

- Register of directors (Section 303) & Register of directors' share-holdings, etc. [Section 307]
- Register of inter-corporate loans and investments [section 372A]
- Register and index of beneficial owners.
- Register of particulars of investments of producer companies [Section 581ZL(7)].



CHAPTER-12

POLICY SUPPORT TO FARMER PRODUCER ORGANIZATIONS

CHAPTER-12 : POLICY SUPPORT TO FARMER PRODUCER ORGANIZATIONS

12.1 Role of Central Government:

The central government plays an important role in supporting the FPOs in the country.

a) Department of Agricultural and Cooperation (DAC), Ministry of Agriculture Cooperation and Farmers Welfare, Government of India acts as the nodal agency for the development and growth of FPOs.

b) Small Farmers' Agribusiness Consortium (SFAC), A Society of DAC, is designated as agency of DAC-FW to act a single-window for technical support, training needs, research and knowledge and to create linkages to investments, technology and markets. SFAC provides all- round support to State Governments, FPOs and other entities engaged in promotion and development of FPOs. In particular, SFAC puts efforts in creating sustained linkages between FPOs and inputs suppliers, technology providers, extension and research agencies and marketing and processing players, both in the public and private sectors.

c) The mandate of National Cooperative Corporation (NCCDC) is expanded to include FPOs in the list of eligible institutions which receive support under the various programmes of the Corporation.

d) NAFED has taken steps to include FPOs in the list of eligible institutions which act on its behalf to undertake price support purchase operations.

e) DAC is also working with Food Corporation of India (FCI) and State Governments to encourage them to include FPOs as procurement agencies under the Minimum Support Price (MSP) procurement operations for various crops.

f) DAC and its designed agencies will work with NABARD and other financial institutions to direct short and medium term

credit for working capital and infrastructure investments needs of FPOs. DAC will also work with all relevant stakeholders to achieve 100% financial inclusion for members of FPOs and link them to Kisan Credit Cards.

g) DAC will work with Ministry of Corporate Affairs and other stakeholders to further clarify and strengthen provisions of the law relating to the registration, management and regulations of FPOs with a view to fostering fast paced growth of FPOs.

12.2. State Government:

The state government plays an important role in extending support to the producer's companies. Apart from encouraging state governments to take up formation of producer's organizations on a large scale through centrally-sponsored and state-financed programmes and schemes, the Department of Agriculture and cooperation suggests the following actions to be taken by state government to support and strengthen farmer's producer's organizations.

a) By declaring the farmer's producer's organizations at par with cooperatives registered under relevant state legislation and self-help groups/federations for all benefits and facilities that are extended to member-owned institutions from time to time.

b) By making provisions for easy issue of licenses to the farmer's producer's organizations to trade in inputs (seed, fertilizer, farm machinery, pesticides etc.) for use of their members as well as routing the supply of agricultural inputs through farmer's producer's organizations at par with cooperatives.

c) By using farmer's producer's organizations as producers of certified seed, saplings and other planting material and extending production and marketing subsidies on par with cooperatives.

d) By suitable amendments in the APMC Act to allow direct sale of farm produce by farmer's producer's organizations at the farm gate, through farmer's producer's organizations owned procurement and marketing centers and for facilitating contract farming arrangements between farmer's producer's organizations and bulk buyers

e) By appointing farmer's producer's organizations as procurement agents for minimum support price operations for various crops.

f) By using farmer's producer's organizations as implementing agencies for various agricultural development programmes, especially RKVY, NFSM, ATMA etc. and extending the benefits of central and State funded programmes in agriculture to members of farmer's producer's organizations on a preferential basis.

g) By linking farmer's producer's organizations to financial institutions like cooperative banks, State Financial Corporations etc. for working capital, storage and processing infrastructure and other investments.

h) By promulgating state level policies to support and strengthen farmer's producer's organizations to make them vibrant, sustainable and self-governing body.

