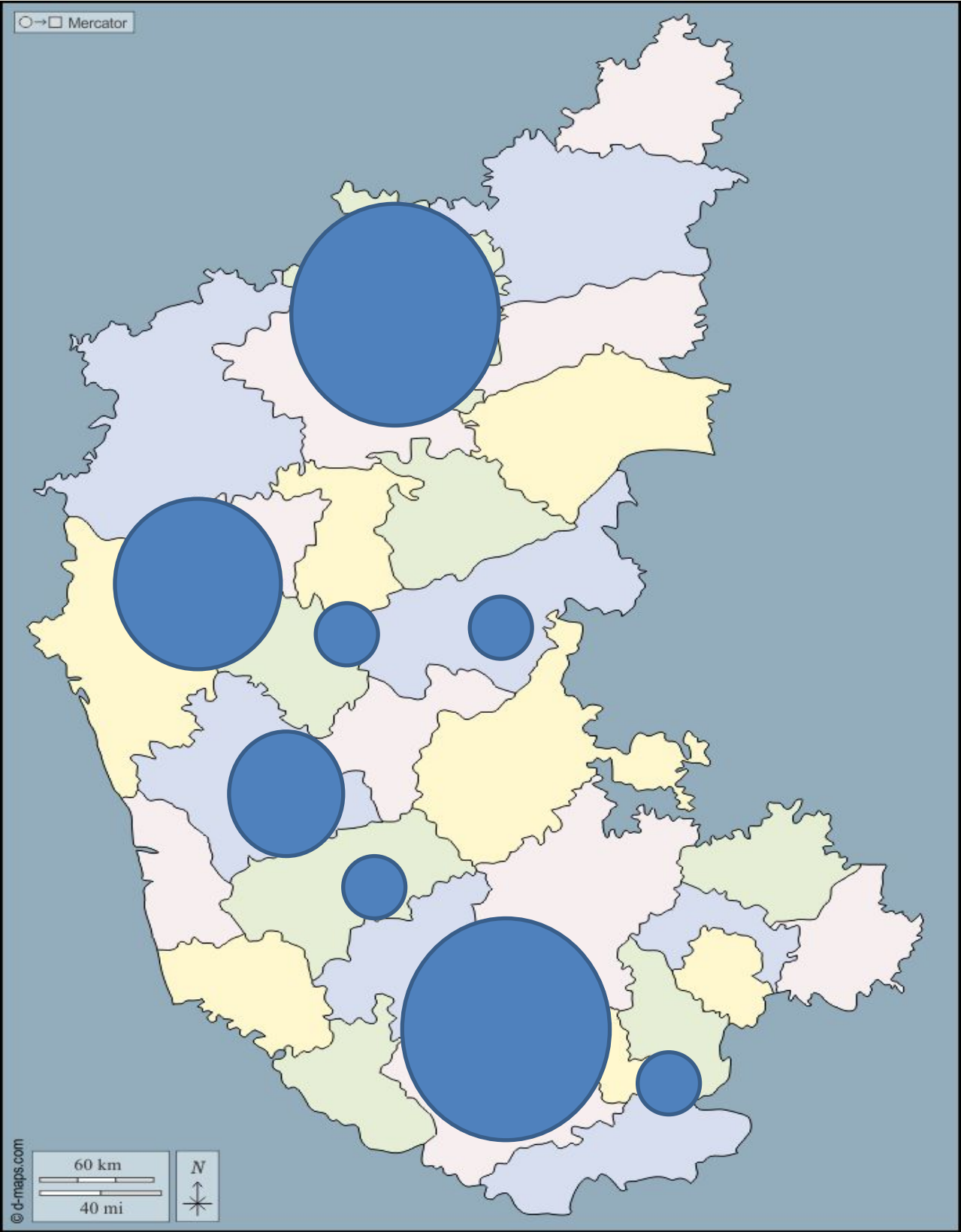
Regions

Active Compliance

Search

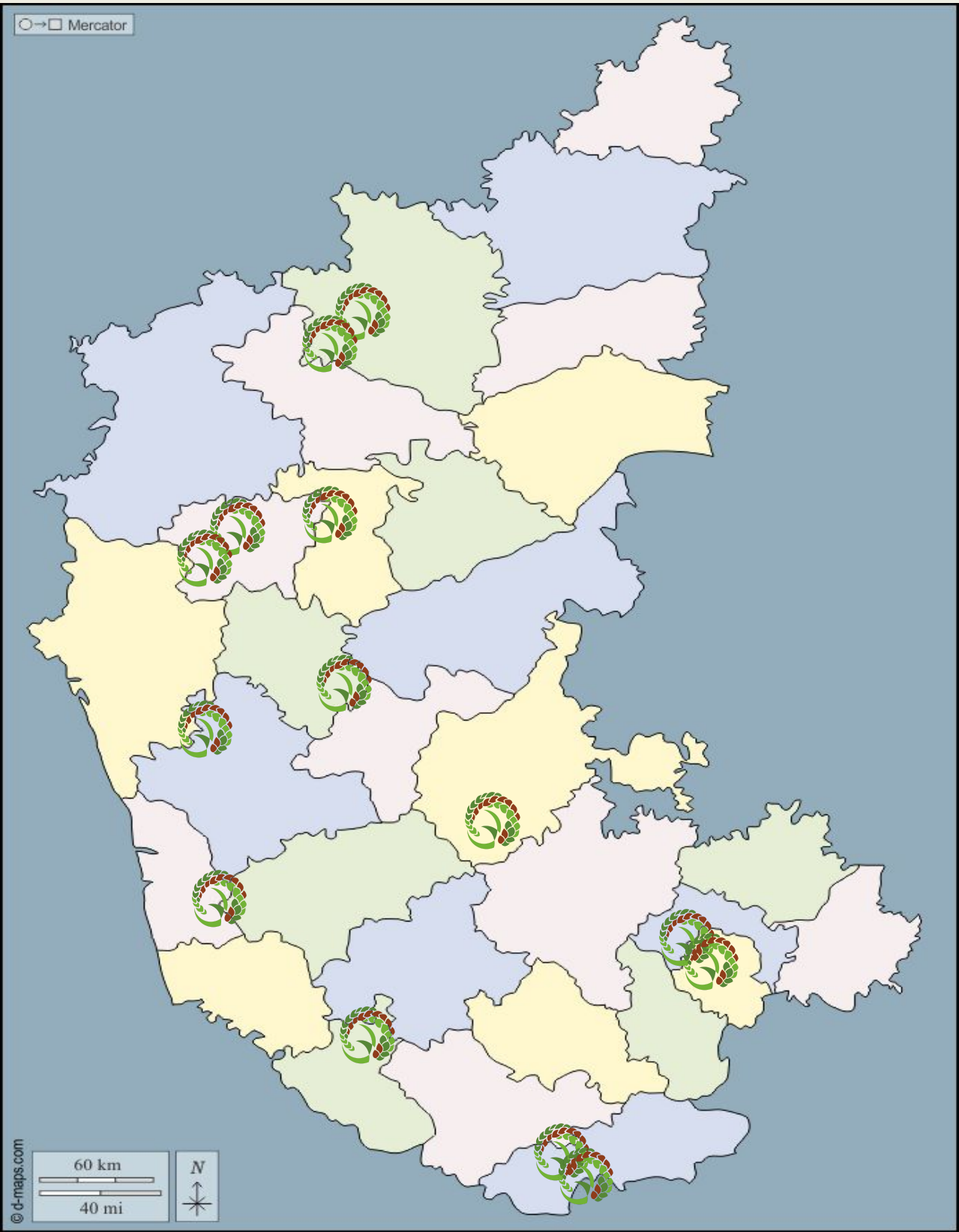


# Karnataka State Farmer Producers Organization





# Karnataka State Farmer Producers Organization



HOME

DASHBOARD

COMPARISONS

SUMMARIES

REPORT ERROR

LOGIN

RAGI	
Number of FPOs	109
Volume Available	700 MT

List of FPOs

31 Districts

10 lakh farmers

688 FPOs

50 crops

100 crores  
Revenues  
2020-21

Year

FILTERS

Search

Establishment Year

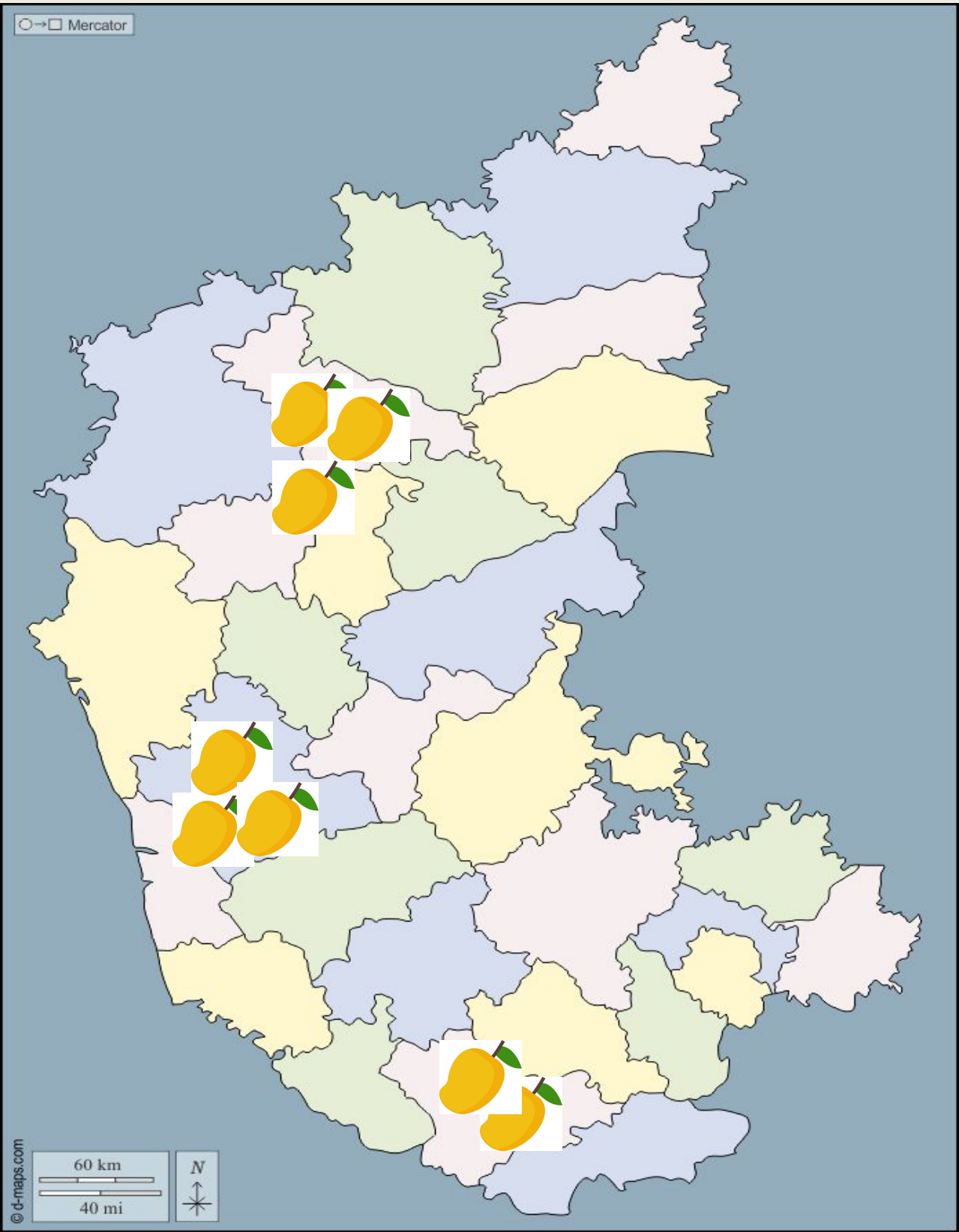
Sponsoring Agency

Crops

Regions

Active Compliance

