



Basix Group Experience in Agricultural Services to Small Farmers

6th October 2015

NAARM, Rajendranagar



Evolution of BASIX

Agricultural Development Services

BASIX
Krishi

- **Phase III: 2011 onwards:** Creation of separate company BASIX Krishi Samruddhi Limited to provide agriculture, livestock and enterprise development (AGLED) Services across the value chain and organising 250,000 farmers into FPOs.

Scaling up
Ag/BDS

- **Phase II: 2004 to 2010:** Adoption of livelihood triad strategy. Integration of Agricultural/ Business Development Services (Ag/BDS) with BASIX microfinance. Full credit and insurance linkages. Some input-output linkages. At peak, reached over 500,000 crop and dairy farmers.

Action
Research
Ag/BDS

- **Phase I: 1996 to 2003:** Early attempts to provide free technical assistance and support services (TASS) along with credit. This was done through non-profit NGO, IGS. Served 15,000 farmers.

Basix began with the belief that credit is a necessary but not sufficient condition to promote livelihoods

- This was based on over 15 years of prior experience of Basix founders in ASSEFA, MYRADA, PRADAN, etc. and lessons from the SEWA Bank India and BRAC, Bangladesh.
- We therefore at the outset itself decided to offer technical assistance and support services (TASS) to our credit clients, much against the “minimalist credit” orthodoxy prevailing at that time.
- As most of them were rural, their main livelihoods were agriculture and livestock rearing. Thus these two areas became the focus of TASS. Within those, the focus was productivity enhancement.
- In the initial seven years, TASS was provided free, by our non-profit affiliate Indian Grameen Services (IGS).

Enhancing productivity could mean increasing the yield or reducing the cost for the same output.

- Agricultural universities and research stations had many packages of practices for increasing yields, but their outreach was low. Initially Basix collaborated with them to provide extension services through IGS field staff.
- But we found small farmers are more keen on cost and risk reduction than increasing yields. So we decided to focus more on these two.
- One successful example of this was stem application of pesticide in cotton, which reduced pest multiplication and the need to do a large number of pesticide sprays later, cutting costs a lot.
- In case of dairy animals, simple practices like vaccination and periodic de-worming were more cost-effective than procuring high-yielding crossbred animals and feeding them.

