



**AGRICULTURE AND ORGANIC FARMING GROUP INDIA
(AOFG India)**

ANNUAL REPORT 2011



29/201, East End Apartments, Mayur Vihar-I Extn., Delhi – 110096

Tel: +91 11 2274 2592, 98681 87397

Email: aofgindia@rediffmail.com, emkoshy52@gmail.com

Websites: www.aofgindia.com, www.aofcindia.org, www.westernghat.org

INTRODUCTION

AOFG India is an NGO (Registered Public Charitable Trust U/s. Act 1882) Working in the rain fed and hill slope farming areas of India since 2001. AOFG India started with a network of 35 NGOs geographically spread over North East India, Andhra Pradesh, Maharashtra, Uttrakhand, Himanchal Pradesh and Kerala and continues to support them in project development and implementation. The focused program is to benefit the rural communities in capacity building, human resources development and organic agriculture in rural development, crop value addition, marketing and income generation. Technical training and its application have taken centre stage in all the promotional activities.

During 2006, AOFG India Trustee Board decided to promote a new initiative of rural development activity in involving small and marginal farmers to benefit from economic liberalization and market economy of the Country. Since then, AOFG India is on the process of building a model project on Farmer Limited emerging out of farmer organization setup, nurtured, owned, operated and managed by the farmers with professionals as its paid employees. During February 2008 at New Delhi and October 2008 at Rajagiri school of Social Science in Kerala has organized workshop on Public Private Partnership in agricultural innovations and again in January 2009 AOFG India with AFCL (Agriculture Finance Corporation limited) has organized a round table discussion on promoting Farmer Limiteds in the Country. It was strongly proposed that AFCL may come out with HR / training and Education program and guide book to facilitate the formation of farmer companies of small and marginal farmers live in the rural areas.

AOFG India on its own with small and marginal farmer associations promoted six farmer limiteds focusing coffee, spices, vegetable, cotton, pulses, apple, other fruits as entry crops with quality production, procurement, value addition, storage and marketing. Farmer limiteds is building and setting up value addition, processing and storage infrastructure at the production areas for gainful marketing for better economic returns. The farmer limiteds brought market to the villages where production is taking place. Farmer Limiteds are enhancing and mainstreaming the small and marginal farmers in economic liberalization and market economy of the country. AOFG India project development has organized and set up farmer organizations in the rural areas as members to the farmer private limiteds: Cotton & Pulses;- Zameen organic Pvt. Limited, Western Ghat farmers limited for coffee and spices to demonstrate the new initiatives in organic agriculture for rural development. So far we set up seven farmer limiteds in different States and agro climate zones. The farmer companies are linked up with Rabo Bank, Yes Bank, The South Indian Bank and Indian Overseas Bank for securing credit and working capital requirement.

Eighteen NGOs has now become independent on their own and having an annual budget of Rs. 5/- Lakhs each per year to promote development activities without the help of

AOFG India. One of the key areas of activity of the NGOs is the promotion of organic farming, production, organic certification and marketing. Capacity building, quality extension activities are focal to farmer centered activities. Details on farmer limiteds can be viewed from www.aofcindia.org, www.westernghat.org and www.aofgindia.com.

AOFG India & Networking Activities

AOFG India is working in close cooperation with Planning Commission of India, development ministries of Government of India, Small Farmers Agri Business Consortium, Agriculture Finance Corporation of India and financial institutions.

Technology is an important instrument of production and processing activities. We are working with Department of Scientific and Industrial Research and CSIR Laboratories of Government of India.

AOFG India and Farmer Limiteds are working with Fresh Food Technology India, Fresh Food Technology Netherlands and Van Amerongem, Tiel the Netherlands in setting up processing facilities and specialized godown facilities of fumigation and vacuum packing facilities. All processing, storage and packing facilities are based on Oxygen and Carbon dioxide. No synthetic chemicals are used.

Farmer Limiteds are members to Business Organizations at the regional level and at National level: Indian Chamber of Commerce and Industry. We are on the process of becoming members to Indo German & Indo Dutch Chamber of Commerce and Industry.

AOFG India and Farmer Limiteds

AOFG India has promoted the following Farmer Limiteds with the support of SHGW the Netherlands.

