

ORGANIC COTTON CULTIVATION PROJECT AIDED BY RABOBANK FOUNDATION

1. Introduction

- A very brief introduction to organisation which is the beneficiary and the facilitating organisation if any Grama Vikas (GV) is the beneficiary organisation. (Website: <http://www.gramavikas.org>)
 - Year of establishment, operations: Established in 1979; Operations started in 1980.
 - Form of organisation (Society/Cooperative/Trust/Producer Company/Others): Society registered under Karnataka Societies Registration Act 1960.
 - Recognition/Credibility: Registered with Ministry of Home Affairs, New Delhi, India to seek and receive funding from outside India.
 - Existing/Current/Planned partnerships for assistance (Finance, Organisational training, Market Linkage, Others): Current partnerships with UNICEF, Child Fund India, UPS Foundation, InDev, MicroGraum.
 - If a facilitating organisation involved, how is it involved with beneficiary/target organisation and comment on the operational risk in this arrangement:

InDev is the facilitating organisation involved. InDev is involved in supporting Grama Vikas and providing the technical assistance required for Grama Vikas. InDev is an advisory services entity created by the core Ex-Unitus India Team, after Unitus began winding down operations globally (Unitus website: <http://www.unitus.com>). The InDev team has expertise with combining strategic/operational consulting (in the areas of product development, operations, technology, human resources, and strategy) and funding, with the focus on financial inclusion to fight poverty. In terms of track record, the InDev team, while at Unitus, was integrally involved with numerous microfinance and financial inclusion players across 9 countries, and in working closely with 22 portfolio partners, forming a network reaching over 12 million families. India was the primary market for Unitus (and the InDev team at Unitus) with 12 partners and a network reach of over 10 million client families. The operational risk in the arrangement is minimal since there is a strong partnership between the teams of Grama Vikas and InDev.

- Problem statement-
 - The project history:

The production of any crop depends on the quality of the seeds used for sowing. Many times, though cotton plants will develop normally, they fail to bear flowers or bolls – this is often due to spurious seeds. Nowadays, it is difficult to even get quality hybrid seeds and some farmers of Raichur district have started using Bt Cotton varieties. (Note: Bt Cotton refers to cotton varieties genetically engineered to produce an insecticidal toxin.) Heavy external input cotton cultivation has kept the farmers of Raichur in a desperate state of high production cost and low productivity yield, and is leading the farmers into debt traps (subsequently, some cotton farmers have also committed suicides). Unless the farmers unite and start producing quality seeds for sowing on their own, dependency on sowing seeds will be there. The Cotton Research Centre in Raichur is willing to provide parental seeds to farmers for seed production. GV has taken the initiative to form a producers’ organisation comprised of 500 cotton growing families (Group 1 of 200 farmers starting in Year 1, Group 2 of 100 farmers starting in Year 2 and Group 3 of 500 farmers starting Year 3) to implement organic cotton cultivation practices – it has started to identify reliable farmers for cotton seed production which will be distributed among them. This will help the farmers to have quality sowing seeds and their input cost of production will decrease to a large extent. The project will also create market linkages and partnerships for the cotton farmers’ organisation with appropriate ecosystem players.

- Profile of the current operation for which support is sought
 - No of beneficiaries: 500 cotton growing families in Raichur District, Karnataka
 - Volume of the produce: Please refer Table 1 below.
 - Expected benefit for the next 3-5 years (Direct and indirect): Please refer Table 1 below for direct benefits. Indirect benefits are mentioned after Table 1.

