

SMALL FARMERS AGRI-BUSINESS CONSORTIUM (SFAC) : A CASE OF MAHABOONNAGAR DISTRICT, ANDHRA PRADESH

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Agriculture forms an important sector of Indian Economy, But, the potentialities of development of this sector, for expanding employment opportunities, reducing and eliminating rural poverty accelerating agricultural production etc., post-harvest losses, lack of adequate marketing and processing facilities and absence of appropriate linkages between producers and consumers still remains to be exploited. In fact, the Eighth Plan had attached high priority to the objectives of employment and income generation in the rural areas. In this backdrop, the government envisaged the institution of the Small Farmers Agri-Business Consortium (SFAC). Which was announced by the Honorable Finance Minister in his budget speech in February 1992.

The planning commission, the executing body of the project, designated the M.S.Swaminathan Research Foundation as the implementing agency for the project with the mandate to organize 12 major projects in different parts of the country, based on a mix of enterprises with active participation by State Government, Financial institution and farm families.

The MSSRF selected Mahaboobnagar district in Andhra Pradesh and identified Andhra Pradesh Academy of Rural Development (APARD) for preparation of action plan for the district. The APARD accordingly prepared an initial proposal for the study, which was discussed by the State Level selecting Committee on February 24, 1994. Subsequently a multi disciplinary team was constituted and the action plan was prepared.

The SFAC meeting was held on 28.12.1998, authorized MD, SFAC to appoint a third party (Agriculture Finance Corporation) to review the 12 projects prepared by MSSRF and also convert the 12 project reports into bankable projects.

Objectives

The objectives of the project as identified by SFAC are

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1. Review of projects / schemes identified by MSSRF and to what extent these are bankable and having bearing on agriculture and economy of each district in the context of ninth five year plan.
2. Screen and identify each enterprise, which can be dovetailed with the district potential linked credit plans prepared by the NABARD, and IDBI for the 9th five year plan.
3. Identify such ventures that can give additional income and generate employment through commercialization of agriculture and providing support to agri-business allied activities in the district.
4. Appraise the technical feasibility and financial viability of the projects for the joint / equity participation by the financial institutions, SFAC and the group of farmers collectively and / or individually.
5. Identification of or suggestion for the structuring of a suitable organization for each of the project components, which would be acceptable to the banks operating in that district for financing the implementation of the project.

The study identified agriculture business enterprises in six areas. They are Horticulture, Sericulture, Seed Production for oilseeds crop, wasteland development, sheep production and rearing and diary farming.

I. Horticulture

To improve the economic conditions for the farmers in the district under the SFAC, four enterprises were proposed.

a. Nursery trade

Mango and custard apple

Mango Nursery - Kolhapur and Pedda Kottapalli mandals

Custard Apple Nursery - Jadchehrla and Balanagar mandals

b. Development of Orchards

Mango, custard apple and Guava

I. Mango - Kollapur, Amangal, Balanagar and Pedda Kottapalli mandals

II. Custard Apple - Balangar, Farooqnagar, Jadcherla, Amangal and Boothpur mandals

III. Guava - Farooqnagar, Amangal, Keshampet and Kothur mandals

c. Vegetable Production

Growing improved varieties of tomato and chilly to develop 25 hectares each under tomato and chillies in Kothur and Farooqnagar mandals, Establishing a processing unit.

d. Floriculture

Introduction of marigold and increasing area under crossandra and jasmine. The mandals identified are Kothur and Farooqnagar

II. Oilseeds - Castor Seed production

To increase the availability of castor seed by organizing castor seed production in the mandals or Damaragedda, Mangamoor, Makthal, Utkoor, Narayanapet and Dhanwada.

III. Waste Land Development

Gattu Mandal with 29% of the total geographical area coming under watershed has been selected for the SFAC action plan. It is proposed to develop 400 ha. in a group of 10 contiguous villages.

