

Stepwise Activities for Farmer Producer Company (FPC) Planning for Export Shipment of Spices



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Introduction

The Indo-German Cooperation on Agricultural Market Development (AMD Project) is a bilateral cooperation project between the Federal Ministry of Food and Agriculture (BMEL), Germany and the Ministry of Agriculture and Farmers Welfare, Government of India. The Indo-German AMD project specifically endeavours to achieve three key results:

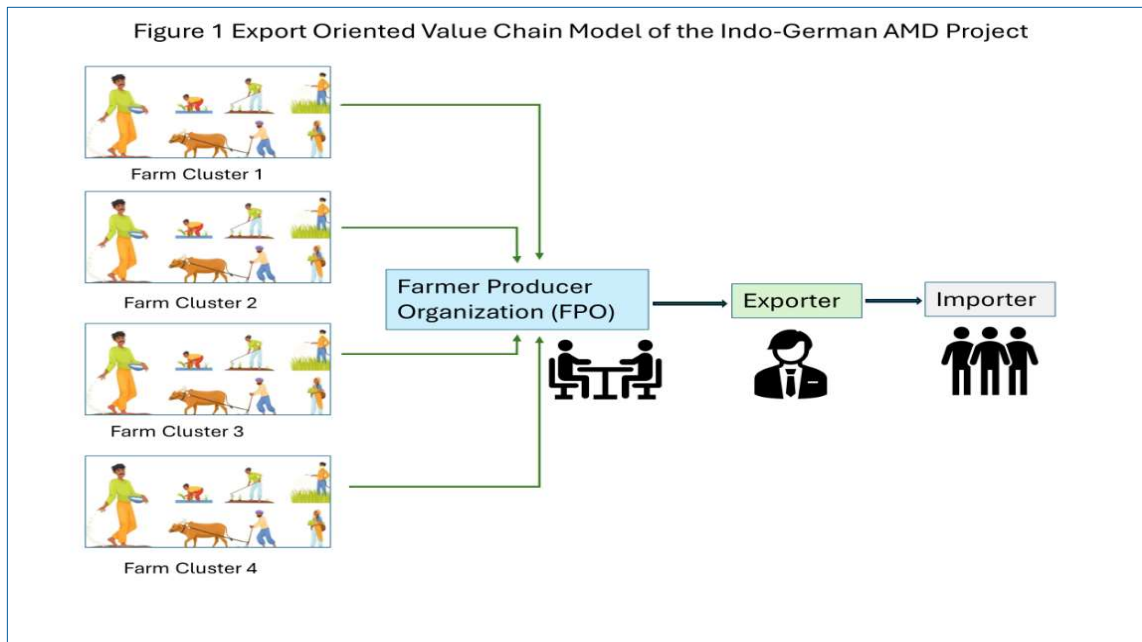
- I. To enhance the policy environment for agriculture market development and increase export potential of Indian products through a dialogue platform;
- II. To strengthen agriculture market development support services and related capacities;
- III. To integrate target farmer organisations in market-oriented value chains and enhance their access to international (EU) markets.

The project has been designed as a demand-oriented framework, combining a dialogue concept at the macro (national) level, with advice on concrete, technical processes at the meso (state) and micro (local) levels. Further details of the Indo-German AMD project can be found at- <https://amd-india.net/>

For integrating the farmers producer organizations (FPOs) towards market-oriented value chain and enhancing FPOs capacities to access international markets, the Indo-German AMD project has successfully facilitated trial shipments of Turmeric, Coriander and Cumin. The project piloted the trial shipment of spices from Odisha and Rajasthan states in April 2024 along with the FPOs, targeting the European Union markets. Based on the experience of facilitations of trial shipment, the Indo-German AMD project outlines the major stepwise activities that were undertaken by the FPOs and the AMD project to conduct the trial shipments.

The stepwise approach of major activities resonates with activities that the pilot FPOs adhered to access the international markets under the project guidance during the last one year. The export-oriented value chain model that was implemented by the Indo German AMD project was a simple linear output aggregation model; Farmers-FPOs-Exporter-Importer as depicted in figure 1 below.