A	B			C			D			E			F			G		
	Year 0 (2010)			Year 1 (2011)			Year 2 (2012)			Year 3 (2013)			Year 4 (2014)			Year 5 (2015)		
No. Of Acres	Prodn Qty (Q)	Avg Cost of Prodn / Acre	Price / Quintal	Prodn Qty (Q)	Avg Cost of Prodn / Acre	Price / Quintal	Prodn Qty (Q)	Avg Cost of Prodn / Acre	Price / Quintal	Prodn Qty (Q)	Avg Cost of Prodn / Acre	Price / Quintal	Prodn Qty (Q)	Avg Cost of Prodn / Acre	Price / Quintal	Prodn Qty (Q)	Avg Cost of Prodn / Acre	Price / Quintal
1	2.5	INR 4,500	INR 2,500	3	INR 5,000	INR 2,500	3	INR 3,500	INR 2,500	4	INR 2,500	INR 3,000	5	INR 1,750	INR 4,000	6	INR 1,000	INR 4,000
Estimated Profit (Loss) =	INR 1,750			INR 2,500			INR 4,000			INR 9,500			INR 18,250			INR 23,000		
Economic Benefit per Acre from the Intervention =	INR 750			INR 2,250			INR 7,750			INR 16,500			INR 21,250					
Cumulative Economic Benefit per Acre over 5 years =	INR 48,500																	
Number of farming families (estimated 1 Acre per family) benefiting from the Intervention =	200			300			500			500			500					
Distribution of the farming families associated with the effective year for the Intervention =	Group 1 at Year 1	Year 2	Year 3	Group 2 at Year 1	Group 1 at Year 2	Year 3	Group 3 at Year 1	Group 2 at Year 2	Group 1 at Year 3	Group 3 at Year 2	Group 2 at Year 3	Group 1 at Year 4	Group 3 at Year 3	Group 2 at Year 4	Group 1 at Year 5	200	100	200
Cumulative Economic Benefit per Acre for each of the 3 groups of farmers over 5 years =																INR 10,750	INR 27,250	INR 48,500
	Cumulative Economic Benefit for all the 500 farming families over 5 years = INR 14,575,000																	

Note: Average cost of production, includes cost of sowing seeds, fertilizers, pesticides, labour etc. The quantity of the production will increase during Year 3 and will double by Year 5. The production cost will decrease by ~30% every year as chemical inputs will be replaced with bio or organic inputs. During Year 1, the farmers will manage the pests

with organic pesticides, start making organic inputs to replace chemicals for the 2nd year, and plant tree saplings in their fields which will start giving yields during Years 3-4.

As part of the project, 500 cotton growing families (200 families starting Year 1, 300 starting Year 2 and 500 starting Year 3) will produce cotton along with other crops like maize, millets, pulses, oil seeds, fodder for cattle and nutrient for the soil. These 500 families will grow vegetables within their home yards and consume them to improve their health conditions. The women will conserve and produce native variety of sowing seeds required for their fields and for their home gardens. The children from these families will not go out to work as bonded labourers since their family income will be improved and hence they will be going to schools. The status of soil health in these 500 farms will improve and the crops grown in these farms will be healthy as organic inputs has been applied which will improve soil and fauna. Farmers of these families will have less problems with water as most of the rain water is conserved. Farmers will produce and share cotton seeds on a collective basis as a part of the producers' organisation, with a resultant increase in the strength of community and relationships.

- Context for request of funding

- **Problem statement:** Heavy external input cotton cultivation has kept the farmers of Raichur in a desperate state of high production cost and low productivity yield, and is leading the farmers into debt traps (subsequently, some cotton farmers have also committed suicides).
- **Proposed solution:** Enabling the farmers of Raichur to adopt low external input cotton cultivation using Organic Farming methods.

There were two broad solutions we evaluated: (i) Bt Cotton / Genetically Engineered Cotton Farming and (ii) Non-Bt Cotton / Organic Cotton Farming. Cotton is the only genetically-engineered crop grown widely in India, after being introduced during the last decade. Bt cotton, and in general any genetically-engineered crop, continues to be hailed as the silver bullet for fighting poverty and hunger in the world, in spite of the acknowledged low established consensus, scientific research or serious evaluation about the impact of this technology so far¹. In particular, the increase in acreage of Bt cotton in India is portrayed often as the 'scientific fact' backing the 'success' of genetically-engineered crops in developing countries. However, recent analyses have concluded that organic / ecological farming (using low-cost, locally available and agro-ecological technologies) is more effectively achieving the aim of fighting poverty and hunger, especially in the case of rain-fed smallholding cotton farmers in India. In particular, a Greenpeace report released in June 2010 concluded that in the year 2009-10, farmers cultivating cotton through organic practices earned 200% more net income than farmers who grew Bt cotton.² The report also shows that Bt cotton, despite using many toxic pesticides, still has greater crop loss to pests and also illustrates how farmers growing GE cotton face high debts and high costs of cultivation, becoming more vulnerable to financial collapses. The Bt cotton farmers incurred 65% higher debt –accumulated during 2008/09 and 2009/10– than the non-Bt organic cotton farmers.