Horticulture - Development of Mango, Custard Apple, Ber and Sapota

Agro-forestry - Neem and Soap nuts

Diary farming - Fodder crops production and crossbred cows

IV. Sericulture

Development of sericulture in 9 villages of Nagar Kurnool, Telkapalli and Pedda Kothapalli mandals. The activities are mulberry plantation, cocoons productions, reeling and establishing twine charka units.

V. Sheep and Diary

For sheep development Makthal Mandal has been selected. This will be done through provision of support services like heath care, wool handling, and ram lamb fattening to increase meat export, strengthening sheep producer's cooperative organizations.

Dairy development will be organized in Shadnagar Mandal.

I. Horticulture

a. Nursery trade

- Mango - 6 ha in 4 years for 3000 ha. for 24 families benefit
Custard Apple - 5.2 ha. In 4 years for 416 ha. For 20 families benefit

b. Development of orchards

- Mango - 3000 ha
Custard apple - 416 ha
Guava - 500 ha

c. Vegetable production

25 ha each tomato and chilly every year (2 years total 100 ha)

d. Floriculture

- 5 ha. - Marigold
10 ha - Crossandra
5 ha - Jasmine

e. Training farmers for grafting techniques

f. Processing unit (Mango & Tomato) - Kothur or Farooqnagar 10 tons / shift/ day

II. Oilseeds Castor Seed Production

Jyothi - 30000 ha. Seed production to cover

Kranti - 7000 ha.

GCH - 4 10050 ha.

GCH - 5 3000 ha.

Seed village approach followed by OPP scheme

III. Waste Land Development

Development of horticulture crops - 200 ha.

Agro-forestry - 160 ha. 3 years phased manner

Fodder products - 40 ha.

Would cover about 1000 farm families

Selected villages for waste land development in Gattu Mandal

1. Yellammodooli - 163.0 ha.
2. Guntur - 85.0 ha.
3. Rajapuram - 55.0 ha.
4. Penchikal Padu - 81.0 ha.
5. Argidda - 32.0 ha.
6. Tapeta - 40.0 ha.
7. Gorlakhar dodi - 28.0 ha.
8. Macherla - 49.0 ha.
9. Balgam - 79.0 ha.
10. Mallempalli - 8.0 ha.

T O T A L	620.0 ha.
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The activities proposed under wasteland development

1. Land development and Water Conservation Measures
2. Horticulture
3. Agro Forestry
4. Fodder bank and Dairy farming

IV. Sericulture

- a. Mulberry cultivation
- b. Rearing of silk worms upto cocoons
- c. Reeling Cocoons into raw silks
- d. Silk twisting and weaving.

S.No.	Mandal	Village	Area Proposal	Families
1	Nagar Kurnool	Pedda madamor	8 ha.	20
		Vampalta	8 ha.	20
2	Taklapally	Cnandilal	4 ha.	10
	Pedda Kothapally	Sajeepa	4 ha.	10
		Jonnalaboiguda	16 ha.	10
		Mandinne	8 ha.	20
		Bacharan	4 ha.	10
		Sathapur	4 ha.	10
T O T A L			60 ha.	150

And also Training Farmers in the above said activities

V. Sheep Production

Makthal mandal - 17 villages – 700 units

Components are

1. Health care
2. Ram lamb
3. Wool handling
4. Selection and supply of breeding rams
5. Training

VI. Dairy Development

The SFAC report should follow the self-help group pattern of RASS to ensure better participation of women.

Shadnagar mandal - 100 units

200 women - two milch animals

Financial Outlay (Rs. lakhs)

Enterprises	No. units	Total outlay	Farmers contribution	Loan	Subsidy	Grant
Horticulture	407	68.00	6.80	41.00	20.20	-
Oilseeds	675	50.80	5.08	30.84	14.88	-
Sericulture	150	59.00	5.90	33.00	11.25	8.85
Waste land	1000	223.72	22.37	73.00	36.31	93.04
Sheep Devp.	700	81.10	8.11	35.44	17.45	20.10
Dairy	100	70.00	7.00	38.32	11.67	13.01
T O T A L	3040	552.62 (100.00)	55.26 (10.00)	251.6 (45.50)	111.76 (22.25)	134.00 (22.25)

