



Ministry of Environment, Forest  
& Climate Change



## TRAINING MODULE- 7

# FARMERS PRODUCERS ORGANIZATION (FPO) & CLIMATE CHANGE ADAPTATION

Funded by the Ministry of Environment, Forest and Climate Change, Government of India  
Under the 'National Adaptation Fund for Climate Change (NAFCC)'

**Government of Himachal Pradesh**  
**Department of Environment, Science & Technology**



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Sustainable livelihoods of agriculture-dependent rural communities in drought prone district through climate smart solutions in the state of Himachal Pradesh

An initiative under:

National Adaptation Fund for Climate Change (NAFCC)

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## MODULE 7

**SESSION- 1** Concept of FPOs (Farmer Producer Organization)

**1**

**SESSION- 2** Formation and Incorporation of Producer Company (PC)

**6**

**SESSION- 3** Governance aspects of a Producer Company

**11**

**SESSION- 4** Management of Producer Company

**22**

**SESSION- 5** Services Provided by FPO

**25**







## MODULE 7

# Farmers Producers Organization (FPO) & Climate Change Adaptation

### INTRODUCTION

The impacts of climate change on agriculture and horticulture are being witnessed all most all the developing countries and more so in the state of Himachal Pradesh in India consequently impacting the food security. Although the state has a high reliance on agriculture it has direct bearing from climate variations.

Other way improving the productivity, profitability and sustainability of farmers, especially small and marginal producers, is to bring them together into a formal institutionalized frame work, aggregate their produce and link these bodies to the Agri value chain by the formulation of Farmer producer organization (FPO). For the purpose, a Training Need Assessment exercise was undertaken and training gaps were identified as follows:

- ★ No knowledge on different stages of FPO (Farmer Producer Organization) formulation and promotion.
- ★ No knowledge FPO (Farmer Producer Organization) legalization procedure.
- ★ Farmers are not aware about the FPO (Farmer Producer Organization) governance and financial structure.
- ★ Farmers don't have knowledge FPO (Farmer Producer Organization) networking, convergence etc.

The overall objective of the module is to enhance the knowledge and skill base of the participants on the need, and relevance of FPO promotion in development context, formulation, and its legalization, stages of formulation, different governance systems and management aspects. Based on the above mentioned training gaps, under the module, five sub sessions have been designed. They are as here under:

- **Concept of FPOs (Farmer Producer Organisation)**
- **Formation and Incorporation of PC (Producer Company)**
- **Governance aspects of a Producer Company**
- **Management of Producer Company**
- **Services Provided by FPO (Farmer Producer Organisation)**

For effective facilitation of sessions, materials like power point presentations, handouts, chart papers, white board and markers, activities sheets and reference materials will be used. As per suitability case study, video shows and interactive discussions will be organized as method of input delivery. Finally to assess the usefulness of the session's informal and formal feedback will be collected.

Moreover the learning of the participants will be assessed with the help of a set of key questions on different sub thematic areas along with the answer sheets.

### MODULE OVERVIEW

Module is designed to strengthen capacities of extension officials/ lead farmers to identify & implement an agricultural & agronomic practice that enhances resilience of farming communities well as develop facilitation skills so that they can effectively transfer knowledge and skills to follower farmers towards climate resilient agriculture.





## OBJECTIVE

- To help participants to understand about need and relevance of FPO promotion in development context
- To enable them to understand different stages of FPO formation and its legalization
- To enrich the understanding of participants on different governance systems and its management aspects
- To help participants to understand FPO and its climate change adaptation strategies

## LEARNING OUTCOMES

Through this session participants will have:

- Enhanced understanding about the functioning and management of FPO (Farmer Producer Organization)
- Developed knowledge on FPO governance system
- Clarity on FPO relevance on climate change adaptation strategies

## SESSION DESIGN

Concept of FPOs	Formation and Incorporation of Producer Company	Governance aspects of a Producer Company	Management of Producer Company	Services Provided by FPO
<ul style="list-style-type: none"> <li>● Introduction</li> <li>● Concept of producer company</li> <li>● Objectives and activities of producer company</li> <li>● Who can form producer company</li> <li>● Cooperatives vs producer company a comparison</li> <li>● Difference between cooperative vs producer company</li> </ul> <p><b>S 1</b></p>	<ul style="list-style-type: none"> <li>● Different stages of formation of Producer Company</li> <li>● Preparatory phase</li> <li>● Different steps of preparatory stage for FPO promotion</li> <li>● Legalization/ Incorporation stages</li> <li>● Legal formalities for FPO</li> <li>● The incorporation / Registration aspects</li> <li>● Stepwise information to be submitted for registration of a producer company</li> </ul> <p><b>S 2</b></p>	<ul style="list-style-type: none"> <li>● Structural governance system</li> <li>● Governance and roles of constituents</li> <li>● Members</li> <li>● Executive body / committee</li> <li>● Board of directors</li> <li>● Office bearers</li> <li>● Financial governance system</li> <li>● Share capital</li> <li>● Procedure for alteration of share capital</li> <li>● Loan</li> <li>● Book of account</li> <li>● Vouchers</li> <li>● Balance sheet and profit loss account</li> <li>● Delegation of financial power</li> <li>● Advance from the company and settlement</li> <li>● Audit of account</li> </ul> <p><b>S 3</b></p>	<ul style="list-style-type: none"> <li>● Management of Producer Company</li> <li>● Annual filing</li> <li>● Development of MIS (Registers to be maintained by the company)</li> <li>● Meeting of the board of directors</li> <li>● Quorum</li> <li>● Sitting fee</li> </ul> <p><b>S 4</b></p>	<ul style="list-style-type: none"> <li>● Services provided by FPO</li> <li>● FPO service model</li> <li>● Backward and forward linkage</li> <li>● FPO as a strategic link for climate change adaptation</li> <li>● Agencies/organizations support for FPO promotion</li> <li>● NABARD</li> <li>● Small farmers agribusiness consortium (SFAC)</li> </ul> <p><b>S 5</b></p>





**SESSION- 1** Concept of FPOs (Farmer Producer Organization)**OBJECTIVE**

- ➔ To understand the importance of FPOs (Farmer Producer Organization), concept of producer company and objectives
- ➔ To develop clear understanding of participants about the producer company and association of farmers in formulation

**FACILITATION****STEP 1**

Introduce handouts through a power point presentation. This would include the objective of the session and the process the facilitator will take to deliver the session.

**STEP 2**

Emphasize the importance, to all participants, of having common understanding of producer company, activities undertaken and the association in the stakeholders for the formulation for Producer Company

**STEP 3**

Discuss the various parameters comparison of Cooperatives and Producer company will be addressed

**MATERIAL REQUIRED**

Power point presentation, relevant handouts, chart paper, markers, tape, white board

**TIME**

5 Minutes





## FARMER PRODUCER ORGANIZATIONS

**S 1**

### Concept of Farmer Producer Organizations (FPOs)

#### INTRODUCTION

India is one of the largest economies in the world where agriculture occupies one of the prominent positions. Quite a large chunk of its population depends on this sector for their livelihood. But in spite of its tremendous potential for improved productivity and possible expansion of employment opportunities, the sector has grown slowly in the last one decade. Vast majority of the primary producers (40%) wants to leave agriculture, since it is not remunerative as witnessed by the large number of farmer- suicides. It has been studied that the contribution of an average agriculture worker in the Indian economy is only \$600 per capita against \$2400 for non-agriculture workers and this gap is expected to increase in the coming years. Further these studies explains that out of 12 cores farmers only 10 lakh farmers are linked to any institution and the small producers today although try to link with market players, could not succeed due to little bargaining power and absence of established institutional linkages.