I. List of proposed programme activities for production of Organic Cotton:

- a. Survey (will be done in Chandra Banda and Yapaladinni Gram Panchayats)
- b. Orientation camps for cotton growers on the importance of growing cotton organically
- c. Formation of 30 Farmers' Groups (each group with 20 farming families) & distribution of Crop Monitoring Cards to each family
- d. Formation of Pressure Group towards Advocacy for Organic Cotton
- e. Designing the farm lands / mapping the farm lands
- f. Soil Sampling for Tests
- g. Identification of Demonstration plots in two places – Farmer Field Schools
- h. Training (Pre-sowing, Sowing and After Sowing Activities)
 - Site Analysis
 - Soil in my farm field and what it is telling
 - Why Organic Cotton & Growing Organic Cotton – A system approach
 - Maintaining Organic Standards & Crop Monitoring Cards
 - Inspection and Certification of Cotton farm fields and produced cotton
 - Organic Cotton and Fair Trade
 - Requirements of the cotton crop
 - Preparing the farm field to grow cotton organically & managing the whole farm organically
 - Management of Soil and Water in my farm field
 - Making of pits to plant tree saplings in each farm field
 - Sowing Seeds, Seed Germination Tests and Seed Treatment
 - Importance of Soil Organic matter or Soil Nutrients, making and application of Soil Nutrients
 - Sowing Cotton along with other Crops – importance of inter-cropping/mixed cropping
 - Strategies to keep my cotton crop healthy
 - Making of farm Sand Pits (Water requirement for cotton and water management during stressed conditions)
 - Weeds, importance of weeds and weed management
 - Various types of Crop pests (sucking & chewing pests, bollworms and managing them organically)
 - Various types of crop diseases (bacterial, fungal and virus diseases and managing them organically)

¹ Glover D. 2009. *Undying promise: agricultural biotechnology's pro-poor narrative, ten years on*. Working Paper 15, Brighton: STEPS Centre

² Tirado R. 2010. *Picking cotton: The choice between organic and genetically-engineered cotton for farmers in South India*. Greenpeace Research

- Quality issues in cotton picking, storage, processing and trade
- Economic performance of organic cotton & monitoring the economic performance
- Role of women in organic cotton production
- i. Managing the Organic Cotton Certification process and associated activities
- j. Market linkages and partnerships for the cotton farmers' organisation with ecosystem players
- k. Monitoring and Evaluation
- l. Reporting and documentation

II. List of proposed programme activities for production of organic vegetables in home gardens:

- a. Survey of 500 farmer families to understand the status of health
- b. Locating and designing available spaces to grow vegetables for family consumption
- c. Training on importance of growing and consuming vegetables in home gardens
- d. Making of manures required for vegetable production
- e. Distribution of Vegetable Seeds & Seed Treatment
- f. Distribution of Family Nutrition Kits to manage water for growing vegetables
- g. Management of vegetable plants organically

We will have the Organic Certification done by IMO, a professional certification agency. IMO specializes in smallholder group certification systems. It is highly experienced in training both for producer groups who wish to set up or optimize their Internal Control System (ICS) and for inspectors / certification staff in how to evaluate an ICS and check the group's compliance. Smallholder farmers can be certified as a group with their own ICS. The external inspection of a group with an ICS focuses on evaluation of the efficiency of the ICS and only a representative percentage of farmers is inspected by IMO directly, which reduces the costs for certification of a large group of small (and often remote) farmers.

To create / enhance the demand for organically produced cotton, we will organize regular meetings among the various stakeholders. These stakeholders include: Families of Organic Cotton Growers / Farming Families, Women SHGs, Organic Cotton Growers Associations, Inspection and Certification Institutes, Consumers, Buyers / Traders, Ginning Mills, Spinning Mills, Dyers, Weavers, Retailers, NGOs, Krishi Vigyan Kendras (KVK), Karnataka State Seed Corporations / National Seed Corporations, Civil Society Groups (concerned citizens), Supporting Agencies, Print & Visual Media, People Representatives, etc.

