

MODULE 1

OVERVIEW OF AN FPO

Module 1	Overview of an FPO	Time
Session 1.1	Working together versus individual action	95 mins
Session 1.2	Basic concepts of an FPO	70 mins
Session 1.3	Structure, formation and functions of FIG and FPOs	90 mins
Session 1.4	Board of Directors and Management: Who they are, how to select and monitor	60 mins
Session 1.5	Specific and shared responsibilities of BOD, CEO	110 mins
	TOTAL TIME FOR MODULE 1	425 mins (approx. 7 hours)

Session 1.1: Working together versus individual action

Time: 95 minutes

Session Objectives

By the end of a 95 min. session on “Importance of collective action”, the participants would have:

- a. Understood the importance of working together
- b. Appreciated the strengths of collective action versus individual action

Process (Summary)

Session Outline				
No.	Content	Method/ Activity	Time	Materials
1	Introduction – Explain the objectives of this session	Read out objectives	10 min	Chart with objectives written on it
2	Differences between individual business and collective business earnings	Brainstorm plus card work	30 mins	charts with blank formats; Blue, Green and Pink small rectangular cards, sketch pens, markers, tape
3	Difference between Non-FPO farmer and FPO farmer	Group Activity	15 mins	Cards, chart paper
4	Working together rectangle game	Game	30 mins	See Annexure 1
4	Summing up & Link to next Session	Discussion	10 mins	board, pens

Process (Detailed)

Task 1: Session objectives (10 mins)

The Facilitator has to explain the session objectives that are already written on a chart and get the agreement of the participants for each objective.

Task 2: Understanding the differences between individual business and collective business earnings.

Step 1: Ask the following questions and note the answers on the chart paper using the format below:

- What is your current agricultural business?
- Why you are doing this business?
- How many acres of land do you have for agriculture?
- Where do you sell your agriculture produce?

Current agriculture product	Why this product	Acres of land	Selling place

Chart 1: Current business

Step 2: Now select 2- 3 products from the above list and put in the first column of the second chart. Ask them to think for a while about the answers for the other 3 columns: Input cost, selling price and profit gain. Once they have got the answers, distribute 2 different colour cards (Blue and Pink) to each of them. On one colour (Blue), make them write the name of the crop, what was their input cost per acre, selling price per acre selling it as an individual farmer. On the Pink card they must write the same information but as a member farmer selling through an FPO.

Current agriculture product	Input Cost	Selling Price	Profit Gained

Individual farmer scenario

Current agriculture product	Input Cost	Selling Price	Profit Gained

FPO member farmer scenario

Step 3: Make them discuss whether there is any difference and why is the difference seen, if any. Finally introduce the next exercise saying that it will focus on listing the differences between a farmer who is not a member of the FPO and one who is.

Task 3: Difference between Non-FPO farmer and FPO farmer. (15 mins)



Non-FPO Farmer

Differences

FPO Farmer

1. Facilitator invites two persons from among the participants and asks them to sit on the floor with some distance between them. The first person will represent a non-FPO member farmer while the second person will represent an FPO member farmer. Write Non- FPO farmer in Capital letters on a big card and give to the first person and ask him to hold it up, write FPO farmer in capital letters on another card and give to second person and ask him to hold it up. The facilitator will distribute small white rectangular cards to all participants.
2. Facilitator then asks the remaining participants to write down one difference between Non-FPO and FPO farmers. The facilitator then instructs them to place their cards in front of the respective representative.
3. If there are common points, then the cards are merged.
4. The group will then discuss the points and come to a consensus as to which side they should be. The facilitator can prompt if any main point is left out.
5. Finally, these cards can be put on a chart paper where 2 columns have been made – non-FPO farmer and FPO farmer.

Task 4: Broken square game (30 mins)

See annexure 1 for description of how to play the game. Once they have finished the game, ask them to answer the questions at the end of the annexure. The lesson learned should be the importance of working together and how one can support the other to achieve the maximum results.

Task 5: Summary

Once all the discussions are over, the Facilitator will sum up the session highlighting the key learnings

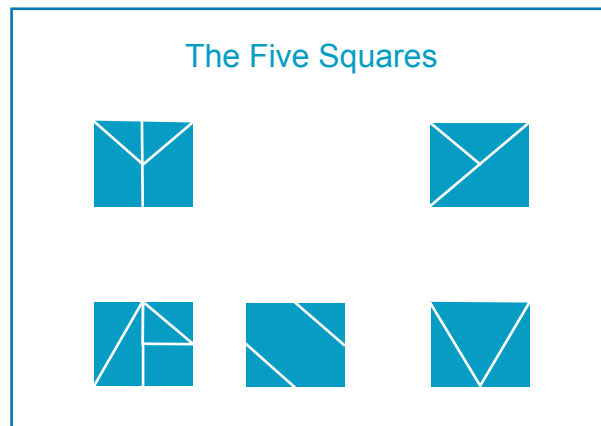
- o Strengths of collective action versus individual action
- o Key differences between farmers who are in an FPO and those who are not.

Annexure 1: The broken square game

This game is for the participants to play.

Instructions

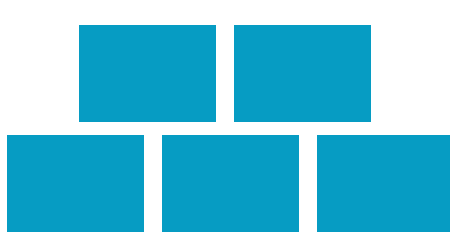
1. Using thick cardboard, cut out five squares as shown below



2. Either use 5 tables or put out 5 sheets of newspaper on a single table to demarcate working space for each participant.
3. Select 5 participants and make each one sit in front of their table/ newspaper area.
4. Participants cannot talk or communicate with each other at all. All observers must not say anything.
5. Randomly put a few pieces of the broken squares on each persons' newspaper.
6. Instruct the participants using the following sentence: "Make 5 squares using the pieces put out. You can give your piece to another participant (putting it on their newspaper). But you cannot take or ask for a piece from any of them." Do not say anything else.
7. Give them only 5 minutes. Stop after 5 minutes.

See what has happened.

Broken Squares



Objective

- To make Five Squares

Rules

- No verbal Communication
- No asking for a piece (if somebody offers a piece you can use it)
- You can offer a piece to others
- No snatching pieces take only when somebody gives

Possible scenarios

- a. 2 – 3 participants manage to make individual squares on their newspaper with their pieces or from pieces given by others. They may have also given away some pieces. Once they finish, they sit back and watch what others are doing.
- b. Some participants make small size squares – not the same size
- c. Some participants are completely lost – cannot make any squares – others just watch and don't do anything
- d. Those who have completed watch those who are struggling and try to help by giving them one of their pieces (they break their square in the hope of getting a piece or 2 which will help complete the square).

The first scenario is the most common.

Debrief using the foll.

What is a team

- Common goal/objective
- Combined effort
- Individual sacrifice
- Support and empathy
- Common achievement



Discussion

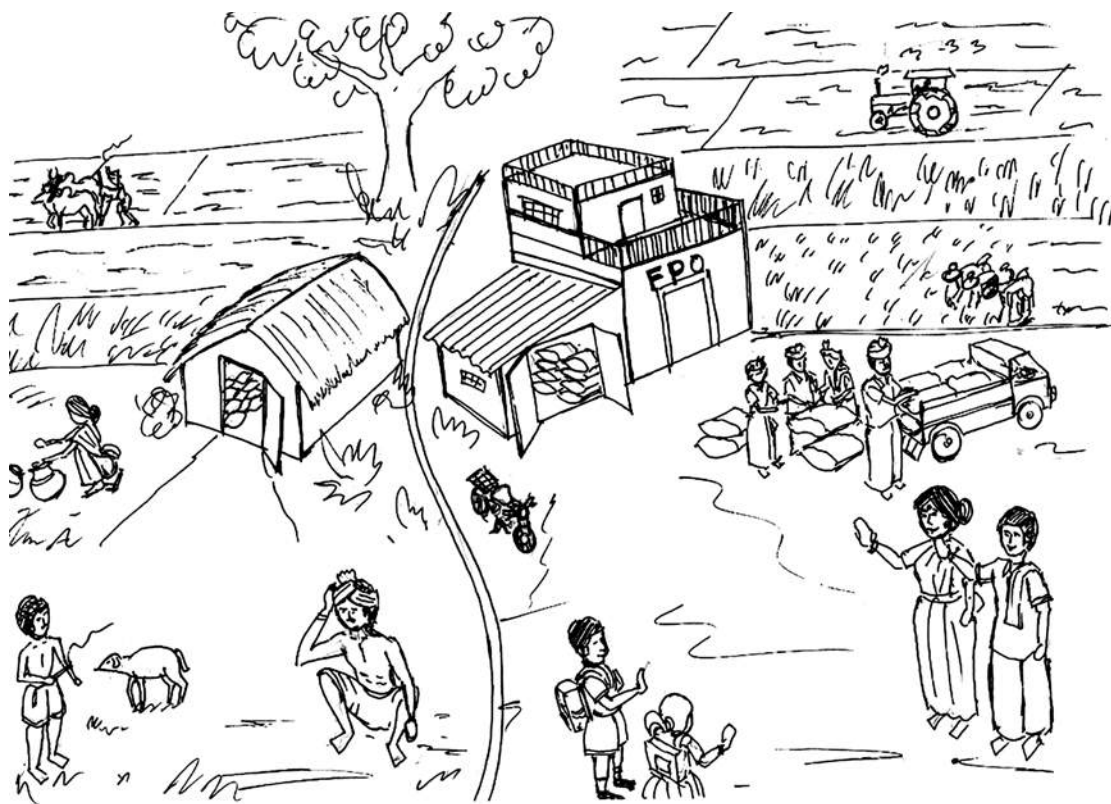
- My square
- I have made my square
- Only I can do it nobody knows anything around here
- Why should I break my square?
- You do it (my table is always clear / empty)
- I don't want the difficult piece, you manage it.
- Group objective v/s individual objective