1. Kumily Organic Agro Farming (P) Ltd : Coffee & Spices, Idukki Dist
2. Adimali Organic Agro Farming (P) Ltd : Coffee & Spices, Idukki Dist
3. Wayanad Organic Agro Farming (P) Ltd : Coffee & Spices, Wayanad Dist
4. Western Ghat Agricultural Products Processing (P) Ltd (WAPCO), KINFRA – SEZ, Kakancherry, Malapuram Dist
5. Mondhol Agro Farming (P) Ltd, Apple & Vegetables, Shimla Dist
6. AOFG India Consultancy India (P) Ltd, New Delhi

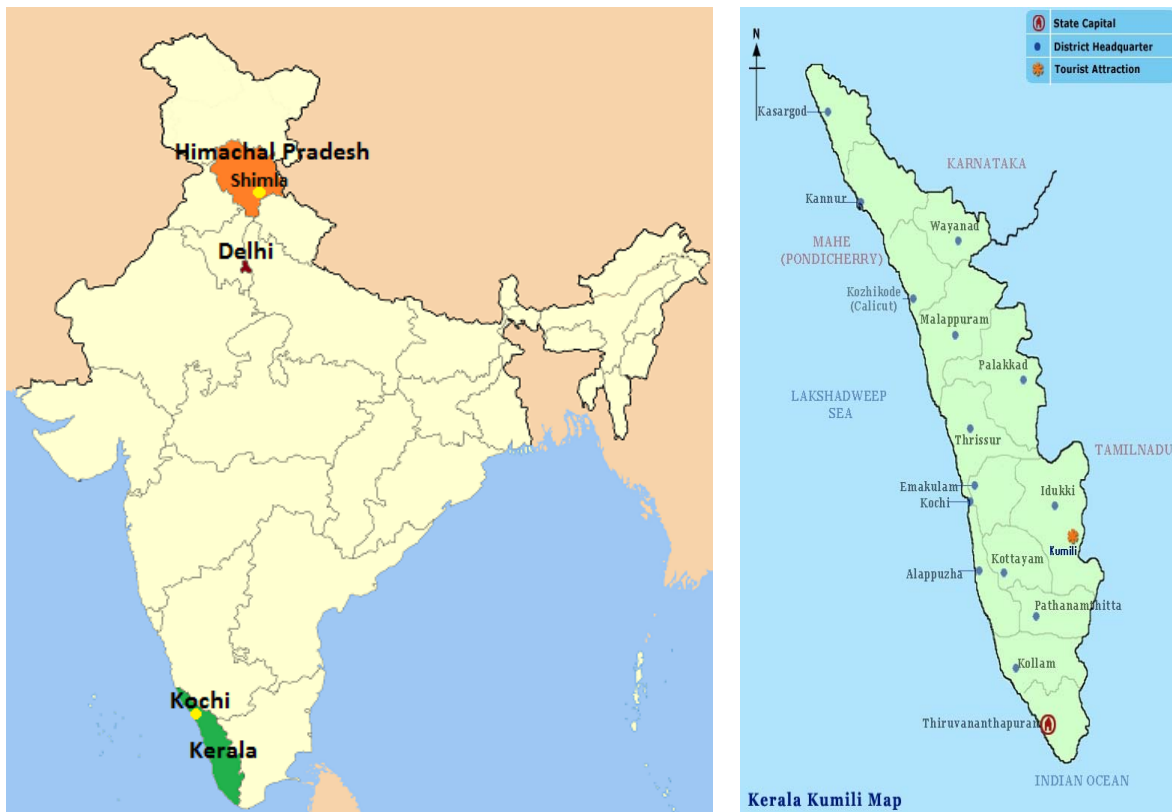
The farmer companies are model initiatives which can be replicated if found suitable. That is the goal of AOFG India. The initiatives of Farmer Limiteds are supported by SHGW the Netherlands. The support is part of CSR of SHGW

The farmer limited initiatives are monitored under Social Return on investment (SROI) and this exercise is carried out jointly by our staff team and Context International, The Netherlands.

The farmer limiteds are set up with promoters: AOFG India, SHGW NL and FFT India and Farmer Associations. Each Company is having Five Board of Directors: Promoters, farmers, Experts and investors. Farmer Associations owned 49% of shareholding and

promoters have 51% shares at present.