As part of the project, we will create market linkages for the organically produced cotton from Raichur. We have had discussions with various parties that have shown interest in buying the organic cotton – these parties include Agrocel, Arvind Mills, Dharani and Khadi Gramodyog Units. We will also create market linkages for the export of the organic cotton from the Raichur farmers. We will also provide appropriate training and put processes in place for maintenance and enhancement of the market linkages after the proposed Intervention.

We will create, in Year 3 of the proposed intervention, a farmers' private limited company as the producers' organization for the farming families in Raichur. The farmers' private limited company will be structured as follows:

- Farmers will be grouped as SHGs / Self Help Groups.
- SHGs will be grouped as MACS (Mutually Aided Cooperative Society) entities.
- The MACS entities will have equity / shareholding in the farmers' private limited company.

The equity capital for the farmers' private limited company will be funded through the positive operational margins achieved in Year 2 (please refer P&L projections on page 8).

2. *Organisational Information* (mainly about beneficiary organisation and in brief about facilitating organisation)

- The background and the history of the organisation in rural development activity and in increasing income from agricultural value chain;
 - Promoters/trustees/ track record
 - Activity undertaken to increase to promote income enhancement
 - access to finance,
 - access to markets
 - access to technology at any level in the chain
 - Social target group

GV was set up in 1979 to facilitate development of poor communities. Over the years, GV has successfully implemented different projects focused on sustainable development, income generation / poverty alleviation for target groups and natural resource management / organic farming. GV's initial intervention in 1980 was in child development through a nutrition programme. GV has worked with different donors for long durations of time: (i) NOVIB of Netherlands, for two and a half decades; (ii) Community Aid Abroad (CAA) also known as Oxfam Australia for 15 years; (iii) SDC-IC for 9 years; and (iv) CCF-USA for 27 years. The long associations with donors speak of the track record of GV. The society has been renewed regularly with the State Government. Over the last two decades of its work, GV incorporated women's development and natural resource management as key components of its development policy. The women's groups organised by GV began to coordinate their activities in 1994 and in 1997 they formed their federation, Grameena Mahila Okkuta (GMO). From savings and credit, the women's groups moved on to solutions

addressing community problems e.g. anti-alcoholism, rejuvenating tanks, etc. GV facilitated the growth of the GMO federation into an independent entity by providing resources, and in 2002, GMO became fully independent of GV. GMO now has its own infrastructure and is the leading rural women's SHG federation in Karnataka. GV currently works in 200+ villages across Kolar and Raichur districts of Karnataka. As much as 75% of the target population in GV's project areas belongs to dalits and marginalised communities.

The facilitating organisation, InDev, draws on unmatched expertise and knowledge acquired from promoting income enhancement for 12+ million BOP families across 9 countries, including 10+ million BOP families in India. One example of the expertise and experience of the InDev team with respect to providing access to finance / markets / technology in promoting income enhancement is the work done (while at Unitus) in close partnership with MYA (Moksha Yug Access). MYA provides supply chain solutions for dairy farming – the solutions involve aggregation of rural dairy farmers, procurement of cattle feed, procurement of raw milk through milk collection centres, last-mile transportation logistics, establishment of bulk milk chilling plants and transportation to processing plants.

- Profile of the project area
 - Physical – Rainfall, drought prone, irrigation status, soil fertility, agroclimatic conditions

Raichur district is bounded on the North by the district of Gulbarga, on the West by the districts of Bijapur and Dharwar, on the East by the district of Mahaboobnagar of Andhra Pradesh, and on the South are the districts of Kurnool also of Andhra Pradesh, and Bellary. The two rivers, the Krishna and the Tungabhadra, form the entire North and Southern boundaries of the district. The geographical area of the region is 14,013 Sq Km. The climate of the district is characterized by dryness for the major part of the year and a very hot summer – the mercury touched 48 degrees Celsius last year. Rainfall is the lowest in the State and varies from 500 mm to 600 mm in most years. The low and highly variable rainfall renders the district liable to drought. The undulating black cotton soil strips, cut by numerous nalas, characterize the region, which is now practically denuded of trees and presents a monotonous landscape covered with a thin mantle of red loamy soil. Except for some pockets close to the two rivers that are irrigated, most of the rural areas have to practice rain fed, single crop agriculture.

