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Government of India
Ministry of Rural Development
Department of Rural Development
(RL Division)

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20th September, 2019

To

The Principal Secretaries,
Rural Development Department,
Assam, Bihar, Chhattisgarh, Gujarat, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra,
Odisha, Rajasthan, Tamil Nadu, Uttar Pradesh, West Bengal

Subject: Guidelines on Farm Value Chain Development through promotion of Producers Enterprise under NRETP.

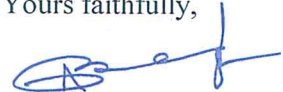
Madam / Sir,

The World Bank funded NRETP has value chain development for farm produce as one of its core components with significant outlay for promotion of large size Producers Enterprise through project mode.

In this regard, a guideline along with the project proposal submission template has been developed to be used by SRLMs for development of project proposal for promotion of Producers Enterprise under NRETP. The guideline on "Farm Value Chain Development through promotion of Producers Enterprise under NRETP" is attached herewith for kind information. SRLMs may refer this guideline while developing project proposal for promotion of farmer producer organization for submission to DAY NRLM under NRETP.

Encl: As above

Yours faithfully,



(Anita Baghel)
Director(RL)

Copy to:

The CEOs/SMDs of all States/UTs

Guidelines on Farm Value Chain Development through promotion of Producers Enterprise under NRETP

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1. Scaling up of Value Chain Initiatives under NRETP (National Rural Economic Transformation Project):

DAY-NRLM has promoted interventions focused more towards increasing productivity in agriculture, livestock and Non Timber Forest Produce (NTFP) to diversify livelihoods and enhance incomes with a large number of women farmers (Mahila Kisan). The intervention strategies are well defined and SRLMs have been able to drive the interventions over last few years. It has also been recognized within DAY NRLM that there is a need for specific intervention to promote member owned and member controlled Producers' Enterprises to ensure better price realization to Mahila Kisans. Towards that, value chain development initiatives through promotion of producer collective enterprises have been introduced in few states over last 4 years.

Building on these experiences, National Rural Economic Transformation Project (NRETP) envisages moving towards higher order livelihoods interventions and aims to promote value chain interventions for establishing sustainable market linkages for small and marginal producers focusing on post farm-gate market linked initiative as one its core components. Comprehensive support architecture is the essential element of NRETP in terms of provisioning technical assistance, skills building, and investment support to enable such farmer-owned and farmer-led organizations to improve market access, value addition, quality enhancements and accessing market information for business decisions.

Under NRETP, 40 large size Producers Enterprises which are registered entities are planned to be promoted over next three years. This initiative would be taken up in a project mode so that these enterprises are developed in a time bound manner with clear outcomes in terms of economic sustainability and business viability. These Producers Enterprises would be supported for all the necessary investments required to establish such an enterprise without depending on any external financial support so that projects are executed without any delay caused by external dependence. This initiative will be taken up on a project financing mode to be implemented on a turnkey basis where SRLMs have to prepare a comprehensive project proposal including market assessment, business model, business plan, financial projections, risk assessment, professional management and sustainability plan for each of the Producers Enterprise.

Keeping the specific program objectives of NRETP, this guideline has been developed for the States to develop specific funding proposal for promotion of Producers Enterprise under farm livelihoods component of NRETP.

DAY-NRLM has already issued guidelines on "Promotion of Producers Enterprises", "MKSP – Value Chain Development" and "Financing Producers Collectives under DAY-NRLM". All these guidelines are developed to enable the SRLMs to design and implement the value chain initiatives so that the producers-based organizations promoted are sustainable – economically, socially, and environmentally. As value chain development through promotion of Producers Enterprise is an important component of World Bank funded NRETP project this is imperative to have a guidance note regarding this as well.

To ensure a systematic approach in project proposal development, appraisal and approval under NRETP for financing Producers Enterprises this guidance note is being issued.

2. Strategy on Value Chain Development through promotion of Producers Enterprise

2.1. Promotion of sustainable and economically viable Producers' Enterprises is a highly challenging and complex task and DAY-NRLM has identified the critical success factors for the success of a PE like policy issues, requirement of professional manpower with techno-managerial skill and financing challenges through various consultative processes.

The strategy envisaged to develop Producers' Enterprises is centred on the following aspects:

- a. **Robust Business model** - The focus should be on building member owned PEs. A robust business model which takes into account supply factors, market and consumer preferences is essential for success of Producers' Companies. Post farm-gate to market interventions would be supported. The business model has to be robust enough to clearly define value proposition for the farmers, for the consumers and for the PE.
- b. **Focus on value addition** – Interventions centred on post farm gate value addition and marketing would be the focus. A business model based on aggregation and speculation on market price will not be encouraged but a business model that is more focused on taking processing, packaging and marketing would be more robust and more sustainable.
- c. **Dedicated human resource** - Human Resource with relevant qualifications and experience as staff of the PE in the PE pay roll to manage the PE operations and business effectively would be extremely important. There need to be a dedicated team of experts with business skills at the SRLM level to support and steer the implementation of value chain interventions in the state.
- d. **Capacity building** - Mentoring and capacity building of small farmers is essential for the sustainability of PEs.
- e. **Financing** – Procurement infrastructure, processing infrastructure, working capital and viability gap funding to the PEs would be critical

2.2. Producers Enterprise

- a. A Producers' Enterprise (PE) is defined as registered formal organization of farmers including co-operatives and Farmer Producer' Companies.
- b. It is a community based organization (CBO) owned and governed by the community members as shareholders
- c. A Producers' Enterprise is built on Mutual Assistance Principles.
- d. The primary objective of these organizations is to ensure better economic return to the farmer producers by helping them to take up business activities.
- e. These enterprises operate as commercial organizations and being economically viable is of paramount importance for these organizations.

3. Objectives of Value Chain development interventions under NRETP

The objective is to empower women farmers and collectors through an integrated approach of developing Producers' Enterprises, building market linkage and capacity building programed together.

The key objectives of value chain project through promotion of Producers Enterprise under NRETP are:

- a. To ensure **higher price realization** for the agriculture and allied activities, dairying and NTFP produce for the small and marginal women farmers
- b. Increasing influence of women farmers on the commodity value chain
- c. To ensure increased **bargaining power** of **small and marginal producers** by achieving economy of scale and therefore negotiate better prices.
- d. To develop **robust business models at scale** for the commodities produced by small and marginal women farmers
- e. To develop **scalable and sustainable Producers' Enterprises** to implement the value chain development interventions
- f. To create **opportunities for value addition** of commodities
- g. To take up **Capacity building** of the community for better post-harvest handling, knowledge of quality parameters
- h. To provide the platform for producers to promote their interests and influence policies in the local and national environment that affect their business and livelihood
- i. To promote the use **of ICT for** accounting, inventory management, payment to producers and market information dissemination in a transparent manner

4. Expected Outcomes

The expected outcomes of each project proposal submitted under NRETP will be achieved through the planned interventions as below:

- a. Better price realisation to the small and marginal women farmers
- b. Establishment of scalable and sustainable women Producers' Enterprises with robust business model and viable business plan having small and marginal women farmers as the shareholders
- c. Establishment of professional management structure for the Producer Enterprise
- d. Equitable sharing of profits among the members
- e. Access to market information for better marketing of their products
- f. Establishing market linkages through a multi-channel approach
- g. Development of Standard Operating Procedures for all processes of the Producers' Enterprises such procurement manuals, HR manuals, accounting processes
- h. Development and promotion of sustainable management, quality assurance and storage practices
- i. The overriding principle is that the producer enterprises promoted are sustainable – financially, environmentally and socially

The SRLM may develop partnerships with other reputed organizations having demonstrated experience in value chain development of the selected commodities for achieving the desirable outcomes. This would be as per the partnerships guidelines of DAY-NRLM.

Convergence with various departments for leveraging the resources would be strongly pursued.

5. Non-negotiables

While designing the proposal the SRLMs has to consider the non-negotiables of DAY-NRLM and should ensure that these principles are respected and are not violated. These non-negotiables have been clearly defined to make the project community owned community governed and sustainable. These principles would guide the project and make the project relevant for the small and marginal women farmers.