Learning

Team work is very important to achieve the final goal – not individual achievements at the cost of the overall goal.

Concept Conclusion

Everyone in the team has some strengths and some weaknesses. The team can perform well only when the team members recognize and respect each other's competencies and work together rather than try to compete and pull each other down.



Handout for Trainers

Collective action

Unless there is trust and unity amongst the Board of Directors and the shareholders of the company, there will not be any progress or sustained growth. There must be some affinity and trust within the farmer groups and between the members and the Board of Directors. At the director level, there should be unity, respect for each other and a democratic way of functioning to allow for transparency and accountability to all the shareholders.

The role of collective action has been studied extensively since a collective and coordinated approach of farmers in the food supply chain may have positive economic effects, by increasing the economies of scale and by reducing transaction costs. It is also understood that the collective action of farmers and of other rural stakeholders may also play an important role in delivering public goods and non-commodity outputs. A joint action can be undertaken by farmers' organisations, farmers' associations or by an informal group of farmers for many reasons, such as reducing the transaction costs to collect information on innovative (and more sustainable) production practices or to comply with new legislation, to take market opportunities (i.e. to negotiate a premium price with the large distribution channels).

Since environmental public goods such as biodiversity and landscape in many cases cannot be provided by single farmers, collective action allows the addressing of the problem of public goods provision at the geographically and ecologically appropriate scale.

Another of the key benefits of collective action is the possibility of sharing knowledge and learning for the stakeholders who take place in the collective initiatives. In many cases a cooperation approach relies heavily on the local knowledge of stakeholders and on the possibilities to integrate this knowledge into the decision-making process. Thus, collective action increases

the credibility and legitimacy of decision-making, and also allows the collecting and sharing of information at lower costs compared to the individual approaches.

The other important benefit of collective action is the possibility of tackling efficiently local issues. In many cases central governments have increasing difficulties in tackling local issues and cannot find a viable solution for local problems, while through collective action it is possible to implement strategies tailored to local problems.

But on the negative side, collective action sometimes has a few individuals who do not contribute to group activities because they don't see the benefit from other member's activities. Also, collective activities may have higher transaction costs compared to individual actions in the beginning.

The benefits of collective action are maximized only when appropriate institutional arrangements are in place and where the role of social capital is increased because of trust and reciprocity among group members.

Session 1.2: Basic concepts of an FPO

Time: 70 mins

Session Objectives

By the end of 70 mins session on “Basic concepts of an FPO”, the participants would have:

- a. Understood what an FPO is.
- b. Learnt about the different types of FPOs and the differences between the two.

Process (Summary)

Sl No.	Content	Method/Activity	Time	Materials
1	Introduction – Link with previous Session & reading objectives	Brainstorm/ reading objectives	10 mins	board; chart paper with objectives
2	Understanding what is an FPO	Small group discussion	20 mins	brown sheet/ chart paper; pens
3	Types of FPO	Group activity	30 mins	cards for animal game; Blue and Red cards; pens, Chart paper
4	Summing up & Link to next Session	Discussion	10 mins	board, pens

Process (Detailed)

Task 1: Recap of previous session (10 mins)

The Facilitator can brainstorm with the participants asking the following: - What was the previous session about? and what you have learnt? S/he can write down the main points brought out.

Talk about how the previous session focussed on the differences between farmers who are FPO members versus those who are not. It also demonstrated the importance of an FPO board to appreciate the need to work together with its member farmers.

The Facilitator has to explain the session objectives that are already written on a chart and get the agreement of the participants for each objective.

Task 2: Understanding what is an FPO? - 20 mins

The Facilitator divides the participants into 2 groups and asks them to discuss and describe what an FPO is according to their understanding. Start with getting the participants to write one word only describing what an FPO is – let each of them get a chance. Put these words on the board. Then try to get them to string them together to form a sentence after arriving at a consensus.

Task 3: Types of FPOs – 30 mins

The Facilitator should form 4 groups using the animal game (see Annexure - 1).

S/he places charts on the board – one for company and one more for co-operative society. He explains to the group that these are the most common types of FPOs and asks them if they have heard these names and do they know which group their own FPO comes under?

Then he places a set of Blue and Red cards on the table and asks each group to collect a few of each. Then they have to write at least 3 features of each type of FPO on different coloured cards– Blue for company and Red for cooperative. They can then go and stick their card on the chart (see sample chart format below). If more than one group writes the same point, the card is stuck on top of a previous same point. Once all finish, the Facilitator can revise the points, get agreement, and suggest corrections based on the final chart in Annexure 2.

Feature	Company	Society
Registration		
Area of operation		
Membership		
Shares		

Some of the features that need to be covered include type of registration, area of operation, membership, shares, voting rights, reserves, role of registering authority, administrative control, borrowing power, dispute settlement. There may be others which they can add.

Task 4: Summing up

Once all the discussions are over, the Facilitator will sum up the session highlighting the key learnings

- Basic concept of what an FPO is.
- Different types of FPOs and the differences between the two.

Annexures / Handouts

1. Annexure -1 : How to play the animal game to form groups
2. Annexure 2: Differences between the types of FPOs
3. Handout for trainer

Annexure - 1: Animal Game

1. Make small rectangular cards of 4 inches by 4 inches of 4 diff. colours. On each colour card write the name of an animal. For example, write cow on all Blue cards, dog on all Pink cards etc.
2. Don't let the participants see the cards. Keep them facing down after mixing up the colours.
3. Ask each participant to pick up one card only and not show to anyone.
4. Once they all have their cards, they can then make the sound of that animal (bark for dog, moo for cow etc.) and thus identify other persons with the same sound and animal name.
5. Finally, all will find their group through this method.
6. The 4 groups are now ready to do their exercise.

Annexure 2: Types of FPOs and the Key Differences

Features	Producer Cooperative	Producer Company
Registration	Cooperative Societies Act of 1959	Companies Act 1956
Area of operation	Restricted, discretionary such as one hobli, taluk, district etc. within the state	Entire union of India
Membership	Open only to individuals and other cooperatives and societies can become members	Any individual producer, groups, association related to producer of goods or services can become members
Relationship with other corporate / business houses / NGOs	Transaction based	Producers and corporate entity can together float a producer company
Shares	Not tradable and transferable	Not tradable but transferable limited to members at par value
Voting Rights	One person, one vote, but Government and RCS holds veto powers	One person one vote. Those not having transactions with company can't vote
Reserves	Created if there are profits	Mandatory to create every year
Role of Registering authority	Significant	Minimal
Administrative control	Overbearing control by the cooperative department, highly patronized to the extent of interference	Controlled by the Board themselves Minimal control by the registrar of companies limited to statutory requirements
Borrowing Power	Restricted as per bye-law	Borrowing power fixed by special resolution in the general meeting. companies have more freedom to raise borrowing power
Dispute Settlement	Through Cooperative mechanism	By Arbitration

Handout for Trainers

Why FPOs?

Over 83 per cent of Indian farmers are small and marginal (2005-06) and cover nearly 50 per cent of operational holdings. More than 90 per cent of the small and marginal farmers (SMF) are dependent on rain for their crops. In absolute numbers there are about 90-100 million SMF in India who depend on agriculture for income and employment. Due to continued phenomenon of land fragmentation the number of SMF is ever increasing.