- Profile of the primary producers/target group
 - Socio-economics (Farm and Non farm Income)
 - Borrowing capacity and Indebtedness

Raichur's population 18.8 lakhs with 75% in rural areas; average population density is 245 per sq. km. As per the Human Development Report, Raichur district ranks twenty seventh in the State HDI. Raichur district is last ranked in the state mainly due to educational backwardness, health services, employment generation and industries as per the HDI. The level of illiteracy is high, around 51%. Male literacy is at 62%, female literacy at 37% and overall literacy is 49%. 20% of the population has done primary schooling only - this also gets reflected in their occupation profiles, where around 59% have no skills for any specialized jobs. Agriculture is the main occupation, with the slack season from February to April seeing a dip in the number of days worked for most of the people. Raichur is also faced with a lot of distress migration during the agricultural off season. Migration from Raichur to Bombay, Goa, Bangalore and Hyderabad is very heavy – this is affecting the education of children and thus they are deprived of their rights.

The agricultural work is typically done on contract basis. Women get Rs. 60/- per day per person for agriculture related labour where as men get Rs. 100/- for the same. For non-agricultural labour like road repair, construction of a building, etc., women get Rs. 80/- per day per person whereas men get Rs.120/- to Rs.150/- for the same. Most of the people living in the community do not have easy access to bank loan facilities they are doing farming under rainfed conditions. Banks provide loans only to those farmers who enjoy irrigation facilities, in other words, who have assured water source like borewells, etc. Hence, the small and marginal farmers in the community, who are depending on rainfall, have to approach local money lenders for financial support at 3 – 5% interest / month.

- Organization structure (Cooperative content), Number of members, groups, offices etc.
 - Does the organisation ensure the governance by the primary producers/beneficiaries and if not, is there a plan for institutional development to achieve this?

GV will ensure the governance part of the Producers' Organisation. A plan for the institutional development will be designed as well.

- Current management experience
 - Reporting and information systems (qualify)

Weekly review meetings, monthly review meetings, monthly progress and financial reports are ensured, along with reporting to the Governing Board of the Organisation on a monthly basis. Quarterly reports and annual reports are presented to the Governing Board of the Organisation. A quarterly news letter is sent to all the line departments of the Government of Karnataka at district level. There will also be a Monthly Project Status Report and Monthly Project Dashboard that will be published and shared with Rabo Foundation. In addition, we propose to have a monthly conference call with Rabo Foundation’s representatives to go over the status report and the project dashboard.

- Experience of the staff
- Offices

The GV team consists of 12 persons with 50+ years of cumulative experience in rural development projects.

GV’s headquarters is located in Kolar district of Karnataka. As the organisation is working in 50 Grama Panchayat villages in 5 taluks covering 3 districts in Karnataka, GV has offices in 3 more places in Bangarpet taluk of Kolar district, Kadur taluk of Chickmagalur district and Raichur taluk of Raichur district.

3. Application for funding

- Purpose of the application
 - What prevents the organisation from raising the fund from commercial sources or in other words what are the arguments for the grant versus loan?

Following are the reasons regarding why a grant is required for the proposed project:

(i) Raising resources in the form of loans from commercial organizations such as banks involves a lot of documentation and collateral requested which generally discourages farmers to take up innovative projects. (ii) Organic farming really generates good income for farmers from 3rd or 4th – not before that. It implies that one has to demonstrate a lot of patience. When once farmers can see for themselves the good yields with organic farming, it will spread like wildfire. (iii) Farming depends on Nature, and timely rains are always a question. Climate change also plays its part. In such a scenario, loans from commercial organization always add fire to the fuel. Commercial organizations are also typically not prepared to take the risks. (iv) Farmers cannot fix prices to their produce - this is also one of the reasons for farmers not venturing to take loans from commercial organizations.

- Impact
 - Economic impact for an average primary producer
 - Average farmer income before and after the intervention (Illustrate in a table)

Please refer Table 1 on page 1.

- Target group of the application, effects on poverty, number of people reached, time schedule
- Social impact.

Please refer the information provided in the section “Profile of the Project” on pages 1 and 2.

