



# DHARANI FAM COOP. LTD – REPORT 2010-2011

## **INTRODUCTION:**

Dharani Farming and Marketing Mutually Aided Cooperative Society Ltd., (Dharani), is a producer owned business enterprise, promoted by the *Timbaktu Collective* ([www.timbaktu.org](http://www.timbaktu.org)), and is registered under the MACS Act of GoAP, 1995. Dharani acts as a link between the small holder producers (members/shareholders) and consumers while promoting ecologically beneficial agricultural practices. Its services include processing and packaging raw goods procured from farmer members, conducting marketing activities to reach viable customer segments, providing agricultural training programs to members, and monitoring and evaluating their adherence to organic certification standards set by the PGSOC ([www.pgsorganic.in](http://www.pgsorganic.in)).



Dharani ([www.timbaktu-organic.org](http://www.timbaktu-organic.org)), was set up so that its small holder farmer members could actively engage with the market. The primary intention of Dharani is to procure, process and market the produce of its farmer members, if possible at a premium price, and ensure higher returns for its members. The activities it undertakes to reach this end include training support, participatory weighing practices, procuring, storing and processing of raw goods, packaging, marketing and selling of the finished products.

## **BACK GROUND:**

The small-holder farmer, in dryland/rainfed areas such as Anantapur district, is today being systematically wiped out. They are being told that they do not know farming, their economies of scale are not alright, they need to grow hybrid or genetically modified cash crops and use nitrogen intensive chemical fertilisers and pesticides, not just if they want bumper crops but even to survive. After almost 40 years of groundnut mono cropping and nitrogen based chemicals, the soil of Anantapur district is as famished as small-holder farmers themselves, if not more. (<http://www.youtube.com/user/timbaktu141190#p/u/1/u2kIhrTA2Ho>)

In this situation, rather than buttressing the position of the small farmer, the State seems to be bent on confirming the unviability of small farming, promoting the ever growing intrusion of corporate control over agriculture, and the industrialisation of agriculture, through which the independent small holder farmer is converted to a mere supplier of labour. The proposed '*Co-operative Farming Bill*' may be another nail in the coffin of small farming in Andhra Pradesh.

At this juncture we believe that for the small-holder farmers to survive, to be food secure and sovereign, need a change of strategy. They need to start engaging with the market, not as weaker opponents, but from their so far unrealized strength of collective numbers. The small-holder farmers, masters of the theatre of survival, know this. At this juncture, in this globalised era, it is imperative that the small-holder farmers while growing good food and husbanding their soils individually, in the best ecological traditions, need to come together as collectives, as producer owned cooperatives or companies, to negotiate with the market and extract a larger share from it.

Why best ecological traditions? Because that is the only way the soil can remain healthy and productive. It means no chemicals, no external inputs, total seed sovereignty, less water



consumption, low capital costs, more bio-mass, more livestock, multiple and varied crops, multiple livelihood options, good food and good health for the producers and the consumers.

By growing, processing and marketing organic food, farmers will be able to reach out to the ever-growing demand in niche markets. This is the only way they will be able to sell their produce for what it is really worth. But most importantly they will be able to heal their lands, bring back the cattle, sheep, goats chickens into their lives, increase the productivity of their lands and earn more from their animals. They will eat better and grow what is right for themselves, their animals and their land. Leading to food security and food sovereignty, for the country and for the farmer.

## DHARANI FAM COOP. LTD :

### 1. Salient features:

Registered under	MACS Act, 1995, GoAP
Registration no	AMC/ATP/DCO/2008/2996
Date	23 <sup>rd</sup> April 2008
General body meeting (Mahasabha)	Once a year
Board of Directors (BOD) meeting	6 <sup>th</sup> of every month.
Election procedure of BOD	Directors are elected by Sangha leaders.
BOD members	Elected representatives from 12 constituencies, 3 nominated members (CEO, Chairperson TC, Board member Adisakthi)
President	Elected by BOD
Chief executive Officer (CEO)	Executes the decisions by the BOD
Share capital	Rs. 1000 / member
Interest on loans to members	12%
Decision on procurement price	BOD

### 2. Main activities during the year 2010-11:

#### 2.1 Crop procurement:

During the year 2010-11, Dharani FaM Coop procured produce worth about Rs. 2.60 million from its farmer members and other organic farmers.