From Lab to Land – some examples of TASS



BASIX
Equity for Equity



Agri Res Station, Tandur & NABARD Team



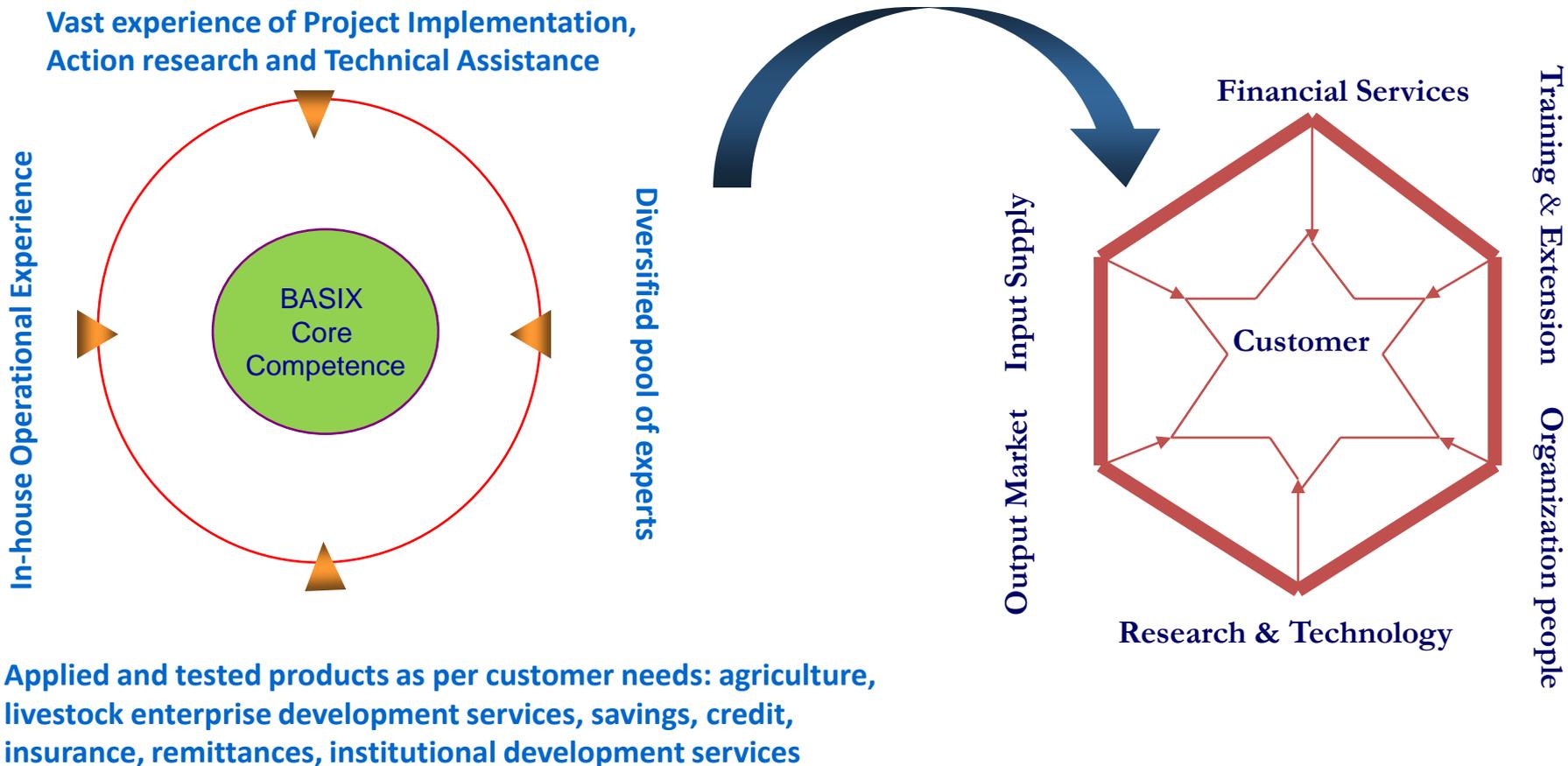
Field Visit with ARS, Tandur Scientists



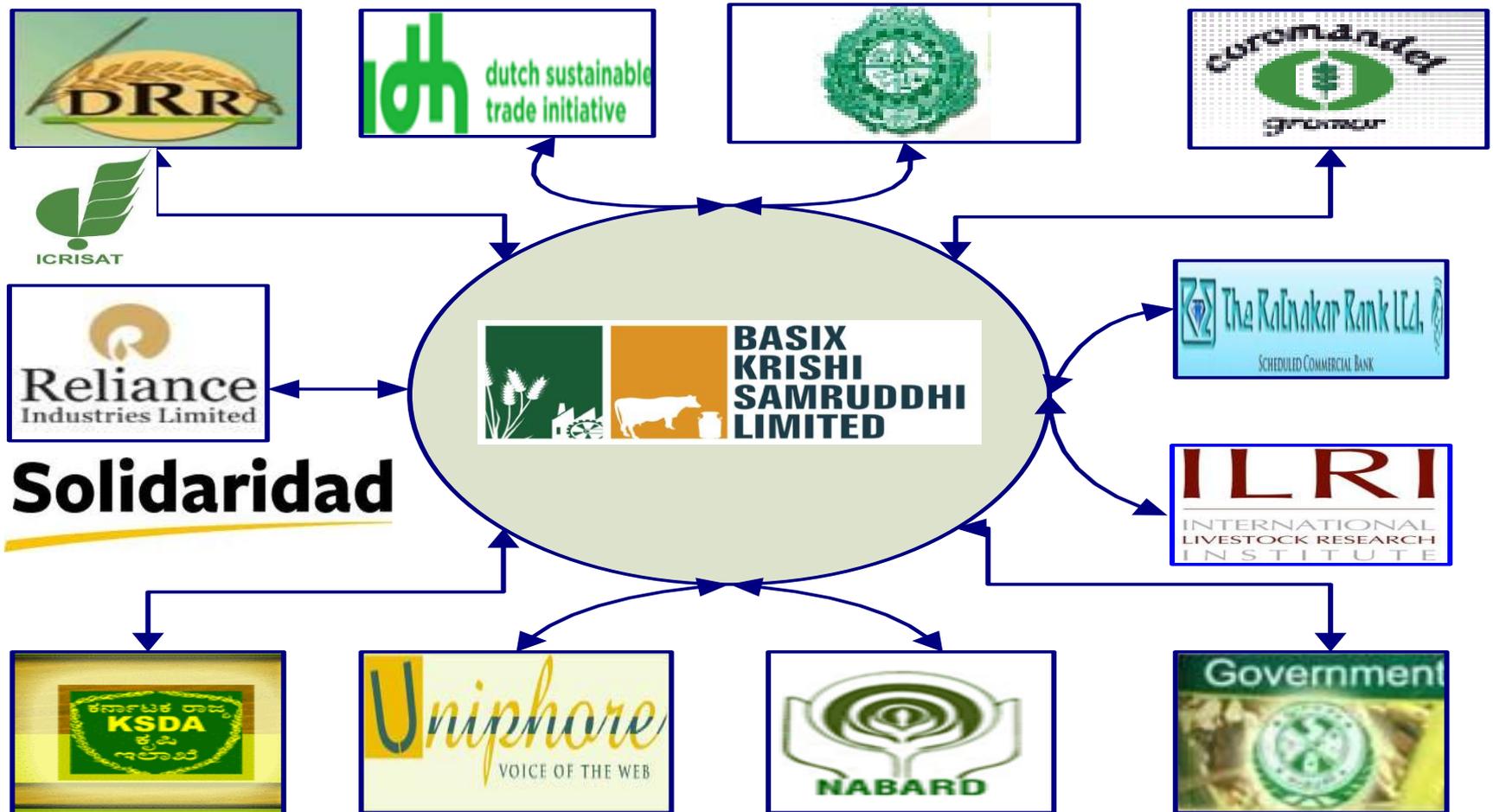
Promoting New Variety of
Redgram-PRG-158, ICRISAT

One Learning from Phase I - “we can’t do it all, so let’s collaborate”