Some of the constraints faced by the small and marginal farmers are given below:

- a) Shrinking land assets, rising per unit cost of cultivation and shrinking profit margins.
- b) Difficulties in accessing critical inputs like credit, water, power as well as quality seeds, fertilisers, pesticides and appropriate and timely technical assistance.
- c) Fragmented value chain in agriculture marketing, monopoly and /or monopsony conditions, few opportunities for value addition at the bottom of the chain
- d) Weak bargaining with market agents and low returns on investment
- e) Present arrangements for risk mitigation, especially crop insurance instruments, are highly unsatisfactory and do not adequately cover the risks faced by the SMF, leaving them vulnerable to the vagaries of weather.
- f) Not being able to withstand the market fluctuations of produce
- g) Forced to dispose-off the produce immediately after harvesting due to lack of storage space and immediate need of cash for their livelihood
- h) Finally, there is no special targeting or earmarking of resources for small and marginal farmers in centrally sponsored agriculture development programmes.

Hence, there is an urgent need for solutions that mark a break from the past and significantly improve the terms of smallholder access to the market. The Farmer Producer Organisation (FPO) is a necessity in Indian scenario if one has to effectively address the issues mentioned above. Member based FPOs offer a proven pathway to successfully deal with a range of challenges that confront small producers, empowering their members in a variety of ways. Several national experiences in the performance of FPOs suggests that they are able to leverage their collective strength and bargaining power to access financial and non-financial inputs and services, technologies, reduce transaction costs, tap high value markets and enter into partnerships with private and public entities on more equitable terms.

What is a Farmer Producer Organisation (FPO)?

A producer company is basically a body corporate registered as Producer Company under Companies Act, 1956 and shall carry on or relate to any of following activities classified broadly:-

- a. production, harvesting, processing, procurement, grading, pooling, handling, marketing, selling, export of ¹primary produce of the Members or import of goods or services for their benefit;
- b. rendering technical services, consultancy services, training, education, research and development and all other activities for the promotion of the interests of its Members;
- c. generation, transmission and distribution of power, revitalization of land and water resources, their use, conservation and communications relatable to primary produce;
- d. promoting mutual assistance, welfare measures, financial services, insurance of producers or their primary produce;

1. Primary produce has been defined as a produce of farmers arising from agriculture including animal husbandry, horticulture, floriculture, pisciculture, viticulture, forestry, forest products, re-vegetation, bee raising and farming plantation products: produce of persons engaged in hand-loom, handicraft and other cottage industries: by - products of such products; and products arising out of ancillary industries".

What is the need for FPO?

The main aim of an FPO is to ensure better income for the producers through an organisation of their own. Small producers do not have the volume individually (both inputs and produce) to get the benefit of economies of scale. Besides, in agricultural marketing, there is a long chain of intermediaries who very often work non-transparently leading to the situation where the producer receives only a small part of the value that the ultimate consumer pays. Through aggregation, the primary producers can avail the benefit of economies of scale. They will also have better bargaining power vis-à-vis the bulk buyers of produce and bulk suppliers of inputs.

What are the essential features of an FPO?

- a. It is formed by a group of producers or involved in production such as production, harvesting, processing, procurement, grading, pooling, handling, marketing, selling, export of *primary produce of the Members or import of goods or services for their benefit.
- b. It is a registered body and a legal entity.
- c. Producers are shareholders in the organisation.
- d. The FPO is owned by farmers themselves
- e. It deals with business activities related to the primary produce/product.
- f. It works for the benefit of the member producers.
- g. A part of the profit is shared amongst the producers.
- h. Rest of the surplus is added to its owned funds for business expansion.
- i. The FPO can derive multiple benefits for the farmers such as insurance, fair price, storage space etc., in the long run

Who owns the FPO?

The ownership of the FPO is with its members. It is an organisation of the producers, by the producers and for the producers. One or more institutions and/or individuals may have promoted the FPO by way of assisting in mobilization, registration, business planning and operations. However, ownership control is always with members and management is through the representatives of the members.

The groups/associations of must have a high degree of trust, which cannot be manufactured. This is one reason why community groups are often formed around one strong personality, and due to some immediate issue.

There is an important difference between farmers or communities that organise themselves to work together and farmers being organised ingroups by external actors, who see this as a vital step and entry point for community development. External agencies often view the creation of organisations as a positive intervention, a way of increasing impact and sustainability of activities. Farmers and communities often do benefit from participating in such projects through gaining access to trainings, information, resources and further linkages. However, groups formed in this way are typically more prone to difficulties at the start and there is a risk that they will not continue if or when the initiating institution withdraws from the project. Alternatively, where previously established local groups gain the support of external agencies, this arrangement can be very positive. A key challenge for facilitating agencies is to act as catalysts and bring out the self-organising capacities of farmers in the most locally relevant and useful way. It is critical that there is affinity amongst the members for the group to sustain and benefit in the long run.

Role of farmer in the journey of an FPO

As said earlier, an individual farmer is limited to his/her own farm and its needs – from inputs to production. Very rarely, some big farmers may also be involved in post-harvest activities for their own farm. Small and marginal farmers normally sell their produce at the farm gate at whatever prices are quoted to them and are at the mercy of the middle man and local traders.

In the context of an FPO, a farmer can play many roles

- a. **As a shareholder** – once the farmer agrees to be a member of the FPO and pays up the share, s/he automatically becomes a voting member of the FPO and is eligible to all rights enjoyed by the FPO.
- b. **As a member of FIG** – the farmer is also a member of the local farmer interest group (FIG) in most places. This enables them to participate actively in local group meetings and follow up from directives sent from FPO. In reverse, decisions made by FPO members, can be communicated to the FPO board through a representative member who is also in the local FPO.
- c. **Member of the FPO Board of Directors** – a farmer can also be nominated or elevated on to the Board of Directors of the FPO. CEO who is appointed by the Board cannot be a member of the board and he/she has no voting rights.

Session 1.3: Formation and functions of FIG and FPOs

Time: 90 mins

Session Objectives

By the end of 90 mins, the session on “Formation and functions of FIG and FPOs”, the participants would have:

- a. Understood the steps in formation of both FIG and FPOs
- b. Appreciate the functions of FIGs and FPOs and the differences between them

SI No.	Content	Method/Activity	Time	Materials
1	Introduction – Link with previous Session	Interaction	5 mins	chart
2	FIG/ FPO details	Brain storming & group activity	20 mins	chart paper, pens, Annexure 1
3	Formation of FIG/FPO	Group activity	20 mins	chart paper
4	FIGs and FPOs	Set of different activities	40 mins	chart paper, colour cards, pens, Annexure 2
5	Summing up & Link to next Session		5 mins	

Process details

Task 1: Session objectives – 5 mins

Start by introducing the session objectives using a pre-prepared chart and get the agreement of the participants.

Talk about how the previous session focussed on the types of FPOs and their corresponding features.

Task 2: Understanding what a FIG and FPO are. – 20 mins

Form 4 groups. The first two groups will focus on FIG while the other 2 groups will focus on FPO.

Start with getting the participants to write one word only describing what a FIG or FPO is – let each of them get a chance. Put these words on the board. Then try to get them to string

them together to form a sentence. Finally show them the formal definition – make sure they understand it and relate it to the words they first stated.

Definition of FIG: “A group of 15-20 Farmers who belong to same village/ contiguous area, growing similar crop/s or producing similar products/ bye-products and working together to improve their socio-economic condition, is called a “Farmers Interest Group”. These are informal groups, who are not registered as a legal entity.

Definition of FPO: A producer company is basically a body corporate registered as Producer Company under Companies Act, 1956 and shall carry on or relate to any of following activities classified broadly: -

- (a) production, harvesting, processing, procurement, grading, pooling, handling, marketing, selling, export of *primary produce of the Members or import of goods or services for their benefit;
- (b) rendering technical services, consultancy services, training, education, research and development and all other activities for the promotion of the interests of its Members;
- (c) generation, transmission and distribution of power, revitalization of land and water resources, their use, conservation and communications relatable to primary produce;
- (d) promoting mutual assistance, welfare measures, financial services, insurance of producers or their primary produce;

Task 3: Steps for formation of the FIGs/FPOs – 20 mins

Use the same groups for this exercise. Ask group 1 and 2 to list out the steps to form an FIG. See Annexure 1 for complete list. Encourage them to put it in order. Ask group 3 and 4 to list out the steps in formation of an FPO and write each one on a separate card.

Once they have completed, each group can then place their card on the appropriate chart paper in the centre and present it to the other group. Then the other groups will do the same. If there are any common points, then they only add the new ones.

The Facilitator can prompt any points that are left out after the participants have reviewed and given their inputs.

See annexure 1 for the expected answers.

Discussion: The Facilitator asks, “What are the common steps in the formation of FIG versus FPO? What are the differences?”

Task 4: Function of FIG versus FPO – 20 mins

Again, working with the same groups, the Facilitator will give each group a chart paper and ask them to list out the functions. The first 2 groups (FIG groups) will write out the functions performed by FIGs. Groups 3 and 4 will do the same thing but will list functions of an FPO.

The Facilitator will read out all the functions written on the charts one by one. Facilitator will ask the participants that any functions left out from this list? If yes, ask the participants to add any missed point under the functions of FIG and FPO.

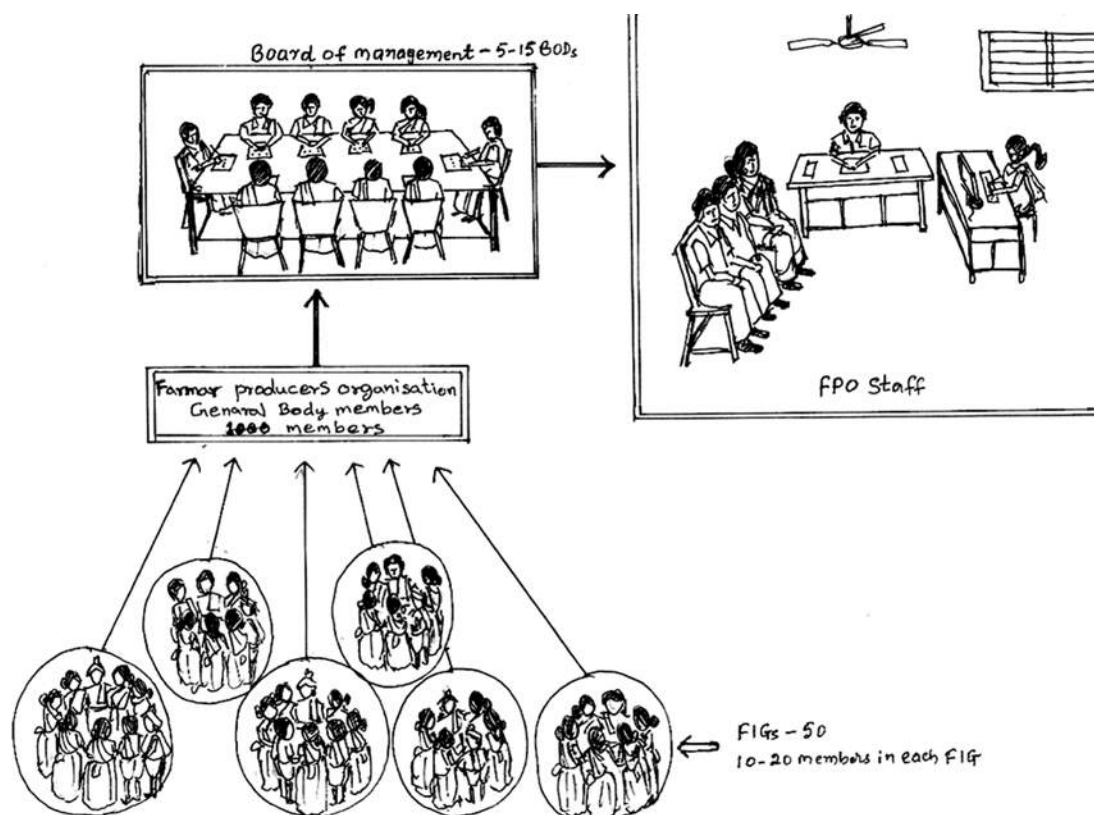
Questions:

1. What are the functions performed by FIG/FPO?
2. Any functions left out from this list?

The Facilitator can also clarify that both are groups of farmers, but functions vary as the roles vary.

Task 5: Summing up

The Facilitator will sum up the session by clarifying their doubts and linking this session to the next one to next session.



Annexure 1: Steps in formation of a FIG

1. Orientation of farmers/producers about the concept of FIG.
2. Facilitate farmers to form FIGs based on geographic and product homogeneity
3. The FIGs may consist of 10-20 producers from the same geographical area.
4. Group members may identify name of FIG suitable/ appropriate to them.
5. Selection of two representatives/cheque signing authorised signatories by FIG.
6. Frame rules and regulations through participatory manner.
7. Opening of Bank Account
8. Introduce all the required Books of Accounts
9. RI/NGO/POPI should train FIG members on how to conduct regular meetings and savings, if they are interested.

Characteristics of FIG²

- 10-20 farmers from same geographic area will become members in FIG. If there are more than 20 farmers, they can form another FIG. While the lower limit of number of farmers for a FIG prescribed by NABARD / SFAC/ other promoting agencies vary between 10-15, the upper limit for FIG is (commonly) 20. Beyond 20, as per the NABARD SHG framework, such a group has to be formally registered in order to open a bank account and/or access any scheme of the Government.
- The age of the FIG member should be above 18 years.
- Both male and female farmers/producers can become member in FIGs.
- The farmers who grow similar (1 or 2) major crops can become members of the FIG.

2. Training Programme on Formation and Management of Producer Groups and FPOs - MANAGE Hyderabad

- Member should be preferably from small and marginal farmer/producer community.
- Member should be a farmer either cultivating his own or leased (legal owned)
- FIG is an informal group, but it should have a proper name, bank account for identity of the groups and also should have their own rules and regulations.
- FPO can use its account for savings.
- FIG can maintain Books of account and can be involved in lending internally. (subject to consent of all members)
- Must have regular meetings at least once a month.
- One family can have single membership; if it is joint family, then with the permission of FIG they can increase number of members per family.
- Group must have two Representatives to operate bank account and to represent the group. Representative 1 and Representative 2 should be rotated as per defined rules and regulations.
- Group has a right to accept new members or terminate membership.
- FIG should assess the input requirements of the member producers and prepare an action plan accordingly to be intended to the FPO.
- FIG may apply for loan from banks and MFIs for the purpose of lending to its members.
- Sensitise FIG members for availing crop/asset/life insurance. and arrange for the same with the assistance of the FPO.

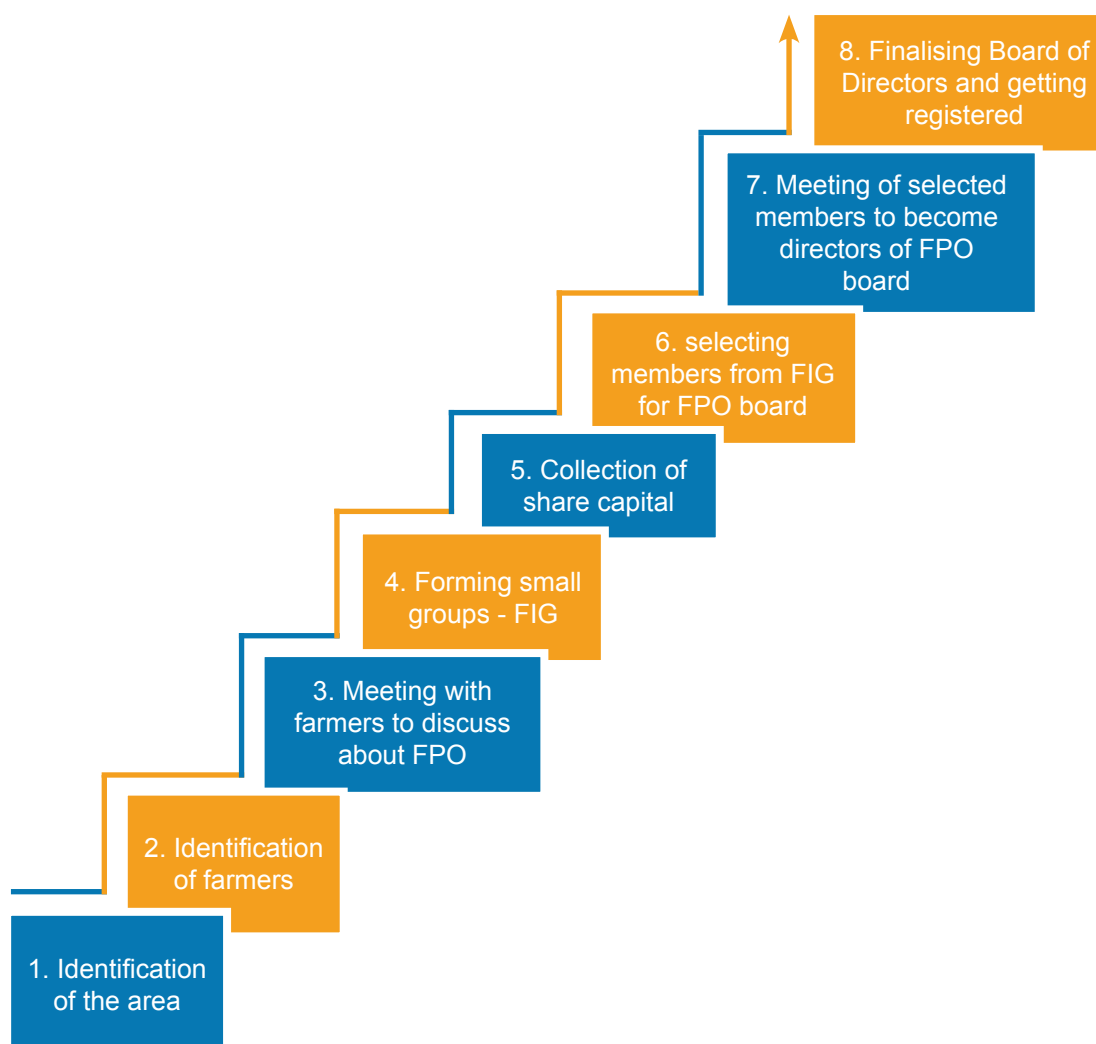
Annexure 2: Steps in formation of an FPO

Characteristics of Farmer Producer Organization

An Organization will be called a Farmer Producer Organization, if

- it is formed by a group of primary producers
- it is a registered body and a legal entity
- producers are primary shareholders in the organization
- it deals with business activities related to the primary produce/product/ related inputs
- it works for the benefit of the member producers
- portions of profit are shared amongst the producers and the balance goes to the share capital or Reserves.
- It has minimum shareholding members numbering 500 at the time of registration. However, the
- Shareholding membership will have to be increased up to 1000 members over a period of 3 years to a sustainable level.

Sample set of steps to form an FPO



Annexure 3: Suggested functions of FIGs and FPOs

Functions of FIGs

- Collection of information with regards to crop/product - Crop production and Marketing.
- FIG may assess the requirements of inputs and share it with the FPO and ensure it is made available to producers through FPO. FIG must educate its member farmers on sustainable agriculture practices by availing assistance from the FPO.
- FIG can support its farmers in preparing plan for sowing, harvesting and preservation of commodities etc with the help of FPO
- FIGs can obtain information regarding day-to-day market prices and disseminate the same to its farmers/ producers.
- FIGs can avail facilities and assets belonging to FPOs like Tractor, processing unit, warehouse etc for the benefit of its members
- Collect Share capital from the members and hand over the money to FPOs.
- FIG can collect savings from the members and disburse loan to its members and ensure repayments from its members.
- Maintain books of accounts and ensure updating and auditing of books of accounts annually with assistance from the FPO.

Functions of FPO in Value Chain

Agriculture Value Chain	Input Supply	Agriculture Production	Processing	Marketing
Functions of an FPO	Access to inputs – seeds, fertilisers, pesticides Management of water, land resources	Agriculture practice norms Weather information Irrigation support	Gradation of product Drying and sorting Value addition of the products	Storage, branding and distribution of products through marketing channels

Session 1.4: Board of Directors and Management: Who they are, how to select and monitor

Time: 60 mins

Session Objectives

By the end of 60 mins. the session on “Board of Directors and Management: who they are and how are they selected and monitored”, the participants would have:

- a. Some clarity on the how to form a Board of Directors and understand their key functions.
- b. Understood who constitutes the management, how to select the CEO and key staff and basic principles of monitoring them.

Process (Summary)

Session Outline				
No.	Content	Method/Activity	Time	Materials
1	Session objectives	Explanation	5 mins	
2	Formation of Board of Directors & their key functions	Brainstorming	20 mins	chart paper, pens, annexure 1
3	Selection of the CEO and key staff		30 mins	annexure 2 cards, pens
4	Summarise the session	Explanation	5 mins	

Process (Detailed)

Task 1: Explain the Objective of session – 5 mins

- Recap the previous session and lay a base for current session.
- State the objective for the session.

Talk about how the previous session focussed on the steps in forming and FIG and FPO. It also detailed the key functions of an FIG in comparison to that of an FPO.

Task 2: Who is the Board of Directors? How are they selected and what are their key functions? (20 mins)

The Facilitator can ask the group 2 questions:

- a. What do you think are the criteria to select a farmer to become director in the Board?
- b. What are the statutory requirements of a board member?

He collects all the answers and puts them on the board. He will then circulate Annexure 1 which highlights the key answers to the question. He must stress that there are different approaches to selection of a Board of Directors. However, there are some points that are required by law.

Task 3: Understanding the selection and functions of the key management staff (30 mins)

The Facilitator should ask them who they think are the key staff in an FPO that is part of the management. The answers should include the CEO and the Company Secretary (if the turnover is more than Rs. 5 crores)

Then the Facilitator can hand out small cards to the group and ask them to write out what they think are the criteria to select a good CEO. After 10 mins he can ask them to paste the cards on the board.

He must emphasise that the Chief Executive Officer (CEO or Executive Director) is responsible for implementing program activities and for overall management of the organisation to meet its goals. In other words, the organisation's senior management directs. In contrast the BoD makes policies, assists in setting the strategic direction of the organisation, and provides oversight and supervision to ensure that the management and operations of the organisation are legal, effective, and appropriate (fair and ethical).

The board governs and is legally responsible for the organisation

He hands out Annexure 2 and asks them to read it out in each group. He can then ask them to comment on whether they agree with the guidelines or not.

Task 4: Summary

Once all the discussions are over, the Facilitator will sum up the session highlighting the key learnings

List of Annexures

1. Statutory Points on Board of Directors
2. Explanation of BoD and its key functions
3. Provisions for CEO
4. Guidelines on selection and monitoring of CEO

Annexure 1: Board of Directors

1. What constitutes management of a producer company?

Management comprises the following constituents:

- A. Board of Directors
- B. Chief Executive Officer
- C. Company Secretary

2. What are the provisions relating to directors?

- a. Every producer company should have minimum of 5 directors and maximum 15 directors.
- b. No person shall hold office of a director for less than one year but not exceeding 5 years as may be specified in the AOA.
- c. A retiring director shall be eligible for reappointment as a director.
- d. Board of Directors may appoint one or more directors as expert directors but not exceeding 20% of the total strength
- e. A director vacates his office if the producer company in which he is a director fails to file annual accounts and returns for 3 consecutive financial years or fails to repay deposits/withheld price/patronage bonus/interest thereon/dividend for more than a year, fails to call Annual General Meeting (AGM)/Extraordinary General Meeting (EGM) as per the provisions of the Act.

3. What are the provisions relating to Committee of Directors?

- a. Board of Directors can constitute committee to assist them.
- b. The number of members of the committee is as per requirement but CEO or director of the Board should be a member of the committee.
- c. The minutes of the meeting of the committee shall be put up before the next Board Meeting.

What is a Board of Directors?

FPOs are directed and controlled by a governing body commonly called Board of Directors. The board has a legal, moral, and fiduciary responsibility for the organisation.

A board is a group of members and outsiders who collaborate to provide technical, managerial, and financial support to an organisation. The board is ultimately responsible for governing the organisation and holds legal responsibility for the organisation and its operations.

The board helps develop, support, and defend the organisation's mission. Board members ensure that the organisation is responsive to the needs of its stakeholders. It is important that both the organisation and the board members themselves have a clear understanding of the board's roles and responsibilities and the nature of its interactions with senior management.

The board should comprise individuals who are willing to dedicate time and resources to the organisation. Members should have a broad range of qualities and expertise, including professional skills, management experience, and recognition among the public. The board members should complement each other and the organisation's staff

What are the Governing Documents of a Board?

Three documents form the basis for FPO governance: articles of incorporation, by-laws, and the mission statement. These documents, along with the minutes of board meetings, budgets, financial statements, and policy statements, communicate how the organisation is governed, individual responsibilities, the organisation's past, and the organisation's future plans.

The articles of incorporation, is a legal document that is filed with the appropriate government agency to register the organisation as a FPO. Typical items required in articles of incorporation for a FPO include:

- Name of the organisation
- Duration of the organisation (usually perpetual)
- Purpose for which the organisation is formed
- Provision for conducting the internal affairs of the organisation
- Names and address of the incorporators
- Address of the initial registered office and name of the initial registered
- Provision for distribution of the assets of the organisation on dissolution

The stated purpose of the organisation should be broad enough to enable the organisation to evolve as necessary to serve its constituency. Articles of incorporation outline the organisation's form. A set of by-laws, developed by the organisation's constituents and approved by the board, supplements the articles by prescribing detailed rules for governing the organisation.

By-laws often begin with a restatement of the name and purpose of the organisation as written in the articles of incorporation. By-laws are internal documents, a set of rules that enables each organisation to conduct its affairs. It is important they be written clearly and in language that is easily understood by all organisation stakeholders. Typical items addressed in the by-laws are:

- The frequency, notice, and quorum requirements for organisational meetings Voting qualifications, proxies, and procedures for approval of board items The number and term for members of the board, scope of authority, method of nomination and election to the board, and provision for filling vacancies. List of board officers, method of nomination and election, terms of office, powers, duties, and succession. Membership and authority of standing committees Title and scope of authority for the Executive Director/Chief of Staff Record-keeping and financial reporting responsibilities Amendment procedures for the by-laws and provisions for dissolution of the organisation

It is wise to stop short of having too much detail in the by-laws to allow flexibility and avoid the necessity of frequent amendments.

Writing and gaining approval for a set of by-laws takes thought, time, and the involvement of the organisation's constituents. By-laws should be written with an emphasis on fair treatment and transparent governance. Review the bylaws of several FPOs before attempting to write a new set of bylaws.

The mission statement is a communications tool—it guides the board and staff and explains the nature of the FPO to those outside the organisation. Therefore, it needs to be concise and memorable.

The mission statement is generally more specific than the FPO's purpose that appears in the articles of incorporation. Some mission statements are a single sentence, some a short paragraph, and some bulleted statements. The mission statement expresses the group's values.

A mission statement should clearly and concisely answer all three questions shown in the following formula.

Who does the FPO serve? + How are they served? + Where are they served? = a complete mission statement

Duties of the Board

1. Legal Obligations

The board must ensure that the following is fulfilled:-

- The institution complies with its articles of incorporation, by-laws, and internal policies and procedures. The board must ensure that the institution maintains its legal status. The board must also ensure that the institution complies with government rules and regulations, which will vary with the institution's corporate structure. For example, as a microfinance institution becomes regulated, it will be subject to a new set of regulatory requirements that the board must understand. A final element of the board's legal obligations is the level of personal liability of individual directors for the institution's activities. Such liability varies by country, yet board members must be keenly aware of the degree of responsibility and immunity provided for them by local law.

2. Strategic Direction

The board ensures that the institutions' Mission is well defined, reviewed periodically and respected over time. The board ensures that the institution has a formal vision and mission statement that clarifies the purpose of the institution Its vision and mission is understood and provides management with direction and an enabling environment to fulfil the same. Review the vision regularly every 3-5 years and amend the vision statement if necessary to respond to a changing environment or shifting priorities. Effective strategic planning, the management prepares the plan and the board oversees and approves the plans. Enhances the image of the institution, the Board of Directors invests their personal time, networks in promoting the institutions image.

3. Fiduciary

The board serves as the institution's steward as the highest authority within the institution Ensures that the institution's properties are managed in a manner that is consistent with agreed-upon values and goals Ensure that the institution has adequate resources to implement the agreed upon plans Understanding the short and long –term financial position in relation to the strategic plan Taking necessary action to secure additional resources needed for implementation of the plans Guarantees the long-term viability in balancing between long-term and short-term objectives on use of funds. Monitors operations and business performance through frequent and transparent reports, regular board and committee meetings, periodic on-site visits and internal and external audits. Evaluates the institution performance against other CSOs that are similar based on age and size of the institution, its target market and the region in which it operates. Assesses and responds to internal and external risks Internal risks include portfolio deterioration, fraud, over expansion and client desertion. External risks e.g. natural calamity, civil strife, financial crisis and government intervention Board should establish a system that established early warning signals and ensure that the CSO operated prudently in such challenges. Protects the institutions in times of crises by intervening as necessary and developing plans to address the problem

4. Oversight

The board oversees/governs the institution and in the oversight it undertakes the following:

- Appoints and oversees the performance of the Managing Director/CEO.
- Assigns responsibility for the daily operations to the Managing Director The institution has a formal vision and mission statement that clarifies the purpose of the institution

5. Self-Assessment

Objective self-assessment should bring out the board strengths and weaknesses and identify the ways in which the board can overcome the problems even if it is through exclusion or inclusion of board members.

Annexure - 2: Board Functions and Governance

The primary function of the Board is governance, or serving as a supervisory and complementary body in the structure and operation of an organisation, with legal responsibility for its performance. The board's governance responsibilities protect the interests of the organisation and its stakeholders.

Governance activities can include policy decision-making and oversight of the organisation's financial and administrative operations.

The board presides over the establishment and implementation of organisational policy, strategic planning, budgeting (including the approval of annual budgets), and the preparation of business plans and other important administrative resolutions. The board helps set strategy and policy objectives, provides feedback on the manner in which the organisation's staff intends to meet these objectives (in terms of planned activities, programs, etc.), and evaluates the organisation's performance (both financially and in terms of its impact in the community). The board also ensures compliance with laws and regulations, including regulations set by donors. The board is not intended to manage an organisation but rather to guide it to achieve its mission through sound strategic plans and rational policies.

The board's governance function is collective in nature, and decisions should ideally reflect the contributions of all board members. The Executive Director should prevent the opinion or contribution of any one board member from dominating the rulings of the board; no board member should be given special consideration or privileges. Board members should bear in mind that their decisions are to be objective and that personal interests are not to be advanced by their membership on the board.

Support. The board also supports the organisation, working to guarantee its overall success. The board seeks to strengthen the organisation by using, for example, the expertise of individual board members or connections in the community.

The supportive functions of the board also include:

- Encouraging, facilitating, and promoting fundraising efforts: For example, the board may help the organisation hold a fund drive each year or arrange for high-profile speakers to appear at benefit events.
- Advising management and providing technical input according to the board members' individual experience and professional capabilities: For example, an accountant on the board may suggest certain types of financial management reports to better inform donors about the organisation's performance.
- Performing tasks related to the organisation's mission, including advocacy activities to promote the organisation to stakeholders and the general public: For example, an influential board member may assist in recruiting a popular musician to give a concert at the organisation's health fair.

In addition to the roles described above, the board also has a number of obligations and responsibilities. These range from participating in meetings to providing fundamental support for the organisation's mission.

The most important are to support the organisation and ensure that its presence in the community is positive and influential.

Annexure - 3: Chief Executive Officer

What are the provisions relating to Chief Executive Officer?

1. A full time CEO shall be appointed from among directors and a member cannot be appointed as CEO.
2. A CEO shall not retire by rotation.
3. Following powers can be exercised by CEO subject to the supervision of the Board:
 - carry out administrative acts;
 - operate bank accounts, sign documents, take custody of cash and assets;
 - furnish periodic information to members about activities of the company;
 - assist Board of Directors regarding all activities of the company and in legal and regulatory matters

It is mandatory to appoint a Company Secretary only when the average annual turnover in three consecutive years is Rs. 5 crores or more.

Annexure - 4: Guidelines for Recruitment of FPO CEO

1. When to Recruit?

The CEO can be recruited after registration of the FPO and BoD election in first General Body meeting. Before the recruitment of CEO, it is imperative to ensure that the FPO has funds in hand to meet at least one-year cost of the CEO.