- a. The interventions would be focused on small and marginal women farmers. The Producers' Enterprises proposed to implement the interventions would be women Producers' Enterprises.
- b. The interventions proposed would be implemented through PEs and at scale.
- c. The producer Enterprise would be professionally managed having its own professional managers with requisite qualifications and relevant experience of running a business enterprise.
- d. The interventions would be focused on post farm-gate to market for agriculture produce, dairying and NTFP.
- e. The proposed interventions should be for replicating successful large scale models rather than taking up pilots.
- f. The Producers' Enterprises would be community owned and must adhere to the principles of co-operation.
- g. Any assets provided under the interventions would be community owned i.e. by a producers' enterprise.
- h. Any financial support such as working capital support, viability gap funding etc, to organizations other than PEs would not be permitted.
- i. The dedicated team at the SRLM level should be in place for NRETP. The team should consist of manpower with relevant techno-managerial experience in operations, financial management, commodity handling etc.
- j. No subsidy or grant to be provided to any individual.
- k. Core business of the Producers' Enterprise must be based on agriculture, Dairying or NTFP.
- l. Viability of the enterprise is ensured.

6. Approach

The Value Chain projects would be implemented by the Producers' Enterprise promoted for that specific purpose. The SRLM is the promoting organization of the PE. Already approved DAY-NRLM Guideline for the promotion of Producer Enterprises would be followed as a framework for implementation.

7. Farm Based Value Chain Projects under NRETP

7.1 About the Project proposal development

- a. The project objectives must be explicitly stated and formulated accordingly.
- b. The project will focus on geographic area taken under NRETP.
- c. While evaluating the proposal the size of the enterprise would be a key determinant to ascertain the sustainability. An enterprise which is not big enough may not be able to meet the overhead expenditure like quality manpower and also may not be able to attain the economy of scale.
- d. The Projects should be conceived in a manner so as to provide end to end solutions. Provision of a complete package of 'end-to-end' services through mobilizing women producers into Producers' Enterprises, providing access to a complete package of post- harvest services from procurement, value addition to marketing of produce should be made in the project in order to make it a holistic project. To the extent possible, the existing gaps in the marketing eco-system must be identified and addressed.
- e. The project proposal should draw extensively from the existing best practices in post- harvest practices, value addition and marketing.
- f. The project must have a clearly defined business model and business plan at the time of submission of the proposal. The template at **Annexure – I** is to be used for submission of project proposal.
- g. Project should lead to substantial tangible and intangible socio-economic benefits.
- h. Project should have a well-defined internal monitoring systems to track the progress i.e., physical and financial achievements. Appropriate Management Information Systems and accounting software should be essential component for setting up the PEs.
- i. The PEs proposed are to be professionally managed entities; hence the SRLM must ensure recruitment of professionals with relevant qualifications and experience in the pay roll of PEs. The Staff of PE must consist of commodity specialists (depending on the number of commodities handled) and accounts professionals.
- j. The project should be developed on the existing implementation experience of the implementing agency or its partners in implementation of large size value chain development interventions involving promotion of producer enterprises.

7.2 The components under the project

- a. Organization and mobilization of SHG women engaged in agriculture, rearing of milch animals and NTFP collection into Producer Enterprises should be one of the components of the project.
- b. Project would support the PE for hiring the professional managers for specific period and beyond that PE should be able to bear those expenses.
- c. Processing activities that add value to the agricultural, dairy or NTFP would be taken up by the Producer Enterprise and necessary infrastructure for the same would be

provisioned under the project. This would include agro-processing, food processing, storage, value addition, preservation, etc.

- d. Building market linkages is an essential component of the project.
- e. The producers enterprise may need to buy and store the produce for a short period of time and the project would support working capital towards that.
- f. In order to optimize the benefits from the value chain development project under NRETP, a well- defined convergence strategy should be mentioned at state, district and block levels in order to leverage schemes of various Ministries /Departments such as MGNREGA, Ministry of Agriculture, Department of Animal Husbandry, Department of Food processing etc. and similar schemes aimed at providing support to development of Enterprises or value addition infrastructure.
- g. Capacity building of producers in better harvest and post-harvest technology may also be part of the funding to the producer enterprise. The PE must plan for knowledge building, management and dissemination relating to markets, post-harvest practices and village level value addition. Producer enterprise would also take up the training of members and board of directors in governance of a producer enterprise

8. Funding

Ministry of Rural Development (MoRD) would provide funding support of up to 60% (90% for Assam) to the project submitted by the SRLMs under NRETP, balance is to be contributed by the respective state governments.

Participation of banks in financing the projects would be encouraged. The SRLM would be expected to define the financing mechanism for the Producers' Enterprise post the project period.

The SRLMs will be submitting the project proposals for a period of three (3) years and the funding will be made through a project route. The project will be approved for a three years project period.

The investment per household should not exceed INR 15000 over the period. Dairy value chain development requires higher infrastructure investment, hence in the case of dairy value chain projects; the investment per household should not exceed INR 18000 over the project period.

The investment per household would be calculated as:

Investment per household = total investment proposed for the project / number of unique farmers to be covered during the project period.

The total project cost for any single project shall not exceed INR 45 crores.

9. Convergence

DAY-NRLM has issued joint advisories with Ministry of Agriculture, Department of Animal Husbandry, Dairy and Fisheries and TRIFED. For implementation of the value chain interventions the SRLMs may explore convergence opportunities with other schemes and departments in their respective States.

10. Processes under NRETP for Value Chain Development through promotion of Producers Enterprise

10.1. Identification of project areas: The project area would primarily be the NRETP blocks. The non-NRETP/non-intensive blocks adjacent to the NRETP block where the project is being proposed may also be included with the condition that the SRLM would develop a plan to cover the non-intensive blocks under its social mobilization and financial inclusion interventions. The areas taken up under Mission Antyodaya would be given preference for promotion of value chain interventions under NRETP.

10.2. Project implementing agency (PIA): The State Rural Livelihoods Mission of NRETP States may propose projects under NRETP who will be henceforth called as Project Implementing Agency (PIA).

10.3. Proposal submission process and templates: The proposal for value chain development projects through promotion of Producers Enterprise for agriculture, dairying or NTFP may be submitted under NRETP in the proposal submission template. The proposal submission template is provided at **Annexure – I**. The detailed guidance on proposal development using the template is also provided in **Annexure I-A**. SRLMs will be submitting the project proposals for a period of three (3) years and the funding will be made through a project route.

10.4. Proposal approval Stages –

10.4.1. Desk appraisal: The proposal submitted by the SRLMs would be appraised by a team of experts having thorough understanding of value chain interventions including business models and commodity markets. The expert team would comprise of Farm Livelihoods team of DAY-NRLM handling value chain development interventions and National Resource Persons empanelled by NIRD&PR having expertise on value chain development. *The appraisal would be taken up following the scoring template as Annexure II.* The detailed guidance on scoring is also provided in **Annexure II-A**. Any proposal scoring less than 60% marks will not be considered.

The Appraisal Team would do the project appraisal based on the following

- a) Non-negotiables defined above in this guidance note.
- b) Project submission template and financial analysis, business plan, financial viability, sustainability, profitability.

In case the SRLM has proposed a Technical Support Agency, the mode of procurement has to be mentioned in the proposal.

In case the proposal is not found to be suitable to be taken to the pre-EC stage, the SRLM would re-work the proposal based on the comments of the Farm Livelihoods Team.

The Farm Livelihoods Team may undertake a field appraisal of the project areas to verify the readiness of the SRLM to implement value chain development interventions, suitability of the commodity and other factors.

10.4.2. Pre-Empowered Committee meeting: The Projects submitted would be examined and considered by the Pre-EC before it is submitted to the Empowered committee for its recommendation. The composition of the Pre-EC would be as under:

- i. Additional Secretary (RD) & Mission Director, NRLM – Chairman
- ii. Joint Secretary (Rural Livelihoods)
- iii. Lead, Farm Livelihoods – Member Convener
- iv. Team members - Concerned SRLM

The pre-EC meeting can be held multiple times during the appraisal stage of the proposal.

10.4.3. Empowered Committee: Once the projects have been examined in the Pre-EC meeting, the proposal would be put forth for approval by the Empowered committee. The composition of the Empowered Committee would be as under:

- i. Secretary, Department of Rural Development – **Chairman**
- ii. AS & FA, Ministry of Rural Development – Member
- iii. Additional Secretary (RD) - member
- iv. Representative from Niti Aayog – Member
- v. Joint Secretary, Ministry of Environment & Forest / Joint Secretary (Agriculture Marketing) - Member
- vi. Joint Secretary (Cattle & Dairy Division) - Member
- vii. Joint Secretary, Ministry of Tribal Affairs - Member
- viii. Joint Secretary, Ministry of Development of North East Region (In case of Projects from Assam) – Member
- ix. Joint Secretary, MoFPI. - Member
- x. Special Invitee/Expert (Two) - Member
- xi. Joint Secretary (Rural Livelihoods) Member-Convener

10.5. Role of the State Rural Livelihoods Mission

The State Rural Livelihoods Missions (SRLM) as Project Implementing agency (PIA) will place a dedicated team at the State level as provisioned under NRETP for proposal development and subsequent facilitation of the project roll-out.

