

# Consultative Workshop



**ALC India**®  
ISO 9001:2008

## BAIF MITRA 1st Workshop Report



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# Sustaining Lead Vibhags and VAPCOL

(PUNE 8<sup>th</sup> to 11<sup>th</sup> Dec 2009 - Consultative workshop - BAIF MITRA)

## **INTRODUCTION**

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The adivasi project was started in the year 2001, to concentrate on improving the income of adivasis in Thane and Nasik districts of Maharashtra. This is through the supply of horticulture plants like cashew, mango and amla to adivasi farmers. Till 2005, five batches of horticulture farms (WADIs) were established, and that started producing yield helping farmers realize better income.

Small farmers with 1 acre of WADI were brought together to form WADI Tukdi and several WADI Tukdis along with SHGs were constituted to form Vibhag in a village. These vibhags are not registered under any act. The horticulture product collected and in certain cases the agriculture produce procured by each vibhag is marketed either in open market or through VAPCOL (Vasundara Agricultural Horticultural Producer Company). VABCAL is the umbrella organization for various products of BAIF cooperatives.

There are around 90 – 100 vibhags in project area of Maharashtra, out of which 10 vibhags were identified as lead vibhags by Mitra based on the initiative demonstrated by its members. The capacity building of these identified lead vibhags is to be done so that other vibhags are also simultaneously strengthened.

With this in mind a project has been formulated by BAIF Mitra and ALC India to first develop a strategic orientation on the development of vibhags and VAPCOL and then formulate the capacity development programs for various stakeholders. The project will begin with consultative workshops at two different levels (senior management and strategic team levels) from which it is expected a clear direction will be obtained. Based on the output of these two workshops modules for training will be developed for various stakeholders. So, while the overall objective is to develop viable and self-sustainable model for vibhags through trainings and

capacity development the specific objectives in relation to the workshop is mentioned below.

### Objectives of the Workshop:

1. To arrive at a common understanding regarding producer organizations promotion and development.
2. To develop a draft strategic and policy document for Vibhag, based on the discussions in the workshop.

### Schedule of the program:

#	Title	Speakers	Process	Timing
<b>DAY 1 – 8<sup>th</sup> Dec 2009</b>				
1.	Introduction and outline  rules of training program	Ms. Meena Gokhale  Mr. GV Krishnagopal	Introductory speech  individual introduction	10:30 AM – 11:00 AM
2.	Expectations from the consultative workshop and objective setting	Mr. GV Krishnagopal	Group objectives setting	11:00 AM – 1:00 PM
3.	Exercise on purpose and membership portfolio of producer organizations	Mr. GV Krishnagopal	Group exercise and presentation to share	2:00 PM – 3:30 PM
4.	Exposure visit to Abhinav farmers club	Ms. Meena Gokhale	Visit and discussion	3:45 PM – 7:00 PM
5.	Exercise on multi commodity	Mr. GV Krishnagopal	Homework exercise	

	costing and financial calculations			
<b>DAY 2 – 9<sup>th</sup> Dec 2009</b>				
6.	Feedback on field visit	Ms. Meena Gokhale	Sharing of points	9:00 AM – 9:30 AM
7.	Discussions on the home work	Mr. Madhusudhana Rao	Excel sheet on workings	9:30 AM – 10:30 AM
8.	Vibhag viability calculations	Mr. GV Krishnagopal	Excel sheet group work	10:45 AM – 1:30 PM
9.	Projections on transaction based savings	Mr. GV Krishnagopal	Excel sheet and discussions	2:30 PM – 3:00 PM
10.	Strategic issues in promoting vibhags	Mr. Madhusudhana Rao	Case lets, group exercise and open discussions	3:15 PM – 5:30 PM
11.	MWCD case study – producer organization	Dr. Surekha and Mr. GV Krishnagopal	Video film and discussions and presentation	6:00 PM – 7:00 PM
12.	Exercises on commodity viability and primary producer organization viability	Mr. Madhusudhana Rao	Home work	
<b>DAY 3 – 10<sup>th</sup> Dec 2009</b>				
12.	Group exercise on purpose, structure and membership portfolio – business	Ms. Meena Gokhale Mr. GV Krishnagopal	Briefing group exercises and presentations	9:00 AM – 1:00 PM

	operations			
13.	Discussions on commodity and producer organization viability	Mr. Madhusudhana Rao	Excel sheet sharing and discussions	2:00 PM – 3:30 PM
14.	Exercise on values score sheet	Mr. GV Krishnagopal	Score sheet marking and open discussions	3:45 PM – 6:00 PM
15.	Exercise on legal case studies	Dr. Surekha	Home work based on case lets	
<b>DAY 4 – 11<sup>th</sup> Dec 2009</b>				
16.	Discussions on legal case studies	Dr. Surekha	Group sharing of the answers	8:30 AM – 10:30 AM
17.	Group work on bylaws and improvement in vibhag group exercise	Mr. GV Krishnagopal	14 points on group discussions were carried out	10:30 AM – 12:00 PM
18.	Feedback	Mr. GV Krishnagopal	Scoring sheet	12:00 PM – 1:00 PM

### Expectations of participants:

#	Key expectations of participants
1	Organizational growth and strengthening of cooperative.
2	Cooperative and VAPCOLs relation.
3	Action and strategic plan for VAPCOL.
4	Legal requirements of VAPCOL and Cooperative – Transaction legalities.
5	Sustainability of producer organizations (Cooperatives, Vibhags and Producer Institutions).

6	Business expansion through VAPCOL.
7	Future strategies for forward linkages – single Network for Marketing.
8	Staff of cooperative and their relation with board/general body.
9	Exit strategy for BAIF.
10	VAPCOL and POs long term and short term goals.
11	Roles of cooperative committee members, VAPCOL deputed staff, Board.
12	Develop common understanding on producer organizations.

## Key Issues for Consultation for Workshop

The following issues have been identified for discussions in the consultative workshop. Based on this the sessions were planned and exercises prepared.