Regarding Himachal Pradesh, like other agrarian states of India, agriculture in the state though provides direct employment to about 71 percent of the total population; it contributes only 30 percent of the total State Gross Domestic Product (GDP). Rural population has high dependence on agriculture, 62.85 % of the total working population is engaged in agriculture and 70% in rain fed agriculture. The average cultivated land in the state is about 6.2 lac hectare out of which 80% is rain-fed agriculture. The agriculture in the state is below subsistence and by and large suffers from:

- Absence of suitable value chain integration system leading to distress sale of agri produces
- No established institutional linkages with market players, input suppliers and service providers at the farmer level creates problem of timely availability of inputs and marketing of farm produce
- Less access to institutional credit support
- Less access of farmers to quality agri inputs and extension services lead to low crop production and diversification
- Lack of awareness and less knowledge on Agriculture promotional schemes often creates problems for farmers in availing benefits
- No informal or formal associations/ organizations at the local / regional level to address
- Farmer's issues
- Finally, lack of collective efforts among farmers to emerge as social entrepreneur with better bargaining power.

Thus, it is increasingly realized that the gains and potency of agriculture could be harnessed only if concentrated efforts are made to tap the untapped potential of this sector. Among others, one way of improving the productivity, profitability and sustainability of farmers, especially small and marginal producers, is to bring them together into a formal institutionalized frame work, aggregate their produce and link these bodies to the agri value chain.





It is in this context, the Expert Committee constituted by the Government of India in 2001 to review the present system of agricultural marketing recommended that alternative marketing systems need to be developed in the country to promote direct marketing, smooth raw material supplies to agro-processing industries, competitive trading, organized retailing, information exchange and adoption of innovative marketing systems and technologies. It is in this background that the new form of organization called Producer Company appears to hold lot of promise. Subsequently based on the report submitted by High Powered Committee under the Chairmanship of Dr. Y K Alag and keeping the interest of millions of small & marginal producers in view, Government of India amended the Indian Companies Act, 1956 in the Finance Bill 2002 to provide scope for formation of "Producer Companies".

### CONCEPT OF PRODUCER COMPANY

The basic intention of establishing Producers Company is to organize farmers/ producers to enable them to have better bargaining power and as discussed above the concept has been introduced in India through amendment of Indian Company Act in 2002-03.

#### What is a producer Company and what are its Characteristics?

- A producer Company is a legal institution, registered under Company Amendment Act, 2002 (1 of 2003) with an intention to organize primary producers to enable them to have better market access with increased bargaining power. It not only includes legal formalities and marketing of products but also covers promoting the company, organizing the farmers, accountability and auditing etc. It is treated as a private limited company with the significant difference that a minimum of two persons cannot get them registered.
- Its members have necessarily to be 'primary producers', that is, persons engaged in an activity connected with or related to, primary produce.
- Producers Company can be seen as a hybrid between a Co-operative Society and a Private Limited Company. They are owned and governed by the shareholder farmers/ producers but run by professional managers employed by them.
- These companies are with limited liabilities and limited only by share capital.
- The liability of the members is limited to the unpaid amount of the shares held by them.
- As per the new circular, minimum paid-up authorized capital of a company is of Rs. 5 lakh.
- The maximum number of members can exceed 50.
- It shall never become a public (or deemed public) limited company
- Its member equity shall not be publicly traded. However it may be transferred with the approval of the board of directors of the Producer Company.

### OBJECTIVES AND ACTIVITIES OF PRODUCER COMPANY

As per the Companies (Amendment) Act, 2002, Section No. 581B) the objectives of forming a Producer Company are - Production, harvesting, procurement, grading, pooling, handling, marketing, selling, export of primary produce of the members or import of goods or services for their benefit, processing the produce of





the members or import of goods or services for their benefit, processing the produce of members, manufacture, sale or supply of machinery consumables, etc., to members, providing education and other welfare activities for members, generation, transmission and distribution and distribution of power, revitalization of land and water resources their use conservation and communications related to primary produce, insurance of produce and other allied or ancillary activities including financing thereof.

### WHO CAN FORM PRODUCER COMPANY?

Any one of the following can get a producer company incorporated under the Act:

- Any ten or more persons engaged in any activity connected with primary produce, or
- Any two or more producer institutions or companies, or
- A combination of ten or more individuals and producer institutions.

### COOPERATIVES VS PRODUCER COMPANY - A COMPARISON

Cooperatives in India are engaged in marketing of farm produce like milk, oilseeds, sugarcane, cotton, spices, etc and they usually suffer from many limitations which adversely affect their business activities and abilities. Different clauses in the Cooperative Act, like the Registrar/Government to give directives to cooperative, hampers their functioning. Under the Act government has power to nominate Directors and the nominated Directors enjoy veto powers, which are at times used in a way affects the commercial interests of cooperatives. These powers without clear accountability are frequently misused by politicians and government officials for their personal gains and that detriment interest of cooperatives. On the other hand the producer companies are better placed and they are outside the purview of the State Government and free from the clutches of registrar, insulated from political interference. The table below explains the difference between Cooperatives and Producer Company.

**Table 1: Differences between Cooperatives Vs Producer Company**

S. No.	Parameter	Cooperatives	Producer Company
1.	Objects	Generally single object but could be multipurpose also	Multi object
2.	Registration and Governed by Act/Rules	Societies Registration Act 1960 & MACS	Under Company Amendment Act 1956 under Part X A or called Producer Company Act, 2002
3.	Formation	Any 10 or more individuals not belonging to same family can form a Cooperative	Any 10 or more individuals & being producers or any 2 or more groups/institutions can form a producer company.





4.	Membership	Eligible Individuals as per the provision of the concerned Act	Any individual, group, association, producer of the goods or services
5.	Core Philosophy	1. Cooperation among cooperatives 2. One for all, all for one	1. Competitive Advantage 2. Equity
6.	Transferability of shares	Non transferable	Limited to members on par value
7.	Profit sharing	Limited dividends on share	Commensurate with volume of business
8.	Management Structure & Style of Functioning	1. Democratic 2. Conventional	1. Professional 2. Democratic
9.	Government interference/ control	Highly patronized to the extent of interference	Limited to statutory requirements hence minimal
10.	Extent of Autonomy	Limited in "real world scenario"	Fully autonomous, self-ruled within provisions of Act
11.	Compatibility with trade and industry	Compatible and comfortable with cooperative sector only	Highly compatible with corporate, organized trade and industry
12.	Patronage Bonus	No such provision in the act for motivation of active members	Act provides excellent provision of patronage bonus to the active members in respect of their contribution in institution's business
13.	Borrowing Power	Restricted	More freedom and Alternatives



**SESSION- 2** Formation and Incorporation of Producer Company (PC)**OBJECTIVE**

- ➔ To develop understanding of participants about the formation of producer company
- ➔ To understand the different stages of formulation of Producer Company

**FACILITATION****STEP 1**

Introduce handouts through an organized power point presentation. This would include the objective of the session and the process the facilitator will take to deliver the session. Emphasize the importance of all participants having common understanding of Producer Company.

**STEP 2**

Facilitator will discuss different stages of formulation of producer company viz. preparatory stage and legalization/ incorporation formalities.

**STEP 3**

Talk about the necessary documents to be submitted for the registration of farmer producer organizations.