2. Pre-Requisites for Recruitment/Candidature

Education : Relevant qualification like Bachelor's in Management, Agriculture/ allied etc but with minimum graduation:

Age : 25 – 35 years

Experience : Minimum 3 years of relevant experience i.e. in areas of agricultural marketing, Agri-input supply, sales & distribution, business development in etc

Locality :

- Should be native resident of nearby area (same mandal, neighbouring mandals, same district) but preferably not from FPO operating area (area of FPO membership)
- Should not be a shareholder/ user of services of the FPO
- Should not be closely related to a Board member of the FPO
- Should not be related to any activity/ business which is in conflict with the interests of the FPO

3. Required Skillsets & Orientation

Key skills & knowledge : Language, Arithmetic, Analytical, Sales & Marketing, Management, Commodity market/ Agricultural trading, Documentation and Computer skills

Orientation :

- Business & market orientation; willing to work for part variable pay (as per business/ sales/ turnover generated for the FPO, quality services to members etc)
- Orientation to work under Board of the FPO, under the control of farmer members of the Board
- Customer (members of the FPO) service orientation
- Flair for "innovation", willingness to take risk and has empathy for the farming community, engage in team work and has attention to detail
- Willing to uphold the values & principles of cooperation/ Mutual Assistance Principles

4. Identification Process

- Advertisement in local newspaper
- References/ Contacts and Alumni Network

5. Recruitment Process (suggested guidelines)

5.1 Counselling - Counselling of prospective candidate shall be undertaken on below aspects

- On FPO, their purpose and activities
- Requirement of working under farmers' board, role to be played, growth prospects, salary and duty station etc

Above can be an open session of question-answers

5.2 Written Test - to be conducted to assess the skill/ knowledge/ understanding level of aspects of Arithmetic, Business, Agricultural production/ etc

5.3 Interview - The final round of the selection process will be interview, which shall be conducted by a committee comprising of BoD members (say 2) of concerned FPO and staff of MAS (Project Director/ Manager and one representative from HO)

There is need to have some buffer so that if someone doesn't turn up to join after interview, drop out after induction training etc., it can be filled from this buffer.

6. Job Description

o Be responsible and accountable to the Board of Directors & Office Bearers of the FPO

- Assist the Board in formulation of goals, strategies, plans and policies
- Ensure different legal compliances like Board meeting, GB meeting, bookkeeping, audit, annual returns etc as directed by the Board
- Ensure all required reports as required by the Board and external support agencies
- Managing day-to-day affairs of the FPO
- Discharge such other functions as may be delegated by the Board

o Services to members under the overall guidance of the BoD

- Identifying opportunities for business of the FPO/ welfare of members, studies, business plan development and operationalization of the business plan
- Provide different services to the members as per direction of the Board. Such services include marketing of the produce of members, input supply to members, productivity enhancement services etc
- Information, training & orientation to members
- Resource (financial, technical) mobilization for the FPO
- Ensure setup of/ access to different required infrastructure for the FPO

o Organisational systems and compliances

- Maintain proper books of account; prepare annual accounts and audit thereof; place the audited accounts before the Board and in the annual general meeting of the Members
- Recruit other staff, on direction of the Board, monitor their performance
- Establish and operationalise different required systems in the FPO – Accounting & Bookkeeping, Monitoring & MIS, Production, Marketing, Governance, HR etc
- Dealing with support agencies, contracts/ MoU, coordinate with them

Session 1.5: Specific and Shared Responsibilities of BoD & CEO

Time: 110 mins

Session Objectives

By the end of 110 mins. the session on “Concept of Responsibilities of BoD & CEO”, the participants would have:

- a. Some clarity on the various responsibilities that the FPO members have to plan for and delegate.
- b. Know what the meaning of specific and shared responsibilities are

Process (Summary)

No.	Content	Method/Activity	Time	Materials
1	Session objectives	Explanation	5 mins	Chart
2	Who takes responsibilities in situations faced by FPOs	Buzz Group discussion	35 mins	Annexure 1
3	Understand the difference between Governance and Management	Discussion based on example	20 mins	
4	Understand the significance of specific and shared roles in an organisation or situation	Discussion based on example	15 mins	Brown sheet and Annexure 2
5	Understand the specific and shared roles of BoD and CEO	Group Exercise	30 mins	Cards, Brown Sheet
8	Summarise the session	Explanation	5 mins	

Process (Detailed)

Task 1: Explain the Objective of session – 5 mins

Start by introducing the session objectives using a pre-prepared chart and get the agreement of the participants.

The previous session gave an overview on the importance of understanding roles and responsibilities so that there is clarity and efficiency in the functioning of the FPO. This session will elaborate on these responsibilities and explain how some are specific to the BOD while some are shared with the CEO.

Task 2: Who takes responsibilities in situations faced by FPOs – 35 mins

Activity: Buzz Group Discussion

Steps

1. Explain the task – this is a buzz group³ – Each group will be given cards and get 2 mins to read and write the first thing that comes to their mind in response to each situation. See Annexure 1 for caselets – 2 mins
 - 1.1. Form small groups of 2-3 participants each and give 2 cards (one colour for BoD responsibility and another for CEO responsibility). The groups are given one situation per group - 3 mins
 - 1.2. After 90 secs, the Facilitator claps or rings a bell and asks the groups to hand over their chit to the group sitting next to them in clockwise direction. Again, the groups get 90 secs to work on the next situation. This way, each group will work on all the situations – 20 mins
 - 1.3. At the end of the exercise, the groups come together in a plenary and discuss the responsibilities of BoD and of CEO⁴ - 10 mins

Concept Conclusion

Most of the situations faced by FPOs require BoD and CEO to take shared responsibility to work on them. There are specific responsibilities in some situations, examples - signing of cheques and conduct of AGM

Task 3: Understand the difference between Governance and Management – 20 mins

Steps

The Facilitator explains the difference between Governance and Management – 5 mins

See Annexure 2 for reference.

Governance	Management
Governance is Responsibility - to the members to ensure the organisation works as per the aspirations of the members – to the Government authorities that all legal requirements are fulfilled – to partners to do what is agreed and maintain good relations.	Management is to handle the work of the organisation efficiently using the resources – Finance, Human, Machinery and Products.
Focus is on taking decisions and deciding policies collectively, on behalf of the members	Focus is on implementing activities of the FPC as per decisions taken by the organisation and working together as a team

The group takes the example of any institution that is functioning well in the area – example – CMRC or Panchayat or SHG Federation or Milk Cooperative Society to discuss the Governance and Management aspects of the institution⁵ – 15 mins

3. Facilitator Tips – Do not give more time to groups even if they ask for it. It is ok if some groups are not able to write any response for a few situations, the idea is to generate discussion later
4. Facilitator Tips – Avoid telling the group that this is BoD responsibility, this is CEO responsibility etc. Instead ask questions to provoke thinking and discussion among the group, such as “GST compliance is mentioned as CEO responsibility. what is BoD's responsibility in this?”
5. Facilitator Tips – While discussing the institutions, try and bring out various aspects of shared responsibilities of the board and management team in ensuring good Governance and management for the functioning of the institution

Concept Conclusion

The group understands the difference between Governance and Management and that BoDs and CEO have different responsibilities in Governance and Management of the FPO.

Task 4: Understand the significance of specific and shared roles in an organisation or situation – 15 mins

Activity: Group Exercise

Steps

1. The Facilitator shows the photos of bus conductor to the group and asks, “What is the specific role of the conductor?” Expected response – to collect money and give tickets, to whistle or ring a bell when driver must start or stop the bus etc.
2. Next, the Facilitator shows the photos of driver, to the group and asks, “What is the specific role of the driver?” Expected response – to drive the bus carefully. To follow traffic rules and to drive the bus as per the route and to stop at bus stops
3. Facilitator asks, “What will happen if conductor and driver don’t do their specific roles and instead start doing each other’s roles?” Expected response – confusion, accidents, revenue loss as some passengers might not get tickets etc. Facilitator asks, “Apart from the specific roles are there some activities that conductor and driver can do together (shared roles)?” Expected response – ensuring cleanliness and proper condition of the bus, getting more passengers, informing passengers that bus has reached stop etc.

Task 5: Understand the specific and shared roles of BoD and CEO – 30 mins

Part 1: Group Exercise for specific roles

Steps

1. Facilitator introduces the task –
2. Two groups are formed – one with BoDs and another with CEOs. If there are more BoDs, then 2 groups of BoDs can be formed.

BOD responsibilities	CEO responsibilities	Both BOD and CEO shared responsibilities

3. The groups are asked to discuss and write “What are the responsibilities of BoD?” on each card and “What are the responsibilities of CEO?” on another coloured card.

Each Group puts its cards on the brown sheet which has 3 columns -

The group discusses and attempts to arrive at a consensus⁶ on the specific responsibilities of BoD and CEO –

Concept Conclusion

There is no pre-determined list of responsibilities of BoD and CEO, the team has to discuss the specific responsibilities and decide the roles looking at the situation and requirements of the FPO.

6. It is better if the Facilitator avoids taking sides and allows the group to discuss freely

Part 2: Understanding shared roles – 30 mins

Steps

Facilitator introduces the task – 2 mins

Facilitator asks the groups to pick out the roles from the previous chart if the participant feels that it is a responsibility only for BODs or only CEOs or do they both share this responsibility. If they feel that it is shared, then they put that card in the third column which is for shared responsibilities.