<b>A8</b>	<b>Across value chain - Horticulture + Agriculture + Financial</b>
<b>A9</b>	<b>Grant vs Grant + Loans + Equity</b>
<b>B</b>	<b>Financial management issues</b>
<b>B1</b>	<b>Multi commodity - Costs/Revenue sharing basis</b>
<b>B2</b>	<b>Multiple varieties - Costs/Revenues</b>
<b>B3</b>	<b>Depreciation cost</b>
<b>B4</b>	<b>Interests costs</b>
<b>B5</b>	<b>Capacity utilization and Break even analysis</b>
<b>B6</b>	<b>Income &amp; Expenditure</b>
<b>B7</b>	<b>Equity to debt ratio</b>
<b>C</b>	<b>Institutional issues</b>
<b>C1</b>	<b>Registered &amp; Unregistered</b>
<b>C2</b>	<b>Number of Tiers - Relationship Sectors</b>
<b>C3</b>	<b>Quality management System</b>
<b>C4</b>	<b>Annual reports</b>
<b>C5</b>	<b>Staggered board - rotation</b>
<b>C6</b>	<b>Capacity building process</b>
<b>C7</b>	<b>Conflict Management System</b>
<b>C8</b>	<b>Legalities - Permissions/Certifications</b>

#	Issues
C	Institutional Issues
C1	Registered & Unregistered
C2	Number of Tiers - Relationship Sectors
C3	Quality Management System
C4	Annual Reports
C5	Staggered Board - Rotation
C6	Capacity Building Process
C7	Conflict Management System
C8	Legalities - Permissions/Certifications
C9	Act

## Key points of discussion

#	Session title	Major discussion points and learning
1.	Purpose and membership portfolio of producer organizations	<ol style="list-style-type: none"> <li>1. Producer organizations are for providing services to meet the common needs of members and not for maximizing returns of producers.</li> <li>2. It was discussed that wage earners and landless labor are not members of the cooperative or producer organization. If, they are members then they would have to comply with the regulation of the respective acts. The minimum performance is exercising voting right and contribution to the organization.</li> <li>3. It was discussed that the additional benefit that the SHGs will derive from the organization is not clearly established.</li> <li>4. Effect of non-member transactions on the producer organization during profit and loss situations was discussed. It was recommended that non-member transactions should not exceed beyond 20% of total turnover and transaction volume.</li> </ol>
2.	Exposure visit to Abhinav farmers club	<ol style="list-style-type: none"> <li>1. Understanding of low cost and low resource utilizing cultivation technologies was obtained.</li> <li>2. Planning volume of business based on minimum</li> </ol>

		income required for the farmers.
3.	Exercise on multi commodity costing and financial calculations	<ol style="list-style-type: none"> <li>1. Learnt about the difference between per member investment, procurement cost, overhead cost, sales and profits.</li> <li>2. Gained knowledge about patronage investment and profits in different commodities to different members.</li> </ol> <p>For details regarding the exercise please refer Annexure 1.</p>
4.	Vibhag viability calculations	<ol style="list-style-type: none"> <li>1. An attempt was made to understand the viability of vibhag or cooperative based on multiple commodity transactions that are likely to happen.</li> <li>2. Most often cross subsidization of various commodities happen if commodity based gross and net margin calculations are not done. After doing such calculations patronage rebate to producer should be based on the real margins in the commodity and should not be based on the overall profit.</li> <li>3. So in determining commodity based costs it is important to figure out how to allocate overheads including interest and depreciation each commodity wise. Similarly most often storage and other overheads have to be distributed based on time and extent of space used. For details regarding the exercise please refer Annexure 2.</li> </ol>
5.	Projections on transaction based savings	<ol style="list-style-type: none"> <li>1. Contribution through simple member savings and transaction based deposits from members towards the own funds/ capital of an organization over 10 – 15 years improves members stake in the business as well as improves realization and benefits to members.</li> <li>2. Using Rs. 50 savings per month per member and transaction deposits of 10% over the total amount will save at least Rs. 2.16 crores as interest paid to members instead of external borrowers due to availability of own funds instead of depending on external sources for funds.</li> </ol> <p>For details regarding the exercise please refer Annexure 3.</p>
6.	Strategic Issues in promoting	<ol style="list-style-type: none"> <li>1. For securing member allegiance it is important that the vibhag operate on multiple commodities and</li> </ol>

	Vibhags	<p>throughout the year.</p> <ol style="list-style-type: none"> <li>2. Most often it is assumed that member ownership increases only through financial stake but to develop more entrenched relationship 3 types of relation with the member is important – financial, transactional and emotional. Emotional relationship will develop through awards, photographs and through treatment and behavior of staff towards producers (owners).</li> <li>3. Often agriculture services and financial services to producer can be combined which will increase the effectiveness of institutions and also helps to extend agriculture linked financial services.</li> <li>4. Power in the market is derived through brand and it is important that the producer own the brand themselves. Margins in commodities are very less and unless all the services are integrated, real net income increase for producer will be very less.</li> <li>5. The risk of transactions of non-members cannot be transferred on to the members. While, in profit the transactions of non-members are usually received in a positive way. But if the operations turn negative the entire burden of loss due to non-member transactions will fall on members. Therefore it is ideal to ensure that non-member transactions do not cross beyond 20% of total turnover.</li> <li>6. Also if the business of cooperative/Vibhag runs irrespective of the business of members then the staff will never worry about of quality of service to members and focus on their returns. Which, is the primary purpose of establishing the enterprise?</li> <li>7. Focus for well-functioning cooperatives should be on member centrality (% contribution towards total income of household), domain centrality (% market share in a particular business in the surrounding geography) and patronage centrality (% production serviced out of total production of producer). Unless these are achieved by the cooperative/vibhag it will not be successful.</li> <li>8. While evaluating the relation of members with the vibhag/cooperatives three issues are important –</li> </ol>
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		<p>quantum of transaction, number of transactions and opportunity of transaction is important. Often transactions are looked upon as only financial and physical (agriculture commodity) while it is important to think about emotional transactions also to develop long term relationship.</p> <p>9. Surplus distribution and accumulation in the cooperative or vibhag should be based on the quantum of transaction, shareholding and reserves requirement based on the age of cooperative or vibhag. In the initial years the focus will be on building reserves for business and infrastructure while later on it can focus on expansion and welfare of members, staff etc.</p> <p>10. Many cooperatives/vibhags tend to ignore the contribution of employees. The employees also should be extended performance based bonus at the year end.</p> <p>11. Learnt the importance of member centrality, risk management strategies, multiple service portfolio, Market domination or command strategies, profit distribution etc.</p> <p>12. Discussed about the usefulness of providing services throughout the value chain to the members to improve the member's stake.</p> <p>13. Discussed on the difference of between the members stake in grant based organizations and loan based organizations.</p> <p>For details regarding the exercise please refer Annexure 4.</p>
7.	MWCD case study – producer organization	<p>1. Got inspiration from the Mulukanoor video document regarding the ability of women producers in running such successful organization.</p> <p>2. Also learnt the importance of member savings and loans for initial investment.</p>
8.	Group Exercise on purpose, structure and membership portfolio – business	<p>1. Got to learn the legalities involved in having transactions with unregistered body and decided to get appropriate legal structure to vibhags.</p>

	operations	<p>2. Learnt the importance of raising membership fees from members instead of raising it from project fund to increase the member stake.</p> <p>3. Also gained knowledge about certain minimum performance criteria to members to eliminate the involvement of inactive members in organization's activities and business.</p> <p>4. Gained knowledge about the vicious cycle of less member stake, nominal boards and nominal business.</p>
9.	Discussions on commodity and producer organization viability	<p>1. Learnt the importance of calculating individual commodity viability and viability of the producer organization as a whole.</p> <p>For details regarding the exercise please refer Annexure 5.</p>
10.	Exercise on values score sheet	<p>1. Members learnt the importance of various values that a producer organization should follow and analyzed the reasons for failing in practicing the same.</p> <p>2. Learnt to practice some of the key values on environment, transparency etc.</p> <p>For details regarding the exercise please refer Annexure 6.</p>
11.	Discussions on legal case studies	<p>1. Gained knowledge about various legalities that are involved in producer organizations as per different legal acts.</p> <p>For details regarding the exercise please refer Annexure 7.</p> <p>2. For details regarding key learning from various legal acts please refer Annexure 8.</p>

# Consolidated feedback

Participants' feedback on key learning -

1. Key insights on the institutional structure, financial transactions, viability and management vibhag/Cooperative and VAPCOL have been obtained.
2. The need to increase members financial and physical transactional along with emotional stakes in the cooperatives/vibhags has been understood. The critical input has been in terms of understanding equity to debt ratio.
3. Keen understanding on the values to be practiced in the community enterprises has been obtained during the workshop.
4. Establishing mass balance in commodity business is important to understand the wastages along the value chain.
5. Compliance of legal issues is important and currently the compliance is very low

Scores on various parameters of consultative workshop -

1. Usefulness and relevance of topics – 95% of the topics were found to be useful in the consultative workshop.
2. Understanding of topics – 80% of topics were consulted in an interesting and engaging way.
3. Material quality\_- Improvements in the material quality is required as most participants have mentioned it either to be just fine or good. May be material in regional language would have helped.
4. Workshop methodology\_\_ The participants have rated the workshop good the training methodology.
5. Resource persons\_- The content delivery and preparedness of the resource persons for the workshop scores good.

**Priority areas of action as identified by participants –**

Capital structuring
Values
Improving transparency in member transactions
Business plans with objectives of member benefits
Multistate cooperative act for legal registrations
Share capital and transaction savings development
Patronage, member and domain centrality

Processing, marketing and procurement of new commodities for vibhag/cooperative viability
Member service portfolio – integrating – inputs, outputs and financial services
Improving legal compliances including registration of vibhags
Development of self-managed producer institutions
Financial analysis and mass balance sheet
Performance based evaluation of board and CEO

**Future support requirement for participants -**

Quality control
Processing units
Phasing out strategy
Legal aspects
Forward linkages

# Annexures

## Annexure 1: Multi commodity costing

Particulars members	Paddy	Cashew	Mango	Onion	Maize	Amla	Total
	100	50	150	50	200	200	300
Investment	3,000,000	5,000,000	10,000,000	1,000,000	1,000,000	3,000,000	23,000,000
of total investment	13%	22%	43%	4%	4%	13%	100%
Procurement costs	500,000	1,000,000	1,500,000	200,000	500,000	200,000	3,900,000
% of total procurement	13%	26%	38%	5%	13%	5%	100%
Processing and marketing costs	100,000	200,000	800,000	100,000	100,000	100,000	1,400,000
% of total P and M costs	7%	14%	57%	7%	7%	7%	100%
Total of procurement and marketing expenses	600,000	1,200,000	2,300,000	300,000	600,000	300,000	5,300,000
% of total procurement, processing and marketing expenses	11%	23%	43%	6%	11%	6%	100%
Overheads (salary, rent, electricity, cost of funds, stationery)							1,500,000
Proportionate distribution of overheads	169,811	339,623	650,943	84,906	169,811	84,906	1,500,000
% of total overheads	11%	23%	43%	6%	11%	6%	100%
Total costs with overheads	769,811	1,539,623	2,950,943	384,906	769,811	384,906	6,800,000
% of total costs	11%	23%	43%	6%	11%	6%	100%
Total profit							500,000
Sales = (Total costs + Total profit)							7,300,000
Proportionate sales	826,415	1,652,830	3,167,925	413,208	826,415	413,208	7,300,000
% of proportionate sales	11%	23%	43%	6%	11%	6%	100%
Proportionate distribution of profit based on sales	56,604	113,208	216,981	28,302	56,604	28,302	500,000
% of total profit	11%	23%	43%	6%	11%	6%	100%

Per member investment	30,000	100,000	66,667	20,000	5,000	15,000	76,667
Per member procurement cost	5,000	20,000	10,000	4,000	2,500	1,000	13,000
Per member marketing cost	1,000	4,000	5,333	2,000	500	500	4,667
Per member procurement and marketing cost	6,000	24,000	15,333	6,000	3,000	1,500	17,667
Per member overhead cost	1,698	6,792	4,340	1,698	849	425	5,000
Per member total costs	7,698	30,792	19,673	7,698	3,849	1,925	22,667
Per member sales	8,264	33,057	21,119	8,264	4,132	2,066	24,333
Per member profit	566	2,264	1,447	566	283	142	1,667

## Annexure 2:

### Vibhag viability calculations by one group

#	Parameters	Details	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
1	Number of members		1,200	1,300	1,400	1,500	1,500
2	Potential procurement in a year	Quantity					
	a. Cashew	0.5 *200	120,000	130,000	140,000	150,000	150,000
	b. Mango	.5*100	60,000	65,000	70,000	75,000	75,000
	c. Agriculture produce(Soya bean)	1*800	960,000	1,040,000	1,120,000	1,200,000	1,200,000
3	Procurement price	Unit price Rs. per Kg					
	a. Cashew	40	4,800,000	5,200,000	5,600,000	6,000,000	6,000,000
	b. Mango	15	900,000	975,000	1,050,000	1,125,000	1,125,000
	c. Agriculture produce(Soya bean)	20	19,200,000	20,800,000	22,400,000	24,000,000	24,000,000
4	Sale price	Unit Sale Price Rs Per Kg					
	a. Cashew	305	8,061,674	8,733,480	9,405,286	10,077,093	10,077,093
	b. Mango	19	1,140,000	1,235,000	1,330,000	1,425,000	1,425,000
	c. Agriculture produce(Soya bean)	23	22,080,000	23,920,000	25,760,000	27,600,000	27,600,000
	Total		31,281,674	33,888,480	36,495,286	39,102,093	39,102,093
5	Overheads						
	a. Electricity		12,000	12,600	13,230	13,892	14,586
	b. Office rent		6,000	6,300	6,615	6,946	7,293
	c. Salaries		96,000	100,800	105,840	111,132	116,689
	d. Board meetings		1,000	1,050	1,103	1,158	1,216
	e. Internal audit		4,500	4,725	4,961	5,209	5,470
	f. Meetings and functions		3,600	3,780	3,969	4,167	4,376
	g. Annual general bodies		50,000	52,500	55,125	57,881	60,775
	h. Postage and telecommunications		2,000	2,100	2,205	2,315	2,431
	i. Stationery		2,000	2,100	2,205	2,315	2,431
	j. Miscellaneous		500	525	551	579	608
	k. Interest on capital						
	l. Depreciation		10,500	10,500	10,500	10,500	10,500
	Subtotal Rs		188,100	196,980	206,304	216,094	226,374
6	Direct costs	Unit Direct Costs Rs Per Kg					
	a. Cashew	246.556	6,516,899	7,059,974	7,603,048	8,146,123	8,146,123
	b. Mango	16.75	1,005,000	1,088,750	1,172,500	1,256,250	1,256,250

	c. Soyabean	21.55	20,688,000	22,412,000	24,136,000	25,860,000	25,860,000
	Total		28,209,899	30,560,724	32,911,548	35,262,373	35,262,373
7	Gross margin	SP - (PP+DC)					
	a. Cashew		1,544,775	1,673,507	1,802,238	1,930,969	1,930,969
	b. Mango		135,000	146,250	157,500	168,750	168,750
	c. Soyabean		1,392,000	1,508,000	1,624,000	1,740,000	1,740,000
	Total		3,071,775	3,327,757	3,583,738	3,839,719	3,839,719
8	Net margin	GM - OH					
	Total		2,883,675	3,130,777	3,377,434	3,623,625	3,613,345
	a. Cashew		743,159	805,089	867,019	928,948	928,948
	b. Mango		105,090	113,847	122,605	131,362	131,362
	c. Soyabean		2,035,427	2,205,045	2,374,664	2,544,283	2,544,283
			2,883,675	3,123,982	3,364,288	3,604,594	3,604,594
9	Net margin Contribution						
	a. Cashew		25.8				
	b. Mango		3.6				
	c. Soyabean		70.6				

#	Commodity	Rs per Kg	#	Commodity	Rs per Kg	#	Commodity	Rs per Kg
1	Cashew unit price Rs		2	Mango unit price Rs		3	Soybean unit price Rs	
	a. Procurement price	181.6		a. Procurement price	15		a. Procurement price	20
	b. Transportation	1		b. Transportation	0.5		b. Transportation	
	c. Grading	5		c. Grading	0.25		c. Wt loss	1
	d. Storing	3		d. Storing			d. Market cess	0.23
	e. Loading and unloading	1		e. Loading and unloading	0.5		e. Loading and unloading	0.02
	f. Packing	8		f. Packing			f. Packing gunny bag	0.3
	g. Processing	27						
	i. Interest	6		i. Interest			i. Interest	0.1
	j. Depreciation	0.09		j. Depreciation	0.08		j. Depreciation	0.007
	TOTAL COST	232.6		TOTAL COST	16.25		TOTAL COST	21.55
	Sale commission	13.956		Sale Commission	0.5			
	a. Sale price	305		a. Sale price	19		a. Sale price	23
	b. Gross margin	58.4		b. Gross margin	2.25		b. Gross margin	1.45

Depreciation Calculation									
	Amount	Per/Yr		Amount	Per/Yr		Amount	Per/Yr	
Building	800000	20000	Building	200000	5000	Building	250000	6250	
Machineries	300000	30000							
		50000			5000			6250	

## Annexure 3

### Projections on Transaction Based Savings

#	Parameters	Yr 1	Yr 5	Yr 10	Yr 15
1	Number of members	800	1,200	1,500	1,500
2	Savings (50*12)	480,000	720,000	900,000	900,000
3	Cumulative savings	480,000	3,000,000	7,320,000	11,820,000
4	Total transactions with cooperative (per member @ Rs 10,000)	8,000,000	12,000,000	15,000,000	15,000,000
5	Transaction deposits (@10% of transaction)	800,000	1,200,000	1,500,000	1,500,000
6	Cumulative transaction deposits	800,000	5,000,000	12,200,000	19,700,000
7	Insurance	200,000	300,000	375,000	375,000
8	Average loan outstanding	1,240,000	7,340,000	18,695,000	30,695,000
9	Interest earned from outstanding (@12%)	148,800	880,800	2,243,400	3,683,400
10	Cumulative interest earned	148,800	2,406,000	10,782,000	26,319,000
11	Total own funds	1,428,800	10,406,000	30,302,000	57,839,000

## Annexure 4

### Sample Case Studies - Strategy level issues

1. A vibhag is having 200 members and is involved in the procurement and marketing of cashew, mango, their agricultural produce, vegetables etc. It is mostly active all round the year. Another vibhag is having 100 members only and is involved in the procurement and marketing of cashew only. So it is active only during 2 – 3 summer months.

Among the two vibhags which one are you interested to join as a member and why?

2. From the above case study examine the different options of possible service portfolio for the vibhags (like only commodity trading or financial services or both etc.)

Or

A vibhag is providing only single multiple commodity marketing services like cashew and mango procurement and marketing. Another Vibhag is providing commodity marketing along with other required financial services like credit, savings and insurance etc. Analyse the positive and negative points of both the vibhags.

3. An agriculture cooperative has its own brand sells wheat in the nearby towns. The cooperative procure around 2,000 Tons of wheat every year while selling nearly 6,000 Tons of wheat in the market. To overcome the deficiency in the procurement and to fulfil market demand the cooperative procures nearly 4,000 Tons from a nearby cooperative.

Another cooperative is procuring 2,000 Tons from members and selling in the market 1,600 Tons directly and 400 Tons to a trader. Compare these two cooperatives and predict what will be the relation between the members and staff, which will sustain and why?

4. In a cooperative that is involved only in cashew marketing there are 500 members. From these 500 members only 50 members are giving 80% of their produce (cashew) to the cooperative for marketing. Another 300 members are giving only 50% of their produce and the rest are giving <50% of their produce. In similar cooperative of 500 members around 400 members are giving 80% of their produce and only the rest 100 members are giving 60 – 75% of their produce. Enlist various possible reasons for this disparity in member contribution in both the cooperatives.

5. In a village a person is a part of 3 different cooperatives. At the dairy cooperative he supplies on an average 2 litres of milk/day, from NTFP cooperative he gets an income of Rs. 3,000 per month for 3 months in year and from the Agri-marketing cooperative he is able to save Rs. 400 per month for 6 months and earn a net income of Rs.5, 000. He gets a rate of Rs.13 per litre on an average for the quality that he gives. Which cooperative is more important to this particular member?
  
6. In an area of 2,000 Tons onion (principle crop produced) production a cooperative is procuring and marketing 100 Tons of onion in a year. Another cooperative in the same area is able to procure 1,200 Tons of onion and sell. Can you present what are the implications on trade, trade commissions and profits in the case of both the cooperatives? Also present, which cooperative will have active member interest in the area?
  
7. This year Krishna Agriculture Producers Cooperative made a profit of Rs 1 Lakh. The cooperative has 200 members. Of which 100 members transacted Rs 200,000 worth services with the cooperative. Another 80 member's transacted service of Rs 500,000 while another 20 members transacted Rs 1000,000. Each of the members has also invested Rs 1,000 as share capital in the cooperative. The cooperative is just 3 years old and it has some priorities. How should it distribute the profit this year? Please calculate and present the same.
  
8. There are two cooperative societies called Rama and Krishna agriculture producers cooperatives. Rama cooperative is having 1000 members and is involved in providing wide variety of services across the value chain to its members like all input supply, credit and savings, agriculture implements/tool supply, produce marketing etc. Krishna Cooperative is having only 200 members and is involved in various agriculture produce marketing. Members of which cooperative society will feel more satisfied and why?

The Mulukanoor Women Dairy Cooperative was promoted by Cooperative Development Foundation (CDF) by extending a total loan of Rs 4.15 Crores to the dairy federation. The dairy federation has taken 5 years and completely repaid the entire amount to CDF through profits accrued from operations and by encouraging members to save 5% of milk bill payments at the federation other than their share capital. Another NGO has promoted a dairy cooperative by extending a complete grant of Rs. 5 crores for purchase of land, building and machinery and the members related themselves as sellers of milk. What will be the difference in the orientation of members and the performance of both the dairies?