**MATERIAL REQUIRED**

Power point presentation, relevant handouts , chart paper, markers, tape

**TIME**

10 Minutes



**FORMATION & INCORPORATION****S 2****Formation and Incorporation of Producer Company (PC)**

As per the Indian Companies Act, 1956 (section 581C) the Producers' Companies are registered and can be formed by any ten or more individuals, each of them being a primary producer or any two or more producer institutions or a combination of ten or more individuals and producer institutions can get a producer company incorporated. In terms of the Act, primary produce includes produce of farmers arising from agriculture, including animal husbandry, horticulture, floriculture, viticulture, forestry, forest products, re-vegetation, bee raising and farming plantation products, produce of persons engaged in handloom, handicraft and other cottage industries: byproducts of such products; and products arising out of ancillary industries.

For formation of a Farmer Producer Company, a person or a group of persons could act as initiator who can take the responsibility to initiate and establish a producer company.

**DIFFERENT STAGES OF FORMATION OF PRODUCER COMPANY**

The Producer Company Act 2002 does not provide any guidelines or directions about the mobilization and social processes that need to be followed for forming Producer Company. There are also fewer literatures available on experience in establishing producer companies mainly due to the fact that there are limited initiatives currently. Based on the available literature and experience it can be said that in an ideal situation the entire process of FPC formation will go through two major stages, as follows:

**A. Preparatory stage****B. Legalization/Incorporation stage****A. Preparatory stage**

The promoting organization/initiator at first identifies the production clusters, concentration of primary producers and the type of company/FPO needs to be formed. It will develop rapport with the producer community and share the concept of Farmer Interest Group (FIG) and FPC formation with them by organizing group and individual meetings. In the process it will develop rapport with them and gained confidence. Depending on the situation in some cases the promoting organizations without formation of FIGs also directly go for formation of FPC. However in both the cases community mobilization and rapport building and gaining confidence of targeted community is very much essential. Once the concept of FIG/FPO is well accepted and a common understanding is developed among the target community, a business plan is developed by the initiator with consultation and support from the group. It develops the draft 'Memorandum and Articles of Association' including the roles and responsibilities of each office bearers. The shareholders have also to finalize the authorized capital of the company and the cost of each share. In preparation of MOA and AOA help of Chartered Accountant /firm can also be taken.

The different phases of Preparatory stages are given in the matrix below.



**Table 2: Different Steps of Preparatory stage for FPO promotion**

Steps	Intervention/Action points	Relevance/scope
1.	Cluster Identification	Where to form FPO- Identify area, (ideally needs to be contiguous), concentration of primary Producers, types of FPO needs to be formed etc.
2.	Diagnostic, Feasibility Baseline Assessment	Helps in identification of strategy, intervention and scale. Assess the financial, socio-cultural, economic, social, political, legal and environmental considerations and set bench mark for change measurement
3.	Community Mobilization	Meeting with the villagers and introduce the concept through meetings-develop rapport and gained confidence, Motivating eligible members for FIG (10-20 Farmers)/ FPO to become member/share holders
4.	Organizing and Formalizing FPO	Identification and selection of members/shareholders. It should be clarified that the purpose of mobilization is not only to register the FPO but to take the final form that the FPO assumes to be.
5.	Meeting the shareholders/members and discuss objectives/ generation of possible business ideas	Doing alternative analysis of business ideas in participation of members
6.	Drafting of operational manual Memorandum and articles of association	Rounds of discussions/meetings with shareholders/members
7.	Organizing Informal meeting with shareholders to approve: <ul style="list-style-type: none"> <li>● Memorandum and articles of association</li> <li>● Authorized share capital and cost of each share</li> <li>● Selection/election of BoD and Promoters</li> </ul>	It should be clearly discussed with the members and in finalization of BoD/ promoters efforts may be made to avoid election to avoid rift among the members

Depending on the situation and strategy the process of formation of FPO takes time. While in case of formation of FPO through FIG strategy takes 18-24 months, in case of FPO directly formed with limited number of farmers takes 2-6 months' time (sometimes more), depending upon the response of the producers.

After having consent of the members about the Directors of the company and the Memorandum and Articles of Association the registration process of FPO can be initiated. The details of Legalization/Incorporation stage are discussed as follows:







## B. Legalization/Incorporation stage

### (I) Legal formalities for FPO registration

- Obtain Digital Signature of the Nominated Director
- Choose minimum four (04) names of the producer company in order of preference.
- Apply for name availability in FORM – 1A .

After availability of name necessary documents are to be prepared like:

- Memorandum of Association
- Articles of Association
- FORM No – 18 for registered Office
- FORM No – 32 for Directors Appointment >> Apply online for DIN for Proposed Directors.
- FORM – 1

Power of Attorney in favor of consultant to authorize him to make necessary changes.

### (II) The Incorporation/Registration aspects:

Step-wise basic information required for the Registration/incorporation of a 'Producer Company' are as follows:

**Table 3: Step wise Information to be submitted for registration of a Producer Company**

Steps	Information/ Documents to be submitted	Descriptions
1.	Digital Signature Certificate (DSC)	As per The Information Technology Act 2000 to ensure security and authenticity the Digital Signatures on the documents submitted in electronically. it is necessary for a company to authorize a person's (nominated) signature who will be approved to sign the documents. Form for DSC is available with the website of Ministry of Company Affairs (henceforth website of MCA)
2.	Director Identification Number (DIN)	DIN number can be obtained online from a company affairs cell office without any fees by only providing identification proof number (only PAN Card, Voter Identity card, passport or driving license number is accepted).
3.	Naming of a Producer Company	A producer company should be named using the following suffix "Producer Company Limited" appropriately indicating its status as a producer company. The word "private" is not used in the naming process and its absence does not indicate that the company is a "public". For naming, a company in order of its preference maximum of 5 names focusing its main objective may apply.
4.	Memorandum & Articles of Association	After ascertaining the name of the producer company, a memorandum and articles of association have to be prepared and duly stamped





5.	Documents to be submitted to the ROC for the Incorporation of Producer Company	<ul style="list-style-type: none"><li>● Copy of the letter of Registrar of Companies confirming the availability of name for formation of the company should be made;</li><li>● Memorandum and Articles of Association duly stamped and signed;</li><li>● Form 18 regarding situation (full address) of Registered Office</li><li>● Form 32 (in duplicate) regarding particulars of directors</li><li>● Form 1 (on a stamp paper) declaring compliance of all and incidental matters regarding formation of companies</li><li>● Form 29 – consent of the director</li><li>● An affidavit has to be submitted if the Memorandum of Association is submitted in Hindi by subscribers, claiming understanding of the same.</li><li>● Power of Attorney.</li></ul> <p>[It is noted that all the information and forms are available on the website of MCA (<a href="http://www.mca.gov.in">http://www.mca.gov.in</a>), and can be accessed and filled up easily]</p>
6.	Certificate of Incorporation	The Registrar of the Companies, on being satisfied that all the documents for the incorporation of a company is submitted, he is obliged to register the memorandum, the articles and other documents, if any, and issue a 'certificate of incorporation' within thirty days, which is a conclusive proof of its formation in terms of Part IXA. [Section 581 C (2)].
7.	Task to be completed immediately after incorporation of the PC	Opening of Bank Account, Procure PAN and company has to also register itself for Service Tax and VAT, establishment of PC with a visible sign board, Organizing First AGM within 90 days of Incorporation

**> DISCUSSION POINT**

Understanding of the participants about the formulation and registration of Farmer Producer Organization and benefits





## SESSION- 3 Governance aspects of a Producer Company

### OBJECTIVE

- ➔ To understand the structural governance system, governance and role of constituent in FPO (Farmer Producer Organization)
- ➔ To have clear understanding of financial governance system and management of FPO (Farmer Producer Organization)

### FACILITATION

#### STEP 1

Introduce handouts through an organized power point presentation. This would Include the objective of the session and the process the facilitator will take to deliver the session. Emphasize the importance of all participants having common understanding of importance about the governance in producer company.