Under NRETP, State Rural Livelihoods Mission has to engage dedicated staff as per the advisory issued under NRETP. Further, to provide technical support in value chain proposal development one Technical Support Agency need to be engaged from the very beginning for which budgetary provision has been made under NRETP.

10.6. Project Period: Projects are to be implemented within three years' time. Funding under NRETP would be as per the approved timeline of NRETP.

10.7. Eligible Items of Expenditure: Component-wise expenditure likely to be incurred for the project must be mentioned in the project document. The major cost components envisaged under the value chain development projects proposed are:

- a. Support to SRLM
- b. Technical Support Agency
- c. Support to Producers' Enterprise (PE)

Any kind of subsidy to individual members or asset creation for individual members is not permissible under this project.

11.Support to SRLM

During the initial stages of the project, the SRLM would undertake the activities for the incorporation of the PE. Therefore, the funds permissible under the Support to SRLM would include:

- 10.8. Pre-incorporation and incorporation expenses** – which includes expenditure towards preliminary survey (if required), identification of initial subscribers, facilitation of KYC of initial subscribers, hiring a Chartered Accountant, registration fees for the PE etc.
- 10.9. MIS entry and profiling of Mahila Kisans** – entry of the Mahila Kisan profiles in the DAY-NRLM Farm Livelihoods MIS would be taken up by the SRLM.
- 10.10. Documentation of best practices** – SRLM may document the initiative after 3 yrs of operation of the PE like case studies.

12.Technical Support Agency

The SRLM may take the services of a technical support agency for providing technical and handholding support to the specific PE(s) to be promoted within the proposal. The mode of procurement of the Technical Support Agency (TSA) must be specified in the proposal. Therefore, the TSA is to be taken to provide specific support to the specific PE. The Cost of the TSA should not be budgeted as a percentage of the total project cost. The cost should be defined as per clearly specified milestones and deliverables.

13.Support to Producers' Enterprise (PE)

Producers Enterprise (PE) would be promoted under NRETP where size of operations would be extremely important for a self-sustained model. A strong business plan should be prepared by SRLMs for each PE before promoting producer enterprises. A producer enterprise would be promoted in a project mode with a project life cycle of 3-4 years within which the PE is expected to become self-sustained and economically viable, member controlled organizations. The sub-components envisaged under the support to the PE are:

13.1. Infrastructure for Value addition (Plant, machinery, equipment)

- 13.1.1. One time support for setting-up infrastructure for value addition
- 13.1.2. Processing facilities for value addition of agriculture, dairying or NTFP produce which may include facilities for weighing, cleaning, sorting, grading, processing, packing, testing equipment, ripening chambers, oil extraction, specialized packaging etc.
- 13.1.3. Facilities including pack-houses, pre-cooling units, bulk milk coolers may be proposed which may be essential for taking up proposed processing and value addition activities
- 13.1.4. Promotional costs for marketing, certifications costs (such as FSSAI, organic certifications) which add value or are part of legal compliances would be covered.
- 13.1.5. Any infrastructure set-up would be owned by the PEs. Asset for a single individual member will not be permissible under this component.

13.2. Cost towards Strengthening Producer Enterprise (set-up cost) – The following costs would be covered for a period not exceeding 3-4 years:

- 13.2.1. Includes costs of mobilization of primary producers into PE, training and capacity building of the Board of Directors, shareholders and PE staff.
- 13.2.2. Honorarium for Udyog Mitra or any such cadre managing the collection centre activities.
- 13.2.3. Remuneration for the block level staff of the PE.
- 13.2.4. Cost of suitable accounting software, inventory management software.
- 13.2.5. Support for transportation of goods procured from the members: It is expected that at the initial stage of the operations, the PE may not be able to generate sufficient volumes to recover the costs for transportation of goods procured in the first leg, i.e. from primary procurement centers to the aggregation centers. Therefore, the PE would be provided support for part of the cost of the transportation of the goods from the primary procurement centers to the aggregation centers for a period not exceeding 1-2 years. This fund should not be used for buying of vehicles.

13.3 Working Capital: Working capital required for procurement of produce from farmers for a period not exceeding 3-4 weeks. Elements for working capital estimation may cover Cost of commodity procured (quantity procured per day, total days procurement, operating cycle - storage go-down, work in progress, finished goods, goods in transit, logistics cost). Working capital should be calculated in terms of no. of days equivalent to procurement cost.

13.4 Management Support:

- 13.4.1 Support for hiring professionals for managing the PE for a period not exceeding 3-4 years. This includes the cost of key manpower of the PE such as CEO, commodity experts, Procurement Head, Head of Processing Unit, accountant among others. The PE must have a lean HR structure.
- 13.4.2 The office rental and ancillary expenditure to set-up the office like electricity cost would be supported for a period not exceeding 1-2 years.
- 13.4.3 Office furniture and fixtures and computers.
- 13.4.4 The human resource and administrative costs should not exceed 6% of the total funding support to the PE, as per the norms of DAY-NRLM.

14. Fund flow from SRLM to Producer Enterprise (PE)

The fund under the budget head of 'Support to PE' would be released by the SRLM directly to the account of the PE against the annual work plan and the DPR.

14.1. Criteria for fund release to Producer Enterprise (PE)

- 14.1.1 Fund release to Producer Enterprises will be made through electronic transfer systems, to the extent feasible.
- 14.1.2 The fund releases to the PE would be based on the business plan and the fund requirement projections approved by competent authority.
- 14.1.3 All releases to the PEs would be accounted for as advances in SRLM books of accounts except for working capital. Advances should be adjusted against the UC submitted by the PE to SRLM.
- 14.1.4 Actual expenditure reported to be booked as expenditures and the unspent balances are to be refunded to the SRLM.

- i. The SRLM may periodically request for the audited reports of the PE accounts within the duration of the project period to verify actual expenditures.
- ii. The expenditure reported by PE is to be included in the IUFR submitted by the SRLM.
- iii. SRLM would ensure that the PEs promoted under DAY NRLM are audited as per the regulatory provisions of the appropriate laws (for example PEs registered as Producer Company should be audited as per the provisions of Company Act).

14.1.5 The working capital fund provided to a PE is a fund that is rotated multiple times during the project period as per the operational cycle of the Producer Enterprises. This is a support from NRLM to the PE to become a viable business entity. The working capital released to the PE would be treated as expenditure in the SRLM books of accounts.

14.1.6 The following conditions would be applied for working capital release to the PE:

- a) The working capital component releases would be as per the budget for the project approved by the competent authority (EC).
- b) The Producer Enterprise would submit a working capital requirement plan against the approved working capital budget to the SRLM. SRLM would release the same to PE after due evaluation.
- c) The working capital should not be transferred as a lump-sum to the PE.
- d) Necessary care should be taken to avoid idle fund lying in the bank account.
- e) The working capital should be placed in the current account of the PC and should not be placed as a Fixed Deposit. The basic principle is that working capital support is provided to a PE for running the business and not for earning interest.

14.2. Procurement of equipment, machineries and services for value addition –

14.2.1. In the Empowered Committee (EC) meeting held on 7th Nov 2017, the EC has taken a decision that the equipment and machineries required by the Producers' Enterprises as per the approved proposals should be procured by the PE itself. (Refer letter K-11060/10/2017/NRLM (Livelihoods)/Part2).

14.2.2. As the PEs, having been promoted recently, may not have the technical and managerial capacity to undertake the procurement process, the SRLM may initially support the PE in developing a procurement manual and in taking up procurement of the equipment and the machineries. The funds budgeted in the approved proposals may be transferred to the PEs against a procurement plan, so that the PEs may undertake the procurement of the goods.

14.3. General Conditions for Eligible Items of Expenditure by the PE

The project should incorporate expenditure on various components indicated in this guidance note to arrive at the project cost. Purchase of vehicles is not admissible in the projects. No cost escalation shall be borne by the Government of India.

At the end of the project period, the ownership and management rights of the infrastructure and assets created if any, under the project, shall remain with the PE. Reallocation of funds not exceeding 5% of the total project cost among major budget

heads will be permissible to accommodate any innovation within the project. Within the main budget heads reallocation of funds is permissible. However, reallocation on account of administrative expenditure shall not be permitted. Any Additional Information that may be relevant to the Project Proposal may be mentioned in the Project Document.

15.Release of Funds

The funds will be released directly to the concerned SRLM from the Ministry of Rural Development.