An experiment was conducted to change the procurement pattern for Groundnut crop:

- Special training was imparted to all the members of the field team and BOD on procurement procedures;
- Instead of the *Dharani* team, the member of BOD and the field team were encouraged to take the responsibility of procurement;
- Farmers who brought produce to *Dharani* were given a better price than those who sold in the villages;
- 53 tons of Groundnuts was procured in this method;
- This model is yet to be tested and stabilized.

Crops such as Foxtail, Pearl, Great, Finger millets, Horse gram and Paddy were also accessed from non-member organic farmers because of high demand. As this may be done on a regular basis the *Dharani* BOD is planning to invite these farmers to join the Cooperative and take up the PGS certification system.





The details of items procured during 2010-11 are given below:

Sl.No	Name of produce	Quantity (kgs)	Value (Rs)
1	Chennakai (Groundnut)	52,834	1,269,281
2	Korra (Foxtail millet)	19,531	247,399
3	Ragi (Finger millet)	7,924	96,618
4	Jonna / Jowar (Great millet)	6,280	85,956
5	Sadda (Pearl millet)	7,739	98,000
6	Kandi (Pigeon Pea)	3,928	269,791
7	Paddy	30,515	271,726
8	Uluva (Horse gram)	7,500	130,750
9	Biscuits & others	1,500	138,396
<b>Total</b>		<b>137,751</b>	<b>2,607,917</b>

## 2.2 Sales :

During the period 2010 April and March 2011, Dharani FaM coop sold products worth Rs. 3.83 million and dispatched 406 orders.

Sl.No	Item sold	Quantity (Kgs)	Value (Rs)
1	Chennakithnal (Peanuts)	7,068	497,105
2	Chennakai nooni (Ground nut oil)	8,806	910,075
3	Chennakai chakka (Oil cake)	20,918	423,134
4	Korra (Foxtail Millet) items	7,328	252,076
5	Kandi (Pigeon Pea) Dal	3,890	315,275
6	Jowar (Great Millet) items	5,793	125,513
7	Ragi (Finger Millet) malt	1,220	136,175
8	Ragi flour	5,121	103,387
9	Sadda (Pearl Millet) items	2,126	44,808
10	Uluva (Horse gram)	5,856	139,956
11	Ground nut podi (Powder)	750	86,188
12	Rice	8,742	253,866
13	Others		544,376
<b>Total</b>		<b>77,816</b>	<b>3,831,934</b>

Products were segmented as groups of Millets, Ground nut, Rice, Pulses, snacks and others.

The different value added products developed were Ragi Malt, Peanut Powder, Peanut Butter, Millet Biscuits, and Peanut Laddu. Focus on high margin products increased in this year.

During the year 2010-11, the distribution of sales is as below:

- 25% sales came from Bangalore city
- 15% sales came local towns in Anantapur District
- 15% sales came from metros like Hyderabad, Chennai and Mysore
- 25% sales came sales at Dharani unit
- 20 % sales came from bulk selling of by-products and other items.



### 2.3 Marketing:



During the year 2010-11, K. Sairam was recruited as marketing manager. He was able to improve the sales figures considerably. Numbers of new customers have been brought in. Packing design has improved and information regarding products has been uploaded in the website. Prices have been revised from time to time according to the market conditions. Follow up was done with all debtors regularly and most of the dues collected. The efficiency in packing and dispatching the orders has also improved considerably. A Market research study was conducted by a well known organization, Centre of Gravity, and this has helped in designing the long term strategy for Dharani.

The total revenues during the year exceeded Rs. 4 million. During the year, the Dharani team participated in 8 exhibitions that were conducted in Bangalore, Hyderabad, Chennai, Kurnool, Tirupati, Madanapalli and Puttaparthi.

#### 2.3.1 New customers (wholesalers and retailers) added this year are:

Sl.No	Name of Customer	City/town
1	Namdhari Fresh	Bangalore
2	Ojas Nisarga	Bangalore
3	Deeksith Organics	Bangalore
4	Era Organics	Bangalore
5	Jeevamrita	Bangalore
6	Nisarga Alternate shoppe	Bangalore
7	Satya sai PB Store	Puttaparthi
8	Pasuparthi stores	Tirupati
9	Jyothi department stores	Kurnool
10	Sai super Bazar	Puttaparthi
11	Bon Apetit	Pondicherry
12	Bhadra Naturals	Dharwad
13	Sri Anne Organics	Chennai
14	Dhanyam Organics	Chennai
15	Pound wine	Chennai

#### 2.3.2 Promotion:

The label was improved to include better photographs of the respective crop, certification logo, brand logo, product name with vernacular name, recipe info, contact details and social cause information. New labels for ground nut cold pressed oil, rice, peanut butter, millet biscuits were printed. Promotion material like banners, pamphlets (Telugu & English), bags were designed and printed.