Our Operational Area Locations



Kumily Organic Agro Farming (P) Ltd

Kumily Organic Agro Farming (P) Ltd is set up during 2008. The Limited is registered at New Delhi and the operational area is part of Idukki District, Kerala State part of Western Ghats. Company is mainly involved in coffee and spices procurement, processing and marketing. Intensive extension activities are carried out among the farmers for quality production as well as quantity. So far, small and marginal farmers never produced coffee parchment and that was the prerogative of big plantation companies. The Company is giving INRs. 6 – 8/- more per kilogram of coffee to producer farmers in comparison to local purchasers. In the case of spices the benefit to producer farmer is Rs. 15/- more per Kilogram as against the local purchasers. Farmer associations collect the produce at the villages and the farmers need not spent time and money for transporting the same to local market and selling places including the shops of local purchasers.

Fair Trade Producer Association

AOFG India made good efforts in capacity building of farmers and local community and they set up farmers own registered association namely Fair Trade Producer Association (FTPA). The association is assisted to secure Fair Trade Certification for their produces and is benefited by fixed fairtrade price and additional remuneration of fair trade premium. Farmers are also undergoing organic production and being certified as Organic

producers. FTPA Kumily is a membership based organization and is having 3,250 farmer members.

Coffee Pulping Unit

Kumily Farmer Limited has set up a Coffee Pulping and processing unit with an installed capacity to process 5000 MT Coffee and Spices. The Unit have 28,000 Sq. Feet Drying yard and storage facilities. One season can procure and process 5,000 MT Coffee berries and 3000 MT Spices of Black pepper, nutmeg, vanilla, small cardamom and minor spices. The equipments are imported from Columbia (latest Technology) which is highly environment and eco friendly and use limited water for coffee processing. The Unit is spread over 3 Acres of land. Location: Pushpagiri, M.K. Padi P.O., Kattappana, Idukki District, Kerala State. Company Office and staff members operate from Pushpagiri.

The coffee procurement of Arabica and Robusta for 2011-12 seasons is 1000 MT & 1250 MT respectively. Besides, 300 MT Spices (Black Pepper and Nutmeg) will be procured.

Marketing

Our produces are fairtrade and Organic (IC2). We sell our produces to Indian companies and now we will export our produces to Europe and USA under the Fairtrade channel.

Adimali Organic Agro Farming (P) Ltd

Adimali Organic Agro Farming (P) Ltd is set up during 2008. The Limited is registered at New Delhi and the operational area is part of Idukki District, Kerala State and part of Western Ghats. Company is mainly involved in coffee and spices procurement, processing and marketing. Intensive extension activities are carried out among the farmers for quality production as well as quantity. So far, small and marginal farmers never produced coffee parchment and that was the prerogative of big plantation companies. The Company is giving INRs. 6 – 8/- more per kilogram of coffee to producer farmers in comparison to local purchasers. In the case of spices the benefit to producer farmer is Rs. 15/- more per Kilogram as against the local purchasers. Farmer associations collect the produce at the villages and the farmers need not spent time and money for transporting the same to local market and selling places including the shops of local purchasers.

Fair Trade Producer Association

AOFG India made good efforts in capacity building of farmers and local community and they set up farmers own registered association namely Fair Trade Producer Association (FTPA). The association is assisted to secure Fair Trade Certification for their produces and is benefited by fixed fairtrade price and additional remuneration of fair trade premium. Farmers are also undergoing organic production and being certified as Organic producers. FTPA Adimali is a membership based organization and is having 3,500 farmer members.

Coffee Pulping Unit

Adimali Farmer Limited has set up a Coffee Pulping and processing unit with an installed capacity to process 2,500 MT Coffee and Spices. The Unit have 8,000 Sq. Feet Drying yard and storage facilities. One season can procure and process 2,500 MT Coffee berries and 2,500 MT Spices of Black pepper, nutmeg, vanilla, small cardamom and minor spices. The Unit is set up at Kampiline in area of 1.5 Acres of leased land. Company Office and staff members operate from Valara, Adimali, Kerala State.

The coffee procurement of Robusta for 2011-12 seasons are 2000 MT. Besides, 350 MT Spices (Black Pepper and Nutmeg) will be procured.

Marketing

Our produces are fairtrade and Organic (IC2). We sell our produces to Indian companies and now we will export our produces to Europe and USA under the Fairtrade channel.