Collaborative Polygon Approach



Some key collaborators



Lessons – Phase I - TASS

- As IGS depended on grants, it led to a situation where TASS lagged far behind credit, which was funded by bulk borrowings from banks.
- We could not provide all the services, so collaborations were a must – with agri universities, input supply companies, agro-processors
- We also found that as the services were free, many clients did not value them and also there was no accountability of field staff.
- We decided to change all this in the next phase, when we devised the Agri Business Development Services (Ag/BDS) strategy

Impact of TASS – one example



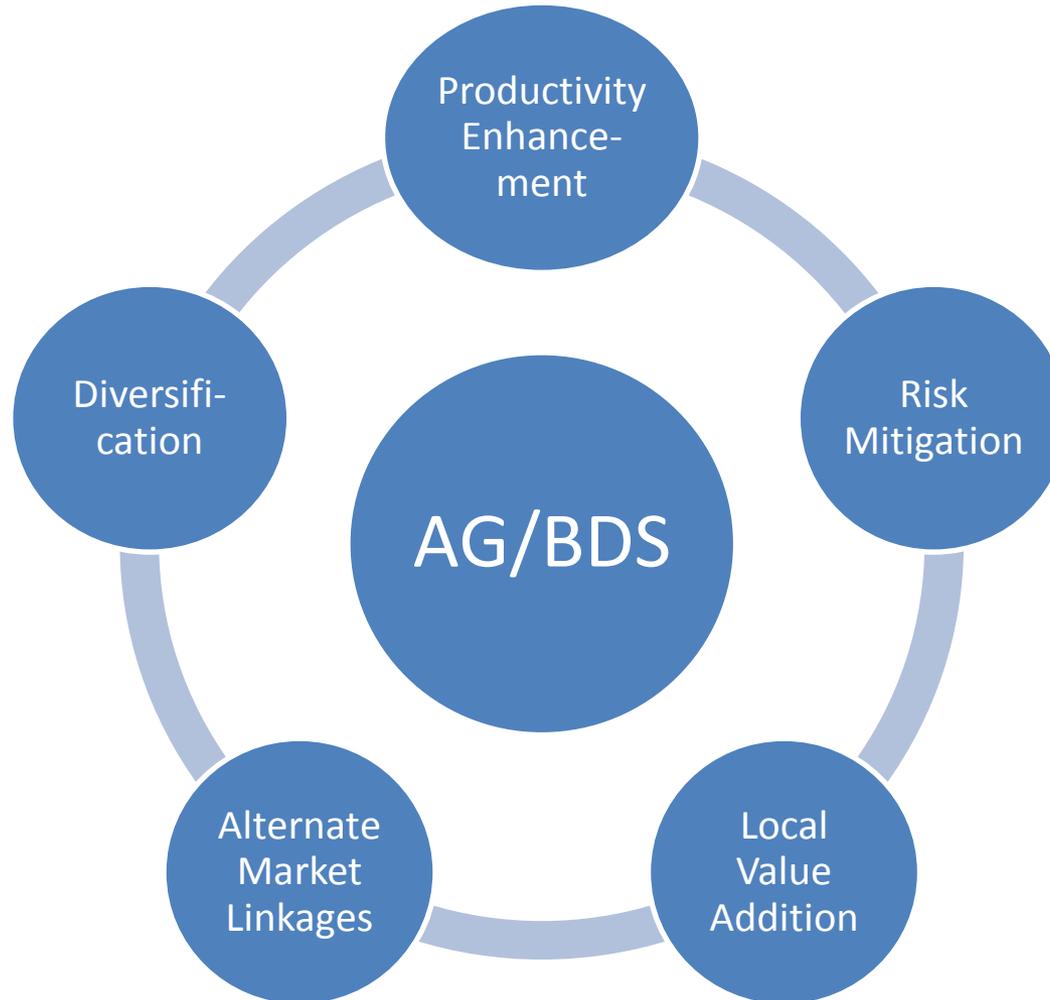
Customer: *Rina Jena*

Village: *Lochapada, District Ganjam, Orissa*

Impact: *Rina, by opting for mushroom cultivation quadrupled her family income within two years.*

Phase II 2004-2011– From free to fee-
based
From Technical Assistance and Support
Services (TASS)
to
Agricultural and Business Development
Services (Ag/BDS)

In Phase II, we were able to define the five key components of AG/ BDS



Services were “Product”-ised

Product Name	Particulars
Dairy Single	1 year service for 1 animal
Dairy Double	1 year service for 2 animals
Dairy Special	1 year service for 3-5 animals
Crop Single	6 month service for 1 crop
Crop Double	1 year service for 2 crops
Crop Special	1 year service for cash crops
Backyard Poultry	6 month service for 10 chicks

- ✓ Each service product has a product brochure for the customers
- ✓ Service deliverables are clearly communicated while registering a customer
- ✓ **Fee base service – with fees ranging from USD 10 - 20 per annum per farmer for a single crop or animal. In 2010, Basix earned about USD 2.5 million as fees for extension services from nearly 0.5 million farmers who also received credit and insurance services separately.**

Crop Service Products

- Productivity Enhancement Services
 - Soil testing.
 - Seed Identification – right seed variety, right spacing
 - Vermicomposting - Low cost locally available waste converted into rich manure.
 - Integrated Nutrient Management.
- Risk Mitigation
 - Integrated Pest Management
 - Seed Treatment.
- Local Value Addition
 - Post-Harvest grading, processing, storing and packaging.
 - Value added products at farm level: Clean Cotton, Decortications of Ground Nut, Dal polishing etc.
- Alternate Market Linkages
 - Information of Market Prices.
 - Producer Group formation for bulk purchasing and selling.
 - Facilitating input market linkages for seeds, bio-pesticides, etc.
 - Facilitating output market linkages.