More information was uploaded to the website ([www.timbaktu-organic.org](http://www.timbaktu-organic.org)) and made available to internet browsers. The information includes objectives, products, recipes, contact details, info on retail outlets and nutritional values of Millets.





### 2.3.3 Other developments in the area of Marketing:

- The prices of all the products were revised from time to time according to the market situations. However, a systematic methodology for pricing is yet to be evolved.
- Price list was generated with the particulars of SKU size, dealer's price, tax details, MRP, availability status, shelf life details and sent to all dealers.
- First time buyers are asked to make advance payment for first two purchases.
- All the defaulters were followed up and Rs 0.23 million was recovered during this period but Rs 84,000 had to be waived off as *Dharani* found it difficult to recover.
- Big retails chains like Namdhari's Fresh, Safal, Heritage Fresh, Food World, K.B Fair price , M.K.Retail chain, Spencer's were contacted.
- Other prominent players like 24 Letter Mantra, Eco Agri, Pronature , Arogyam, CIKS were contacted to explore possibility of supplying in bulk.
- Contacts with exporters was established to sell IMO certified Peanuts.
- A 4 wheeler transport vehicle was purchased for delivering stock on time. A camera was purchased for better documentation.

### 2.4 Processing & Packaging:

This year good work was done in evolving processing procedures for various products, which enhanced quality of the products. Orders were taken regularly by marketing person from different customers and entered in order book. Then the material required was processed and sent to packing section for packing and labeling. After the packing, the stocks details are entered in a delivery document and an invoice is raised. The goods are then booked in Navata transport at Penukonda, a nearby town. The consignments are booked on to-pay mode.

Efficiency in packing section is increased with proper labour management. The speed and quality of packing also improved. All the orders were dispatched within a week's time. The running orders were tracked on day to day basis. Accounting package Tally has helped in increasing efficiency in this section. All the documents were reworked and records were maintained. Kavitha monitored the packing team. The packing material like plastic covers, carton boxes, plastic sheets, containers and bottles were purchased from local market. There is still scope for improvement in packaging of *Dharani* products. Packing design and quality of material used has to be improved.

#### 2.4.1 Machine purchase & Maintenance:



A mixer was purchased for processing of peanut butter. Efforts were made to increase machine efficiency. Targets were set for increasing machine income and tracked. Machine rental rates were revised. Log books were maintained. Grading meshes were made for all items and ensured that all items are graded using grading machine to reduce hand grading. Repairs were done for Oil rotaries. Oil Filter was purchased, installed and is used efficiently to reduce loses in oil. Safety walls are built at machines.

### 2.4.2 Hand Grading:

Every day 20 – 40 labours are engaged for grading of organic produce. Piece rate was worked out for each item and introduced to increase efficiency. A new recording system was introduced to track the quantity of grains processed by each woman. After an initial resistance the labourers were convinced and the productivity has doubled and average earning has increased to Rs.100/day.



### 2.5 Loans to members:

During the year 2010-11, Dharani extended

- Crop loans worth Rs 1.21 million to 305 farmer members. Out of this, 260 members had repaid Rs 1.04 million as on 31st March 2011.
- Harvesting loans worth Rs. 32 thousand to 16 farmer members which have been repaid

As an experiment, loans to farmers were extended on variable interest rates. Those who grew and sold millets were to be charged 6%, others who grew and sold Groundnut to *Dharani* were to be charged 12% and those who did not sell any produce to *Dharani* would have to repay the loan at 24% interest. Unfortunately, the crops failed in 2010 and so the BOD decided to charge only 12% on all loans.

With the help of Timbaktu Collective, 52 farmer members were helped to purchase a pair of cows each.



### 2.6 Share capital and deposits:

As decided in last the Mahasabha (2009/2010 - AGM), the minimum share capital was increased to Rs. 1000 per member. As on March 31<sup>st</sup> 2011, 750 members had paid the full amount while 400 members had paid part share capital of Rs. 500 each.

Apart from this, 480 farmers have invested Rs 2,000 each in Dharani FaM Coop. With this the total contribution of the members (both share capital & deposits) has crossed Rs. 2 million. This is about 25% of the total capital.

### 2.7 Election of Board of Directors and Formation of constituencies:



As *Dharani* was completing its third year of existence, it was mandatory that an elected board of directors took responsibility of the cooperative. To conduct elections and ensure full representation from all villages, 12 constituencies were formed. Each constituency consisting of 3 nearby villages will have one elected director supported by one farming team member (from Timbaktu Collective). The election for new directors was conducted in the month of March, 2011 in all the constituencies.