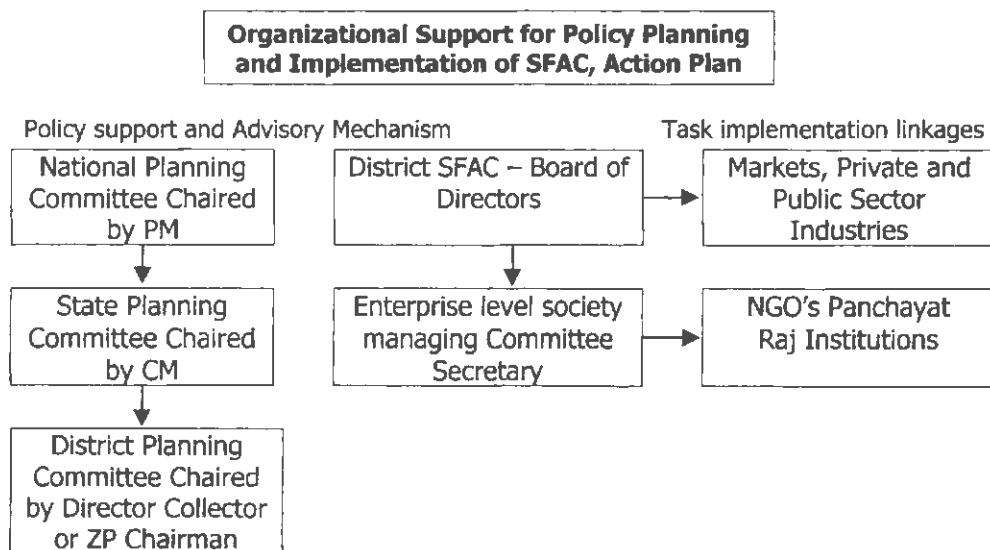
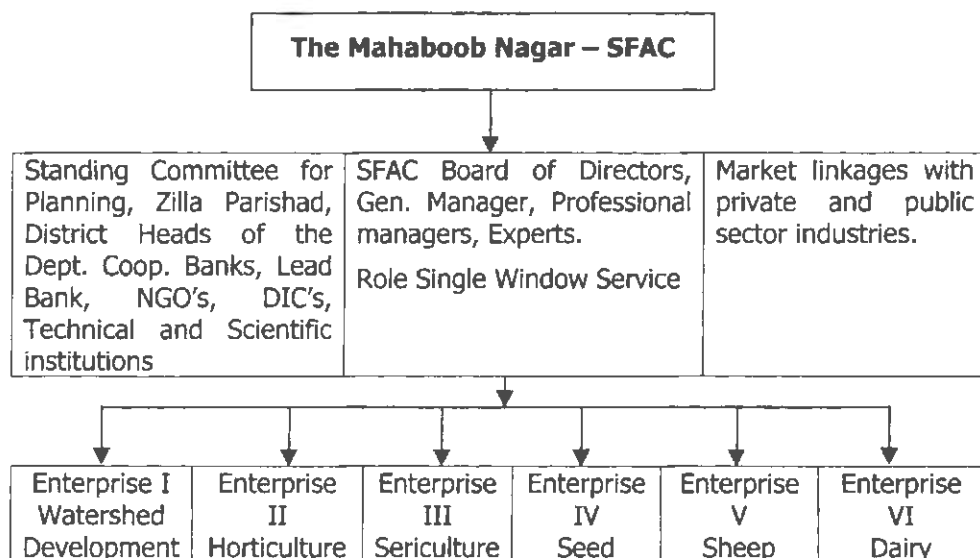
Source of Finance

Sl. No.	Item	No. of Units	Total outlay	Marginal money	Subsidy Refinance	Grant	NABARD
1.	Horticulture	407	68.00	6.80	20.20	-	41.00
2.	Castor Seed Production	675	50.80	5.08	14.88	-	30.84
3.	Sericulture	150	59.00	5.9	11.25	8.85	33.00
4.	Wasteland	1000	223.72	22.37	36.31	92.04	73.00
5.	Sheep	700	81.10	8.11	17.45	20.10	35.44
6.	Dairy	100	70.00	7.00	11.67	13.01	38.32
		3040	552.42	55.26	111.76	134.00	251.60

Organization Structure

To achieve the objectives of SFAC, appropriate organizational structure need to be identified at different levels of the production process to ensure production, infrastructural support and marketing.