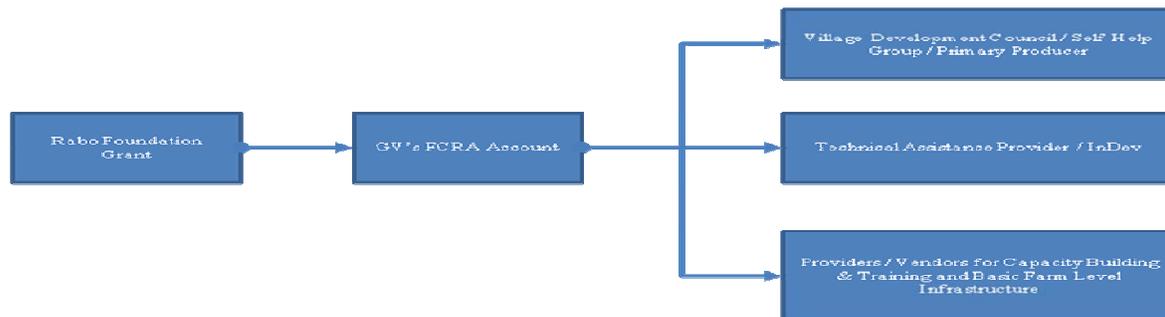
- Grant request with phasing – Clearly mentioning the costs for Project, Management etc.

Summary table:

Raichur Organic Cotton Farmers' Organisation Project						
	Proposed Contributions					
Rabo Foundation Grant	INR 9,793,000					
Farmers' Community	INR 552,500					
Grand Total	INR 10,345,500					
Request	Amount	Fund Source	Amount	Phase 1 (Year 1)	Phase 2 (Year 2)	Phase 3 (Year 3)
Capacity Building & Training	INR 803,000	Rabo Foundation Grant	INR 803,000	INR 727,000	INR 48,000	INR 28,000
Technical Assistance	INR 6,540,000	Rabo Foundation Grant	INR 6,540,000	INR 2,180,000	INR 2,180,000	INR 2,180,000
Basic Farm Level Infrastructure	INR 2,450,000	Rabo Foundation Grant	INR 2,450,000	INR 1,470,000	INR 490,000	INR 490,000
Grand Total =	INR 9,793,000		INR 9,793,000	INR 4,377,000	INR 2,718,000	INR 2,698,000

- Routing of funds (FCRA Clearance) and brief description of any other organization involved if not the applicant: GV has an FCRA account that can be utilized for routing of funds.
- Financial structure
 - Donation / TA / trade finance / local warehouse finance / microfinance / guarantee, etc.
 - Other investors/banks/partners?
 - Description of flow of money to various parties involved in the project by a flow chart?

Please refer diagram below.



Flow Chart depicting flow of money to various parties

4. Business environment

- Demand and Supply of the produce
 - Market potential, size, position
 - What are the main market trends and opportunities in terms of demand in domestic, regional and export markets? Demand trend
 - What are the main factors that affect profitability of the project different actors involved at different stages of the value chain

World-wide 115 MM bales of cotton (25 MM tonnes) are produced each year which are used to make 45-50% of all clothes, household goods and other commercial products.³ Cotton accounts for 85% of all natural fibres followed by wool, linen, and hemp. Cotton is grown in around 100 countries, but the main producers are India (8.6 MM ha), United States (5.3 MM ha), China (4 MM ha), Pakistan (3.1 MM ha) and Uzbekistan (1.4 MM ha); the top 10 countries grow about 85% of all cotton. The main consuming countries for raw cotton are China, followed by India and Pakistan, making up more than 60%. Finished products go to every country in the world.

Cotton is one of the most important fiber crops of India and the backbone of India's textile industry. It accounts for 70% of total fibre consumption in textile sector, and 38% of the country's exports. The area under cotton cultivation in India (8.6 MM ha) is the highest in the world, i.e., 25% of the world area and employs 7 MM people for their living. Cotton productivity in India is very low as compared to world standards despite heavy use of fertilizers and chemicals to control insect pests, diseases, weeds and growth regulators. Use of chemicals on a high scale causes a lot of hazards, i.e., poisoning, pollution, bad soils and agro-ecology and poor profitability in cotton farming. This has led to a recent surge in organically cultivated, eco-friendly or 'green' cotton.