The Indo-German AMD project recommends the FPOs to follow a simple linear value chain model in the initial years of export business stabilization. Nurturing business relationships with exporters and understanding international market trends, for the initial business operation years are important. With the graduation of maturity and experience, the FPOs may also evolve itself as exporter and develop direct interface with importers or international retailers. This stepwise guidance note is specifically written for the FPOs planning to implement their own export value chain for the initial years of operations.

Furthermore, it's pertinent to note that the steps described below are not an exhaustive list of all the sequential export activities but serve as a guidance note for new FPOs about the activities and corroborates the experience of the Indo-German AMD project in strengthening the FPOs export value chains.

Summary of the Stepwise Approach

For facilitating trial shipments, the Indo-German AMD project has followed seventeen major activities that spreads from the pre-sowing of the crop to the final dispatch of the finished product to the exporter. Details of each step have been elaborated in the section below.

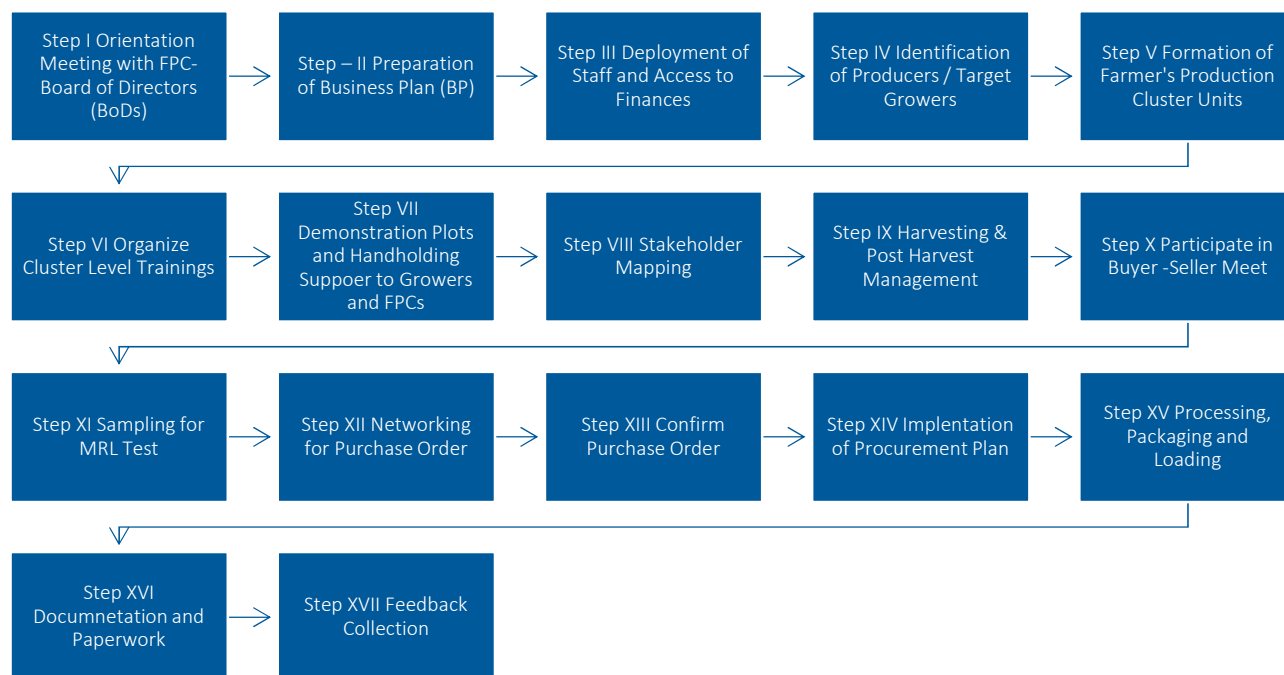


Figure 2 Snapshot of the major steps undertaken for facilitating the trial shipment