The organization should ensure 'efficiency of corporate management as well as advantages of technology, investment, capital and market'.



Board of Directors

A three members Board of Directors constituted by the Corporation / Consortium will be responsible for the management of its programmes and activities in accordance with its objectives.

General Manager

The General Manager will be responsible to the Board of Directors and manage the operations of the corporations following the guidelines set up by the board. He will be responsible for administering its policies and projects. In this enterprise wise programme directors will advise him.

Training

The corporation will have arrangements with technical and Management Training institutions working at district and state level to impart training to the staff working with the corporation and the enterprise level society.

Enterprise Level Organization

Each cluster of villages identified for developing an enterprise will form a society registered under the A.P. Public societies Registration Act to run the enterprises with all the small farmers involved in it as members and one of them elected as chair person.

District Level Organizational Arrangements (Initial Years)

As suggested in the MSSRF impact, the organizational structure viz. A Joint Stock Company proposed above to function at the district level need not be set up immediately.

It would be left to the enterprise level societies to evolve a more suitable organization.

In the initial stages, the developmental infrastructure at the district level may be utilized instead of creating a separate organization for the purpose of implementing SFAC programme. A district level SFAC Committee may be constituted with the collector as Chairperson and the Heads of the District Development Departments including Agriculture, Animal Husbandry, Sericulture, Horticulture, Waste land development, (Rural Development), Forestry, Industries, Marketing and Irrigation. The Committee will also includes as members, representatives of NABARD, SBI / other lead banks, Coop. Banks, Agri-based industries, Zilla Parishad and NGO's operating in the District. The Committee

may also invite experts to its meeting for their advice on the management of identified enterprises.

The Committee may have staff consisting of one manager, who is a person with experience in banking / commercial organizations in day-to-day administration. He could be assisted in maintenance of records.

Marketing

For the District the enterprises suggested are Horticulture, Floriculture, Oilseeds, Sericulture, Sheep and Dairy Development, Marketing plays a very important role more so, in case of perishable crops like Mango, etc.

Horticulture and Floriculture

Fruits and vegetables being perishables present a host of problems for marketing. There is great risk involved in the collection of produce at a central place, its transportation to the consumers, grading, packaging and storage, etc. The starting of “**Rythu Bazaar**” by GOAP has opened up new issues in field of marketing. A number of Rythu Bazaars’ are functioning in Mahaboobnagar District of Andhra Pradesh.

Secondly under the project starting of food processing industry has been contemplated to solve the problem of marketing. Besides, it is suggested that a grower’s cooperative society could be organized with the objective of organizing whole gamut of activities ranging from collection, process, marketing of the produce to settling of accounts with farmers. The activities of Cooperative should also cover the marketing of flowers. The society may consider having their own transport for transfer of perishables like the fruits and cut flowers to the nearest city market.

Castor Seed Production

As there is lot of demand for quality seed of both varieties and hybrid, the marketing of castor seed may not be a major problem. Some of the seed producing agencies like APSSC and NSC are ready to buy back the certified seed from their registered growers. Even the farmers are ready to buy the seed from the neighbouring farmers if the quality is good. And also there is a permanent demand for castor hybrid seed in Mahaboobnagar District.

Sericulture

It is proposed to organize a Registered society of the Sericulture farmers to extend

support for input supply and marketing of the produce. Since the farmers are in experienced in running a cooperative society, it is suggested that a suitable NGO in the area be entrusted with this work so that the farmers do not feel the crunch in marketing of their produce. A regular tie up with the silk weaving industry in the area could also be organized in a systematic way.