12.3. Cost involved in the promotion of Farmers producers Organizations:

The following table indicates the budgetary support for the farmers companies by the government. The items between 1 to 3.6 indicate the budget for one farmer's producer's organization for three years. The items from 4.1 to 4.4 indicate the budget for resource institute which promotes five farmers companies and items 5.1 to 5.6 budget for resource institutions which promotes 10 farmers companies.

Sl. No	Items	Unit Detail	Unit Cost	Physical Target			Financial Target			Total Cost	Remarks
				Y1	Y2	Y3	Y1	Y2	Y3		
1	Organization development & strengthening	No. of FIG		50	50	50					
1.2	Mobilization of farmers to form FIG and FPO	LS	1	1	1	1	1	1.0	0.0	2.0	Includes events like Rallies. Cluster level consultation workshops. seminars/ AV shows. Etc.
1.3	Organizing ToTs Exposure visits for lead farmer	No. of ToT/ Exposure	0.15	3	3	2	0.45	0.45	0.3	1.2	LF (2 from each FIG) will be given ToT & one Expo. Visit.
1.4	Development & distribution of training tool kits for LF	No. of Kits	0.05	10	10		0.5	0.50		1.0	They will use this kit during training of their member farmers of on farm or off farm classroom sessions.
1.5	Management & technical training to Governing Body of FPO	No. of Training	0.15	2	2	2	0.3	0	0	0.9	Training on OD issues. Training on conflicts management basic training on book keeping & accounts. Training on business management.

1.6	Exposure visit of Governing Body of FPO	No. of Exposure	0.36	1	1	1	3.6	3.6	3.6	10.8	The CEO is the person first recruited & deployed by the RI.S/ the and 5 LRP's will start the process and all of them will be eventually recruited by the FPO as their staff at the end of yr-1. The RI will then transfer the budget of FPO staff cost, travel. Office expenses to the FPO from 2 nd year onwards.
1.6	Remuneration of Local resource Persons (LRP)	Cost/person month	0.03	5	5	5	1.8	1.8	1.8	5.4	1 LRP per 200 farmers
1.7	Travel & subsistence of LRPs	Cost/person month	0.01	5	5	5	0.6	0.6	0.6	1.8	
	Sub Total of 1						5.0	5.0	3.0	13.0	
2	Agricultural Technology introduction & validation										
2.1	Organizing agriculture demonstrations	Cost/demo	0.01	60	60	60	0.6	0.6	0.6	1.8	Demo on Good Agri.practice.4 Demo/vill/year.
	Sub total of 2						0.6	0.6	0.6	1.8	

4.3	Training of project Team	No. of training	0.9	1	1	1	0.9	0.45	0	1.35	6 days induction training is proposed to the FPO promotion team i.e. one CEO + 5LRPs. In 2 nd year there will be 3 days refresher course.
4.4	RI overheads	Cost/ month	0.2	1	1	1	2.4	2.4	2.4	7.2	
	Sub Total						9.3	8.85	8.4	26.6	
5	Programme management cost at RI level for block of 10 FPOs										
5.1	Project coordinator	Cost/ month	0.4	1	1	1	4.8	4.8	4.8	14.4	Full time. She/he should be with experience institution bldg. (commercial) & agriculture /orgribusiness.
5.2	SMS	Cost/ month	0.35	1	1	1	4.2	4.2	4.2	12.6	SMS- Agribusiness/agriculture/financial linkages.
5.3	Accountant cum Admin. Asst.	Cost/ month	0.15	1	1	1	1.8	1.8	1.8	5.4	
5.4	Travel of project staff	Cost/ month	0.15	1	1	1	1.8	1.8	1.8	5.4	

5.5	Training of project team	No. of training	0.9	2	2		1.8	0.9	0	2.7	6 days induction training is proposed to the FPO promotion team i.e. one CEO+ 5LRPs. In 2 nd year refreshed course.
5.6	RI overheads	Cost/ month	0.4	1	1	1	4.8	4.8	4.8	14.4	
	Sub-total						19.2	18.3	17.4	54.2	