#### STEP 2

Facilitator will explain structural governance system, Modes of Acquiring and role & responsibilities of constituents, Executive Body/Committee, Board of Directors etc. for truthful management of FPO by the stakeholder at local level.

#### STEP 3

Facilitator will explain the structure of FPO and management committee and other main resource for the management of producer organization

#### STEP 4

In the last facilitator will have detail discussion on the financial governance system for organization sustainability and viability viz. share capital, book of account, vouchers, balance sheet, profit and loss etc.



#### MATERIAL REQUIRED

PowerPoint presentation, relevant handouts, chart paper, markers, tape



#### TIME

20 Minutes



**GOVERNANCE****S 3****Governance aspects of a Producer Company**

For sustainability, accountability and maintaining transparency at all levels usually an organization should have mainly two types of governance systems. They are structural and financial governance systems. While the structural system explains about the company operational structure, procedures and the role and responsibilities of members, staff, elected body and their power: the financial system explains about financial planning and management procedures, mechanisms and compliance. The details of structural and financial governance systems are discussed as here under.

**3.1 STRUCTURAL GOVERNANCE SYSTEM**

To understand the governance of the company, it can be divided in three major divisions as defined by the law (a detailed description follows):

- **Members/Shareholders (General Body):** In a Producer Company, only a producer or producer institutions can acquire membership. Producer Company is a membership based body and it can act only through its members. Thus, a company is created by the members, and can also be wound-up by them. Members act through their General Body.
- **Executive Body:** (Two representatives per FIG maybe selected/nominated to Executive committee)
- **Board of Directors:** Elected by members and may act collectively only in meetings
- **Office Bearers:** Individual selected to look after the day-to-day affairs of the company, like CEO, accountant, godown keeper/watchman etc. They are salaried people of the company.

**3.1.1 Governance and roles of constituents****3.1.1.1 Members****(i) Defining of Members**

A member is defined as a person or producer institution, whether incorporated or not, admitted as a member of a Producer Company and who retains the qualifications necessary for continuance as such. FPO being a membership based entity, membership shall be voluntary and is available to all eligible members (criteria of membership defined in the Articles of Association of a company) who can participate and avail the facilities or services of the Producer Company.

**(ii) Modes of Acquiring Membership:**

One can become a Member of a Company by any one of the following ways:

**a. By subscribing to the Memorandum of Association:** (A subscriber to the Memorandum remains a Member of the Company until s/he accepts a surrender of the shares for valid reasons to do so by the articles of association or the subscriber himself transfer shares to somebody else.)

**b. By agreeing in writing:** (An agreement in writing to become a member, and by taking a





transfer of shares: membership may be acquired from an existing member by purchase if all or any of the shares of the company)

**(iii) The Authority of Members on the Company:**

Members act through the General Body, and the Body can:

- Approve the Budget and adopt the Annual Accounts of the Company;
- Approve the quantum of withheld price;
- Approve the patronage bonus;
- Authorize the issue of bonus shares;
- Appoint an auditor;
- Declare a dividend and decide on the distribution of patronage;
- Amend the Memorandum of Association and Articles;

**(iv) Rights of Members:**

Once a person becomes a member s/he is entitled to exercise all the rights of a member until s/he ceases to be a member in accordance with the provisions of the Act. The rights of a Member are:

- to transfer his/her shares;
- to receive notice of a general meeting; to attend and speak in a general meeting
- to move amendments to resolutions proposed at meetings;
- in case the Member is a corporate body, to appoint a representative to attend and vote at general meetings on its behalf;
- to require the Company to circulate its resolutions;
- to enjoy the profits of the Company in terms of dividends;
- to have a share certificate issued to him/her in respect of his/her shares

**(v) Voting Rights of a Member:**

- In a case where the membership consists solely of an individual member, the voting right shall be based on single votes for every member, irrespective of his/her shareholding or patronage of the Producer Company.
- In a case where the membership is composed only of Producer institutions, the voting rights may be computed on the basis of the participation in the business dealings of the Company by the respective institutions in the previous year, save that for the first year of its registration, the voting rights shall be determined on the basis of the shareholding.
- Each Active Member shall have a minimum of one vote. However newly admitted Members shall have no voting rights for at least six months (or for a time period as specified by the Board).

**(vi) Cessation of Membership:**

A member is ceased of with his/her membership:

- By transferring his/her shares. In the case of a transfer, the person transferring will continue to be a Member until the shares are registered in the name of the transferee;
- By forfeiting his/her shares;





- By a valid surrender;
- by death, but until the shares are transmitted, his/her estate will be for any money due on the shares;
- By the Company selling his shares in exercise of its right under its Articles of Association;
- By order of a Court or any other competent authority attaching and selling the shares, in satisfaction of a decree or claim;
- By the official assignee disclaiming his shares, on his adjudication as an insolvent;

### 3.1.1.2 Executive Body/Committee

As such in the Company act nothing specific has been mentioned about the role and responsibilities of the executive body. It is an internal arrangement for smooth management of the organization where FPO is formed with more members (800-1000). To the executive body two representatives per FIG may be selected/ elected.

Some of the key roles and responsibilities of the executive body are as follows:

- Having consultation with other members can finalize and contribute the business of the company
- Can put forth the grievances and requirements of members/shareholders and bring changes in the company policies
- The Executive Committee is usually conveyed twice in a year and may be organized as per the need
- As per the responsibilities conferred by the Company documents (AOA and MOA)

### 3.1.1.3 Board of Directors

Every Producer Company should have a Board of Directors of not less than five and not more than fifteen.

#### (i) Powers and Functions of the Board:

The Board may act only in areas not reserved to the General Body and may not exercise executive functions. In general, the Board has authority and is responsible for formulating, supervising, and monitoring of the performance of the producer Company. Some of the key functions and power of Board are as follows:

- Determination of the quantum of withheld price and recommended patronage to be approved at General meeting.
- Determination of the dividend payable.
- Admission of new members.
- Pursue and formulate the organizational policy, objectives, establish long-term and annual objectives, and approve corporate strategies and financial plans
- Appointment of a CEO and other officers, as may be specified in the Articles. Exercise superintendence, direction and control over CEO and other officers.
- Sanction any loan or advance, in connection with the business activities of the Producer Company to any member, not being a director or his relative.





- Investment of the funds of the Company in the ordinary course of its business.
- Acquisition or disposal of property of the company in its ordinary course of business. Check that proper 'books of account' is maintained.
- Ensure that annual accounts are placed before the annual general meeting with the auditor's report.
- Take such measures or do such other acts as may be required in the discharge of its functions or exercise of its powers.

**(ii) Restrictions on the Power of the Board:**

The Board of Directors shall be authorized to exercise the following powers on behalf of the Company, subject to the approval of the Members by a resolution adopted in a general meeting:

- Approval of budget and adoption of annual accounts of the Producer Company;
- Approval of patronage bonus;
- Issue of bonus shares;
  - Declaration of limited return and decision on the distribution of patronage;
  - Specify the conditions and limits of loans that may be given by the Board to any director; and approval of any transaction of the nature as is to be reserved in the articles for approval by the Members.

**(iii) Appointment of Directors:**

The members who sign the memorandum and articles may designate therein the first 'Board of Directors' who shall govern the affairs of the Company until the directors are elected by the members in a general meeting, which shall be done within ninety days of incorporation of 'Producer Company'.

Every director in a Producer Company, elected by the members in the general meeting shall hold office for a period of not less than one year and not more than five years. Also, it must be noted that the entire Board of Directors, except the Chief Executive Officer and Expert Directors, is subject to retirement by rotation in a period of five years. Retirement of Directors shall take place at the Annual General Meeting where the re-election also shall take place. However, every director who retires is eligible for re-appointment.