15.1. 1st Instalment: The first instalment will be released by MoRD to the SRLM on the approval of the project by the Empowered Committee. Out of the first instalment (i.e. 25% of the central share), 10% of the central share may be released after approval of the project. The SRLM would submit DPR to the Ministry of Rural Development. Rest of the 15% will be released immediately after submission of DPR to the Ministry of Rural Development for which a maximum period of 3 months from date of approval of the project by Empowered Committee will be permitted. In case Technical Support Agency (TSA) has been proposed, the TSA needs to be on-board before the release of the second tranche of the 1st instalment.

15.2. 2nd Instalment: The 2nd instalment of 50 % of central share will be released upon the following:

- a. The PE proposed has been incorporated.
- b. The PE Staff proposed has been recruited and positioned in the PE.
- c. Release of state share
- d. Submission of a Utilization certificate along with an expenditure statement for at least 60% of the released 1st instalment funds and contribution from state Government /other agencies and achievement of corresponding physical target.
- e. Submission of year-wise audit reports of the funds utilized;
- f. Quarterly reporting of progress in the prescribed formats.

15.3. 3rd Instalment:

The 3rd and final instalment of 25% of central share will be released upon the following:

- a. Utilization of 80% of the total available funds and achievement of corresponding physical targets.
- b. Submission of year-wise audit reports of the funds utilized;
- c. Regular reporting of progress in the prescribed format;
- d. A certificate from the Implementing/Coordinating Agency that the project is being implemented as per the approved project proposal.
- e. Before the release of the 3rd and final instalment, it will be open to MoRD to have verification of the progress of the project by a third party / independent agency.

15.4 Utilization of Interest earned on central release: The interest amount accrued on Government releases, if any, shall be adjusted against the Government share of the Project cost at the time of release of the third and final instalment.

- 15.5 **Releasing of Matching Share:** The State Government is required to release its corresponding matching share within a month of receipt of the respective instalment of the central share.
- 15.6 **Submission of progress reports:** The SRLM shall submit the progress report of the project by 15th of the month succeeding every quarter in the format prescribed by the Ministry. Failure to furnish the progress report would make SRLM liable to refund the Central funds released for the Project along with interest. It shall be open to the Ministry of Rural Development to prescribe such conditions, as it deems fit, from time to time to ensure proper execution of the project.
- 15.7 **Monitoring and review of the Project:** Monitoring and review of the Projects sanctioned and implemented will be done as per the NRETP monitoring and review mechanism.
- 15.8 **MIS:** The PEs promoted under NRETPs should have strong MIS and they would share relevant data with NRLM and SRLM on a regular basis to monitor the progress against the target.
- 15.9 **Audit:** Financial audit is to be carried out as per the NRETP audit norms. PE should have standard audit mechanism as per the regulatory requirements. The audit report together with action taken on the auditor's observations and physical progress under the project shall be furnished at the time of release of 2nd or 3rd instalment of the Central funds.

16. Necessary conditions for project approval

- a. Recommendation by the appraisal Team.
- b. Commitment of 40% (in case of Assam it is 10%) of the Project Cost by State Government.
- c. Professionals with relevant education and experience to be recruited by the SRLM under NRETP as per the Human Resource advisory related to NRETP.
- d. Exit and Scaling up strategy
- e. Predominant focus on vulnerable communities (ST/SC, Minorities and women headed households).
- f. Comprehensive project design – farm gate to market

17. Project Completion

It should cover the details of deliverables as indicated in the project and achievements made against these deliverables. A project completion report may be submitted by the SRLM highlighting the performance of the project against the deliverables.

Business Plan Proposal

Proposal for promotion of a Producer Enterprise
[Techno Economic Feasibility Report]

Name of the Proposal

Proposal Submitted to

Ministry of Rural Development, Government of India

Proposal Submitted By

<<name of the SRLM>>

The template

1. Content Table
2. Acronyms used in the report
3. Executive Summary (300 words)
4. Project at a glance

Commodities to be handled by the PE				
Geographic area	Name of Districts	Name of Blocks of concerned district		No. of villages
Total households to be covered				
Expected turnover (in Crores Rupees)	Y1 (.....)	Y2 (.....)	Y3 (.....)	
Year of breakeven of the Producers Enterprise				
Key interventions (eg. aggregation, value addition, packaging, labeling, marketing)				
Total budget (in Crore Rupees)	Direct support to PE	TSA Cost	Support to SRLM	Total
Per capita investment (Rupees)				
Estimated benefit to household (Rupees)				

5. Value Chain Interventions taken up by the SRLM. (500 words)

Experience of SRLM in Promotion of Producer Enterprises/ Producers Groups (current status, challenges, opportunities in similar conditions)

Table 1: Information on Producers Enterprise already promoted/supported by SRLM so far

Details		PE 1	PE 2
FPO Name				
Commodity being handled by the PE				
Promoting Agency (SRLM/MKSP NGO PIA)				
Name of District(s)				
Blocks (name of blocks)				
No. of villages				
Legal form of FPO (Company, Trust, Co-operative etc.)				
Registration No.				
Date of Registration				
Address of the PE				
Contact Persons (CEO)				
No. of employees in the payroll of the PE.				
Number of Members/ shareholders				
Number of active member last year. (members who have supplied their produce to PE)				
Total Support provided to PE	Infrastructure (Rupees)	Direct		
		Indirect		

Details			PE 1	PE 2
under DAY-NRLM/ NRLP/ MKSP till date.	Working capital (Rupees)	Direct			
		Indirect			
	Human resource (Rupees)	Direct			
		Indirect			
	Capacity Building (INR)	Direct			
		Indirect			
Source of support (DAY-NRLM / MKSP)					
Turnover during last three years: to be taken from the audited annual report of PE.					
Year 1					
Year 2					
Year 3					
Profitability (EBITDA), to be taken from the audited annual report of PE.					
Year 1					
Year 2					
Year 3					

Table 2: Information on Producers Groups

Geographies Covered (name of District and Block)	No. of villages covered	No. of PGs promoted	Total no. of active members	Commodities handled	Total amount of business (in Crore Rupees)

6. Introduction – Proposed Interventions (1000 words)

- Inception and ideation of the proposed Value Chain Intervention**
- Geographic profile for Intervention (representation through map as well)**
- Profile(s) of proposed commodity(ies)**
 - Study of the selected commodity (ies): Production Scenario, Market, Economic systems and availability of local infrastructure, State or local policies for proposed commodities and value chain development, Brief analysis of substitute crops in the market.
- International demand and supply scenario**

7. Value Chain Analysis (1000 words)

- Value chain opportunity analysis for the commodity at National and Local level.
- Value chain gaps identified.
- Point of intervention in the value chain.

8. Rationale behind selection of commodity and region. (250 words)

9. Key Deliverables of the Proposed PE

10. Business Context (1500 words)

- Business Model**
 - Define the business based on the value chain gap analysis.

- ii. Value proposition for farmers (why the farmer should take the market services from the PE).
 - iii. Value proposition for Producers' Enterprise (competitiveness of PE)
 - iv. Value proposition for Customers (why buyers should come to the PE)
- b) Scenario Constraints/Opportunity affecting business model for proposed commodities:**
- i. General Information of Target group in the proposed area
 - ii. Land holding, NSA (Net Sown Area) under the targeted crop of previous 3 years, number of Households, Crop production data, estimated marketable surplus.
 - iii. Market Systems – Different Mandi price points, general market scenario at the village level and proximity for reference. Supply and Demand scenario.

11. Strategy for promotion of Producers Enterprise (600 words)

- a) **Implementation architecture** – role of SRLM as promoting agency, role of TSA, role of Producers Enterprise professionals.
- b) Plan for promotion of PE (survey, hiring of TSA etc.)
- c) Timeline for planned activities (Gantt Chart).
- d) Key indicators for business performance.

12. Formation of the Producers Enterprise with timeline (500 words)

- a) Mobilization of members
- b) Initial member (BoD) identification
- c) Registration of the Producers Enterprise.
- d) Statutory Compliances.
- e) Setting up of IT system
- f) Recruitment of Human Resource by the PE.
- g) Training & Capacity Building of the Board members, shareholders and the human resources with PE.