Livestock Service Products

- Productivity Enhancement
 - Feed and Fodder management.
 - De-worming.
 - Artificial Insemination.
 - Clean Milk Production Methods.
- Risk Mitigation
 - Vaccinations.
 - Curative Methods (First Aid and Primary Health Check-ups).
- Local Value Addition
 - Training for Paneer / curd making / khowa etc.
 - Bulk milk chilling.
- Alternate Market Linkages
 - Facilitating input market linkages for procuring feed, fodder, etc.
 - Facilitating output market linkages for selling milk at competitive prices.



By 2010, Ag/BDS reached nearly half a million fee-paying small farmers. Lessons of Phase II – Ag/BDS

- Credit availability from the same source was a major attraction. Insurance was appreciated, mainly ex-post.
- Product standardization increased acceptability by farmers and made the field staff more accountable for specific steps of service delivery.
- It was not possible to provide Ag/BDS services for a large number of crops, so we focused on a few crops grown by a large number of farmers, such as groundnut in southern AP, cotton in northern AP, soybean in western MP, and SRI (system of root intensification) for rice paddy in Odisha.
- Markets for inputs and outputs were not favourable to small farmers. Where we could arrange some collaborations with input suppliers or produce buyers, we were able to make an improvement, but this was not always possible.

Impact of Phase II - Ag/BDS Services



A farmer is using a weeder to ensure all nutrition goes to paddy plants. These practices of SRI generally tripled the yield or more.

Phase III: 2011 onwards –

From Ag/BDS to AGLED Services

From productivity enhancement to
profiting from the value chain

through

Agriculture, Livestock and Enterprise Development
(AGLED) Services

Further model improvements were made

- With a setback to Basix microcredit work after the Andhra Pradesh crisis, we separated agri extension into a new company. But there were few takers for extension without credit.
- We found it hard to get 300-400 farmers willing to pay fees in clusters of 10-15 sq km. Increasing the area made the service quality suffer. Even the cost of field staff could not be met from fees.
- To reduce delivery costs and provide much needed services, we began aggregating farmers in high density clusters for bulk input purchase, common advisory services and collective sale of produce. Credit was offered on behalf of banks, not MFI.
- We also brought in IT solutions, for example, an application developed by I-Concept which involved farmers taking pictures, of pest-attacked plants using their mobile phones, uploading those for advice by scientists over mobile phone.