**(iv) Remuneration to Directors:**

Reimbursement of actual expenses of travelling, lodging and food occurred while attending the Company's meeting (Business/Non-business). However in case of business need of the Company, provision can be made for a fixed Daily Allowance (DA) and other facilities like communication allowances for all or only selected directors who are giving their extra time, for the promotion of the company's business activities.

**(v) Removal of a Director and Cessation of Directorship:**

- A director may be removed from office before the expiry of his term by shareholders of the Company.
- The shareholders of a company may, by passing an ordinary resolution at a general meeting, remove a director before the expiry of the period of his office.
- However, the following directors cannot be removed by the company unless otherwise





stipulated in the terms of their appointment.

- that any person concerned in the conduct and management of the affairs of a Company is or has been in connection therewith guilty of fraud, misfeasance, persistent negligence or default in carrying out his obligations and functions under the law, or breach of trust.

**(vi) Resignation of Directors:**

- The Companies Act does not make express provisions for the resignation of a Director. A Director may resign his office in the manner provided by the Articles. If the Articles contain no provision regarding the resignation by a Director, he may resign his office at any time by giving reasonable notice to the Company, no matter whether the Company accepts it or not.
- Thus, in the absence of any provision in the Articles, resignation once made will take effect immediately when the intention to resign is made clear. In such a case, the resignation tendered by a Director equivocally in writing will take effect from the time when such resignation is tendered.

**(vii) Penalty of a Director:**

If a Director or an officer of a Producer Company willfully fails to furnish any information relating to the affairs of the Producer Company required by a Member or a person duly authorized in this behalf, he shall be liable to imprisonment for a term which may extend to six months and with a fine equivalent to five per cent of the turnover of that company during preceding financial year. Thus, if a Director or officer of a Producer Company.

- Makes a default in handing over the custody of books of account and other documents or property in his custody to the Producer Company of which he is a director or officer;
- Fails to convene the annual general meeting or other general meetings;

**3.1.1.4 Office Bearers**

Individual appointed to look after the day-to-day affairs of the company, like CEO, accountant, watchman, office attendants, sales persons, godown keeper etc. They are salaried people of the company.

**(i) Chief Executive Officer (or by whatever Name called)**

Board of Directors has to appoint full time CEO amongst persons other than members. The qualification, experience and the terms and conditions of services shall be decided by the Board. The CEO shall be the ex-officio Director of the Board and shall not retire by rotation.

The CEO shall be entrusted with substantial powers of management as may be determined by the Board. S/he is accountable for the performance of the Producer Company, both, to the Board of Directors and to the Members.

The CEO shall be authorized to exercise the powers and discharge the functions as described below:

- Do administrative acts including managing the day-to-day affairs of the Company;
- Operate bank accounts or authorize any person, subject to the general or special

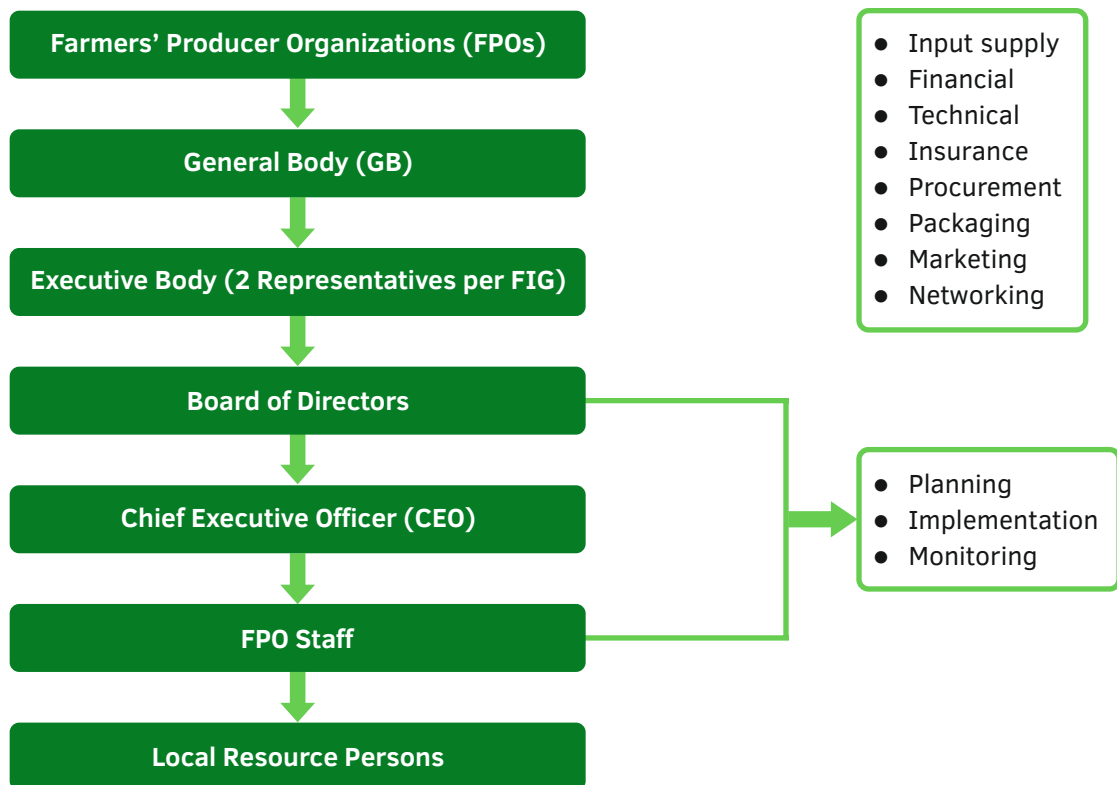






- approval of the Board;
- Make arrangements for safe custody of cash and other assets of the Company;
  - Sign business related documents as may be authorized by the Board for and on behalf of the Producer Company;
  - Maintain proper books of account, prepare annual accounts, place the audited accounts before the Board and in the annual general meeting of the Members;
  - Furnish the members with periodic information to appraise them of the operation and functions of the Company;
  - Make appointments to posts in accordance with the powers delegated to him by the Board;
  - Assist the Board in the formation of goals, objectives, strategies, plans and policies;
  - Advise the Board with respect to legal and regulatory matters concerning the proposed and ongoing activities and take necessary action in respect thereof;
  - Discharge such other functions, and exercise such other powers, as may be delegated by the Board;
  - Timely inform to the Members and Board of Directors for scheduled company meetings or emergency or short notice meetings.

The Figure below explains the FPO structure (formed with FIG strategy)



Structure of FPO





### 3.1.2 Financial Governance System

Like structural system, financial governance system is equally important to make an organization sustainable and viable. Generally, a small company generates its financial resources through membership, share capital, avails loan and sometimes gets assistance from government and non-government sources. It also generates funds from its business activities. Thus to suitably manage funds at the FPO level financial governance system should be in place for clarity at transparency. The following section explains in nut shell about financial governance/management systems of a producer company.

#### 3.1.2.1 Share Capital

Share capital is the total of the payments made to the company by all the shareholders on their shares. In a Producer Company it consists of only equity shares and the shares held by a member as far as possible be in proportion to the patronage of the Company.

##### 3.1.2.1.1 Procedure for alteration of share capital

###### (a) Increase of capital

The authorized capital could be increased by creation of new shares by passing an ordinary resolution in general meeting. The alteration does not affect the company's issued capital, nor can the resolution compel the existing shareholders to take the additional shares.