Small cotton farmers are the most vulnerable because of: small land holdings, low productivity; dependency on informal credit sources with high interest rates; high production risks including the vagaries of nature like erratic rainfall, climate change, etc.; high price risks, no negotiation position; low quality awareness, high contamination levels; input risks including inadequate germination of seeds, ineffective pesticides, inadequate water supply.

Cotton farming has become synonymous with ecologically distressed agriculture. Occupational health hazards for whole farming families include: young children working as labor in the field; women filling up sprayers; men taking up the spraying operations; livestock feeding on the cotton seed -adding genetically modified organisms.

The Indian government's market interventionism has created a culture of dependency and low sense of responsibility in the rural communities. Small farmers are not organised to form a common platform. In the supply chain (from farmer to ginning, spinning & fabric mills, dyeing, garmenting factory, brand, retailer and consumer), every link is separated by specialized traders / agents, resulting in lack of transparency and a "passing the buck" attitude, leaving the raw material suppliers powerless in trade negotiations. There is no pre-financing in the Fairtrade supply chains.

In response to historically low cotton prices in recent years (58.4¢/lb on average for the past three years), farmers worldwide reduced their cotton acreage, shifting to crops with more competitive prices, notably corn and soybeans. As world cotton acreage has declined, world cotton production has also fallen. Production in the 2009/10 crop year is 15.3% lower than in 2004/05.⁴ Meanwhile, the demand for cotton has been comparatively stable. Even with the effect of the recession on cotton consumption — a 10.8% decline from 2007/08 to 2008/09 —consumption exceeded production in each of the past three crop years. Low cotton prices caused production to fall for the past three years, but today's higher prices are expected to drive a substantial increase in cotton production in 2010/11. Once production is realigned with demand, cotton prices are expected to move back towards their long-term averages.

- Risks and mitigants
 - Operational risk (Supply), Partner risk, Market/Price risk

Risk	Cause of risk	Mitigation
Price risk	Decreasing market price	Market linkages and partnerships for the cotton farmers' organisation with appropriate ecosystem players

³ Cleaner, Greener Cotton: Impacts and Better Management Practices. WWF Freshwater Programme.

⁴ Framing the Cotton Pricing Discussion. Cotton Incorporated Supply Chain Insights, Special Edition 2010.

Production risk	Vagaries of nature like erratic rainfall, climate change, etc.	Best practices of organic cotton farming
Input risk	Inadequate germination of seeds, ineffective pesticides, inadequate water supply	Best practices of organic cotton farming

5. Financial information

- Past financials of the organisation (if currently under the process being formed as an organisation to undertake business, please provide available information on the current business to establish the viability)
- The impact on the viability and sustainability of the cooperatives with current and projected numbers including business parameters for current and future projections.

Balance Sheet

EUR	2008-09	%	2009-10	%
Fixed Assets	EUR 36,937	41.79%	EUR 31,536	35.22%
Grama Vikas - Local Fund	EUR 6,400	7.24%		0.00%
Grama Vikas - Staff Health & Welfare	EUR 1,600	1.81%		0.00%
Advances	EUR 4,079	4.61%	EUR 3,192	3.56%
House Rent Advance	EUR 320	0.36%	EUR 320	0.36%
Telephone Deposit	EUR 96	0.11%	EUR 96	0.11%
Income Tax on Appeal	EUR 3,352	3.79%	EUR 3,352	3.74%
Professional Tax Paid	EUR 2	0.00%		0.00%
Provident Fund Paid	EUR 516	0.58%	EUR 482	0.54%
Tax Deducted at Source	EUR 876	0.99%	EUR 876	0.98%
Receivables		0.00%	EUR 5,374	6.00%
Cash	EUR 34,214	38.71%	EUR 44,314	49.49%
Total Assets	EUR 88,391	100.00%	EUR 89,542	100.00%
Carry forward from previous year	EUR 79,921	90.42%	EUR 89,424	99.87%
Grama Vikas - Raichur	EUR 8	0.01%		0.00%
Provident Fund - Employees Payable	EUR 224	0.25%	EUR 30	0.03%
Provident Fund - Employers Payable	EUR 238	0.27%	EUR 89	0.10%
Grama Vikas - General	EUR 6,400	7.24%		0.00%
Grama Vikas - Local Fund	EUR 1,600	1.81%		0.00%
Total Liabilities	EUR 88,391	100.00%	EUR 89,542	100.00%