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ANNEXURE-1

REVISED GUIDELINES OF NABARD FOR THE PROMOTION OF ADDITIONAL 3000 FARMER PRODUCER ORGANIZATIONS:

I. Background:

Agriculture plays a pivotal role in the Indian economy. Although its contribution to gross domestic product (GDP) is hovering around 15%, it provides employment to 56 per cent of the Indian workforce. The growth of some commercial crops has significant potential for promoting exports of agricultural commodities and bringing about faster development of agro-based industries. Thus, agriculture not only contributes to overall growth of the economy but also reduces poverty by providing employment and food security to majority of the population, besides being the most inclusive growth sector of the Indian economy. The 12th Five Year Plan Approach Paper indicates that the agricultural development is an important component of faster, more inclusive sustainable growth approach. Economic growth in the agricultural sector is twice as effective in reducing poverty as growth in other sectors of the economy. Hence, the implementation of sustainable farming practices, adopting the post-harvest agri-business activities through promotion of farmers' collectives and strengthening agricultural value chains, may be among the most effective ways to address poverty and double the income of farmers.

II. Farmer Producers' Collectives- a Sustainable Approach

Farmers' Cooperatives, Water Users' Associations (WUAs), Producers' Organizations, Federations of JLGs/SHGs, etc., open a new avenue for the smallholder producers by bridging the gap between production and market accessibility through a guaranteed market for produce and access to quality inputs, machinery and modern technologies/ equipment. These Collectives facilitate various multiple linkages with institutions/ organizations to spread awareness and

strengthen the policies and procedures to boost productivity and help farmers to adapt changing organizational conditions. Offering of agricultural extension services by producer collectives /cooperatives have a positive impact on the performance. Beyond that they often offer social services and building of physical infrastructure in the rural areas. The impact of organising farmers into Collectives becomes more visible when integrated with the value chain approach, thus, addressing the issues relating to post-harvest management, storage, marketing and further commercialization of agriculture. Value chain supports the system by tailoring and improving efficiency along the harvesting, storage, processing, packaging and shipping phases as well as in the final uses of food.

III. Government of India Initiatives in the development of Farmer Producer Organizations.

The Department of Agriculture & Cooperation, Ministry of Agriculture and Farmer Welfare, Government of India, has been promoting & nurturing Farmer Producer Organisations (FPOs) since 2013 through the State Agriculture department and SFAC, etc. The Ministry has issued guidelines to promote FPOs with an objective to build democratically managed, economically viable and self-governing farmers' organisations and to provide the required financial assistance, technical knowledge and the infrastructure to strengthen these FPOs.

IV. NABARD's Initiatives in the development of Farmer Collectives/ FPOs

(a) Credit plus support to Producer Organizations (POs).

NABARD continued to provide credit cum grant support to POs out of PODF up to September 2016 for meeting their investment needs and also working capital requirements. While the credit support was made available for undertaking agribusiness activities relating to agriculture/ allied sectors including production, processing, post-harvest

infrastructure, etc., limited grant support was provided for capacity building of POs and market linkage facilitation to enable them become a self-sustaining business entities. The cumulative disbursement of loan and grant assistance to POs since inception of PODF scheme, stood at Rs. 242.43 crore and Rs. 3.62 crore, respectively, benefiting around 208 POs. However, since direct loan to POs from NABARD has been discontinued from October 2016, NABKISAN Finance Ltd, a subsidiaries of NABARD has been assigned the task of providing adequate credit support to POs on affordable terms. NABKISAN has since sanctioned a cumulative credit support of Rs.20.00 crore to 104 FPOs in various states up to 31 March 2017.

(b) Promotion of FPOs under PRODUCE Fund.