Sheep

In order to develop the sheep trade a number of sheep societies and District Sheep Unions have been formed. These sheep societies at present are not handling the marketing of sheep, meat and wool. Even if they are doing it, the same is not to the desired extent. Therefore there is need to elevate the sheep societies to take up direct marketing of the produce of these members. The district Sheep Unions should establish close linkages with the village sheep societies and organize in marketing of the sheep and wool also.

Dairy

The Dairy Development work has to be handled by the women. In order to have better marketing of their produce, the women can form Self Help Group Schemes (SHGS) as is being done at Tirupathi under the aegis of RASS, NGO's working in that area.

Under SHG's, the women involved in the same activity are formed into groups for economy sake in raw materials purchase and marketing. These members pool their savings and their contribution for raising capital for collective purchase and organize marketing by themselves to avoid middlemen. This approach could be followed for Dairy Development under SFAC. The reasons cited for its successful operations are (i) Strong leadership, (ii) framing norms and adherence to them, (iii) cohesiveness and adjustment among members and (iv) proper accounting and management.

Schemes and Assistance

In Mahaboobnagar a number of schemes are operating at present for the various enterprises identified by the SFAC. The following schemes can be dovetailed with SFAC scheme, so that the participating farmers are benefited.

I. Horticulture

a. Introduction of hybrid improved vegetable seeds, seedlings/plant material.

The objective of the scheme is to increase the acreage under vegetables

and get higher economic returns per unit area under the scheme high quality seeds / seedlings are distributed to farmers at 50% subsidy. Under the scheme ceiling of one acre for each beneficiary has been fixed.

b. Central Sector Scheme on Integrated Development of Tropical and Arid zone Fruits (Rejuvenation)

This scheme aims at increasing the production productivity of Mango, Citrus, Guava and Sapota orchards, which are 15-20 years old. Under the scheme 100% subsidy on plant material and 50% subsidy on inputs.

The subsidy on inputs is limited to Rs.1,200/- for Guava and Sapota.

c. Integrated Development of Tropical and Arid Zone Fruits (State Sector Scheme (SSS))

The objective of the scheme is to step up the production and productivity of fruit crops by providing high yielding planting material and use of inputs.

d. Centrally Sponsored Scheme for use of plastics in Agriculture

The aim of the scheme is to economic use of water and to increase area under irrigation.

e. Centrally Sponsored Scheme for supply of Drip Irrigation Systems

The objective of the scheme is to bring area under irrigation by use of water saving devices like drip system. Under the scheme 90% subsidy is given to small and marginal farmers. This scheme is in operation since 1993-94.

f. Establishment of Nutritional Gardens (Central Sector Scheme)

The scheme aims at encouraging farmers to take up backyard cultivation of fruit crops to provide household nutrition security. Under the scheme distribution of free fruit plant material worth Rs.20,000/- in the district @Rs.25/- per farmer.

II. Castor Seed Production

a. Centrally Sponsored Oilseeds Production Programme

The objective of the scheme is to increase the production of Oilseeds. Under the project, seed production is the most important component. Under the OPP an integrated seed management is planned. Management of seed is the responsibility of the State Government in collaboration with the State

and Central Seed providing agencies. According to the guidelines issued by GOI, the State Government shall propose a five-year seed plan indicating requirements of breeder seed, foundation and certified seeds for each year and ensure their proper multiplication and distribution. The seed production programme is meant for all the oilseed crops including castor.

Under this programme, the state has planned to take up seed production and distribution of the two newly released castor varieties viz., Jyothi and Kiran. For Mahaboobnagar district the physical and financial targets for seed subsidy were 2500 qts. and Rs.5.7 lakh.