Crop services were expanded to cover the full cycle



Soil testing services



Seed treatment services



Integrated Pest Management



Market Linkage

Dairy services' scope was widened



Deworming



Vaccination



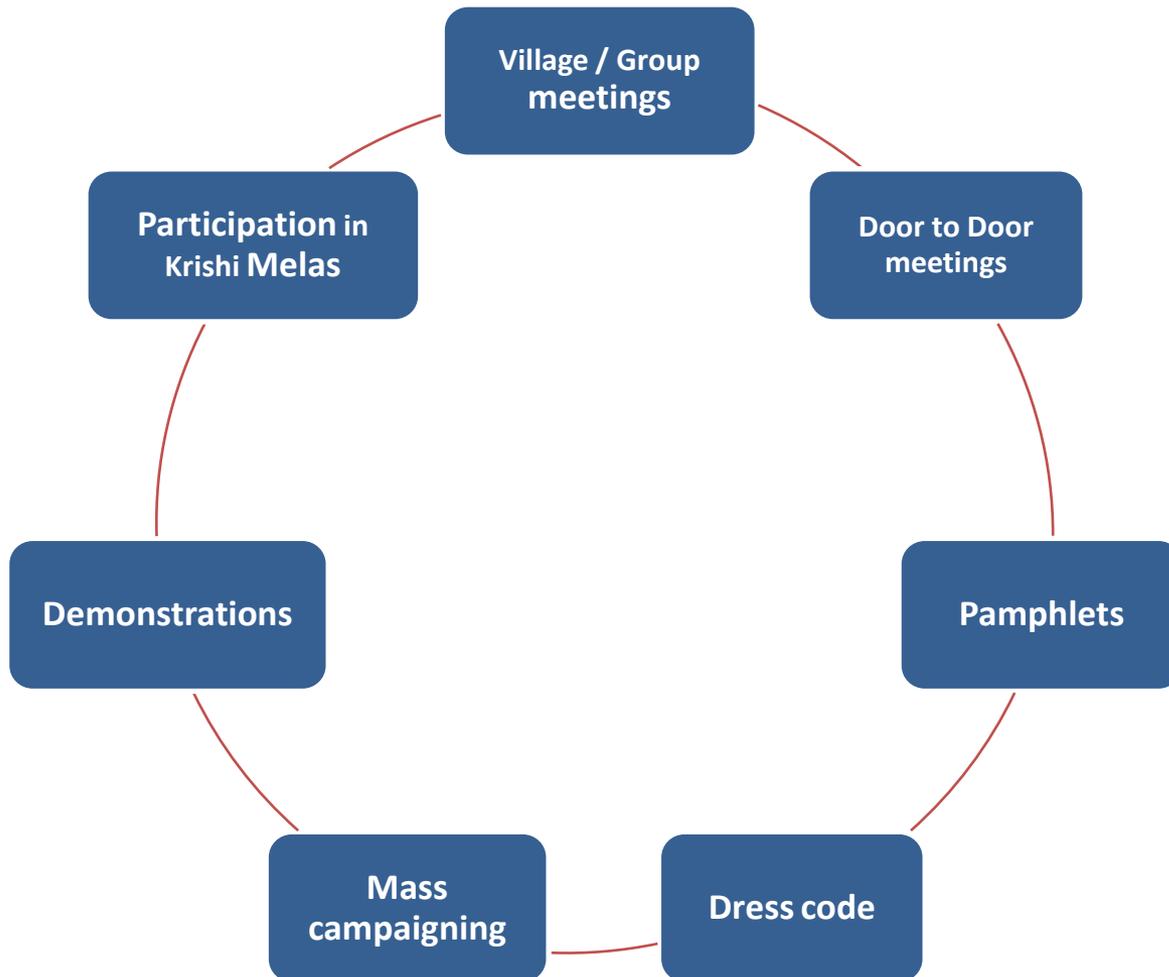
Pregnancy Diagnosis



Fodder Seed linkage & Azolla cultivation



Marketing Tools were adopted



ICT Enabled Solutions were Tried

AgriSense

FaRMTalk
Farmer Relationship Management



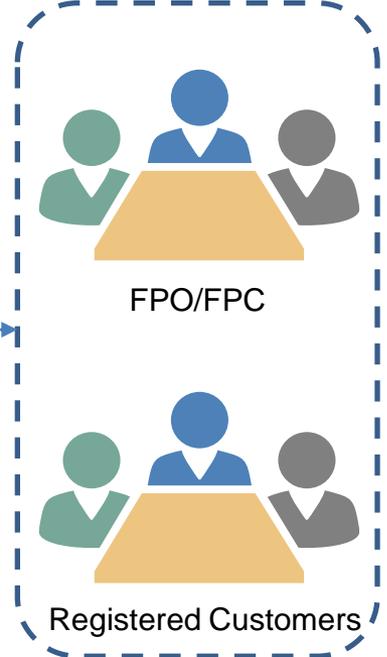
Soil Analysis Portal



CropLens



VLE at Jaypur using eAgro software



Farmer's plot

These are products being jointly developed with M/s I-Concept Ltd, Hyd

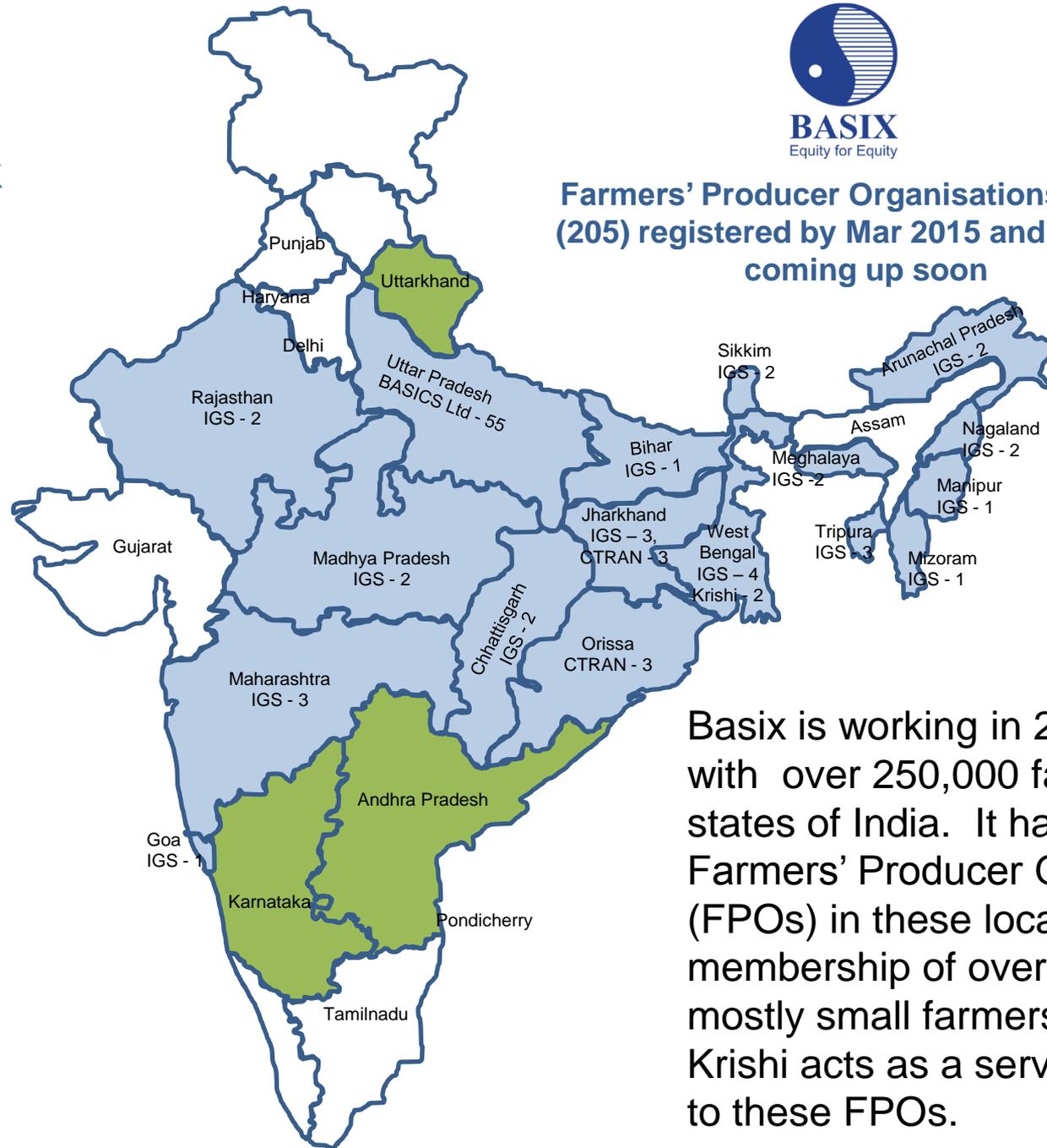
Farmers were organised into Producer Organisations