13. Business Process of the Producers Enterprise (1500 words)

- a) Outline key business process for the PE (texts and/or graphical representation).
- b) Procurement System [commodity(ies)]**
 - i. Collection Centre Identification process.
 - ii. Resources, along with the costs, at the Collection center
 - iii. Management of the collection centers.
 - iv. Crop procurement process along with do's and don'ts.
 - v. Identification of risks and their mitigation strategies.
 - vi. Procurement forecasting.
 - vii. Pricing strategy – benchmark market, price discovery etc.
- c) Warehousing and Processing Plan**
 - i. Crop movement from Collection center to the Central Warehouse/Processing Centre.
 - ii. Activities at Warehouse/Processing Centre
 - iii. Resources, along with their costs, at the Warehouse/Processing center.
 - iv. Packaging strategy with respect to channels (5kg, 10 kg, etc.), should be based on the marketing plan.
 - v. Identification of risks and their mitigation strategies.
- d) Marketing Plan**
 - i. Existing and potential crop marketing channels and their respective attractiveness and challenges.
 - ii. Market, product mix & pricing strategy.
 - iii. Commodity marketing Strategy and use of E-trading platforms (NCDEX/MCX).
 - iv. Labelling, Branding S
- e) Procurement Analysis and Estimates**
 - i. Commodity production potential in the catchment area.
 - ii. PE's procurement estimates:
 - 1. Potential members of the PE and their production estimates

2. Estimated marketable surplus with potential members of the PE.
3. Procurement competition in the catchment area and their Strengths and Weakness.
4. PE's Member acquisition strategy basis the competitors Strength & Weakness.

f) Market Analysis and plan of PE - Sell Side

- i. Existing Buyers of the selected commodity(ies) in the region
- ii. Define customer segments and target segment for PE.
- iii. Names of the APMC Mandi in the region and their catchment area, quality of commodity received, last 3 seasons prices & trends, listing of the big 20% of the buyers in the Mandi, cost implication of trading in the Mandi.
- iv. Names and location of the existing warehouses used to stock the targeted commodity in the region. Its capacity, targeted crop stored there, their USP, their arrangement with the owner of the commodity, warehousing costs etc.
- v. Local Mandi and Hatts in the region where the crop trades.
- vi. Industry(ies) operating in this market to source the selected commodity as their raw material.

g) Other untapped market exploration.

h) Pricing Strategies of PE

- i. Existing Farm gate price discovery mechanism.
- ii. Existing Marketing price discovery mechanism.
- iii. Price risk mitigation strategies.

i) Risks & Challenges in business processes of the enterprise

- i. Identifying all the possible operational and business risks in business
- ii. Corresponding internal controls and other risk mitigation strategies for all the identified risks.

j) Revenue Model

k) Opex and Working Capital working

l) Capex

m) Manpower

n) Total Cost of Business and Break-even Analysis

o) 3 years Projected Cash Flow

14. Financing

- a) Budget requirement in the prescribed table
- b) Budget justification.

A guidance note on the above template is at Annexure I A.

***Guidance note on the preparation of project proposal by using the prescribed template
“Business Plan Proposal – Techno Economic Feasibility Report”*****1. Content Table**

Table of content as per the chapter prescribed in the template.

2. Acronyms used in the document**3. Executive Summary (300 words)**

(About the proposed Producers Enterprise, what critical value chain gaps this is going to bridge (problem statement), in what geographical location with which targeted community. How this intervention will bring value proposition in selected commodity (ies) for the small and marginal farmers. How this PE profitability and operations is designed to be a sustainable organization.) Impact at household level this intervention will bring. Brief description.

4. Project at a glance

Project at glance is to be submitted in the table given below:

Commodities to be handled by the PE:				
Geographic area	Name of Districts	Name of Blocks of concerned district		No. of villages
Total households to be covered				
Expected turnover (in Crores Rupees)	Y1 (.....)	Y2 (.....)	Y3 (.....)	
Year of breakeven of the Producers Enterprise				
Key interventions (eg. aggregation, value addition, packaging, labeling, marketing)				
Total budget (in Crore Rupees)	Direct support to PE	TSA Cost	Support to SRLM	Total
Per capita investment (Rupees)				
Estimated benefit to household (Rupees)				

5. Present interventions on value chain development by the SRLM. (500 words)

(Promotion of Producer Companies/ Producers Groups (current status, challenges, opportunities in similar conditions). Details of existing interventions being carried out by SRLMs (geographic area, commodities, household, period of intervention, type of intervention, profitability of the PE, benefit of household). If the SRLM has promoted Producers Groups (un-registered) details thereof needs to be provided. Tables 1 and 2 are self-explanatory

6. Introduction (1000 words)**a) Inception and ideation of the proposed Value Chain Intervention**

How this intervention can bring value realization to the producers. This may also include production system of small and marginal farmers of the proposed area, existing interventions of various stakeholders (non-SRLM), positive learnings from existing interventions – what worked well and what didn't work.¹

¹ The words limits are indicative. Please put more detail if you think they make the proposal more realistic and holistic.

b) Geographic profile for Intervention

- i. Map of the catchment area (indicating district, blocks, communication, adjacency)
- ii. Agricultural profile of the state in general and of the proposed region.

c) Profile(s) of proposed commodity(ies)

- i. **Production scenario of the commodity at National/State level. [Macro Study]** *Major commodities & their varieties produced at state and their contribution to national scenario. What is the growing season and how much volume is produced? How state stands in terms of production of the commodity and state's economic policy towards it? Is there any specific competitive advantage for the selected commodity(ies) vis-à-vis other States / Country?*

Table 3: Commodity wise Production Scenario (State level)

Sr no	Commodity	Name of variety (ies)	Season	Production area (acre)	Volume (Ton)		Yield (tons / acre)		Major Producing regions (Dist/block)
					State Volume	National Ranking (Volumetric)	State	National Ranking	
1									
2									
3									
4									
5									

- ii. **Production scenario of the commodity at Local level (proposed area). [Micro Study]** *Study of seasons and commodities produced at local level in the proposed area. Number of HH and area under production for that commodity. What are the different sales channels are used for particular commodity currently in the villages? What are operational challenges currently faced by producers while sales? Also fill the table below.*

Sr no	Commodity	Season	Variety	No. of Household	Production area (acre)	Volume (Ton)	Sales Channels	Operation losses (%)	Major Producing regions (Dist. / Village)
1									
2									
3									
4									
5									

iii. Market Study of the selected commodity(ies) for different value chains

1. **Market study of commodity (ies) - Major Mandi, Price trends and seasonality affect, commodity competitiveness (market, production, productivity & any USP etc.).** *Above survey would be beneficial for the PE in subsequent business and resource planning.*
2. **Economic systems and availability of local infrastructure (storage, processing, packaging, transportation).**
3. **State or local policies for proposed commodities and value chain development.**
4. **Brief analysis of substitute crops in the market.** *How production scenario get impacted by producers' sowing choice of substitute crops and subsequently its response to major sales channels available in the targeted catchment region? How these scenario impacts our targeted commodity (ies) supply?*

- d) **International demand and supply scenario (250 Words) – in case of the commodity (ies) as part of export or import.** *Tariffs, certification, packaging requirement with respect to global market scenario and its impact on commodity locally. Global production and market scenario (key importing /exporting country(ies) and season).*

7. Value Chain Analysis

- a) **Value chain opportunity analysis for the commodity at National and Local level.** *Value Chain Analysis is one way of identifying which activities are best undertaken by a business and which are best provided by others ("out sourced"). Studying a commodity national / local level provides*

a brief understanding about planning intervention for that particular commodity. It should include extensive study of commodity from production to consumer. How contribution margins are spread across different value chain for the commodity (ies).

- b) **Point of intervention for the business process.** *Brief commodity (ies) study and value chain gap in the proposed geography. The rationale to promote the Producers enterprise. Brief description.*
- c) **Output analysis in perspective with all the stakeholders involved in the business.** *Value chain capturing should be evaluated with respect to Stakeholders. It allows observing impact and defining business processes bring the optimized output.*
- d) **Validation of the intervention in terms with geography, producers and commodity.** *Every intervention brings local factors for commodity intervention like, infrastructure, production assumptions, market proximity etc. validation and sample survey can bring true scenario about the planning.*

8. Rationale behind selection of commodity and region. (250 Words).

Based upon above macro-level survey of commodity and market. What factors do you think PE brings in terms of market and product differentiation

9. Key Deliverables of the Proposed PE

Insert Table covering number of HH, Quantity, Area, Revenue estimations, operation expenses, capital expenses, working capital requirement, Procurement or Collection centers, Members, etc.