III. Waste Land Development

The Department of Rural Development Government of Andhra Pradesh, has identified 48.81 lakh hectares of wasteland and mapped using Remote Sensing Techniques in 19 districts of Andhra Pradesh. Out of this, 2.49 lakh hectares have been identified in Mahaboobnagar district constituting 13.54% of the total geographical area. The Department of Rural Development has planned and implemented a 10-year action plan for development of wasteland (1997-2007). About 3724.80 lakh allotted for developing 99 lakh ha., waste lands under DPAP, NWDPRA, DDP, IWDP, EAS, etc.

Under the DPAP Programme in Mahaboobnagar District Gattu Mandal has been covered.

IV. Sericulture

Mahaboobnagar District has sufficiently well developed infrastructure for sericulture created used NSP/DPAP/DRDA Programmes. There are 7 seed farms, 3 chowkie rearing units, 9 technical service centres besides one grainage and one reeling unit and two twisting units.

The Department of Sericulture has taken up several measures to develop sericulture in the district for purchase of seed cuttings and disease free laying. Subsidies were provided for making sheds and rearing houses. Under poverty alleviation programme the subsidy extended is 1/3rd of the unit cost to marginal farmers and 1/4th to small farmers. Programme is also implemented under National Sericulture Project (NSP). All these assistance have to effectively utilized for the small and marginal farmers being selected under the SFAC programme.

V. Sheep Farming

Andhra Pradesh ranks second in the country with 127.00 lakh sheep population

(1998). The density of sheep is highest in Mahaboobnagar district, indicating close relationship between drought and sheep rearing. The present sheep population in Mahaboobnagar district is about 25 lakh. The GOAP in this part has initiated 10 Intensive Sheep Development Projects with 7 sheep farms, yet the out reach of the services was inadequate. GOAP has initiated a number of measures for improving the lot of Shepherd Community.

The GOAP has sanctioned an Integrated Sheep Development Project in the year 1999. The project aims at increasing sheep societies / unions in the state for overall upliftment. The focus of activities in the project aim at training and enlightenment on modern and improved technologies and managerial practices including feed and fodder development, complete health care of their sheep and assisting them through supply of sheep units, Ram Lamb Units and Breeding Rams. The Project includes Training package, Health package and Distribution of assets.

The share of the Mahaboobnagar district for the above mentioned components of the project is as follows:

Sheep Rearing Physical and Financial Targets

Sl. No.	Component	Population	Targets	
			Physical	Financial (lakh)
1.	Pasture & Fodder development @ Rs.500/ha.		393 ha.	1965
2.	Sheep unit distribution		110 units	11000
3.	Breeding Ram Distribution		1965 units	39.30
4.	Ram Lamb Distribution		261 units	34.32
5.	Health Care		-	58.80
6.	Training		9050 units	9.05
7.	Marketing		-	-
T O T A L				154.435

It can be seen from the table that all the components proposed in SFAC Project are covered by the Integrated Sheep Development Project except that no funds have been provided for marketing of animals and wool. In view of this SFAC Project could be dovetailed and it can provide funds for marketing.

Conclusions

Horticulture

- i. No doubt, the establishment of nurseries for production of Mango and Custard Apple grafts in Mahaboobnagar district would help in timely availability of the plant material. But lack of adequate availability of water in the district for maintenance and production of nursery may create some problems in supply of quality grafts. It is therefore suggested that quality grafts could also be obtained from adjoining Rangareddy, Hyderabad and Kurnool districts. The cost of distributing grafts and production of the same locally would almost be the same.
- ii. Raising of custard apple orchards in the selected Mandals would be very profitable. Discussions with the Horticulture Department Officials indicated that the custard apple cultivation should be encouraged as an inter crop / border crop as raising it as a poor crop may not evoke the desired response from the farmers.
- iii. Under vegetable production increasing the production of Onions should also be included.
- iv. Under floriculture rose cultivation may also be included.
- v. The Mandals selected for the horticultural activities are suitable except that for nursery the mandals selected should be at the center of the district. The official's suggested Mahaboobnagar mandal and also presence of Agri-horticulture society can help in this activity.