# Karnataka State Farmer Producers Organization



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MANGO	
Number of FPOs	30
Volume Available	25 MT

List of FPOs

MANGO VARIETIES
THOTHAPURI
BADAMI
RATHNAPURI
SENDOORAM
MALLIGA
BANGANAPALLI

31 Districts  
10 lakh farmers

688 FPOs  
50 crops

100 crores  
Revenues  
2020-21

Year▼

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Search

Establishment Year▼

Sponsoring Agency▼

Crops▼

Regions▼

Active Compliance▼

# Karnataka State Farmer Producers Organization

Showing 50 of 290 FPOs < 1 2 3 4 5 6 > Go to 1

Index ↑↓	Location ↑↓	FPO Name ↑↓	Year ↑↓ ⓘ	Sponsor agency ↑↓	Farmers ↑↓	Crops ↑↓	Revenue (₹) ↑↓
1	Udupi Karnataka	Kukkehalli raithara souhardha...	2020	NABARD	0	N/A	N/A
2	Udupi Karnataka	Benegal rathara souhardha sah...	2020	NABARD	0	N/A	N/A
3	Ramanagara Karnataka	Sri anakanadeshwara fpcl	2020	NABARD	0	Finger millet	N/A
4	Udupi Karnataka	Mattu raithara souhardha saha...	2020	NABARD	0	N/A	N/A
5	Dharwad Karnataka	Basaveshwara krushi utpannaga...	2020	NABARD	0	N/A	N/A

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2020-21

Year ▼

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Sponsoring Agency

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