<p>Step – I (12 months before or just before the planting season)</p>	<p>Orientation Meeting with FPC- Board of Directors (BoDs)</p> <ul style="list-style-type: none"> ➤ Conduct initial meetings on the ‘Basic concept on trial shipment’ with all the Board members including CEO of FPC <ul style="list-style-type: none"> - Gauge the willingness and commitment of the Board of Directors and willingness to participate in the export operations. ➤ Plan for a training program on ‘Agri-Export Management System for FPOs” targeting the participants from Board members / Office bearers of the FPC. The content of the “Agri-Export Management System for FPOs” can be found at the Indo-German AMD project webpage. ➤ Plan scheduling of monthly meeting with Board members & office bearers. Monthly meetings ensure proper communication and accountability of the Board members throughout the implementation process.
<p>Step – II (12 months before or just before the planting season)</p>	<p>Preparation of Business Plan (BP)</p> <p>Invite all the BoDs and office bearers of the FPC along with 3-4 progressive farmers for business plan preparation exercise. During preparation of the Business Plan, the following major points should be included-</p> <ul style="list-style-type: none"> ➤ Target to frame an objective statement that includes– Total targeted

	<p>quantity of the Agri-produce for domestic markets and export markets, target export markets destinations (countries), target domestic markets, commodity form (fresh/ polished/ sorted/ graded)</p> <ul style="list-style-type: none"> ➤ Business plan should be comprehensive, realistic and practical in nature. ➤ Business plan includes variety selected, plantation time, cultivable area, approximate yield and harvesting period. ➤ Use standard format of FPO business plan that details – financial, logistic, HR and infrastructure requirements. ➤ Inclusion of risk and strategy to overcome the risk. Please prepare the timeline of all the activities that the FPC plans to undertake. ➤ Prepare a procurement plan that entails, number of clusters, number of farmers, farmers payment terms, advances, quality management and checks, etc.
Step III (12 months before or just before the planting season)	<p>Deployment of Staff and Access to Finances</p> <ul style="list-style-type: none"> ➤ To implement the agri-business plan, FPC must deploy the following staff: Chief Executive Officers (CEO), 3-4 Marketing Managers, quality manager and finance officer is minimum staff that FPC should have in their company. ➤ Accountability for all the staff should be ensured with proper reporting systems and job descriptions. ➤ Based on the business plan, required finances should be arranged. FPC needs finances for staff, procurement of farm produce from their shareholders, transportation and logistics. Please ensure sufficient credit availability. ➤ Plan for allocation of FPC own fund as well as credit channels.
Step – IV (Just before the planting season)	<p>Identification of Target Growers/ Producers</p> <ul style="list-style-type: none"> ➤ Progressive growers should be identified at the earliest. Based on the targeted quantity that FPC has planned to market (domestic/ exports), number of target farmers should be calculated. Consider using the following formula - $\text{Total Number of Target farmers} = \left(\frac{\text{Total Quantity targeted by FPC for marketing/}}{\text{Total quality of the agriproduce that a farmer can sell to a FPC}} \right) * 1.3$ <p>30% higher number is envisaged (multiple 1.3) as some of the farmers may not offer the final produce to the FPC at the last moment.</p> <ul style="list-style-type: none"> ➤ Target growers should be shareholders of the FPC. ➤ At least 33% growers should be women farmers so that the agri-business is gender sensitive. ➤ Priority given to organic growers or certified farms that can easily meet the export standard requirements in the first year.
Step – V (Just before the planting season)	<p>Formation of Farmer's Production Cluster Units</p> <ul style="list-style-type: none"> ➤ Based on the number of farmers participating in the exports, identify the potential “production clusters units”.

or during plantation time)	<ul style="list-style-type: none"> ➤ The number of production clusters units should be selected in such a way to comprehensively cover all the target farmers required to meet the business plan target. ➤ Each production cluster unit can be formed within the village of a Gram Panchayat and located nearby so that monitoring of farms operations is easy for the FPC. ➤ Ideally, 25-30 farmers should be part of one production cluster unit. <p>Example – If your target farmers is 100 and, in each cluster you have 20 farmers, we will need to form 5 Production cluster units.</p>
Step – VI (Just after the planting season- till the harvest season)	<p>Organize Cluster level Training</p> <ul style="list-style-type: none"> ➤ Regular <u>month-wise training calendar</u> should be prepared by the FPC for the farmers. The training plan should consider all aspects from pre-sowing till post-harvest management operations and sessions can be planned in a proper sequence during the span of 5 to 6 months that covers the entire cropping season. ➤ The training should be cluster based and cover all the farmers. Focus to include women farmers in the training programs. ➤ The training should consider thematic topics like- Principals of Good Agricultural Practices (GAP), Quality specification of export market standard, IPM, INM, PHM & NPOP certification, harvesting, Sorting and grading. ➤ Practical hands-on training should be provided at the farmer's field. ➤ Creation of participant's WhatsApp group will be ideal for coordination and information dissemination amongst the farmers. ➤ Keep record of all the training programs that has been conducted. ➤ Identify a resource person in each production cluster unit that will act as a linkage between the FPC and farmers.
Step – VII (During the cropping season)	<p>Demonstration Plots and Handholding Support to Target Growers & FPCs</p> <ul style="list-style-type: none"> ➤ In order to establish 'Demonstration Plots', select the farmer and farms before the plantation/sowing. Identify one Demonstration Plot in each of the production cluster units. The focus of the Demonstration Plot is to showcase the benefit of export-oriented production technologies to other farmers. ➤ Handholding and technical support are required during the land preparation, transplantation, intercultural operation, diseases and pest control and post-harvest management. Local research station professionals should be invited to provide the required technical support. ➤ Create a database of all farmers -with Sowing time, inputs (fertilizers, pesticides, irrigation, etc. applied), areas marked for export and domestic production, varieties planted, expected harvesting time, expected harvest quantity. A simple data recording format should be used to collect the data at farmer's level. ➤ The BoDs should regularly monitor the farms and keep all the records

	updated.
VIII (During the cropping season)	Stakeholder Mapping <ul style="list-style-type: none"> ➤ Once the BoDs have confirmed the business plan, discussion with different stakeholders – agri-startups, training /research centers, government officials, banks, financial institutions, logistic and transport service providers should be undertaken, and necessary support should be requested. ➤ Initiatives should be undertaken to meet the stakeholders in frequent intervals of time and keep them updated on the progress of the activities. ➤ Wherever possible, convergence of support should be regularly requested and accessed.
Step – IX (Before the Harvesting Season)	Harvesting & Post Harvest Management (PHM) <ul style="list-style-type: none"> ➤ Farmers should be well trained before harvesting the crop regarding the maturity index, harvesting methods, and prevent contamination, and farm storage. ➤ Post harvest management should include proper sorting and grading and traceability of the farmers' produce. ➤ Ensure that harvested products are clearly segregated – for domestic and export markets. ➤ No chemicals should be used during the PHM operations. Proper clean PP bags should be used to store the product. The PP bags should not be marked with any unauthorized color /ink.
Step – X (During the planting season)	Participate in Buyer-Seller Meet <ul style="list-style-type: none"> ➤ Participate in at least one Buyer - Seller meet and establish 4-5 contacts with the exporter or large domestic buyer. ➤ FPC should carry physical samples of the product that demonstrate different product forms and quality to the buyer. ➤ Convince the buyer – offer quantity; timeline of product availability; quality of product that will be delivered; (price has be negotiated on real-time basis) ➤ Collect the contract details of the buyers and get in regular touch with the exporters. ➤ Invite the buyer to make a prior field visit to the production clusters and have physical meetings at the FPC office. <p>Ask the exporters or buyers if they have any ongoing programs for farmers that can be implemented in the FPC operational areas.</p>
Step – XI (Just on the onset of first harvest)	Sampling for MRL Test <ul style="list-style-type: none"> ➤ Collect samples from each of the production cluster units as per the sampling protocol. Contact Spices Board of India to learn about the sampling protocol. The purpose of sampling is to ascertain the quality parameters of the harvest produce; specifically, the Maximum Residue Level (MRLs) as per the targeted international market standard. If the FPC is