10. Business Context (1500 words)

a) Business Model – Producers' Enterprise process elaboration

- i. **Define the business based on the value chain gap analysis.** *Specific activities to be undertaken by the PC, Value added and captured by the respective activity, Risks involved in those value addition activities and the corresponding risk mitigation strategy.*
- ii. **Value proposition for farmers (why the farmer should take the market services from the PE).** *What value addition for the farmers can be brought through this business intervention? What other facilities such as financial inclusion, capacity building and training, business acumen etc. will be brought to producers?*
- iii. **Value proposition for Producers' Enterprise** (competitiveness of PE): *How this PE business model makes product or process differentiation in the current commodity market? Study of PE's strengths, weaknesses and other parameters with respect to current operational processes.*
- iv. **Value proposition for Customers** (why buyers should come to the PE): *what propositions, in terms of quality, business operations, social impact (social marketing), does PE brings to its customers which can be capitalized by them?*
- v. **Scenario Constraints/opportunity affecting business model for proposed commodities** (Geography / community / policy / climate / Infrastructure/ market/competition) *How PE can utilize local economic (State FPO policy / infrastructure) scenario to its benefit?*

b) General Information of Target group in the proposed area

- i. **Land holding, NSA (Net Sown Area) under the targeted crop of previous 3 years, number of Households, Crop production data, estimated marketable surplus.** *On the basis of general survey about the targeted geography and community a macro level information tabulation can be done. How many marginal HH are in the targeted area?*
- ii. **Market Information – Different Mandi price points and proximity for reference.** *Price trend study helps in seasonality affect and market scenario about supply and demand.*

11. Strategy for promotion of Producers Enterprise (600 words)

- a) **Implementation architecture – role of SRLM as promoting agency, role of TSA, role of Producers Enterprise professionals.** *Defining role and responsibility will bring clarity among the team and will also develop a sense of accountability.*
- b) **Development plan for promotional activities (survey, hiring of TSA etc.)**
- c) **Timeline for these activities (Gantt Chart).**
- d) **Key indicators for business performance:** *Volume projection, Turnover, Cost of procurement, and Cost of goods sold, Breakeven, Net investment, Number farmer household covered, investment per household Cost benefit.*

12. Formation of the Producers Enterprise (500 words)

- a) **Mobilization of members** *how mobilization process in the targeted region is planned? While mobilization should be done with respect to capacity planning in phases for next 3 years keeping scaling up in mind? Any plan to partnership with MKSP PIA for mobilization? Cost towards for “Sahayak” at collection centres would be part of mobilization cost who would be supporting mobilisation of farmers for PE.*
- b) **Initial member (BoD) identification.** *Initial members’ identification is critical for mobilization planning as they bring credibility in local and uncharted region. They can also help in mobilization planning and activities.*
- c) **Registration of the Producers Enterprise.**
- d) **Statutory Compliances (License / Certificate)** *Legal compliance.*
- e) **Setting up of IT system**
- f) **Recruitment of Human Resource by the PE.**
- g) **Training & capacity building of the board** *(on the business plan, Corporate Governance, and the functioning of the PC) and the human resource (management & operation) (200 words)* *Building learning curve for the producers and especially board of director is a necessity as it directly impacts the organizational culture and processes. Charting out a calendar for various knowledge and process-oriented workshops. Evaluation and measuring skills development steps. What else capacity building workshops is required and how that can be implemented?*

13. Business Process of the Producers Enterprise (1500 words)

a) Outline key business process for the PE (150 words and/or graphically).

How commodity (ies) move from farm gate to the customer and accountability matrix. Please explain.

b) Procurement System [commodity(ies)]

- i. **Collection Centre Identification process.** *How proximity of different regions will be decided to optimize logistic cost of collection centers? What will be transportation route map? What will be coverage span for a collection center (number of HHs or Villages) under a collection center? Each collection centres should be considered as a cost centre and break even analysis need to be taken up for each centre.*
- ii. **Resources, along with the costs, at the Collection center.** *What will be operational activities required at a collection center? What are the costs associated with a Collection Center (repackaging, rent, labor, etc.)?*
- iii. **Management of the collection centers.**
- iv. **Crop procurement process along with do's and don'ts.** *What are the standard operational procedures for procurement of commodities? How quality parameter or grading is done? How can operational losses be reduced? What are the measure to maintain quality parameter of a commodity?*
- v. **Identification of risks and their mitigation strategies.** *What are commodity damage threats (fire, theft, and water leakage, rodent etc.) at collection center?*
- vi. **Procurement forecasting:** *Data is to be given in the table no.4 below:*

Table 4: Procurement Estimate

Particulars	Unit	Yr - 1	Yr - 2	Yr - 3
Total No of Collection centers (CC)	#			
Average potential farmers per CC	#			
Total No of Members	#			
Average quantity procured by CC from each farmer	MT			
Total Expected Procurement	MT			
Procurement Overview - Commodity 1				
Total No. of CCs	#			
Average No. of Members per CC	#			
Total No. of Members	#			
% of H.H involved in Cultivation	%			
% of H.H to supply	%			
# H.H. to supply	#			
Total Expected Procurement (in MT)	MT			
Procurement Overview - Commodity 2				
Total No. of CCs	#			
Average No. of Members per CC	#			
Total No. of Members	#			
% of H.H involved in Cultivation	%			
% of H.H to supply	%			
# H.H. to supply	#			
Total Expected Procurement (in MT)	MT			

c) Storing and Processing Plan

- Crop movement from Collection center to the Central Warehouse/Processing Centre.** *Transportation facility for subsequent value chain activities. Optimization and scheduling of commodity activity to the processing plant.*
- Activities at Warehouse/Processing Centre SOP regarding packaging and storing process to reduce operational and quality losses.** *Inventory management operational activities FIFO, LIFO etc.*
- Resources, along with their costs, at the Warehouse/Processing center.** *Man power required at the Collection center. Quality parameter testing tools required for the commodity*
- Identification of risks and their mitigation strategies.** *Quality risk, volumetric loss risk, Theft and fire risk, etc. How we can mitigate these identified risk through various resource.*
- Packaging strategy with respect to channels (5kg, 10 kg, etc.), should be based on the marketing plan.** *How much volume will be sold through different sales channels? What is the packaging strategy to protect quality of the commodity and marketing?*

d) Marketing Plan

- Existing and potential crop marketing channels and their respective attractiveness and challenges.** *Through which channels commodity currently is sold? How contribution margins are distributed along the value chains? Which channels are viable for business operations?*
- Please define your market & product mix. Describe Product, Price, Market, Promotion strategy.
- Crop marketing Strategy and use of NCDEX/MCX trading platform.** *What all trading and commodity platform available in the intervention area?*
- Labelling / Branding** *Labelling and certification required for sales and marketing in retail channels? Does these labelling can be utilized to capture social / cause marketing for FPO?FSAAI / ISO / Organic certification*

e) Procurement Analysis and estimates

- i. **Crop Production potential in the catchment area.** *Production scenario of commodities in terms of crop season, area under production, variety, number of HHs etc.*
- ii. **PC's procurement estimates**
 1. **Potential members of the PC and their production estimates**
 2. **Estimated marketable surplus with potential members of the PC.**
 3. **Procurement competition in the catchment area and their Strengths and Weakness** (300 words). *What all other companies procuring same commodities in the catchment area? How their incentive structure is designed? Do we have any competitive advantage over them?*
 4. **PC's Member acquisition strategy basis the competitors S&W** (200 words) *what are our strength over competitors in mobilization planning?*

f) Market Analysis and plan of PE - Sell Side

- i. **Existing Buyers of the commodity in the region** *Identification of buyers of commodities at every value chain activities. Market linkage with FPO through identification of buyers in different segment (B2B / B2C) will be essential for business planning.*
- ii. **Define customer segments and target segment for PE.** *Define what customers PE plans to target? Why that particular segment is targeted? How that market segment is growing over the year?*
- iii. **Names of the APMC Mandi in the region and their catchment area, quality of crop received, last 3 seasons prices & trends, listing of the big 20% of the buyers in the Mandi, cost implication of trading in the Mandi.** *Listing Mandi and trading platform with proximity of FPO. Identification of cost associated with the different channels will help in making sales strategy and revenue planning. Analyzing past price trend for Mandi/Trading platform*
- iv. **Names and location of the existing warehouses used to stock the targeted commodity in the region. Its capacity, targeted crop stored there, their USP, their arrangement with the owner of the crop, warehousing costs etc.** *Infrastructure facilities available at State and Center government.*
- v. **Local Mandi and Hatts in the region where the crop trades.** *Keeping track of price trends in local Mandi reflects demand and supply planning scenario.*
- vi. *Active agents of the industry that uses the commodity as their raw material.*

g) Other untapped market exploration.