###### (b) Different Procedures for increasing capital

- I. The AOA of the company should confer this power. Where the articles are silent, they have to be suitably amended so as to provide the necessary power.
- II. The extent of increase of share capital will have to be decided keeping in view the requirements of the Company.
- III. The Board will decide the extent of increase and the date/time of the general meeting for passing the necessary resolution for increasing the share capital. It will also finalize amendments to the articles, if necessary.
- IV. The Board will also approve the draft notice of the general meeting, the necessary resolutions and explanatory statements relating thereto and authorize the Company Secretary to convene the meeting.
  - Resolutions are to be passed. (Ordinary Resolution for increasing the share capital (a special resolution if so required by the articles for this purpose).
- V. Further notice of increase in share capital should be filed in Form No. 5 within 30 days of passing resolution for increasing the share capital along with filing fee.
- VI. Form No. 23 should be filed with Registrar of Companies within 30 days after passing resolutions, if any, along with filing fees and other necessary enclosures. The Amendment should be noted in every copy of Memorandum and Articles.

###### (c) Consolidation/Division/Cancellation of Share into Larger/Smaller Amount

For the consolidation/division/cancellation of shares, it should be considered and approved by the Board in its meeting. In the same meeting the date/time for the general meeting and the notice of the meeting containing the necessary resolutions and explanatory statements may also be finalized and approved.





- I. General body meeting should approve the following:
  - The necessary resolution should be passed.
  - Form No. 23 has to be filed within 30 days of passing the resolutions along with the filing fees and enclosures as prescribed in Schedule X to the Act with the Registrar of Companies.
- II. In case of consolidation/division, the Members must be issued new certificates in lieu of the existing share certificates, by making appropriate entries in the register of members. Whereas, in cancellation of shares, a notice to the Registrar of Companies in Form No. 5, along with the fees as prescribed in Schedule X to the Act.

#### **(d) Diminution of Capital**

- I. The Company may diminish the amount of its authorized or nominal (but not issued) capital by cancelling shares which have not been issued or agreed to be issued, if its Articles authorize such cancellation.
- II. The diminution may be affected and it must be given to the Registrar within 30 days thereafter in Form No. 5.

#### **(e) Issue of Bonus Share**

Any Producer Company may, upon recommendations of the Board and passing of resolution in the general meeting, issue bonus shares by capitalization of amounts from general reserves, in proportion to the shares held by the members on the date of issue of such shares.

Some of the procedures for issue of bonus shares are as follows:

- I. The Share Capital as increased by the proposed Bonus Shares should be well within the authorized capital of the Company. If not, necessary steps should be taken to increase the authorized capital, by amending the capital clause of the Memorandum of Association.
- II. Recommendation for capitalization of reserves should be made by the Board by passing a resolution.
- III. A resolution should be passed in the general meeting duly convened and filed with the signatory within 30 days together with requisite documents and fees.
- IV. Where the Company has availed of any loan facility from term lending institutions, prior permission is to be obtained from the institution as per the term lending agreement.

The allotment of Bonus shares should be made by the Board after approval of Members in general meeting is obtained and share certificate issued to the Members. Form 2 should be filed with the Registrar within 30 days also with requisite fees.

#### **3.1.2.2 Loan**

The members of the Producer Company are primary producers, and thus, are in need of financial assistance from time to time. Hence, a special provision has been made in the Act of Producer Company of giving loans to its members. The Company can provide financial assistance to its members through:





- a. Credit facility, to any member, in connection with the business of the Company, for a period not exceeding six months.
- b. Loans and advances, against security specified in articles to any Member, repayable within a period exceeding three months but not exceeding seven years from the date of disbursement if such loans or advances.

### 3.1.3 Book of Account

The capital invested by shareholders in the company has been utilized for running the business of the Company. The Company, on the other hand, has to maintain a 'books of account' of each and every paisa used for the purpose of running the company.

#### A. Who is responsible for maintenance of books of accounts?

- Chief Executive Officer (CEO)
- Directors of the company (in absence of CEO)
- Every officer, employee & agent of the company is responsible for keeping of 'Books of Accounts'

#### B. Components in Book of accounts

The 'books of account' of Producer Company should be kept in respect to:

- All sums of money received and expended made by the Producer Company and in respect of which the receipts and expenditure take place;
- All sales and purchase of goods by the Producer Company;
- The instruments of liability executed by or on behalf of the Producer Company;
- The assets and liabilities of the Producer Company;
- In case of a Producer Company engaged in production, processing and manufacturing, the particulars relating to utilization of materials or labour or other items of costs

### 3.1.4 Vouchers

A voucher should be prepared for transactions, and supporting documents (in original) should be attached to it, such as invoice, challan, bills, purchase orders etc). All the vouchers should be approved by the authorized official. There are 3 types of vouchers to be maintained viz.; (1) Cash Voucher for cash transaction, (2) Bank Voucher for bank transaction and (3) Journal Voucher for internal adjustments. Vouchers should be serially numbered along with the ongoing financial year and filed in a sequential order along with supporting documents. Separate files should be maintained for Cash, Bank and Journal vouchers.

### 3.1.5 Balance-Sheet and Profit Loss Account

Producer Company has to prepare a balance-sheet and profit and loss account (along with needed annexure) of each financial year, which will be laid before the shareholders at the annual general meeting of the company. The balance sheet and 'profit and loss' account should be signed by two directors (on behalf of BoD) and CEO of the company. Every producer company has to file its Directors' Report, the audited balance sheet and profit and loss account along with the proceedings and the annual return with the Registrar within 60 days from the day on which the balance sheet and profit and loss account were laid before the members at the annual general meeting.





### 3.1.6 Delegation of Financial Power

#### Powers of CEO

- I. He can withdraw cash up to the limit of Rs. 5000/ (Rs. Five thousand) from the Company's bank account;
- II. The cash payment against any purchase of goods or services in any circumstances shall be limited to Rs. 500/- (Rs. Five Hundred Only).
- III. All payments above Rs. 500/- (Rs. Five Hundred Only) shall be paid by cheque only. In case of non-acceptance of cheque by any institution or individual, cash payment only with the approval of a committee comprising of 3 directors.
- IV. Purchase of all consumable goods and services for use by the Company for its business operations or managing its affairs up to Rs. 5000/- (Rupees Five Thousand Only) following stipulated purchase procedure.

### 3.1.7 Advance from the Company and settlement

- I. The advance may be taken from the office by staff for – a) Travel expenses and Daily Allowance(s); b) Procurement of official item(s); c) Any other office purpose(s).
- II. Scrutinize advance account of staff by concerned employee to ensure that previous outstanding balance(s) has been cleared.
- III. Before request for advance is granted, ensure that the proposed expense is within the limits of Plan & Budget for the relevant year;
- IV. Ensure that purpose of work advance is mentioned on the voucher;
- V. Also ensure that advance should be sanctioned only when the previous drawings are settled and it is urgent.
- VI. Ensure that accounts are settled within maximum 15 days or immediately after the work is completed whichever is earlier.

### 3.1.8 Audit of Account

It is mandatory to conduct Internal Audit in the case of Producer Company. Internal audit of its accounts should be carried out, at such interval and in such manner as may be specified in its article of association, by a chartered accountant.





## SESSION- 4 Management of Producer Company

### OBJECTIVE

- ➔ To develop understanding on the different methods and procedures of management of producer company.

### FACILITATION

#### STEP 1

Introduce handouts through an organized power point presentation. This would include the objective of the session and the process the facilitator will take to deliver the session. Emphasize the importance of all participants having common understanding of management of producer company.

#### STEP 2

Facilitator will describe the various essential forms of registration of Producer Company, maintenance of important record and documents/registers and other important activities of company viz. board meeting, Quorum, sitting fee etc. for effective execution and management.