Wayanad Organic Agro Farming (P) Ltd

Wayand Organic Agro Farming (P) Ltd is set up during 2008. The Limited is registered at New Delhi and the operational area is part of Wayanad District, Puttad, Meppady, Kerala State part of Western Ghats. Company is mainly involved in coffee and spices procurement, processing and marketing. Intensive extension activities are carried out among the farmers for quality production as well as quantity. So far, small and marginal farmers never produced coffee parchment and that was the prerogative of big plantation companies. The Company is giving INRs. 6 – 8/- more per kilogram of coffee to producer farmers in comparison to local purchasers. In the case of spices the benefit to producer farmer is Rs. 15/- more per Kilogram as against the local purchasers. Farmer associations collect the produce at the villages and the farmers need not spent time and money for transporting the same to local market and selling places including the shops of local purchasers.

Fair Trade Producer Association

AOFG India made good efforts in capacity building of farmers and local community and they set up farmers own registered association namely Fair Trade Producer Association (FTPA). The association is assisted to secure Fair Trade Certification for their produces and is benefited by fixed fairtrade price and additional remuneration of fair trade premium. Farmers are also undergoing organic production and being certified as Organic producers. FTPA Wayanad is a membership based organization and is having 3,450 farmer members.

Coffee Pulping Unit

Wayanad Farmer Limited has set up a Coffee Pulping and processing unit with an installed capacity to process 5000 MT Coffee and Spices. The Unit has 32,000 Sq. Feet Drying yard and storage facilities. One season can procure and process 5,000 MT Coffee berries and 150 MT Spices of Black pepper and minor spices. The equipments are

imported from Columbia (latest Technology) which is highly environment and eco friendly and use limited water for coffee processing. The Unit is spread over 2.27 Acres of land. Location: Puttad, Meppady, Wayanad District, Kerala State. Company Office and staff members operate from Puttad.

The coffee procurement of Robusta for 2011-12 seasons is 3000 MT. Besides, 150 MT Spices will be procured.



Marketing

Our produces are fairtrade and Organic (IC2). We sell our produces to Indian companies and now we will export our produces to Europe and USA under the Fairtrade channel.

Western Ghat Agricultural Products Processing (P) Ltd

By promoting and setting up of three farmer companies has encouraged us to set WAPCO during 2008. The purpose of WAPCO is to process the produce of the three farmer companies; viz:- coffee and spices. Higher value addition is one of the means of directly reaching consumers and better returns. Market driven pricing of food produces can be tamed in the interest of producer farmers and end consumers and that will build up brand building. The object of WAPCO is for higher value addition of coffee and spices. WAPCO can also support independent indicatives of farmers of Western Ghat. WAPCO will be able to support the produce of 25,000 small and marginal farmers. The three farmer limiteds will have a maximum of 15,000 farmers.

WAPCO has taken 4.5 Acres of land at KINFRA –SEZ Food Park, Kakancherry, Malapuram Dist. WAPCO plan is to set up five units of processing and value addition facilities. The first production unit is coffee and spices processing and the work is in progress.

The promoters of WAPCO are SHGW NL, FFT India, AOFG India and the three FTPAs.

Support Service Unit, Kochi

To facilitate the functioning of farmer limited, AOFG India has set up a support service unit at Kochi. AOFG India has a legal team headed by a retired High Court Judge. The farmer private limited are an innovative concept and approach, we wanted to work and move ahead with correct process and procedures. The Support service unit is headed by a Senior Manager and providing support service in the area of extension, marketing, HR, finance, technical support, government and public relations.

The Support Service Unit is functioning from 42/1467, First Floor, ST. Benedict Road, Kompara Junction, Near High Cour of Kerala, Kochi – 686518 Tel: +91484 2396144, E.mail: aofgindiasz@gmail.com



Other Initiatives of AOFG India

1. Cotton Project

AOFG India promoted a Cotton and Pulses Project at Amaravati (Maharashtra) and Adilabad (Andhra Pradesh) and the project was administered from Hyderabad. During 2007 the project was entrusted with the Regional set up and AOFG India withdrawn from the day to day management of the project. The project was supporting 8,500 farmers mainly tribal farmers. The Farmer Associations are on the management of the project assisted by professional staff members and they are on the process of setting up a Cooperative at Andhra Pradesh. Project promoted Fairtrade and Organic production and marketing.