Concept Conclusion

There is no pre-determined list of responsibilities of BoD and CEO, the team must discuss the shared responsibilities and decide the roles looking at the situation and requirements of the FPO. The group understands that it is important to know what the specific role of each position is – be it Director or CEO, in the organisation and work on it accordingly. Apart from the specific roles, there are shared roles which both must work on together.

Task 5: Summary

Once all the discussions are over, the Facilitator will sum up the session highlighting the key learnings

1. Various responsibilities that the FPO members have to plan for and delegate.
2. Concept of specific and shared responsibilities

Annexures / Handouts

1. Buzz group discussion situations
2. Pictures for task 4
3. Roles and Responsibilities of the Board of Directors and Chief Executive Officer
4. Provisions as per Company Act 1956

Annexure 1: Caselets for buzz group activity

1. FPO is planning to have its AGM shortly. The venue must be arranged, agenda must be prepared, notices must be sent to members. *What is, the responsibility of the BoD and the responsibility of CEO?*
2. FPO has got notice from GST department for payment of fine as it has not paid GST on time. *Who takes responsibility in this situation?*
3. FPO wants to collect Rs.10 lacs in share capital and access matching grants from Government. *Who takes responsibility in this situation?*
4. Farmer-Members in FIG in one of the villages complain that they have not received services like bank loan, government scheme benefits through the FPO, which other villages have got. *What is, the responsibility of the BoD and the responsibility of CEO?*
5. The price of Tur in the market is low. FPO is planning to procure Tur from farmers, store it and sell to traders when the price is high. FPO must decide on procurement price to be given to farmers this season. *Who takes the responsibility for this?*
6. To ensure timely availability of fertilisers to members, FPO wants to supply fertilisers as per member demand, on 1-month credit. The FPO will pay the fertiliser company in advance and collect payment from farmers after 1 month. *What is, the responsibility of the BoD and the responsibility of CEO?*
7. FPO wants to purchase a vehicle on subsidy from the Government for collective marketing. 25% of the vehicle cost must be borne by FPO. A driver must be appointed, the cost of operating the vehicle must be recovered by using it regularly and it must be maintained well. *Who takes responsibility for these?*
8. A buyer is procuring onion from FPO, buyer negotiates price directly with farmer. Once buyer and farmer agree for a sale, FPO must grade and pack the onion and transport it to market and gets a commission from buyer. *Who takes responsibility in this situation?*
9. FPO's truck with members' produce is seized by APMC officials for not having APMC license and not paying APMC cess. The APMC officials ask for proof that the produce is being transported on behalf of farmers directly and not by a trader. *Who takes responsibility in this situation?*
10. The buyer to whom FPO has sent the produce, does not pay the full amount, citing quality issues. *Who takes responsibility in this situation?*
11. FPO has received payment from buyer and must issue cheques to each individual farmer - *What is, the responsibility of the BoD and the responsibility of CEO?*

Annexure 2: Pictures for task 4



Source : <http://www.newindianexpress.com/cities/bengaluru/2017/oct/28/bengaluru-bus-conductors-to-get-body-cameras-bmtc-1685236.html>



Source: <http://archive.indianexpress.com/news/bus-driver-who-saved-22-lives-faces-probe/736870/>

Annexure 3: Roles and Responsibilities of the Board of Directors and Chief Executive Officer

Roles and Responsibilities of Board of Directors	Roles and Responsibilities of the Chief Executive Officer	Shared Roles and Responsibilities
Encourage members to participate in the activities of the FPC and to make use of FPC's services.	Ensure efficient and timely services from FPC to members. Be part of various committees like procurement committee, marketing committee etc., formed by the BoD	Build confidence and encourage farmers to enrol as shareholders in the FPC.
Get Approval of decisions taken by the Board of Directors in the General Body Meeting, and implement activities as per the decision of General Body	Take decisions required for day-to-day functioning of the FPC. Get Approval of decisions taken by the CEO in the Board of Directors Meeting, and implement activities as per the decision of Board of Directors	Play an active role in the decisions of the FPC and consult others while taking decisions
To monitor and supervise the activities of the FPC	Sign all business-related documents, like invoices, Purchase Order etc., on behalf of the FPC	Provide information to company members about the activities of the FPC.
To appoint and supervise the activities of the CEO and other FPC employees.	Responsible for providing timely information to the company's members and Board of Directors for FPC meetings, including emergency or urgent meetings.	
Check whether proper books of account are being maintained	Responsible for maintaining proper books of account, prepare annual accounts	Place the audited accounts before the Board and in the annual general meeting of the members.
Sanction any loan or advance, in connection with the business activities of the Producer Company to any Member. A Director cannot sanction a loan for self or Director's relative;	Shall operate the bank accounts as joint signatory of a Director. He / she shall decide for safe keeping of cash and other assets of the producer company	To raise funds required for FPC business and ensure that the funds are used for business activities.

Decide the dividend payable to members	Any other task or responsibility as decided by the Board of Directors for the smooth functioning of the company	
Decide the withheld price payable to members		
Purchase or sale of FPC property, and investment of the funds of the Producer Company for its business		
Other activities to be done as per the decisions taken at the General Body meeting by members		

Annexure 4: Provisions as per Company Act 1956

Provisions relating to directors

1. Every producer company should have minimum 5 directors and maximum 15 directors.
2. No person shall hold office of a director for a period not less than one year but not exceeding 5 years as may be specified in the AOA.
3. A retiring director shall be eligible for reappointment as a director.
4. Board of Directors may appoint one or more directors as expert directors but not exceeding 20% of the total strength
5. A director vacates his office if the producer company in which he is a director fails to file annual accounts and returns for 3 consecutive financial years or fails to repay deposits/ withheld price/patronage bonus/interest thereon/dividend for more than a year, fails to call Annual General Meeting (AGM)/Extraordinary General Meeting (EGM) as per the provisions of the Act.

Provisions relating to Committee of Directors

- a. Board of Directors can constitute committee to assist them.
- b. The number of members of the committee is as per requirement but CEO or a director of the Board should be a member of the committee.
- c. The minutes of the meeting of the committee shall be put up before the next Board Meeting.

Provisions relating to Chief Executive Officer

- a. A full time CEO shall be appointed from among directors and a member cannot be appointed as CEO.
- b. A CEO shall not retire by rotation.
- c. Following powers can be exercised by CEO subject to the supervision of the Board:
 - i. carries out administrative acts;
 - ii. Operate bank accounts, sign documents, take custody of cash and assets;
 - iii. Furnish periodic information to members about activities of the company;
 - iv. Assist Board of Directors regarding all activities of the company and in legal and regulatory matters.

Handout for Trainers

What is Governance?

- Good governance is a key factor to ensure the growth and sustainability of civil society organisations (CSOs). Below are some definitions of governance:
- Governance refers to a system of oversight, exercise of authority, or control within an NGO
- Good governance is a transparent decision-making process in which the leadership of a non-profit organisation, in an effective and accountable way, directs resources and exercises power on the basis of shared values.
- Governance is the way in which an organisation distributes powers, rights, and accountability.
- Governance is the activity performed by an entity (such as a board, a city council, or a legislature) that holds authority within a system. In an organisational system such as a non-profit, authority is granted to the Board of Directors by the state when the organisation is incorporated. The board is authorised to make decisions and set policies that define how the organisation will carry out its mission; it is also held accountable for the actions that follow those decisions and policies. The board then governs the organisation - it directs and guides the organisation from its position of authority
- Governance is a process that involves;
 - o A system of checks and balances between owners and other stake holders who set the standard and objectives of accountability of a given institution.
 - o Leadership and commitment to ensure fulfilment of the institution's mission and protection of its assets over time.
 - o Guidance by the Board of Directors, the governance is under the direction of the board

It is a process through which a Board of Directors, guides an institution in fulfilling its corporate mission and protects the institution's assets over time

Individual directors have to work in partnership to balance strategic and operational responsibilities.

Effective governance can ensure that your organisation has a strategic direction and that the people who are supposed to benefit from the organisation's activities are getting as much support as they can.

It can protect your organisation from being used by individuals for their private gain, and ensure it is accountable to the public, members, beneficiaries, donors and, where appropriate, to the state.

Accountability is particularly important for organisations working with or on behalf of disadvantaged people, and which raise funds on that basis.

One common form of governance is to place ultimate responsibility for the actions of the organisation in the hands of a board of management – a group of people who are elected or appointed to oversee the work of the organisation. This body – and these people – are ultimately responsible for everything that is done in the name of the organisation.

Governance is a group action. Individual board members do not govern the organisation; rather meeting as a group confers governing status to the board as a whole. Governance implies the exercise of power and authority over the organisation on behalf of the community it serves.