- i. Possibility of exploring the arrangement with a national level processor or retailer of the commodity.
- ii. Exploring the trading on the commodity exchanges.
- iii. Exploring the possibility of using the PGS certification to tap market in and around the top 10 urban settlements in India.
- iv. Exploring Export potential.

h) Pricing Strategies

- i. **Existing Farm gate price discovery mechanism.** *Profit center concept building is necessary as PE might with be operating with multi commodity. Discovering cost and profit associated with each commodity will essential is selection of commodity or including new or removing.*
- ii. **Existing Marketing price discovery mechanism.**
- iii. **Price risk mitigation strategies.** *Risk mitigation strategy in terms of procurement (backward integration) and sales pricing (forward integration) , how PE can mitigate it and what are the tools can used to mitigate ?*

i) Risks & Challenges in business processes of the enterprise

i. **Identifying all the possible operational and business risks in business.** (200 words)

Commodity processes and product involve various risks like market risk, product damage risk, theft and other product quality risks.

Business process involves risk on operational basis like liquidity risk, profitability, supply or demand of raw material risks, occupational hazards etc.

Identification of these business and product risk is important as to mitigate and provide operation controls in the business operations.

iii. **Corresponding internal controls and other risk mitigation strategies for all the identified risks.** (200 words)

After identification of business risks, these risk should mitigated through various services and tools available at business context. Financial integration/linkage with the institutes to resolve Working capital funding. Availing product insurance for storage and collection centers.

j) Revenue Model

*It is a framework for generating **revenues**. It identifies which **revenue** source to pursue, what value to offer, how to price the value, and who pays for the value.*

It also helps to identify how renting, leasing, buying, commission based etc. activities have effect on revenue forecasting over the years.

Operational business activities can be focused to reduce losses and costs according to this.

Forecasting revenue for different commodities is also critical for business strategy.

There should be a clear identification of production lines, their revenue structures, net margin based on which net revenue is to be calculated.

k) Opex and Working Capital working

a. **Operating expense:** *An expense incurred in carrying out an organization's day-to-day activities, but not directly associated with production. **Operating expenses** include such things as **payroll, sales commissions, employee benefits and pension contributions, transportation and travel, amortization and depreciation, rent, repairs, and taxes.** There has to be opex projection for minimum 3 years.*

b. **Elements for working capital estimation:** While calculating the working capital cycle followings key components of the working capital has to be considered:

Cost of commodity procured (quantity procured per day, total days procurement, operating cycle - storage go-down, work in progress, finished goods, goods in transit)

c. Working capital should be calculated in terms of no. of days equivalent to procurement cost.

l) Capex

Capital expenditure proposal should be made for next 5 years. Its disbursement will depend upon appraisal of PE over the business financial years and its performance.

Value chain establishment in perspective with PE will happen over the years, as in PE might start with aggregation and over next few phases it might move into processes and packaging, so CAPEX proposal should be designed in accordance to it. Phase wise

Sr. No	Particulars	Year 1		Year 2		Year 3		Total	
		Unit	Amount (RS.)	Unit	Amount	Unit	Amount	Unit	Amount
1	Infrastructure								
	Building (renovation)								
	Machinery								
	Equipment								

2	Installation cost								
	Plant Setup								
	Office Set up (IT equipment, furniture etc.)								
3	Any Other								
	TOTAL								

m) Manpower

Please refer to the tab “Salary Budget” for an example. One should add the JD of the respective profiles. Year wise plan is to be included. Manpower cost would include full time staff on PE’s pay roll.

n) Total Cost of Business and Break-even Analysis

While undertaking financial analysis for the PE it is expected that each commodity line is treated as a separate independent profit centre. Therefore business projections and forecasting should be taken up for three to five years and break-even point should be analyzed in terms of volume as well as value. It is also expected that the business should be contribution positive from the year one.

o) 3 years Projected Cash Flow

CASHFLOW STATEMENT

Particulars		Yr - 1	Yr - 2	Yr - 3
	<i>Initial Investment</i>			
<u>Operating Activities</u>				
Earnings before interest and tax				
Add: Depreciation				
Net Cash from Operations				
Changes in Working Capital				
Add: Increase in Current Liabilities				
Less: Increase in current Assets				
Net changes in Working Capital				
Tax Expense				
Total Cash flow from Operating Activities				
<u>Investing Activities</u>				
Additions during the year				
Total Cash flow from Investing Activities				
<u>Financing Activities</u>				
Increase / (Decrease) in equity share capital				
Increase / (Decrease) in Fund from Project				
Bonus				
Receipt of short term loan				
Repayment of short term loan				
Interest Paid on loan amount				
Total Cash flow from Financing Activities				
Opening cash balance				
Total Cash Flow for the year				

Particulars		Yr - 1	Yr - 2	Yr - 3
Closing Cash Balance				

14. Financing

The guidelines on “Guidelines for value chain development through promotion of Producer Enterprise under NRETP” may be referred to prepare the budget. The budget should include i) Broad component wise budget abstract & ratios, ii) Detailed budget and iii) Budget explanatory note. A tentative Budget template may be prepared for use by NMMU.

Producer Enterprise Business Plan Appraisal Template

For Value Chain Development projects through promotion of Producers Enterprise under NRETP

State Name	
Proposal Name	
Total Score	
Appraised by	
Business Intervention Remarks	
Business Model Idea	
Appraisal recommendation(s):	

Evaluation Criteria

1) Readiness of SRLM for project implementation:

- Recruitment of Staff:** Status of the recruitment of human resource as per the advisory issued vide no.J-11060/50/2016(351142) dated 15th April 2019.

Level	Position	Provision as per the advisory	Human resource in place	Remarks
State	Senior Technical Expert – Value Chain & Forward Linkage	1		
	Project Manager- Livelihoods Training and Capacity Building	1		
	Technical Expert- Forward Linkage	1		
	Young Professional	5		
Block	Block Technical Coordinator- Forward Linkage	1		

- Status of Engagement of Technical Support Agency:** TSA for value chain development engaged

If yes, name of the TSA	
If no, what is the status	

2) Evaluation of the Business proposal.

Sr.	Area	Total marks	Marks obtained
A	Core Business Model	20	
B	Intervention feasibility	10	
C	Implementation success factor	10	
D	Operational Strategy	20	
E	Financial sustainability	20	
F	Scalability/Risk Mitigation	10	
G	Impact	10	
	Total marks	100	

A. Core Business Model			
Sr. No	Evaluation Criteria	Score	Remarks
i	Commodity selection rationale (4)		
ii	Market analysis, (customer / competition) and sales channel selection and penetration strategy (4)		
iii	Value Chain Analysis for the selected commodity(ies) (4)		
iv	Value proposition to farmer and for market. (4)		
v	SWOT analysis of the business model. (4)		
	Total marks obtained		
Comments:			

B. Intervention Feasibility			
Sr. No	Evaluation Criteria	Score	Remarks
i	Quality of risk analysis and mitigation strategy (4)		
ii	Assessment of SRLM capacity – previous experience, placement of NRETP staff. (4)		
ii	Mobilization planning or strategy (2)		
	Total marks obtained.		
Comments :			

C. Implementation Success Factors			
Sr. No	Evaluation Criteria	Score	Remarks
i	Procurement strategy for PE. (centre, centre economics, estimation, management) – 3		
ii	Fund release mechanism – 2		
iii	Management of PE (Adequate & relevant Human resource – organogram) - 5		
	Total marks obtained		
Comments :-			

D. Operational Strategy of PE.			
Sr. No	Evaluation Criteria	Score	Remarks
i	Responsibility Matrix – who does what – 2		
ii	Strategy to establish operating procedure for PE – 2		
iii	Marketing strategy (market, segmentation) – 4		
iv	Logistics & warehousing plan. – 4		
v	Pricing Strategy – 4		
vi	Operating Expenses as % of Revenue – 4		
	Total marks obtained		
Comments :			

E. Financial Sustainability			
Sr. No	Evaluation Criteria	Score	Remarks
i	Cost Structure Quality (Fixed/Var. /Direct/ Indirect) – 5		
ii	Break Even Points (volume, time) – 5		
iii	Working capital turnover planning – 5		
iv	Cost benefit analysis – 3		
v	Plan to raise finance from financial institution, members & other sources – 2		
	Total marks obtained		
Comments :-			

F. Scalability			
Sr.No	Evaluation Criteria	Score	Remarks
i	Scope of expansion w.r.t. area, market, farmers, volume – 4		
ii	Scope of business scalability and down-stream value chain activities. – 3		
iii	Scalability of PE to 5x-10x Revenue in future – 3		
	Total marks obtained		
Comments :			

G. Impact			
Sr.No	Evaluation Criteria	Score	Remarks
i	Benefit to member (economic, non-economic) – 5		
ii	Creation of social capital – 5		
	Total marks obtained		
Comments :			