#### MATERIAL REQUIRED

PowerPoint presentation, relevant handouts, chart paper, markers, tape



#### TIME

10 Minutes



**MANAGEMENT****S 4****Management of Producer Company**

The management of a producer company can be broadly divided into three parts. They are:

- Deciding on the business: Scope and size and geographical parameters (Preparation of feasible business plan and its vetting). For successful management of the company's business, depending on the business of the company the company may have different divisions/committees like- Production Division, Marketing Division, Purchase and Procurement
- Obtaining all licenses / permissions etc. necessary for the for the company and necessary for selected business (Official Bank Account number, VAT, GST registration & PAN and other statutory clearances, licenses)
- Putting in place an MIS and ensuring compliance to legal formalities including filing of returns etc.

**4.1 ANNUAL FILING**

Electronic filing is mandatory to all type of companies and physical documents are not permissible for filing. As a part of Annual Filing, Companies incorporated under the Companies Act, 1956 are required to file the following documents along with the e-Forms to the Registrar of Companies (RoC):

**Table 4: Forms required for Registrar of Companies**

S. No.	Document	e-Form
1.	Balance-Sheet	Form 23AC to be filed by all companies
2.	Profit & Loss Account	Form 23ACA to be filed by all companies
3.	Annual Return	Form 20B to be filed by companies having share capital
4.	Annual Return	Form 21A to be filed by companies without share capital
5.	Compliance Certificate	Form 66 to be filed by companies with paid up capital between Rs. 10 lakh to Rs. 2 crore

**4.2 DEVELOPMENT OF M.I.S.**

For better MIS System following documents may be maintained by FPO:

- Register of Directors, Managing Directors, Managers and Secretary
- Statutory Registers, Books etc.
- Register of Contracts, Companies and Firms in Which Directors Are Interested
- Register of Director's Shareholders
- Inventory/Fixed Assets Register
- Database of shareholder details





- Annual General Meeting (AGM) Register
- Meetings of the Board of Directors
- Extraordinary General Meeting Convened By Board
- Notice Registers to the members
- Stock and sale registers related to nature of business
- Visit registers of guests and dignitaries

#### 4.3 MEETINGS OF THE BOARD OF DIRECTORS

The Board may meet as often as it may consider necessary for transaction of the business. However, it shall meet at least once in every 1 month (In hard case in every two months).

#### 4.4 QUORUM

The presence of at least three Directors or one third of its total strength, whichever is higher, shall form the quorum for the Board's meeting. In absence of quorum in a meeting, then the meeting shall automatically stand adjourned till the same day in the next week, at the same time and place, and if that day is public holiday, till the next succeeding day, which is not a public holiday, at the same time and place.

#### 4.5 SITTING FEE

The Articles of Association may authorize the payment of a sitting fee and allowance to directors for attending the Board meetings. The quantum of the sitting fee and allowance shall be determined by the members in a general meeting from time to time.

Audit of its accounts should be carried out, at such interval and in such manner as may be specified in its article of association, by a chartered accountant.





**SESSION- 5** Services Provided by FPO**OBJECTIVE**

- ➔ To develop understanding of participants about the different services provisions to its members and shareholders under the Farmer producer Organization.

**FACILITATION****STEP 1**

Introduce handouts through an organized power point presentation. This would include the objective of the session and the process the facilitator will take to deliver the session. Emphasize the importance of all participants having some understanding of different services provisions to its members and shareholders.

**STEP 2**

Facilitator will describe Facilitator will describe the in detail about the FPO service model, backward and forward linkages and its benefits.

**STEP 3**

Facilitator will also explain FPO strategic link for climate change Adaptation and resilience. The framework will address potency to tackle the climate change issues with appropriate adaptation and assisting agencies for the promotion of FPO.

**MATERIAL REQUIRED**

PowerPoint presentation, relevant handouts, chart paper, markers, tape.

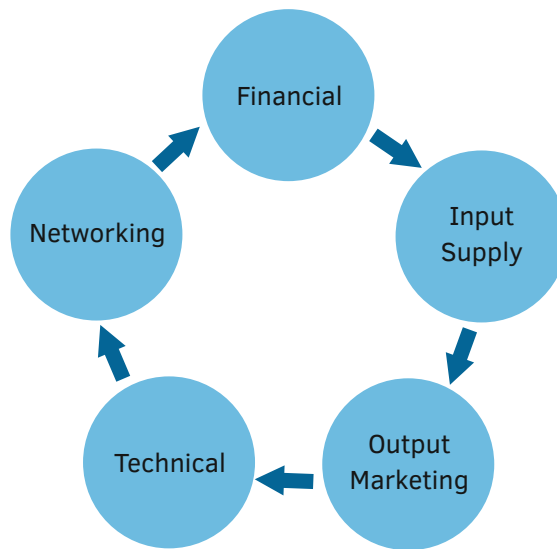
**TIME**

10 Minutes



**SERVICES****S 5****Services Provided by FPO**

FPO is a member based organization provides different services to its members and shareholders. The details have been depicted in the figure below:

**5.1 FPO SERVICE MODEL****FPO Service Model****(I) Financial Services**

FPO will provide loan for crops, Purchase of Tractors and other agriculture related equipment (Pipeline, Sprinklers, Pump set, electric Motor etc.)

**(II) Input-Supply Services**

The FPO will provide low cost and quality inputs to the member's farmers. It will provide fertilizers, pesticides, seeds, pump sets, sprayer, pump set and other accessories.

Procurement and Packages Services: The FPO will procure agriculture produce from its member farmers; will do the storage, value addition and packages.

**(III) Marketing Services**

The Farmer Produce Organization will provide direct marketing to its members after procurement of agriculture produce. This is help members to save time, transaction cost, distress sales, price fluctuation, transportation, quality maintenance etc.

**(IV) Technical Services**

FPO will promote best practices of farming, maintaining of marketing information system, diversifying & raising



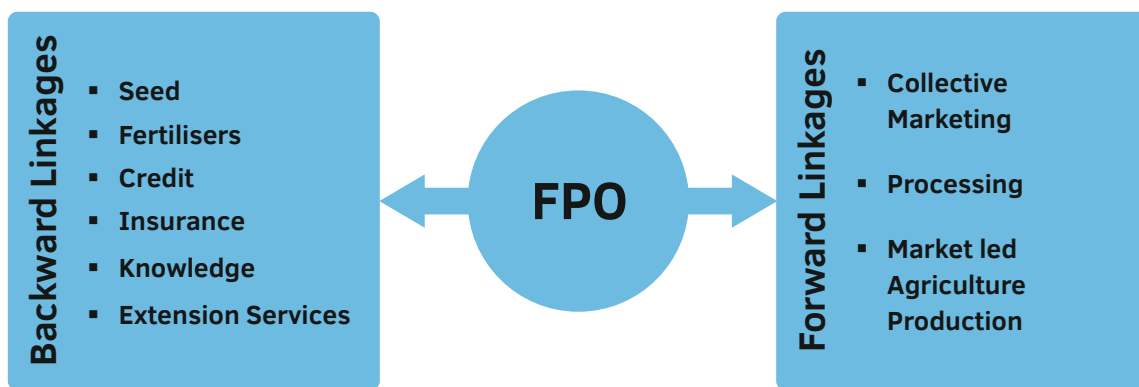


level of knowledge & skills in agriculture production and post-harvesting process that add value to the products.

**(V) Networking Services**

The FPOs will make information channels (Example Product Specification, Market Prices), and other business services accessible to rural producers, facilitating linkages with financial Institutions, building linkages of producers, Processors, traders and consumers, facilitating linkages with government programs.