- Farmers' Producer Organisations (FPOs) can be associations, cooperatives or producer companies (a legal form introduced in 2003, which is like a cooperative under the Indian Companies' Act). These FPOs are engaged in
 - (i) bulk purchase of inputs like seed, fertilisers and agro-chemicals
 - (ii) attracting extension service providers and government schemes
 - (iii) channeling of credit and insurance services and
 - (iv) collective marketing of produce to non-local channels to get better prices.
 - In a few cases, processing is being tried, but this requires much more capital.
- These FPOs usually have a share capital of INR 1 million (USD 17000) and need working funds of INR 3-6 million (USD 50 - 100,000).

FPOs Network



Farmers' Producer Organisations - FPOs (205) registered by Mar 2015 and 50 more coming up soon



Basix is working in 250 locations with over 250,000 farmers in 21 states of India. It has organised Farmers' Producer Organisations (FPOs) in these locations, with membership of over 800-1200 mostly small farmers. Basix Krishi acts as a service company to these FPOs.

Early Impact of an FPO – A case study of Ajaymeru FPO in Rajasthan

- Ajaymeru procured 3242 MT Bengal gram worth of Rs 100.5 million from 975 farmers. The other 201 members did not bring their produce as they had made other arrangements.
- The average additional benefit to each of the farmer who sold their produce through Ajaymeru was about Rs 400 per quintal, or Rs 13,200 for the average sale of 33 quintals.
- In compensation of the services rendered, SFAC paid Ajaymeru Rs 100.5 million, a fee amounting to 1% of the value of the total pulses procured. Basix too received Rs 0.5 million for managing the procurement.