	<p>confirmed of the quality of the produce and qualification of the produce for particular export market, FPC can better negotiate the offer prices with the exporters.</p> <ul style="list-style-type: none"> ➤ Analytical or sample tests should be conducted at accredited laboratories immediate after the harvesting. ➤ Share the samples either by sampling agent or via courier. Two samples of the desired quantity (500 gms each) should be properly labeled with permanent marker and sent in a clean sampling bag. ➤ Once the samples have been drawn, the complete lot should be sealed. ➤ All necessary parameters, including MRL level should be tested. ➤ Test reports should be available within 7 days and the report should be discussed and shared with the cluster production units. Similarly, the test reports should be shared with the potential exporters with whom market linkages need to be established. This will enable confidence in price negotiation with exporters.
<p>Step – XII (During peak harvesting time)</p>	<p>Networking for Purchase Orders</p> <ul style="list-style-type: none"> ➤ Just at the peak harvesting season, reach out to 3-4 buyers and share the physical samples, test reports (Previous year or current year), and discuss the offer prices, quality and quality of offered produce. ➤ For offer price, someone from FPC should be accountable to make real-time price negotiations with the buyer. Before quoting the offer price, understand the current domestic market rate, price fluctuations, procurement price of farmers, local transportation costs, packing cost, and sorting and grading cost, value addition cost (like single/ double polish, drying, etc). ➤ Set-up a physical or online meeting with the buyer and discuss the quality and quantity requirements, offer price, logistics, transportation cost, taxes, time of delivery, sampling and testing requirements of the buyer. ➤ Once the meeting is completed, reconfirm the price, quality and quantity and request for immediate issuance of purchase order (PO). ➤ If there is a disagreement, reach out to another buyer.
<p>Step – XIII (During peak harvesting time)</p>	<p>Confirm Purchase Order (PO)</p> <ul style="list-style-type: none"> ➤ After receiving an order for output marketing, verify the details including product form, quantity, quality, delivery schedule, unit price and payment terms. ➤ Clarify who pays for the transportation cost, loading and unloading chargers, packaging material requirement, and coordination with the local transport for delivery of produce. ➤ Confirm PO with the buyer in writing or through a formal agreement, ensuring clarity on all aspects of the transaction. ➤ Confirm PO with client with a request for an advance payment. ➤ Confirm Processing Unit for the order quantity received (if processing of the product is required)

	<ul style="list-style-type: none"> ➤ Vehicle availability arrangements. Two types of vehicles required, such as- <ul style="list-style-type: none"> ❖ Hire vehicle-1 (Pick up / Van): Used only for procured materials collection & transportation to processing unit ❖ Hire vehicle- 2 (Lorry): For transportation / Shipping of processed materials to client / exporter delivery point ➤ Confirmation to processing unit with quantity & internal agreement with unit
Step – XIV (After receiving the Purchase Order)	<p>Implementation of Procurement Plan</p> <ul style="list-style-type: none"> ➤ The marketing manager of the FPC should take an important role in procurement. The marketing manager should contact the resource person in each of the production cluster units and procurement plans should be shared. ➤ It is important to fulfill the shipment target & loading on time as agreed in the PO. The procured materials should be stored in safe and hygienic place (s) in order to avoid moisture contamination. ➤ Procurement from farmers should be done just after the harvesting season with the set of agreed payment terms. ➤ After the PO, procurement centers/ collection centers should be identified within and outside the existing clusters. BoDs from FPC as well as 4-5 progressive farmers from each production cluster should take care implementation of the procurement plan. ➤ Establish procurement Centers/ collection centers to ensure sufficient raw material procurement. ➤ Nominate 4 Board members take care of procurement from identified clusters/Farmers ➤ Ensuring quality standards like: <ul style="list-style-type: none"> ✓ Curcumin percentage ✓ Cleanliness, contamination of foreign materials ✓ Shape/ size, color and other physical attributes ✓ Pesticide residues level ✓ Moisture content ➤ Procured raw material should be shifted to the processing unit for further processing to avoid moisture loss/gain. ➤ Ensure farmers payment on daily basis as per the agreed payment systems between the FPC and farmers. ➤ Quality should be checked & taken care by FPC itself.
Step – XV (After the Purchase Order)	<p>Processing, Packaging and Loading-</p> <ul style="list-style-type: none"> ➤ Before starting the processing of raw materials hands-on training should be given to processing team for proper handling of processed materials ➤ Processing activities requires a skilled labor force so proper training and monitoring is required at the processing centers. <ol style="list-style-type: none"> i. Arrangement of Logistics ➤ Following logistics should be arranged by FPO before starting the materials processing, like PP Bag, weighing machine, Punch machine at least two,