**The details of villages, old and new directors and staff are as below:**

SI	Constituency	Villages	Promoting Director	Elected Director	Field Staff
1	Kuntimadi	Kuntimadi, Shesampalli, Suddukuntapalli	M. Obilesu	M. Obilesu	Ramaiah
2	Gantimarri	Gantimarri, Ramagiri, Venkata puram	Peddakka	Peddakka	Nagaraju
3	P.Konda puram	P.Konda puram, C.Konda puram, Reddivari palli	B.C. Bommaiah	B.C. Bommaiah	Srilatha
4	Garimekala palli	GM Palli, M.C.Palli, Manga puram	Veeranna	Veeranna	Akkulappa
5	C.K.Palli	C.K.Palli, Venkatampalli, Chinnapalli	Subbama, Laxmidevi, Venkat Reddy	Hanumatha Reddy	Hanumappa
6	Pulletipalli	Pulletipalli, Kondakinda Hariyana chervu	Venkatesh	Venkatesh	Kistappa
7	NRS Palli	NRS Palli, CM Palli, CPR Palli	Maruti prasad	B.Narayanappa	P.N.Murthy
8	Brahmana palli	B'Palli I, B'Palli II, Yerronpalli	-	Narayana Swamy	Settipalleppa
9	Bhucherla	Bhucherla, RMPalli, Kanchi samudram	Suvarnamma	Suvarnamma	Narayanappa
10	Cherkur	Cherkur, Dodagatta, Kalpi	K.T.Srirangappa	N.Thippanna	Govindu
11	Rachuru	Rachuru, Syapuram, Beedana palli	Subramanyam, Akkulappa	Subramanyam	Sajjappa
12	Kogira	Kogira, Seshapuram, Maruvapalli	-	K.Nagaraju	M.C.Gangadhar

**New Board of Directors:** The year 2011 is a historic year for Dharani as elected BOD has taken charge. The members in BOD are as follows:

SI.	Name of Director	Village	Designation in Dharani
1	Mr. M. Obilesu – Farmer	Kuntimaddi	President
2	Ms. Suvarnamma – Farmer	Bhuchela	Vice President
3	Mr. B.C.Bommaiah – Farmer	P.Kondapuram	Member
4	Ms. Peddakka – Farmer	Gantimarri	Member
5	Mr. Subramanyam – Farmer	Rachuru	Member
6	Mr. Nagaraju – Farmer	Kogira	Member
7	Mr. Veeranna – Farmer	Mangapuram	Member
8	Mr. Thippanna – Farmer	Cherukuru	Member
9	Mr. Venkatesu – Farmer	Pulletipalli	Member
10	Mr. Hanumatha Reddy – Farmer	Chinnapalli	Member
11	Mr. Narayanappa – Farmer	CPR Palli	Member
12	Mr. Narayana Swamy – Farmer	Brahmanapalli	Member
13	Ms. Subbamma – Farmer – Director Adisakthi MATCS	Venkatampalli	Nominated Member
14	Ms. Leelavathi – Farmer - Director Adisakthi MATCS	Basinepalli	Nominated Member
15	Mr. C.K.Ganguly – Social worker – Farmer – Chairperson Timbaktu Collective	Timbaktu - Chennekothapalli	Nominated Member

### 2.7.1. The Important decisions of the Board in year 2010-11

- A four wheeler auto should be purchased for transport of material.
- An Oil filter should be purchased.
- Director's elections to be conducted in March 2011.
- Approved Brahmesh resignation
- Appointed Murugesan as new CEO
- Dharani will go in for IMO organic certification
- Get help from Timbaktu Collective to help members buy "Halikar" cows
- Directors to receive honorarium of Rs. 100/day when working for Dharani
- Dharani hotel to be leased to Shantamma
- Waive off Rs. 84,000 receivable from bad debtors.
- Reorganize membership as per Bye-laws.