P&L for the agribusiness activity

EUR	Projections 2011	% of turnover	Projections 2012	% of turnover	Projections 2013	% of turnover	Projections 2014	% of turnover	Projections 2015	% of turnover
Turnover	EUR 24,000	100%	EUR 36,000	100%	EUR 74,400	100%	EUR 107,200	100%	EUR 147,200	100%
Cost of goods sold	EUR 16,000	67%	EUR 19,200	53%	EUR 29,600	40%	EUR 20,800	19%	EUR 14,000	10%
Gross margin	EUR 8,000	33%	EUR 16,800	47%	EUR 44,800	60%	EUR 86,400	81%	EUR 133,200	90%
Operational cost	EUR 23,520	98%	EUR 7,840	22%	EUR 10,240	14%	EUR 6,144	6%	EUR 4,096	3%
Operational margin	(EUR 15,520)	-65%	EUR 8,960	25%	EUR 34,560	46%	EUR 80,256	75%	EUR 129,104	88%
Other income and expenses	(EUR 46,512)	-194%	(EUR 42,720)	-119%	(EUR 42,720)	-57%	(EUR 25,632)	-24%	(EUR 17,088)	-12%
Net Profit after tax	(EUR 62,032)	-258%	(EUR 33,760)	-94%	(EUR 8,160)	-11%	EUR 35,506	33%	EUR 72,810	49%

The Net Losses shown above for the first 3 years (Year 1: 2011, Year 2: 2012, Year 3:2013) are proposed to be funded through the requested Rabo Foundation grant.

Assumptions (specifically highlighting any striking elements in the financial plan) and comments on the following;

- Growth of the revenue and the results.
The revenue growth and the results in the P&L projections above are based on the production quantity, cost of production and price over the 5 years as mentioned in Table 1 on page 1.
- Other drastic notable/significant changes to the elements
The P&L projections include costs for the Organic Cotton Certification as well as costs of activities related to creating the market linkages.
- In the case of loans: please clarify the cash flow/reimbursement period
N.A.
- Leverage
 - How does this improve the financial position of the organisation help in securing better financial access
 - Other potential sources – Loans/govt. schemes/other donors

GV will be able to leverage the success of the proposed project in Raichur to build on its learnings and scale up its organic farming / producers’ organization related operations in different rural parts of Karnataka. The success of the Raichur cotton farmers’ organization project will also enable GV to secure financial access for similar organic farming and producers’ organization related projects.

- Monitoring and Evaluation framework – with milestone based deliverables

The Monitoring and Evaluation framework will be based on 5 Milestones: each milestone is linked to the completion of each year from Year 1 to Year 5. This milestone based framework will be anchored on the basis of 3 deliverables as shown below – Production Quantity, Average Cost of Production per Acre and Price per Quintal.

	Milestone 1: Completion of Year 1			Milestone 2: Completion of Year 2			Milestone 3: Completion of Year 3			Milestone 4: Completion of Year 4			Milestone 5: Completion of Year 5		
	Year 1 (2011)			Year 2 (2012)			Year 3 (2013)			Year 3 (2014)			Year 5 (2015)		
	Prodn Qty (Q)	Avg Cost of Prodn / Acre	Price / Quintal	Prodn Qty (Q)	Avg Cost of Prodn / Acre	Price / Quintal	Prodn Qty (Q)	Avg Cost of Prodn / Acre	Price / Quintal	Prodn Qty (Q)	Avg Cost of Prodn / Acre	Price / Quintal	Prodn Qty (Q)	Avg Cost of Prodn / Acre	Price / Quintal
Farmers' Group 1	3	INR 5,000	INR 2,500	3	INR 3,500	INR 2,500	4	INR 2,500	INR 3,000	5	INR 1,750	INR 4,000	6	INR 1,000	INR 4,000
Farmers' Group 2				3	INR 5,000	INR 2,500	3	INR 3,500	INR 2,500	4	INR 2,500	INR 3,000	5	INR 1,750	INR 4,000
Farmers' Group 3							3	INR 5,000	INR 2,500	3	INR 3,500	INR 2,500	4	INR 2,500	INR 3,000