NABARD has been promoting new FPOs out of a dedicated PRODUCE Fund created by the Govt. of India during 2014-15. Under this fund, over 2100 FPOs have been formed under various legal statutes across 29 States. Of this, around 1200 FPOs have been registered under the Companies Act and the remaining under Cooperatives or Societies /Trust Act. These nascent FPOs are engaged in activities like input distribution to members, aggregation/ marketing of agri produce and agro services/ farm advisories, etc. The capacity building and technical handholding to FPOs is being provided through the expert agencies/ NGOs, mainly for necessary production and post-harvest activities including aggregation & collective marketing.

As a strategy to promote FPOs, the existing farmers' collectives promoted under various schemes of NABARD such as Farmer Clubs, Wadi development, Watershed development and other promotional schemes, were suitably federated into Producer Organisations. With the result, around 304 FPOs were promoted out of FCs, 156 FPOs out of wadi projects and 74 FPOs out of watershed development projects.

V. Demand for promotion of more FPOs

In view of the current policy focus, there has been growing demand from various quarters including existing POPIs and Farmer Groups, for organization of more number of FPOs due to huge potential and requirement of such collectives particularly in uncovered areas/regions where there is large proportion of SF/MF. The successful experiences and emerging opportunities in terms of better prospects for marketing of produce and realization of optimal price for the produce, are inspiring other farmers to come forward and get organized into suitable collectives.

VI. Estimated Potential for New FPOs

As on date, around 3500 FPOs are existing in the country with a cumulative membership of around 8.75 lakh, of which 70-80% members are small and marginal farmers. Presently, there are around 1.48 lakh FCs, 637 wadi and 1607 watershed projects, involving around 21 lakh farmers, most of them are small & marginal farmers. In addition, about 93000 PACS are in existence with a cumulative borrowing membership of around 5 crore farmers. Further, about 80 lakh SHGs promoted under various schemes are functioning and around 50% of SHG members could be farmer members. Also, in the canal command areas, large number of WUAs have been formed which could be turned into FPO with suitable interventions.

Considering the large number of farmers already associated with various informal collectives, there is a vast potential for formation/ promotion of new FPOs through federating these farmer collectives /farmers interest groups. Further, out of 12 crore small and marginal farmers in the country, the number of farmers covered so far under FPO segment is very insignificant. Even, if 5% of the small and marginal farmers are to be covered under the FPO segment, there is still a scope of forming about 12000 FPOs, each with an average membership of 500 farmers.

It is therefore, proposed to promote additional 3000 FPOs by creating felt need amongst the small producers and leveraging financial/ non-financial resources available under various promotional schemes and also through proper networking/ convergence with other stakeholders.

VII. Strategies for promotion of 3000 FPOs

The experiences in implementation of PRODUCE has shown that professionally competent POPIs having multiple capacities, including business planning, resources mobilisation and professional management, etc., are critical in promotion and functioning of the farmers' collectives. Thus, there is an imperative need to look at new set of promoting institutions including the existing ones, to ensure sustenance of these organisations. Also, specific regions/commodities will have to be targeted while promoting farmers' collectives, keeping in view the market potential and availability of other ecosystem services.

Taking the above aspects into account, the following broad strategies are proposed for promoting FPOs out of various ongoing programmes being implemented by NABARD / other stakeholders.

- i. Identification of NABARD supported watersheds & tribal development projects, Farmers' Clusters under schemes like SRI, SSI, Lead crops, value chain development, seed production projects, etc. Besides, active WUAs in the command areas of various irrigation projects supported by NABARD and PACS and dairy/ fisheries societies, etc. may be considered for promoting as FPO.
- ii. Federating the active Farmers' Clubs, SHGs/JLGs, Farmers' Interest Groups, etc., into FPOs
- iii. Capacity building/ exposure visits of Good working PACS, Dairy Cooperative Societies, Poultry Cooperatives on promoting FPO. Elected representatives of PACS, DCCB and other co-operative societies/ unions may be sensitized and

awareness created during their AGMs/ other fora.