### 2.8 Finance & Administration:

- Tally, an accounting software introduced for accuracy, transparency and speed. The software has helped in managing data properly.
- Retailers and other customers contact details along with TIN numbers, e-mail ids were databased for effective communication.
- Information was passed on to dealers by e-mail from time to time.
- Price labels were printed with the help of a new Barcode Machine

#### 2.8.1 Financial Snapshot of Dharani in last 5 years:

Year	Revenues	Direct expenses	Gross profits/ losses	Indirect expenses	Profits / Losses
2006-07	723,205	605,578	117,628	156,837	(39,210)
2007-08	3,049,010	2,719,378	329,632	489,645	(160,014)
2008-09	1,611,635	1,308,754	302,881	358,369	(55,489)
2009-10	3,305,125	2,832,663	472,462	474,259	(1,797)
2010-11	4,167,461	2,945,844	1,221,617	1,110,736	46,700



### 2.8.2 Financial Projections for next 2 years:

Year	2011-12	2012-13
Revenue	6,500,000	10,000,000
Direct Expenses	4,800,000	7,800,000
Gross Profit	1,700,000	2,200,000
Indirect Expenses	1,500,000	1,700,000
Net Profit	200,000	500,000

### 2.9 Investors:

All the investors were contacted either through e-mail or regular mail or phone. As per decision of the Board of Directors, all the loans accepted in 2005/2006 were repaid. Fresh loans were accepted on two conditions.

1. The loan should be interest free and
2. The repayment will be made in March 2013.

A total of 41 investors have given Rs. 1.939 million as interest free loans to Dharani FaM Coop. Ltd.

### 2.10 Legal & Statutory

- Dharani has all legal requirements such as factory license, TIN number, PAN and registration with Legal metrology Dept., in place;
- To safe guard the brand from duplication, Trade Mark registration and packing registration are being done. The process has started and will complete in 2011;
- Tax assessment was completed for year 2008-09.
- Way bills were sent for orders worth more than Rs. 10,000 for interstate customers.

### 2.11 Certification Process:



While Dharani is following Participatory Guarantee System methodology for organic certification according to standards set by the PGSOC ([www.pgsorganic.in](http://www.pgsorganic.in)) some wholesale buyers are demanding third party certification. So the BOD decided to go in for a parallel IMO certification from this year. The process began in 2010-11.



## 2.12 Team:

Dharani FaM Coop has a team of 15 full time members. Brahmesh was the CEO, in charge of overall operations and reporting to the BOD during this period. Kavitha is the team leader of packing and Admin team. Obilesu is team leader of processing and machine operations team. Sairam heads the marketing team. Brahmesh, Sairam, Obilesu and Kavitha formed the core group of Dharani.

*Designations of team members during the period are as below:*

Sl.No	Designation	Name of staff
1	Chief Executive Officer	Mr. Brahmeswar Rao. K
2	Marketing Manager	Mr. K.R.Sairam
3	Administration & Accounts	Ms. M.R.Kavitha
4	Stockiest	Mr. A.B.Obilesu
5	Machine Supervisor	Mr. B. Seenappa
6	Vehicle Supervisor	Mr. B. Devaraju
7	Packing section supervisor	Mr. P. Noor Mohammed
8	Packing Assistant	Ms. T. Sivamma
9	Packing Assistant	Ms. E. Ramanamma
10	Machine Assistant	Mr. K. Venkatesh
11	Grading Supervisor	Ms. K. Lingamma
12	Grading supervisor	Ms. B. Laxmidevi
13	Watchman	Mr. Chandrayudu

### 2.12.1 Chief Executive Officer:

Mr. Brahmeswar Rao submitted his resigned as CEO of Dharani in March 2011. This was accepted by the BOD in March 2011. He will be working with Dharani till end of May 2011.

The BOD appointed Mr. K. Murugesan, a graduate of IRMA, with around 5 years of experience in business enterprise development, as the next CEO with effect from May 2011.

## 2.13 Things to look into during year 2011-12

- Increased efficiency in processing and packaging to deliver consignments on time;
- Maintaining consistent quality;
- Making available products round the year;
- Focusing on value added products;
- Procuring more produce from the members of Dharani;
- Improving packaging - make cost effective while ecologically sound;
- Following up with IMO for certification;
- Strengthening PGS certification process in field, improving documentation and ensuring there are no inconsistencies in data;
- Early Tax assessments for year 2009 & 2010.



## 2.14 Future ideas for Dharani:

- Expanding processing facilities to mandal headquarters;
- Inviting membership and PGS to other villages in the area and other mandals;
- Setting up a Dhaba and / or shop on Highway;
- To market products of other farmer owned cooperatives.

### CONCLUSION:

The year 2010-11 has been a good year for *Dharani FaM Coop Ltd*. It recorded its first net profit. It held its first elections for the Board of Directors. Most systems are in place and is poised for take off. Wishing the new Board of Directors, the new CEO, K. Murugesan and his team all the very best.