## Annexure 5

### Commodity Viability and Primary Producer Organization Viability

<b>Groundnut intervention plan for kharif 2009 (sample workout)</b>					
<b>Plan of action and budget</b>					
S. No.	Particulars	Unit	No.		
1	Number of beneficiary families	No.	398		
2	Average land under groundnut crop	Acres	2.78		
3	Extent of the crop (round off)	Acres	1,106		
4	Expected yield per acre (average) (12 bags per acre each of 40 kg weight)	Quintal	480.00		
5	Total crop production during the period (round off)	Quintal	5,309		
6	Expected procurement from farmers 22.6% of total yield (round off)	Quintal	1,200		
7	Quantity of fine quality of peanuts @ 73% of the total procurement	Quintal	876		
8	Quantity of groundnut shell @ 25% of total procurement	Quintal	300		
9	Quantity of waste like stones, dust, earth particles @ 2% of total procurement	Quintal	24		
10	Quantity of peanuts directly to be sold in the market @ 60% of total peanuts	Quintal	526		
11	Quantity of peanuts to be milled @ 40% of total peanuts	Quintal	350		
12	Quantity of oil expelled from peanuts @ 38%	Quintal	133		
13	Quantity of cake expelled from peanuts @ 61%	Quintal	214		
14	Quantity of waste expelled from peanuts @ 1%	Quintal	4		
<b>Expenditure particulars</b>					
<b>Pre processing stage direct expenses</b>					
S. No.	Name of the activity	Unit	No. of units	Rate in Rs	Sub total
1	Funds required for expected procurement	Quintals	1,200	2,078	2,493,255
2	Hamali charges at procurement (Rs. 5/- per 40 kg bag)	Quintals	1,200	12.50	14,998
3	Gunny bags cost (Rs 30 per bag for 40 kg procurement useful for 2 procurements only)	Quintals	1,200	37.50	44,994
4	Transportation to godown (Average cost is Rs 12 per 40 kg bag)	Quintals	1,200	30.00	36,000
5	Un-loading charges at godown (Rs. 2.50 per 40 kg	Quintals	1,200	6.25	7,500

	bag)				
6	Godown charges	Quintals	1,200	203	243,600
7	Decorticator charges	Quintals	1,200	28.75	34,495
Subtotal of pre processing expenses					2,874,842
<b>Processing stage direct expenses</b>					
S. No.	Name of the activity	Unit	No. of units	Rate in Rs	Sub total
1	Oil milling charges	Quintals	350	300	105,105
2	Oil packing charges	Quintals	133	400	53,253
3	Peanut packaging charges	Quintals	526	37.50	19,707
4	Cake packing charges	Quintals	214	17	3,633
5	Oil storage cost	Quintals	133	30	3,994
6	Peanut storage charges	Quintals	526	37	19,445
7	Cake storage cost	Quintals	214	20	4,274
8	Oil transportation cost	Quintals	133	200	26,627
Subtotal of processing expenses					236,039
Subtotal of direct expenses					3,110,881
<b>Indirect expenses</b>					
S No	Name of the activity	Unit	No. of units	Rate in Rs	Sub Total
1	Marketing expenses for peanuts	Quintals	526	180	94,595
2	Marketing expenses for oil	Quintals	133	180	23,964
3	Marketing expenses for cake	Quintals	214	5	1,069
4	Cost of funds (working capital) (@5% on Direct expenses)	Rs.	3,110,881	5%	155,544
5	Bad debts (approximately.) (1% of total sales)	Rs.	3,917,540	1%	39,175
6	Maintenance cost (on total procurement)	Quintals	1,200	41.67	49,997
7	Travel charges (on total procurement)	Quintals	1,200	10	11,998
8	Other administrative Overhead costs (on total procurement)	Rs.	1,200	30	35,995
Subtotal of indirect expenses					412,337
Total expenses					3,523,218

<b>Income particulars</b>					
S. No.	Name of the activity	Unit	No. of units	Rate in Rs	Sub total
1	Peanut sales	Quintals	526	4,800	2,522,531
2	Oil sales	Quintals	133	7,800	1,038,442
3	Cake sales	Quintals	214	1,500	320,572
4	shell sales	Quintals	300	120	35,995
Total income					3,917,540
Income (-) Expenses (Profit out of the activity)					394,321
Profit Per quintal					329
Profit Percentage per quintal procurement (round off)					16%
Additional benefit to each farmer (round off)					991

<b>Workout for formation of a Dairy Cooperative (example)</b>			
S No	Particulars	Unit	No.
1	Membership	No.	446
2	Share capital @ Rs.100 per member	Rs.	44,600
3	Milk procurement in the cooperative (average) per day	Liters	280
4	Milk procurement rate per liter (Average)	Rs.	15
5	Total milk procurement in a year	Liters	102,200
6	Total value of milk procurement in a year	Rs.	1,533,000
7	Members regular savings in the milk cooperative @ 5% of milk bill (in a year)	Rs.	76,650
8	Local sales of milk average per day	Liters	13
9	Local sales average price per liter	Rs.	20
10	Value of local sales of milk (in a year)	Rs.	94,900
11	Sample milk collection (average per day)	Liters	8
12	Milk Supplied to Dairy Plant (average per day)	Liters	275
13	Average rate received from Dairy plant (per Liter)	Rs.	15
14	Value of sales amount received from Dairy	Rs.	1,505,625
15	Bonus received from Dairy to Cooperative	Rs.	54,203
16	Cooperative regular savings in the Federation @ 5% of milk sales bill (in a year)	Rs.	75,281
17	Total income in the year (Sales + Bonus)	Rs.	1,654,728
18	Total purchases value (in a year)	Rs.	1,533,000
Gross Profit		Rs.	121,728
Gross Profit per Liter procurement		Rs.	1.19
S No	Particulars	Unit	No.

1	Interest income on regular savings from dairy @10%	Rs.	3,833
2	Depreciation on fixed assets	Rs.	17,615
3	Maintenance expenses (Repairs, chemicals, wages, transport etc. @ 10 paisa per liter on total procurement	Rs.	10,220
4	Staff salaries @ 25 paisa per liter on total procurement	Rs.	25,550
5	Administrative overhead (travel, rent, photocopy and stationery, telephone, audit fee, meetings, general body etc.) @ 30 paisa per liter on total procurement	Rs.	30,660
6	Remuneration to chairman and directors 5 paisa per liter on total procurement	Rs.	5,110
7	Interest on members regular savings @ 10%	Rs.	3,833
Sub total			96,820
Net profit		Rs.	24,908
Net profit per liter procurement		Rs.	0.24