- iv. Linking of FPOs engaged in production and aggregation of fruits & vegetables with On-line marketing platform to provide sustainability to FPOs.
- v. Assessment of training needs of the producers, infrastructure requirements, market interventions, etc., by the POPIs and facilitating convergence with Government departments and Corporates.
- vi. Organizing Zonal/Regional level meetings of FPOs, banks and other stakeholders to make them aware about the benefits of FPOs and their requirement of finance and technology /knowledge based interventions.
- vii. Prioritizing the states with higher proportion of small/ marginal farmers as also states with low CD ratio and undertaking promotion of FPOs in consultation with the State Governments by impressing upon them the need to provide suitable incentives and other facilities. The SLBC may also be taken into confidence so that the banks come forward to support the collectives from the initial stages.
- viii. As a strategic measure, involve other stakeholders also in mapping of the potential and designing of state specific approaches/ interventions for promoting FPOs.
- ix. RSAs which have demonstrated successful business linkages need to be given preference, besides social mobilisation skills. Similarly, agri corporates which are interested in captive availability of agri produce may be identified and their CSR fund/ Foundations maybe involved in promotion process, wherever possible.
- x. Promotion of FPOs may be demand driven and after making an assessment of potential and the availability of institutional mechanism to build quality FPOs with support of major stakeholders. The Commodity Boards and Export Promotion Councils may also be involved in this endeavour,

wherever possible. xi. FPOs shall be formed with minimum initial membership size of about 100 and gradually increased to more than 500 over a period of next 2 years. Funding support to POPIs for critical needs may be project based and linked to performance and milestones achieved at every stage till FPOs became self-sustaining.

xi. The FPOs will be promoted on a cluster approach by the selected POPIs (average 5 FPOs per cluster) in a block on saturation basis.

VIII. Assessment of FPO potentials in existing Schemes

Sl. No.	Ongoing Programmes of NABARD	Total Number	No of farmers	No of FPOs formed	Potential for new FPOs	Remarks
1.	Farmer Clubs/ Federations	148000	1125000	304	1950	50% FCs are active
2.	Watersheds	1607	482000	74	900	300 farmers per watershed
3.	TDF	637	318000	156	500	500 farmers per project
4.	SRI /SSI	175	142000	0	300	
5.	Seed Projects	160	5600	0		
6.	Lead crops	18	100000	0	200	
7.	SHGs/JLGs	8 crore	0.24 crore	0	4800	
8.	Others -PACS, Dairy/Fisheries Cooperative		5 Crore		2530	

IX. Financial Requirement

As per the MC decision, "low cost & Bottom up approach" may be followed for promotion & nurturing of FPOs. Accordingly, the forming expenses such as awareness building, organization and capacity building of farmers/ Board members, registration, exposure visit etc. will be the part of ongoing activities under all promotional programmes. However, critical interventions such as Skill development of CEO, market facilitation, and business incubation services, etc would be supported through convergence initiative with the State Government Schemes/ Corporates etc.

The estimate of expenses towards promoting 3000 FPOs on notional basis is given in Annexure-1-A. Since the credit

linkage is one of the critical requirements during the formative stage, the promoting agency will have to ensure FPO-Bank linkage from the beginning itself. The financial support in the form of limited grant linked to availment of bank loan, could be considered out of PODF as per exiting norms to take care of the specific capacity building/ hand holding expenses.

Each FPO will have initial minimum shareholder membership of 100 farmers which can be up scaled to over 500 members within 2 years.

