

FINANCING CLIMATE RESILIENT AGRICULTURE: FINANCING THE MINOR MILLETS VALUE CHAIN



Background

Millets are crops which can grow in less demanding conditions like less water, less fertile soil, can withstand greater temperature fluctuations and need very little fertilisers. The Government of India has taken several initiatives. One of them is about moving the UN to declare 2023 as the International Year of the Millet. The adoption of millet as a cereal in a more widespread manner is likely to resolve issues of water table depletion, nutritional deficiency as well as impart the much-needed climate resilience in the Indian agricultural value chain.

The Economic Case for a Minor Millets Processing Plant in Mandla in Madhya Pradesh

Factors which support the economics of a processing unit in Mandla in MP:

1. There is a steady demand from the western region as a component of *Bhagar* which is fasting food, is eaten in between the auspicious days of *Ganesh Chaturthi* to *Navratri* and even otherwise when observing fast.
2. There is a growing interest in millets from the health conscious from various regions.
4. Consumption of millets in the local areas have gone down partly because of the drudgery involved in the hulling process, which have traditionally been done manually. Ready-to-eat hulled millets near the production centres can go a long way in reviving the demand.

3. Mandla is close to the Eastern region and hulled millets can possibly be supplied to other consumption centres as well. This will also help break the 'stranglehold' of traders in Nashik, where nearly all of the sales and most of the value addition now takes place.

Thus, the processing unit would ensure that unprocessed millets outflow from mandla can be capped and transformed into processed millets outflow, cutting out the need for sending the items to Nashik and selling directly to buyers. This, in turn would unlock other opportunities.

5. Rising incidents of dry spell and temperature variability are a factor which is helping in its comeback.
6. Processed minor millets fetch almost INR 90 to 170 depending on the level of processing, which is three to five times higher than selling unprocessed millets.

There are downsides or risks in this which include:

1. Due to the policy actions like Minimum Support Price for rice and wheat, coupled with and enabling of irrigation many farmers have switched to cultivating other crops.
2. Change of dietary and crop patterns is generally a slow process and might take some time to realise.

Capital Structure of Financing

Item	Value/ Description
Loan amount	INR 18,40,000.00
Provider of Loan	HDFC Bank, via use of National Agriculture Infrastructure Financing Facility (NAIF)
Interest on Loan	9% (3% interest subvention under NAIF)
Subsidy (MoFPI)	PM Formalisation of Micro Food Processing Enterprises (PMFME) Scheme (MoFPI) - credit-linked capital subsidy @35% of the eligible project cost - maximum of INR 1 million per unit
Grant 1 (NABARD)	INR 25,00,000.00 NABARD Farm Sector Promotion Fund (FSPF) - for millets productivity improvement and farm mechanisation
Grant 2 (NABARD)	INR 14,00,000.00 NABARD Livelihoods and Enterprise Development Programme (LEDP) - For skill upgradation for post-harvest management and value addition
Grant 3 (NABARD)	INR 10,00,000.00 NABARD Rural Infrastructure Promotion Fund (RIPF) - Provided directly to the Farmers Producer Organisations (FPO)s to facilitate setting up of processing unit
Land for processing unit Preparation of land	Grant from District Administration MGNREG Scheme
Total Capital Mobilised (Land value not considered)	INR 67,40,000.00

National Agriculture Infra Financing Facility

It is a INR 1,00,000 crore fund created for financing agriculture infrastructure projects at farm-gate and aggregation points (Primary Agricultural Cooperative Societies, Farmers Producer Organisations, Agriculture entrepreneurs, Start-ups, etc.). Impetus for development of farm gate and aggregation point, affordable and financially viable post harvest management infrastructure. It is a Central Sector Scheme to mobilise a medium - long term debt financing facility for investment in viable projects relating to post harvest management infrastructure and community farming assets through incentives and financial support.

Sources of Grant

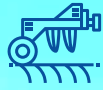
PM Formalisation of Micro Food Processing Enterprises (PMFME) Scheme (MoFPI) - credit-linked capital subsidy @35% of the eligible project cost - maximum of INR 1 million per unit.

Farm Sector Promotion Fund (FSPF) of NABARD to support innovations in agriculture and allied sector leading to enhancement of farm income and farm productivity, encompassing the following: **i).** Promotion of Innovations in Agriculture and Allied Sectors; **ii).** Enhancing Productivity of Agriculture and Allied sectors and creating market access; **iii).** Promotion of Climate Resilient Agriculture in vulnerable/ distressed districts; **iv).** Promotion of Agricultural Value Chains; **v).** Promotion of Farmers' Collectives including training and capacity building; **vi).** Supporting Expert Advisory Services, Policy advocacy including building up of human capital in rural areas.

Livelihoods and Enterprise Development Programme (LEDP) supports provision for intensive training for skill building, refresher training, backward-forward linkages and handholding. Further the programme supports skill upgradation programmes, establishment of demonstration unit and need based critical infrastructure.