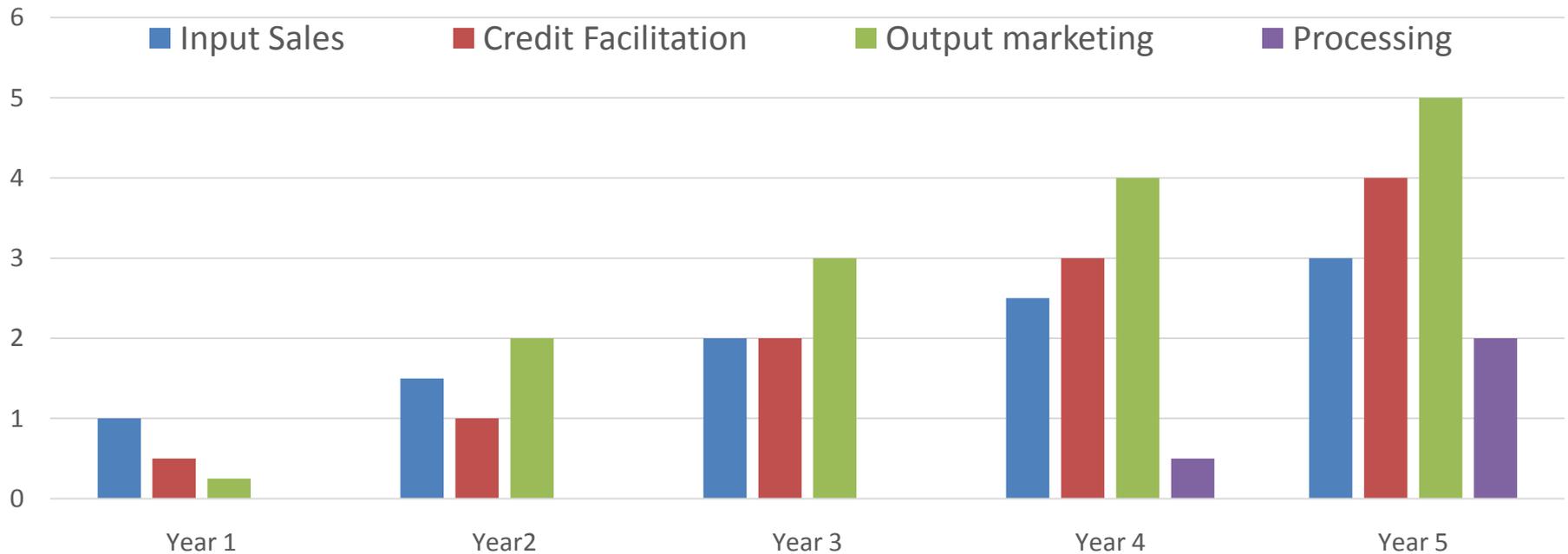


Evolution of FPOs and Role of Basix

- Aggregating farmers is very helpful both for reducing cost of service delivery and for building their enterprises such as for input supply, warehousing and agro-processing.
- In the early years, Basix formed a few FPOs in Maharashtra on its own initiative. Based on this example and similar work done by other NGOs, the Small Farmers' Agri-Business Consortium (SFAC) , a Government of India body, launched a nationwide program to organise farmers growing particular crops into FPOs.
- Basix worked on the ground with the SFAC to organise FPOs all over India. Basix research and training arm ILRT also worked with the SFAC to develop FPO supportive policies & programs.
- FPOs require building capital and capability, and will have to be done step by step, over 3-7 years, as shown in the slides below.

Stages in the Evolution of an FPO in line with constraints of capacity and capital

Evolution of an FPO's Functions – Figs in Rs Million
One Example, each FPO can be different



The big question is how to build capital of a small farmers' organisation ?

How we build FPOs' capability in 11 Steps

10. Board members learn processing business



11. Training members in holding the Board accountable

9. Training the Board in the processing business



8. Board members learn these businesses



7. Training the Board in the input sales and output mktg business



6. FPO Board members are elected



5. Awareness building of members about FPO



4. Mass members are mobilised



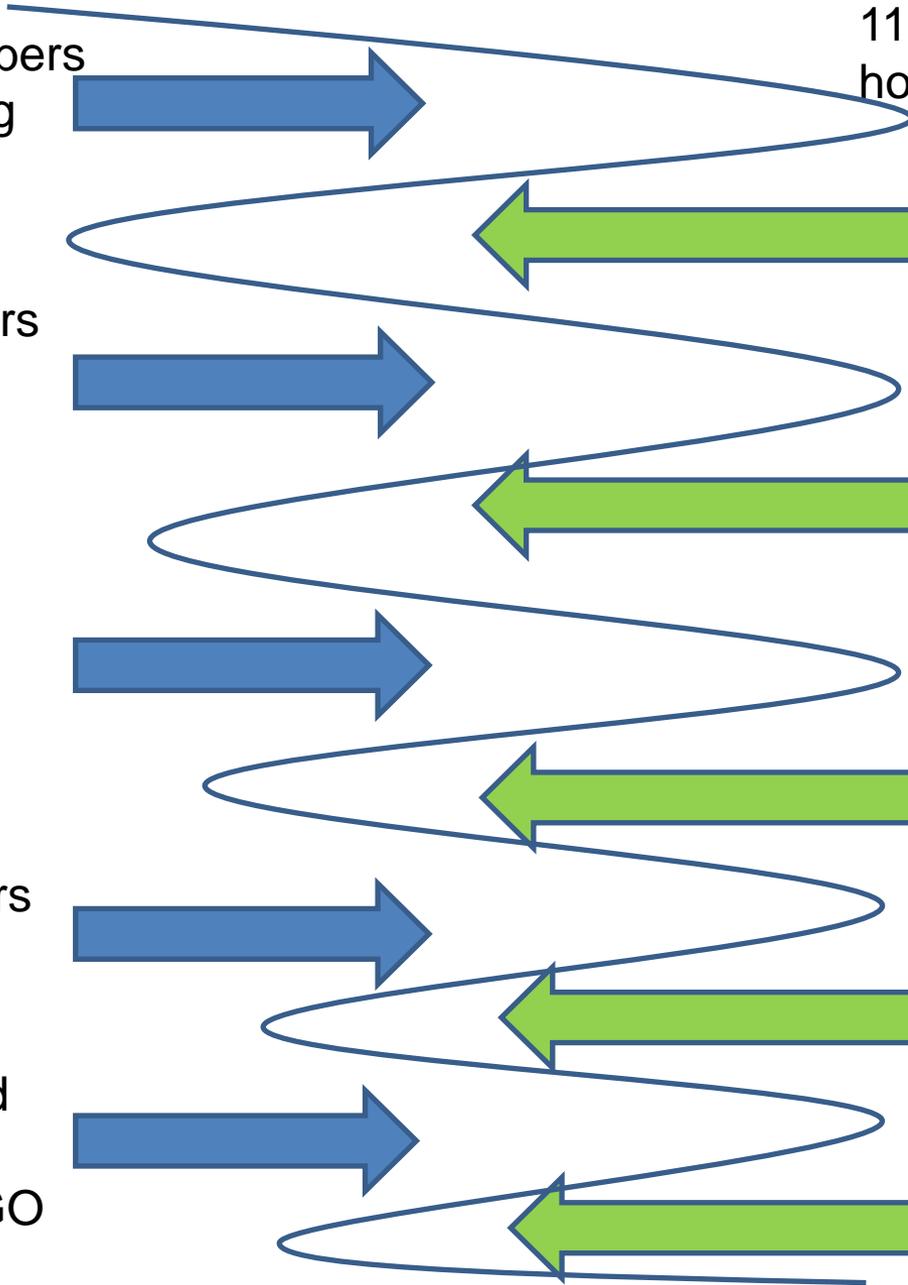
3. Capacity building support to lead farmers



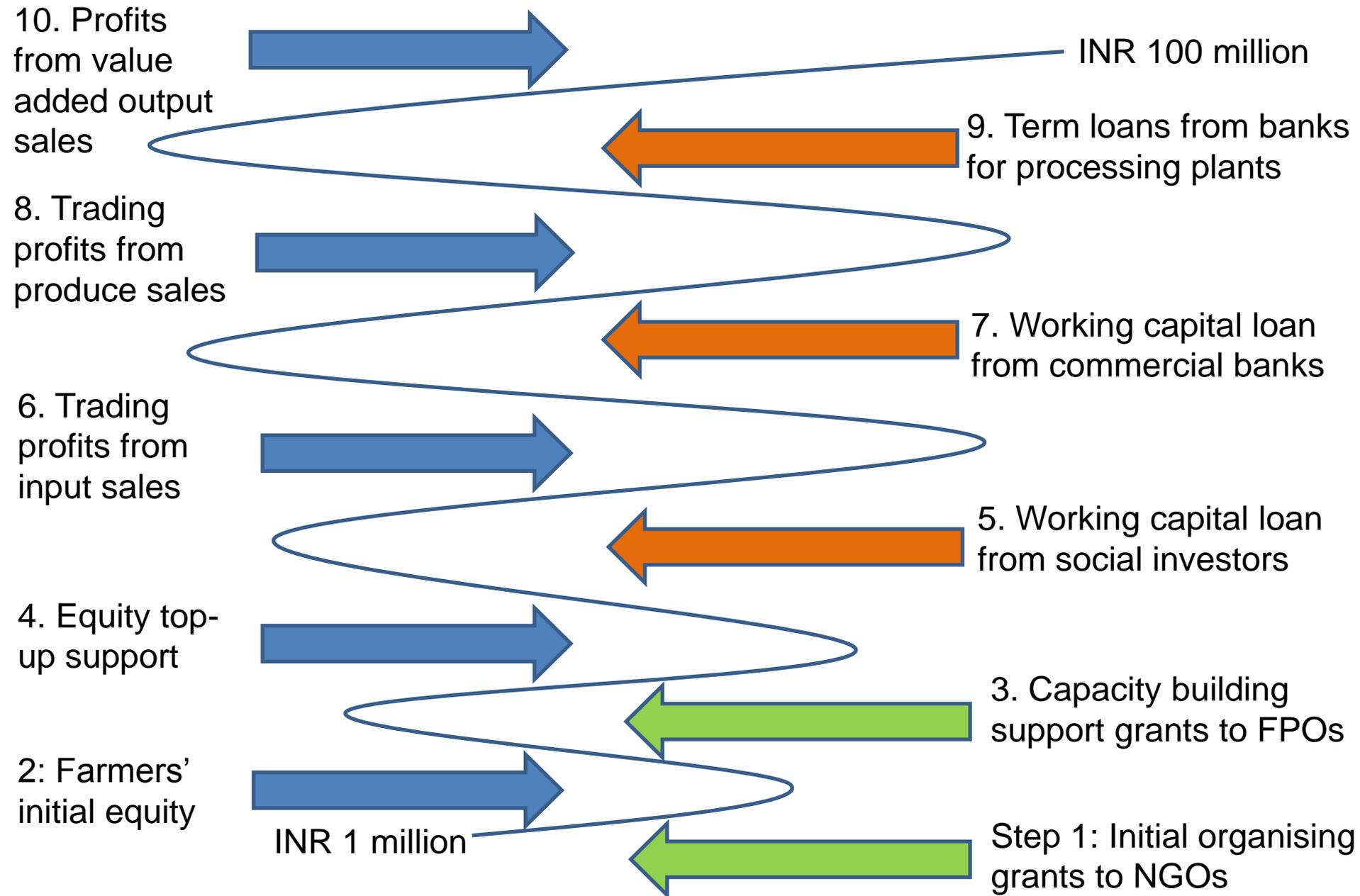
2: Potential lead farmers are identified by NGO



Step 1: Initial organising by outside NGO staff



How FPOs Can Build Capital in 10 Steps



Some lessons of Phase III – AGLED Services

bundling services and aggregating users

- Farmers are willing to pay for “physical services” like soil testing and artificial insemination of livestock. But farmers are reluctant to pay for merely advisory services, beyond one or two years. Yet these are much needed to increase productivity and reduce risks.
- Thus the provider has to earn a fee by bundling several other services - sourcing inputs, credit and insurance, and helping sale of produce, without being that business itself, through collaborators. This income can then enable delivering advisory services free.
- Aggregating farmers is very helpful both for reducing cost of service delivery and for building their enterprises such as for input supply, warehousing and agro-processing.
- To get FPOs to be able to provide these services requires building their capital and capability, which may take several years of policy and programmatic support.

Thank You

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