Sanction of proposal at RO for Grant Assistance

The Implementing agency will be required to submit a detailed Project proposal to the RO of NABARD seeking prior approval of the critical activities for promoting FPO and additional expenses, if any, under the respective fund. The proposal may include-

- Proposed activity / specific action plan for transforming exiting collectives in to FPO.
- Strategy for promoting POs, commodity identified, expected membership, market availability etc.
- Expected role of other stakeholders /networking with corporates / Govt. Schemes etc.
- Capacity gaps and plan to further build the capacity of Board members, CEO etc.
- Estimated expenditure and support required
- Monitoring mechanism, and expected deliverables

XI Tentative State wise allocation of FPOs.

Based on the number of existing farmer clubs, PACS, diary/ fisheries co-operatives, watersheds, TDF projects, FPOs formed under different schemes of NABARD/ others, initiatives taken by the State Government/SFAC, available potential and the views of National Advisory Committee/ select ROs/ HO departments, the state-wise physical allocation for promotion of FPOs is given in Annexure -1-B

Annexure-1-A

A. Estimated expenditure (Min. 5 FPOs in a Group Mode) (Its.lakh)

Sl.No	Activities	Year 1	Year 2	Total	Source of fund
1.	Formative Expenses				
a)	Mobilizing Farmers/ awareness creation / exposure visit	Covered in exiting promotional Programme			
b)	Training to Board members (Rs. 2500/ - per day for 3 day for 25 BOD)	3.80	1.90	5.70	Two trainings in 1st year & 1 in 2nd year from respective promotional Fund
c)	Training to CEOs (Group mode) (Rs. 3500/ - per day for 5 days)	1.80	0.90	2.70	As above
	Sub Total	5.60	2.80	8.40	
2.	PO Management Cost a CEO expenses/ incentives	2.40	2.40	4.80	To be borne by FPOs
d)	Preparati on of business plan, MIS etc. (LS)	1.00	1.00	2.00	
e)	Technical Hand holding	1.00	1.00	2.00	
	Grand Total	10.00	7.20	17.20	For a group of 5 FPOs

B. Details of Fund-wise Estimates towards formative expenses (Rs.Crore)

Sl.No	Programme/ Fund	No. of FPO to be formed	Financial needs under respective funds		
			1st year	2nd year	Total
1.	FSPF- Farmer Club	1500	16.80	8.40	25.20
2.	FSPF-SRI, SSI, seed project, Lead crop	210	2.35	1.18	3.53
3.	Watershed	510	5.72	2.85	8.57
4.	TDF	300	3.36	1.68	5.04
5.	FIF-SHG	480	5.38	2.69	8.07
6.	Total	3000	33.61	16.80	50.41

C. Expenses towards Awareness Building/Campaigning

Sl. No	Awareness Programmes	No. Of Programmes	Unit Rate (Rs.)	Amount (Rs. Crore)
1.	Block level campaign/workshops-one per block	600	10000/ -	0.60
2.	District level campaign/workshops - one per district	100	15000/ -	0.15
3.	State level workshops (Two per state)	60	30000/ -	0.18
	Total			0.93

Annexure -1-B

Promotion of New FPOs - State Wise Allocation of Physical Units

Sl.No.	Name of the State	Physical Unit
1.	Andaman & Nicobar	5
2.	Andhra Pradesh	200
3.	Arunachal Pradesh	5
4.	Assam	30
5.	Bihar	150
6.	Chattisgarh	150
7.	Goa	0
8.	Gujarat	200
9.	Haryana	25
10.	Himachal Pradesh	25
11.	Jammu & Kashmir	5
12.	Jharkhand	125
13.	Karnataka	225
14.	Kerala	75
15.	Madhya Pradesh	200
16.	Maharashtra	250
17.	Manipur	5
18.	Meghalaya	5
19.	Mizoram	5
20.	Nagaland	5
21.	Odisha	225
22.	Punjab	25
23.	Rajasthan	200
24.	Sikkim	5
25.	Tamil Nadu	200
26.	Telangana	225
27.	Tripura	5
28.	Uttar Pradesh	250
29.	Uttarkhand	25
30.	West Bengal	150
	Total	3000