Guidance note on the project appraisal

Sr.	Area	Total marks
A	Core Business Model	20
B	Intervention feasibility	10
C	Implementation success factor	10
D	Operational Strategy	20
E	Financial sustainability	20
F	Scalability/Risk Mitigation	10
G	Impact	10
	Total marks	100

A) Core Business Model

Sr.	Parameters	Yes (1)	No (0)
1.1	Commodity Selection Rationale		
1.1.1	Commodity significance in state and intervention area		
1.1.2	Commodity significance in National scenario		
1.1.3	Commodity(ies) revenue generation potential		
1.1.4	Commodity(ies) demographic (HH/Small & Marginal) coverage in targeted area		
1.2	Market Analysis		
1.2.1	Demand and Supply analysis for the targeted commodity(ies)		
1.2.2	Markets and Sales channel identification		
1.2.3	Customer segment identification and demand generation strategy		
1.2.4	Competition analysis and product positioning strategy		
1.3	Value Chain Analysis for the selected commodity(ies)		
1.3.1	Commodity(ies) value chain analysis and opportunity identification (Local scenario)		
1.3.2	Intervention strategy and value chain capturing planning		
1.3.3	Output analysis with respect to all stakeholders involved in the business		
1.3.4	Value chain opportunity analysis at National and International market (if required)		
1.4	Value proposition to the Farmer and for the market		
1.4.1	Market linkage facilities provided to the target segment farmers		
1.4.2	Platform for ease of doing business transaction facilitation for farmers		
1.4.3	Transparent and ethical business practises implementation in selected areas		
1.4.4	Backward and latent facilities (Bank Linkage / Low Transactional Cost etc)		
1.5	SWOT analysis of the Business Model		
1.5.1	Strength and Organisational positioning with respect to target sell market (Internal)		
1.5.2	Sector and company weak points and its mitigation tactics (Internal)		
1.5.3	Opportunity commodities and company captures to capitalise (External)		
1.5.4	Elements identified in the environment that could cause trouble for the business or project.		

B Intervention feasibility

Sr.	Parameters	Yes (1)	No (0)
2.1	Quality of Risk Analysis and mitigation strategy		
2.1.1	Risk identification at different business processes and transaction		
2.1.2	Risk mitigation planning and sentivity analysis		
2.1.3	Cost of risk mitigation inclusive in business financial projections		
2.1.4	Preventive maintainence scheduling and implementation in business operations		
2.2	Assessment of SRLM Capacity		
2.2.1	NRETP staff and capacity at different federation in the State		

2.2.2	Past project management experience		
2.2.3	Technical partnerships and partners' capacity assessment		
2.3.4	Capacity and resource planning of SRLM for project management		
2.3	Mobilisation Planning or Strategy		
2.3.1	Capacity and resource scheduling in according to mobilisation planning		
2.3.2	Institutional and community building resource and partnerships		

C Implementation success factor

Sr.	Parameters	Yes (1)	No (0)
3.1	Procurement Strategy		
3.1.1	Collection center location and logistics route optimisation		
3.1.2	Ergonomics study of collection center of business operations		
3.1.3	Financial cost and volume break even point analysis		
3.2	Fund Release Mechanism		
3.2.1	Defined guidelines and structure with timelines		
3.2.2	Local state policy convergence scenario		
3.3	Management of Producer Enterprise		
3.3.1	Human Resource quality and capacity planning		
3.3.2	Business operation and resource planning of PE		
3.3.3	Value proposition for farmers and producer to join PE		
3.3.4	Internal financial and marketing strategic focus		
3.3.5	Standard operational procedure defining and implementation		

D Operational Strategy

Sr.	Parameters	Yes (1)	No (0)
4.1	Responsibility Matrix		
4.1.1	RACI Matrix - responsibility assignment chart		
4.1.2	Mapping out TASKS, MILESTONE, DEADLINES and REPORTING STRUCTURE		
4.2	Strategy to establish operating procedure for PE		
4.2.1	Business processes' SOP formulation and creating transparency to shareholders		
4.2.2	Training and capacity building of PE employees regarding BEST PRACTISES		
4.3	Marketing Strategy		
4.3.1	Market and customer identification in accordance with Value Chain analysis		
4.3.2	Market segmentation and identifying sales channels		
4.3.3	Market portfolio diversification with Business goals (Visibility / Risk / Profit)		
4.3.4	Product positioning, Branding and labelling tactics		
4.4	Logistics and Warehouse planning		
4.4.1	Inbound and Outbound logistics route and cost optimisation		
4.4.2	Warehousing capacity and SOP implementation (FIFO / LIFO)		
4.4.3	Raw material , WIP and Finished good packaging and quality conserving techniques		
4.4.4	Despatch and reverse logistics (Customer Relationship Management)		
4.5	Pricing Strategy		
4.5.1	Cost accounting principle formulation for Products		
4.5.2	Study of margins of stakeholders in different sales channels (Wholesalers, Retailer, Modern Retail, Ecommerce etc)		
4.5.3	Sales promotion strategy for sales partners		
4.5.4	Pricing Strategy matrix analysis (High Price - Low Price and High Quantity - Low Quantity) w.r.t product portfolio		
4.6	Operational Expenditure structure		
4.6.1	Identification of operational cost category (Fixed, Variable, Direct, Indirect)		
4.6.2	Improving contribution margin and sentivity analysis on the basis of Volume		
4.6.3	Operation expenses analysis		
4.6.4	Operation expenses controls in SOP and implementation of best practises		

E Financial sustainability

Sr.	Parameters	Yes (1)	No (0)
5.1	Cost Structure Quality		
5.1.1	Identification of Direct and Indirect cost in business operations		
5.1.2	Defining cost structure into smaller units (Product, Service, Product line, Division,) - COST ACCOUNTING PRINCIPLE		
5.1.3	Asset Light (recommended) or Asset Heavy business model		
5.1.4	Viability gap analysis - Especially required for new business in initial years		
5.1.5	Buy, Rent or Lease model - Cost Efficiency		
5.2	Break Even Analysis		
5.2.1	Production management		
5.2.2	Sensitivity analysis (Production planning [Volume] Vs Cost [Fixed and Variable])		
5.2.3	Measuring Profit and Loss at different Operating levels		
5.2.4	Margin of Safety		
5.2.5	Timeline and planning of break - even		
5.3	Working capital turnover planning		
5.3.1	Balance between growth, profitability and liquidity		
5.3.2	Financial Health		
5.3.3	Operational Equipment Efficiency		
5.3.4	Working capital turnover ratio		
5.4	Cost Benefit Analysis		
5.4.1	Developing benchmarks for comparing projects		
5.4.2	Weighing investment opportunities		
5.4.3	Establish a framework to outline the parameters of the cost benefit analysis		
5.4.4	Scheduling and evaluation cycle for Cost Benefit analysis and implementation		
5.5	Fund Raising from Financial Institutes		
5.5.1	Developing capability and benchmarks for facilitating Fund raising from External institutes		
5.5.2	Credit assessment and evaluation for companies to avail long term and short term debt instrument		

F Scalability/Risk Mitigation

Sr.	Parameters	Yes (1)	No (0)
6.1	Scope of PE's Operational expansion		
6.1.1	Expansion through concentration (increasing market share in product line)		
6.1.2	Expansion through diversification (New Product / New Market)		
6.1.3	Expansion through Joint Venture (B2B - Private Label)		
6.1.4	Scope of supply expansion through inclusion of FARMERS		
6.2	Scope of PE's scalability in selected commodity value chain activities		
6.2.1	Expansion through integration (value chain capturing)		
6.2.2	Commodity value chain diversification (number of products can be derived)		
6.2.3	Commodity market potential		
6.3	Scope of PE's business scalability		
6.3.1	Ability to handle increased market demands (maintain or improve profit)		
6.3.2	Ability to control unit cost with increasing market demand		
6.3.3	Organisation infrastructure or management ability of handling increase volume		

G Impact

Sr.	Parameters	Yes (1)	No (0)
7.1	Benefit to members (Shareholders)		
7.1.1	Low transactional cost		
7.1.2	Value proposition to members		
7.1.3	Transparency in Patronage distribution and procurement price		
7.1.4	Ease of Doing business with PE		
7.1.5	Training and capacity building		
7.2	Creation of Social Capital		
7.2.1	Mobilisation planning		
7.2.2	Community building strategy		
7.2.3	Grievance redressal mechanism		
7.2.4	Community communication strategy		
7.2.5	Awariness programm scheduling and planning		