2. Mondhol Agro Farming (P) Ltd

AOFG India promoted the apple growing farmers program at Mondhol and Saari villages of Shimla Dist, Himachal Pradesh. Two collection centers were set up with grading and pre-cooling facilities for apple. Now, a Farmer private limited company was established at VPO Sheelghat, Near Kharapathar and the limited is planning to set up a cold chain facility linking 10 Collection centers with grading, pre-cooling and packing facility and one central facility of CA Store (1000 MT Capacity), grading facility and pre-cooling facilities together with an Apple Juice production unit. The facility will handle the farmer's produces of apple and vegetable.

Mr. Gokal Singh Dulta is working as Full Time Chairman and Director of the Company assisted by AOFG India staff team.

3. Women in Agriculture

Women are encouraged in various agricultural activities such as vegetable and fruit production. Kumily and Adimaly Limiteds are assisting the women in vegetable collection and marketing the same at cities like Kochi, Kottayam and Palghat. The current production and marketing of vegetable is about 50 MT each at Adimaly and Kumily.

The results of women in agriculture has encouraged the Limiteds to plan and set up papaya and Arrowroot processing units at Kumily (Pushpagiri) and Adimali (Kampiline) to process 100 MT each. The production unit will be in place by 2013.

4. Entrepreneurship Development

AOFG India identified several youth at Wayanad, Adimali and Kumily who are eager to set up primary processing facilities, procurement and marketing of agricultural produce and plantation crops. AOFG India has drawn out a plan and linking the youth for securing Bank loan and Technology from various institutions. Special training and capacity building is provided to several youth both men and women.

AOFG India Policy on Farmer Limiteds

AOFG India Trustee team has more than 25 Years of experience in rural development, poverty reduction and creation of livelihood opportunities. People living below poverty line (BPL) are official paradigm of Government. When India got independence the BLP families were 33% of the total population (Ref: Planning Commission of India (www.planningcommissionofindia.gov.in)). Several studies commissioned by Planning Commission of India indicates that the present level of BPL families are 41% (Prof. Tendulkar Committee report). Independent India provided legal sanctity to Cooperative Act, Companies Act, community organizations etc. Massive investments were made over the years, yet the poor remain as it is.

During 1991 India went into liberalization and market economy and the vast majority of poor un-attached to the system for better livelihood and opportunities. In view of this reality, AOFG India Trustees decided to work among the resource poor in the rural villages where rainfed farming is the way of life. Farmer collectives are made, empowered and capacitated to set up farmer companies since 2006. This model program can build up practical examples to address poverty reduction and creation of livelihood opportunities. Farmers need quality extension services, primary processing and value addition facilities to find market within the production area and same has to reach consumers limiting with few middleman. The Indian way is large number of middleman in the system, who pocket the benefits and the producer farmers are left with distress sale and cut prices. Farmer Limiteds are showing considerable benefit to producer farmers and usual price to consumers. The farmer limiteds has controlled post harvest loss to nil and distress sales as a thing of past. Farmer Limiteds are being set up with farmer organizations as members and shareholders. Being a limited company, financial institutions are coming forward to provide investment and procurement capital. The models of farmer limiteds are set up at different agro-climate zones so that the same can be replicated at the same climate zones with its specialty of crops and produces.

Board Members of AOFG India 2011

1. Mr. E.M.Koshy, Managing Trustee / Chairman
2. Dr. Lily Gangmei, Trustee Secretary
3. Mr. Manish Kumar, Treasurer
4. Dr. T.K. Thankappan, Member
5. Mr. B.Rath, Member
6. Ms. P.J. Rachel, Member
7. Ms. Jely Gangmei, Member

AOFG India Project Support

AOFG India projects and programs are supported by Government of India, SHGW the Netherlands and Financial Institutions. SHGW and FFT NL / FFT India are supporting all activities of farmer limiteds and infrastructure development. We are grateful to SHGW

and FFT NL; Mr. Meindert Witvliet, former Director SHGW and Mr. Alfred Geethenbee, Director SHGW who are guiding us in all our activities. We thank Mr. Edwin, FFT NL, Mr. Wim, Van Amengeron, NL, Mr. Gautam, FFT India, Mr. Jugender Singh and Mr. Amit Kumar Chauhan, BizDev Solutions.

Financial Auditors of AOFG India

M/S Amit R Gupta & Associates are the auditing firm for AOFG India. The financial audit is carried for one calendar year from April to March every year. The financial audit of funds provided by SHGW is audited on an annual basis.