**5.2 BACKWARD AND FORWARD LINKAGE**



**Backward and Forward Linkages of FPOs**

The basic purpose of the FPO is to collectivize small and marginalize farmers or producers for backward linkage for inputs like seeds, fertilizers, credit, insurance, knowledge and extension services and forward linkages such as collective marketing, processing, market led agriculture production etc.

**5.3 FPO AS A STRATEGIC LINK FOR CLIMATE CHANGE ADAPTATION**

As discussed in earlier sections FPO being a member based institution is slowly emerging as a business entity. It has enormous potency to offer a platform to tackle the climate change issues with appropriate adaptation strategies. The framework for FPO to addressing climate change adaptation and resilience is given as follow:

**Table 5: Framework on FPO scope for addressing climate change adaptation and resilience**

**International enabling environment:** Global Climate Change (CC) frameworks; International CC finance; International research and analysis; International support organizations for Climate Resilient Agriculture  
**External influences:** Globalization; Financial and civil insecurity; Trans boundary issues; Population increase; Consumption patterns; Land fragmentation; Natural Resource degradation

ENTRY POINT CATEGORIES	VALUE CHAIN PHASES			
	PRE-PRODUCTION	PRODUCTION	POST-HARVEST	MARKETS AND CONSUMPTION
	Establish a favourable enabling environment for formulating and delivering CC policy for agriculture	Develop climate-proofed food security strategies.	Develop food storage and distribution capacities.	Develop and deploy policy instruments to increase food access,





<p><b>POLICY AND INSTITUTIONS</b></p>	<p>and FPO Climate proof existing agricultural policies and institutions. Design and deploy new policy instruments aimed at risk reduction for agricultural production through consultative processes with FPO. Establish new FPO institutions and approaches to ensure resilience and adaptation options reach, and are adopted by farming families and for the purpose existing platform may be used. Review existing knowledge on CC risks to agriculture and fill knowledge gaps through research and dissemination of findings/information to FPO.</p>	<p>Strengthen FPO institutions providing services for agricultural adaptation and resilience. Review existing knowledge on CC risks to agriculture and fill knowledge gaps through research and dissemination of findings/information to FPO.</p>	<p>Encourage farmers through FPO to move up the value chain as part of risk spreading.</p>	<p>quality and availability. Promote policies that encourage climate resilient food choices through FPO.</p>
<p><b>FINANCIAL</b></p>	<p>Analyze financial implications of CC on agricultural enterprises and the national budget, such as rainfall changes leading to the failure of tea plantations and consequent loss of tax revenues. Provide/enable financial services to farmers and FPO for adaptation to CC. Use financial instruments to encourage farmer behavior resulting in greater resilience.</p>	<p>Provide safety nets to farmers against CC shocks and stressors. Review water pricing policy (relevant to Himachal Pradesh &amp; India).</p>	<p>Develop financial instruments to enable FPO to reduce farmer risk at and after harvest.</p>	<p>Develop financial contingencies for emergency situations such as famine caused by harvest failure.</p>
<p><b>INFORMATION, KNOWLEDGE MANAGEMENT AND SOCIAL BEHAVIOUR</b></p>	<p>Provide information to FPO on CC causes, impacts, risks and options. Help FPO to learn from the impacts of CC on the resilience of agriculture and natural resources. Encourage long-term continuity and consistency of support for CC resilience projects and programs in the agricultural sector to FPO. Promote networks, cohesion and gender equality for resilience at FPO level.</p>	<p>Provide weather forecasting and information on adaptation options for farmers. Build on local knowledge and climate variability coping strategies.</p>	<p>Use media and extension methods to inform farmers of post-harvest value chain diversification, opportunities through kiosk strategy at FPO level.</p>	<p>Conduct demand monitoring and forecasting for farm products in response to CC Reduce food wastage Advise farmers how to reduce their exposure to CC risks through non-farm strategies.</p>
<p><b>TECHNOLOGY AND ASSETS MANAGEMENT</b></p>	<p>Identify new approaches to agricultural and natural resource management that are resilient to CC by involving FPO.</p>	<p>Improve ecosystem health and support FPO to apply technical means to reduce CC risks to agricultural production.</p>	<p>Promote Climate-proof agricultural post-harvest infrastructure. Adjust post-harvest technology to new climate realities.</p>	<p>Establish harvest failure contingency systems for FPO to sustain and cc impact reduction.</p>





## 5.4 AGENCIES/ORGANIZATIONS SUPPORT FOR FPO PROMOTION

SFAC and NABARD support for meeting part of the recurring cost incurred for promotion of the FPO based on individual project considerations.

### 5.4.1 NABARD

NABARD has created a fund “Producers Organization Development Fund” to provide financial support to FPO through project mode. Details are available at [www.nabard.org](http://www.nabard.org) (Financing and Supporting Producer Organizations).

1. Lending to FPO for contribution towards share capital on matching basis (1:1 ratio) to enable FPO access higher credit from banks. This is a loan without collateral which will have to be repaid by the FPO after specified time. The maximum amount of such assistance is Rs. 25 lakh per PO (limited to Rs. 25,000 per member).
2. NABARD also provides technical and financial support for hand-holding, training and market linkages to FPO. Such support is available in the form of grant, loans, or a combination of the two based on the need of the situation, and is available only to those POs which avail credit from NABARD.

### 5.4.2 Small Farmers Agribusiness Consortium (SFAC)

Mainly two types of support are available to an FPO from SFAC.

1. If an FPO (registered as Company) wants to access loan from a Bank etc, SFAC provides credit guarantee to Bank on behalf of FPO. This helps FPO access credit from mainstream financial institutions for establishing and operating businesses.
2. SFAC provides matching equity grant up to Rs. 10 lakh to the FPOs to enhance borrowing power, and thus enables the entities to access bank finance.

The formation and development of FPOs actively encouraged and supported by the Governments using financial resources from various Centrally-sponsored and State-funded schemes in the agriculture sector agencies. This goal will be achieved by creating a coalition of partners by the concerned promoter body, involving civil society institutions, research organizations, consultants, private sector players and any other entity which can contribute to the development of strong and viable producer owned FPOs.



**EXERCISE**

**1** FPO is a producer company that comprises of primary producers who engaged in any activity connected with primary produce.

**TRUE****FALSE**

**2** Who can form a producer company?

- A** 10 or more people engaged in activity connected with primary produce
- B** Any two or more producer intuitions or companies
- C** A combination of ten or more individuals and producer institutions
- D** All of the above

**3** Cooperatives companies has single objective while producer companies has multi-objective.

**TRUE****FALSE**

**4** In case of Producer Company Government control is more as compared to the Cooperatives.

**TRUE****FALSE**

**5** Basically two phases of the formation of Producer Company is Preparatory and Incorporation Stage.

**TRUE****FALSE**

**6** Which of the following are the parts of governance System of a Producer Company?

- A** Board of Directors
- B** Office Bearers
- C** General Body
- D** Media Cell

**7** It is mandatory to conduct internal audit in the case of Producer Company?

**TRUE****FALSE**



8 What are the services provided by the FPO?

- A Financial
- B Input-Supply Services
- C Marketing Service
- D All of the above

9 FPO will help identify new approaches to Natural Resource Management that are climate change resilient.

TRUE

FALSE

10 Agencies that may extend funding support to FPO are-

- A NABARD
- B SFAC
- C World Bank
- D Food and Agriculture Organization

11 The Board may meet as often as it may consider necessary for transaction of the business. However, in a month it shall meet at least:

- A Once
- B Twice
- C Thrice

12 One third of the total member present in a meeting is call Quorum.

TRUE

FALSE

13 Share capital is paid by members who are known as share holders.

TRUE

FALSE

14 Can a Director be moved from the company?

TRUE

FALSE













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