Castor Seed Production

- i. Of late, a number of castor varieties and hybrids have been developed and released for general cultivation notable among them are Jyothi and Kiran varieties and GCH-4 and GCH-5 hybrid that are gaining ground over Aruna variety of castor. It is therefore suggested that more emphasis should be laid on production of certified seed of castor varieties Jyothi and Kiran followed by castor hybrid GCH-4 and GCH-5.

- ii. A well defined and well knit production programme for oilseeds has been drawn up and sanctioned under actually sponsored oilseeds production programme operating in the state. The castor seed production programme planned for implementation under SFAC should be dovetailed with OPP as the castor seed production programme under OPP would also be implemented in Mahaboobnagar district.
- iii. The selected mandals for the seed production activity are suitable and the activity can be taken in Rabi season only.

Waste Land Development

The Rural Development, GAOP has drawn a ten-year action plan (1997-2007) and implementing it from 1997 onwards. The 10 year action plan includes the development of total waste lands, degraded lands i.e., dry lands, which are being, cultivated under rainfed conditions and which require treatment of soil and moisture conservation as also the degraded forest.

- i. According to the Action Plan, the various departments, which are involved in the Development of such lands, are rural Development Department, Agriculture department, Tribal Welfare Department and Forest Department. Under the 10 years development plan, it is proposed to cover an area of about 100 lakh ha. in the entire state with an financial outlay of Rs.3758.80 lakh. It is therefore suggested that in the interest of effective implementation and higher economical returns, the SFAC programme for development of waste lands in Gattu Mandal of Mahaboobnagar district is linked up with the 10 years perspective development plan. The implementation of the programme could be entrusted to a NGO having experience in the field. Such NGO's are already available and are working in the district.
- ii. The implementation of SFAC programme and identification of a suitable NGO could be finalized in consultation with Rural Development Department of GOAP and COVOM.

Sericulture

- i. The farmers of Mahaboobnagar district generally do not come forward to take up mulberry plantations and rearing of silk worm because of the higher investment on the one hand and the problem of transporting the produce to Hyderabad market for sale on the other hand. To motivate the farmers to go in for sericulture, as a promotional activity it is suggested that the entire investment be given as a subsidy. The subsidy element should operate

for three years and alter in the next three years it should be tapered down to 10 percent, 5 percent and the nil.

- ii. The increase in mulberry plantation would result in larger and longer availability of silk worms, which will be much higher than the local demand of 500 odd silk weavers spread over the district. In order to overcome the problem of excess availability of silk worms, it is suggested that marketing and export of surplus produce be organized through registered service cooperatives/NGO's (experienced in the field of sericulture). The identified agency will organize suitable collection centres, transport to the concerned markets and offer remunerative farm gate prices to the farmers. As a promotional activity and stabilizing silk worm trade, these service cooperatives/ NGO's be given institutional finance so that they become self sufficient and organize their own business.
- iii. These service cooperatives / NGO's should also organize the marketing of the by products of the reeling industry like cocoons waste, reeling waste, etc.

Sheep and Dairy Development

- i. The Animal Husbandry Development, GOAP has sanctioned various schemes for sheep production among the schemes the most important one is the Integrated Sheep Development Project with a financial assistance of Rs.154.35 lakh for Mahaboobnagar district. The components proposed are similar to the SFAC activities and could be dovetailed.
- ii. The District Sheep Union and Village Level Unions should take active role in marketing of the sheep for better / remunerative price.
- iii. In all about 30 sheep cooperatives are operating in Mahaboobnagar District with a subscribed capital of Rs.17 lakh. These societies have to be strengthened and SFAC may provide funds for purchase of transport vehicles for better marketing. The society can charge a nominal amount from the farmers. They would be in a better position to negotiate for better prices.
- iv. The proposals for Dairy Development suggested in the SFAC report could follow the self help group pattern of RASS to ensure better participation of women. In the identified Shadnagar Mandal, VASORD (NGO) has already initiated this process.