<b>Fixed Assets Details</b>					
<b>Furniture</b>					
S No	Name of the asset	Gross value	Depreciation rate	Depreciation amount	Net value
1	Furniture (table, bench and chairs, almirah)	10,150	10%	1,015	9,135
2	Milco tester	25,800	25%	6,450	19,350
3	Weighing machine	21,400	25%	5,350	16,050
4	Miscellaneous assets (battery, garbar, solar lamp, utensils, testing equipment, calculator)	14,000	20%	2,800	11,200
5	Milk cans	7,500	20%	1,500	6,000
6	Cooler	2,500	20%	500	2,000
Sub Total		81,350		17,615	63,735
<b>Surplus Distribution</b>					
S No	Name of the fund	Allocation rate		Amount	

1	Price stabilization fund	15%	3,736
2	Deficit cover fund	15%	3,736
3	Milking cattle welfare fund	10%	2,491
4	Building fund	15%	3,736
5	Cooperative education fund	10%	2,491
6	Bonus to members	35%	8,718
	Total	100%	24,908

## Annexure 6

### Score Sheet - for Practice of Values

#	Parameter	Y/N
<b>Development of democratic institutions</b>		
1.	Does the community enterprise hold the elections of board of directors regularly?	
2.	Before nominating the directors, is their eligibility against minimum performance verified?	
3.	Does the community enterprise every year notify the eligible voter based on the minimum performance?	
4.	Does the annual general body be called with right quorum?	
5.	Quorum shall not be based on nominal % of attendance but rather based on significant number. Is it based on significant number >60% of members?	
6.	Does the annual general body approve the annual action plan of the community enterprise?	
7.	Does the performance of the enterprise against the plan be evaluated in each annual general body? Is action initiated on deviations?	
8.	Does the enterprise initiate action on excess of expenditure beyond the planned budget?	
9.	Does BAIF sufficiently invest on training the Board of Directors? Compare the number of training days invested on BAIF staff vs. board of directors. Is it higher investment on the board?	
10.	Do we invest sufficiently on member education process within the community enterprise? Member education on their rights, responsibilities and services has been undertaken?	
<b>Community Enterprise as Member Owned and Managed Institution</b>		
1.	Does the community enterprise have significant investment from each member - > Rs 2,000 per member?	
2.	Do the members of the cooperative have a place to sit and relax when they come to seek services in the community enterprise?	
3.	Do the shareholders – members decide on the profit distribution through passage of resolution in the general body?	
4.	Have the members at any time put forward a resolution against the decision of board of directors?	
5.	Does the members and their representatives – board review the operational performance and specify incentives and disincentives regularly?	
6.	Are the community enterprises having photographs of successful and best members to build the emotional relationship between the enterprise	

	and members?	
7.	Does more than 80% of the total procurement come from the members in the community enterprise?	
8.	Does the community enterprise investment linked to the patronage of members?	
9.	Are there decisions recommended by donors/BAIF in the community enterprise which have been vetoed by members?	
<b>Community enterprise is self sufficient</b>		
1.	Does the business of community enterprise viably and profitably run? Has enough reserves been created from the profits for future use?	
2.	Does direct business income account for more than 70% of the as the proportion of GRANT:EQUITY:DEBT in the total financial resources	
3.	Are the reserve for future bad debts and receivables created?	
4.	Do we have enough funds for machinery replacement although the initial machinery has been created out of grants?	
5.	Are there enough locally trained human resource (financial, marketing, technical) to run all the operations of the community enterprise who are not BAIF employees?	
6.	Does the community enterprise directly enter into contracts with financing agencies, banks, other government bodies and service providers?	
7.	Does the community enterprise already impute the costs of interest and depreciation in determining the net surplus?	
8.	Does the community enterprise have registered trademarks and brands on its name?	
9.	Are the contractual terms for various relations of community enterprise with BAIF, banks, traders and other stakeholders?	
<b>Transparency</b>		
1.	Does the member at the primary institution level obtain a receipt specifying transaction details as soon as the transaction is completed?	
2.	Does the general body/member get a report on the performance of the Director in the particular year based on the pre agreed indicators?	
3.	Is there a mechanism which communicates members about their total regular transactions annually with the community enterprise?	
4.	Is there a clear defined standards based on the quality of produce is procured with differential price?	
5.	Is there rejection of the material based on the predefined quality parameters?	
6.	Do the members have opportunity to question and understand the pricing mechanism of services?	
7.	Do meetings and decisions making process happen based predefined terms – including place, time and quorum?	
8.	Does each individual member receive a copy of annual report and progress?	

9.	Is there a strong internal audit of the process, accounts and transactions of members and directors conducted by ordinary members on regular basis?	
10.	Does the election have eligibility, nomination, contest, and secret ballot as process?	
11.	Is there a contract between Community Enterprise and Supporting Institution including BAIF for the services being extended?	
12.	Is there a uniform standard for collecting wastage or technical service fee?	
<b>Environmental Sustainability</b>		
1.	Does the community enterprise have pollution control board certificate for carrying the business?	
2.	Is 40% of energy requirement of the community enterprise from the renewable sources of energy?	
3.	Are there clear norms of incentives and disincentives for being resource and energy conscious?	
4.	Is > 50% of water used in community enterprise reused within?	
5.	Does the audit observe and comment on the usage of stationery, paper and plastic material?	
6.	Does the community enterprise have a rain water harvesting system?	
7.	Is the community enterprise taking proactive steps to improve the vegetation cover of NTFP yielding trees?	
8.	Does the community enterprise have proactive steps to reduce the air, noise and water pollution?	
9.	Does the community enterprise take proactive steps to preserve and propagate local genetic species?	
10.	Does the community enterprise ensure wider bio diversity as risk management strategy?	