Bankers to AOFG India

Indian Overseas Bank (IOB) Janpath Branch, New Delhi – 110 001 are the bankers to AOFG India. The AOFG India Bank Account with IOB, Janpath is: S/B A/C No. 31771. SWIFT Code: IOBA IN BBA 065 Fax: 91+11+ 23321868.

Interview with Mr. E.M. Koshy – Director AOFG India by Mr. Rick

Mr. Koshy is chairman & director of the Agriculture & Organic Farming Group of India. This group promotes and develops innovative agriculture ventures for small farmers. One of the initiatives is a coffee venture in the Northeast of India. End of February Mr. Koshy came to The Netherlands to visit one of its partners, Fresh Food Technologies, to discuss the initiative and at the same time visit BioFach in Germany to meet potential customers and partners for the coffee initiative of AOFG. This visit also gave SHGW to conduct an interview with Mr. Koshy.

What are the activities of the AOFG – Coffee venture and what is the mission?

The initiative facilitates the organization of small coffee farmers in groups and provides them access to knowledge and capital and helps them to get access to a market with better selling conditions of their product. AOFG acts as a promoter, facilitator and provide necessary contacts with stakeholders like governments and trade organizations. SHGW is in active investor in this venture.

By means of this initiative a value chain model is shown that can be replicated to create a system that is beneficial to the land and its owners.

What kind of change(s) does AOFG – Coffee try to achieve in the value chain?

Traditionally small farmers only harvest coffee fruit, dry it and thereafter sell it to middlemen for about 15 rupee / kg. Several changes are initiated to reshape the value chain in order to have a positive effect on the conditions of the farmers. For example farmers are helped to grow organic coffee by means of training. Also investments are made in pulping facilities, so the first processing step can be done under the control of the farmers, who will eventually have the economic ownership of these facilities.

In the future it might be possible to do additional processing steps (husking, sorting and packing of bulk good) in order to sell to international markets so more value added captured by the local communities.

Apart from (longer term) economic profit, what social benefit does the company realize?

Within the villages social benefits are for example better soil and water management through education and changing of farming practices leading to a better environment (organic farming). Also the younger generation benefits, because of better living conditions in the communities.

Also the pulping facilities with their state-of-the-art water treatment set a standard within the industry in terms of processing in an environment friendly manner. This way of working is noticed by the industry and will hopefully get following.

Can you quantify the social return that will be realized and how do you measure social return?

It is difficult to quantify the social return in a practical manner in order for the local stakeholders to have an insight in the social benefits in a useful way. This spring a follow-up workshop will be conducted with leadership of the farmers to take the next step in this. To give an idea on the impact: about 6000 farmers are involved and the additional added value that is captured through the pulping facilities is significant namely 55 rupee / kg instead of 15 rupee / kg when sold to local middlemen. If the farmers can sell to international markets the selling price can increase to 75-150 rupee / kg depending on grade of the beans. This, though requires additional investments, but enable the farmers to capture the full benefit of their organic product.

Which stakeholders were difficult to convince and where do you experience resistance (from harvest to market)?

At the start it was difficult to convince the local farmers to change to organic farming, since they were unfamiliar with the outcome and the risks associated and they did not see all the benefits at first.

Besides this it is important to keep all the stakeholders in the villages in mind in order to make sure that the changes in the value chain are not too disruptive for others, like for example the middlemen and the money lenders that potentially lose part of their business. The mutual bonding within the communities has to be strengthened and not damaged in order to realize the objectives of the venture.

What hurdles have been taken or setbacks were experienced and what improvements do you see for the coming future?

Due to changes in the climate unseasonal rains have a negative effect on the drying process after pulping the fruit. Traditionally 7 days of sunshine for drying are needed to get good quality. With electric dryers this can be reduced to 3 days. During the last season we did not succeed to have the dryers on time. That was a setback.

A lot was realized in relation to cooperation between farmers; a lot of coordinating and planning of work is needed. During the peak of the harvest season it's difficult to coordinate the planning of manpower to have the maximum yield. In this area improvements can still be made in cooperation between farmers.

Another challenge for the future is to further develop the sales channel of the big auction centers in for example Bangalore and Chennai. These auction centers are not used to deal with organized small farmers, which are selling parchment.