Rope (Jute), Sewing needles, Disposable Cap, Mask, Hand Gloves, disposable Cap for processing group, Scissor & blade, liquid hand wash.

ii. Processing Plan

- Check moisture and quality before polishing of raw materials
- Understand Processing Unit Per Day Capacity. Accordingly plan raw materials arrivals to the Processing Centre
- Power supply availability / Raining Climatic variations need to consider for meeting the delivery timeline
- On holidays need to arrange alternate work force to ensure polishing work shouldn't be stopped if delivery time is non-negotiable
- Maintain hygienic at Processing Centre
- Ensure sufficient raw material availability during polishing schedule
- If works need to be carried in night shifts, sufficient labour and food arrangements needs to be made.

iii. Polishing sorting and grading

- Polishing activities requires skilled labor force
- For polishing and for the better work performance, split 4-5 female workers in a small group, lifting, bagging & weighing related work can be assigned to male workers.
- Schedule polishing duration as per client requirements
- Ensure sufficient raw material availability during polishing
- Polished materials should be taken care by the polishing unit / in-charge as per the prior agreement
- Arrangement of workers (day & night shift) should be taken care polishing in-charge as per prior agreement.
- All products that are to be exported need to be separately stored and ensure traceability.

iv. Stitching & labeling

- Final stitching & labelling work should be done by FPC staff after careful weighing (usually an additional 100 to 200 gms are added per bag to compensate weight loss during transportation)
- Machine stitching is ideal with nylon thread
- No need to label the PP bags of processed materials

v. Packaging & Loading

- After packaging lot will be ready for quality check by the designated person from exporter or buyer / trader
- Packaging & loading related work exclusively will be assigned to trained workers only and FPC should arrange for the labors
- During the loading time, check and record all the weights of the bags.
- Processed stocks or Lot should be ready at least one day

	<p>before shipment or truck loading</p> <ul style="list-style-type: none"> ➤ The truck should be clean and should be compatible with carrying food items.
<p>Step – XVI- (Before dispatch of the final produce)</p>	<p>Documentation and Paperwork</p> <p>The necessary documentation / paper works required for the trial shipment are</p> <ul style="list-style-type: none"> ❖ Collection of PO from client – FPC ❖ PO confirmation & fix loading schedule – FPC ❖ Certification and Test Reports ❖ Email to client for advance payment - FPC ❖ <u>Generation of Invoice & E-Way Bill</u> – FPC ❖ Any 3rd party agreement for the shipment – FPC ❖ Reporting to Govt. / Ministry / other stakeholders - FPCs ❖ Any legal matter related to shipment – FPC
<p>Step XVII (After delivery of the Produce)</p>	<p>Feedback Collection</p> <ul style="list-style-type: none"> ➤ Once the product reaches the destination of the buyer, collect the feedback on quantity and quality from the buyer. ➤ If any payments are pending from the buyer side, request for the completion of the payments. ➤ Always write a positive email to your buyer after the completion of trial shipment. ➤ Communicate the feedback received from the buyer to the shareholders and farmers. ➤ In needed, take necessary actions for improvement in the next season.



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