Total Score	50

## ANNEXURE 7

### CASELETS ONLEGAL ISSUES

(For answering the questions mentioned below please refer the following acts – gujarat state cooperative societies act, maharashtra state cooperative societies act, producer companies act, and multi state cooperative societies act)

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1. A cluster level federation has been promoted for cashew processing. Membership in this federation is planned to be given to individual farmers with wadi unit, unregistered and informal SHGs, bankers who are financing the project, BAIF the promoting agency, staff of cashew processing unit and also the cashew traders. Are all these people eligible to be members of the federation? What are the criteria for membership in each of the act given to you? Please specifically quote the various acts and provisions for and against.
2. A cashew processing unit is to be promoted across two states. The unit is to be registered in multi-state cooperative society act. Some are suggesting the producer companies act is better. Which act do you suggest is better? Why, with specific reasons? What is the operational area allowed for the unit in each of these acts? Compare this with old state cooperative act and figure out whether it is possible or not?
3. There is a dispute regarding payments made related to procurement. The dispute is related to vegetables procurement made from members by vibhag. The vibhag is an informal group and is not registered. Most transactions in the vibhag are conducted on the name of VAPCOL a producer company. What is the legal recourse possible for such disputes? What do the respective acts say about it?
4. Who decided the appointment of the general manager of the community business enterprise? What do the respective state cooperative acts, multi state cooperative societies act and producer company act suggest on this subject?
5. In a particular vibhag there are many members who are not using services of the community business enterprise established. What are the causes and effect of such low utilization of services by members? Do the respective acts state something related to minimum service utilization or member's performance? What are the actions should be initiated against those who do not use the services of enterprise? Do we need to have minimum standards?

6. After the calculation of the year end profits and making provisions for the long term needs of the business enterprise and dividends if any, bonus/proportionate loss to members has to be calculated. What is the basis, on which profit or loss has to be distributed to members according to the various acts? Does this have any implication on the quality of management of business enterprise?
7. Elections in the business enterprise have to be conducted once in a year. Who conducts the election in the various acts we have considered? Who has eligibility to vote? Does voting vary according to the business contribution of members? Is it good system to having voting rights based on the business transactions?
8. Who has the right to amend the bylaws of the business enterprise in the various acts which we are referring? Is there any need to have the right to an amendment within the members? Why?
9. If there is a dispute between the members or between member and board of directors what is the process of resolving the disputes according to various acts that we are referring to? Is there a possibility of internal dispute resolution? Do we require such facility or is it fine if we only have external dispute resolving mechanism?

## Annexure 8

### Key learning from legal caselets

S. No	Legal issues	Gujarat state cooperative act	Maharashtra state cooperative act	Multi state cooperative societies act	Producer company
1	Membership as per act	Wadi farmers, informal SHG, BAIF, staff, cashew traders	Wadi farmers, informal SHG, BAIF, staff, cashew traders	Wadi farmers, staff, BAIF	Wadi farmers, informal SHG, BAIF, staff, cashew traders
		An individual	An individual		Primary produce from agriculture, or any primary activity or service that promotes the interest of farmers
		Firm, company, society	Firm, company, society		
		Cooperative society	Cooperative society		
		state government	State government		
		Local authority	Local authority		
Public trust	Public trust				
2	Area of operation beyond one state	Not possible	Not possible	Is possible	Is possible In case the objects of the PC are not confined to one state, the states to whose territories the objects extend should be mentioned in memorandum of association

3	Dispute resolution	Referred by any parties to the dispute or by federal society or by a creditor of the society Registrar	Referred by any parties to the dispute or by federal society or by a creditor of the society registrar	Settled by conciliation or by arbitration under arbitration and conciliation act - referred to arbitrator appointed by central registrar	Settled by conciliation or by arbitration under arbitration and conciliation act - referred to arbitrator
4	Office bearers election	As provided in bylaws but such meeting is presided over by collector or an officer nominated by him	As provided in bylaws but such meeting is presided over by collector or an officer nominated by him	As per program in election schedule	Chief executive by board from other than members, wont retire by rotation, terms and conditions, substantial powers by board
5	Minimum performance criteria	Not specified	Not specified	Not specified	Active member concept is there as per act
6	Profit sharing	Reserve fund (at least 1/4th of net profit), fund for payment of dividends (not >12%)	Profits appropriation to reserve funds or any other fund to payment of dividends to members on their shares	Only net profits to distribute	Profit/ withheld price may be disbursed in cash or kind or allotment of equity shares in proportion to their produce
		Contribution to federal cooperative society	To the payment of bonus on the basis of support received from members and persons who are not members to its business	Dividend as specified in bylaws	Limited return on share capital

		To the payment of bonus on the basis of support received from members and persons who are not members to its business	Payment of honoraria and towards any other purpose as specified in bylaws	Patronage bonus as per transactions-as specified in bylaws	Allot bonus shares as per provisions
		Payment of honoraria and towards any other purpose as specified in bylaws			Surplus after provision for limited return and reserves - patronage bonus as per their produce in cash, kind, equity shares or both as per general body meeting
7	Elections of managing committee or board	By registrar through chief election officer for the state - district election officer	By registrar through chief election officer for the state - district election officer	Election by a returning officer appointed by board who is not a member or employee	5-15 directors, period is not less than 1 year but not exceeding 5 years
		Provisional committees for 1 year and then as per bylaws	Provisional committees for 1 year and then as per bylaws	As per the election schedule	Retired director is eligible for re- election as per articles
		State government has power to reconstitute committee	State government has power to reconstitute committee		Election in general body meeting
					Expert director - not exceeding 1/5th of Board, period for the same is

					specified in articles
8	Amendment of Bylaws	Amended bylaws in general meeting to registrar	Amended bylaws in general meeting to registrar	Amended bylaws by 2/3rd of the general body by voting and to be submitted to central registrar	Amend memorandum by special resolution certified by 2 directors-file to registrar within 30 days from the date of resolution
		Registrar can accept or refuse	Registrar can accept or refuse	Central registrar has the power to refuse the amendment if it is against any clause in act	Amendment of articles proposed by not less than 2/3rd of elected directors or adopted by 1/3rd of members of PC and adopted by special resolution certified by 2 directors
		Registrar can call society for amendment of bylaws	Registrar can call society for amendment of bylaws		
		If the amendment is not taken registrar can directly amend the same	If the amendment is not taken registrar can directly amend the same		