Rural Infrastructure Promotion Fund (RIPF) supports programmes and activities that promote rural infrastructure, with the ultimate objective of facilitating agriculture and rural development. RIPF has been set up with a corpus of INR 25 crore for supporting training, research and survey, creation of project reports, and creation of experimental infrastructure by village-based institutions.

Use of Funds



Machinery
INR 19,96,810.00



Capacity Development
INR 14,00,000.00 from
LEDP + CSR support from
the Reliance Foundation



**Land development
costs, miscellaneous
and contingency**
INR 8,43,190.00

Total
INR ~ 42,40,000.00*

*Does not account for the funds mobilised under FSPF worth INR 25 Lakh which has been used to bring in efficiencies in the value chain including improved seeds, imparting of capacity in harvesting.

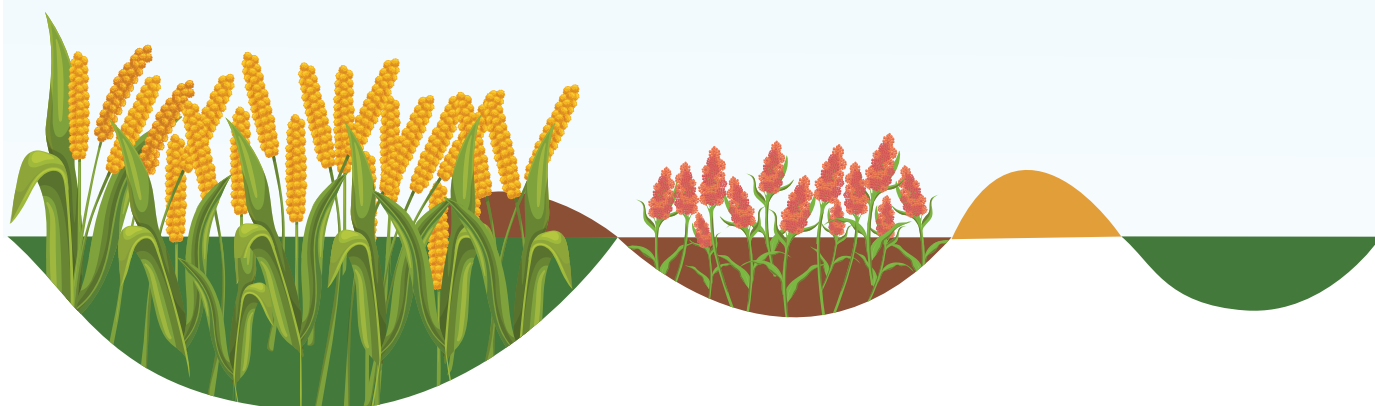


Role of Partners

Name of Partner	Potential Role
NABARD	<ol style="list-style-type: none"> Promoting and financing of value addition cluster in Mandla through FPCs, and millets-based businesses Facilitating access to water through NABARD's work on water sheds Providing techno-managerial and knowledge support to the project, banking on NABARD's rich experience of financing similar models across India
GIZ	<ol style="list-style-type: none"> Support on: <ol style="list-style-type: none"> Technical support in Climate Risk Assessment and identification of climate adaptation and resilience measures Technical support in developing climate adaptation-based business plans surrounding millet, together with FPCs Knowledge support in water shed work to improve access to water, land development work (land levelling etc.), Access to vermicompost and other organic fertilisers Facilitation of interaction with NABARD RO/HO/DO wherever needed
Reliance Foundation	<ol style="list-style-type: none"> Leverage on RF's established network with close to 5,000 farmers and 120 villages Leverage on RF mentored FPC - Narmada Self Reliant FPC – to manage key farmer facing and market activities Development of a FPOs cluster of five to six FPOs, around Narmada FPC, to comprehensively cover the district Provide techno-managerial and market linkage support to FPC in running the millets processing cluster

The machinery has been delivered as of end May/ Early June 2023 and the factory is being set up.

Disclaimer: The information contained in this document is to the best of the knowledge of the project and the organisers are not responsible for any inaccuracies or factual errors in the information provided. The authors do not make any recommendations or advisory regarding investment decisions of any actors involved.



As a federally owned enterprise, GIZ supports the German Government in achieving its objectives in the field of international cooperation for sustainable development.

Published by Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH
Registered offices Bonn and Eschborn, Germany

A2/18, Safdarjung Enclave, New Delhi 110029
Phone +91 49 49 5353 | Fax +91 49 49 5391 | E: info@giz.de | www.giz.de/india

Responsible Dr Shailendra Dwivedi, shailendra.dwivedi@giz.de

Photo credits GIZ India

As at June 2023

Design/Illustration by Caps & Shells Creatives Pvt Ltd

GIZ is responsible for the content of this publication

On behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ)