

## DEVELOPMENT OF FARMERS THOUGHT ORGANIZATIONAL STRUCTURE (FPO)



Farmers Producers Organizations (FPOs) is a farmer-owned institutions, which consists of farmer members with common interests and objective. It is an entity formed by producers, like farmers, milk producers, fishermen, weavers, rural artisans, craftsmen, etc. It can be established in the form of Producer Company, a Cooperative Society or any other legal form which provides systems for sharing of profits/benefits among the members. (Yogendra Yadav) (CS,M.Com,LLB)

The main objective of an FPO is to ensure better income for the producers through an organized system of their own.

The Government is focusing on strengthen and promotion of Farmer Producer Organizations through various agencies and NABARD and providing initial funds to build capacities, technical assistance and develop innovative financial systems for sustainability of FPCs.

The UP Government is likely to clear the FPOs policy, 2020 soon in the wake of the Central government's decision to form 10,000 such units in the country by 2023-24.

UP Government aims to set up 1,000 FPOs. Each block will have a FPO, comprising between 300 and 500 farmers.

### HOW TO REGISTER A PRODUCER COMPANY?

Formation of producer company is similar to procedure of formation of Limited Companies except some additional requirement.

- Ten or more farmers, each of them should have a piece of agriculture land of their own or a producer or
- Two or more producer institutions are necessary or
- A combination of both farmers and producer institution are also eligible.

### PROCEDURE OF FORMATION OF PRODUCER COMPANY

- ✓ Application for name approval.
- ✓ Obtain Digital Signature Certificate.
- ✓ Drafting of MOA / AOA, other documents.
- ✓ Preparation of INC-9, DIR-2, Affidavit and other documents.
- ✓ Incorporation documents will be filed on MCA Portal
- ✓ Get Certificate of Incorporation

### REQUIRED INFORMATION AND DOCUMENTS

- ✓ Main object of Company
- ✓ Passport size color photograph, Copy of PAN of each farmer (at least 10 farmer)
- ✓ Self-attested copy of identity proof of each farmer (Voters ID, Passport, Driving License, Adhar card)
- ✓ Copy of address proof of each farmer ( Bank Statement, telephone bill, electricity bill, mobile bill not older 2 months)
- ✓ Address proof for Registered Office of the Company.(any utility bill, rent agreement, NOC from owner)

### **Key Points to Remember:**

- The main object is related to agriculture activities
- Minimum five directors and maximum 15 directors can be on Board
- Chief Executive is mandatory, who will be ex-officio Director
- Appointment of whole time Company Secretary if average annual turnover exceeding Rs.5 Crore in each of 3 financial years.
- Only producer can be member in company
- Every producer company shall hold first AGM within 90 days from the date of incorporation
- Every producer company shall hold AGM every financial year.
- The share capital of a Producer Company shall consist of equity shares only.
- Every Producer Company shall have internal audit of its accounts
- Producer company can give loan to its members for agricultural activities
- Share of producer company not freely transferable.
- Voting rights: one member one vote.
- Producer company can distribute only limited dividend

### **FUNDING ARRANGEMENTS FOR PRODUCER COMPANY**

#### **Support from Small Farmers Agribusiness Consortium (SFAC)**

- ✓ SFAC operates a Credit Guarantee Fund to mitigate credit risks of financial institutions
- ✓ SFAC provides matching equity grant up to Rs. 10 lakh to the FPCs to enhance borrowing power, and thus enables the entities to access bank finance

#### **Support from Government of India**

- ✓ Government of India provides budgetary support to SFAC for its Equity Grant and Credit Guarantee Fund Scheme for the Farmer Producer Company

#### **Equity Grant Fund (EGF) Scheme For Farmer Producer Companies (FPC)**

- ✓ The EGF shall be operated by Small Farmers Agri Business Consortium (SFAC). The Equity Grant Fund enables eligible FPCs to receive a grant equivalent in amount to the equity contribution of their shareholder members in the FPC.

#### **Financial support from NABARD**

- ✓ NABARD provides financial support to the FPOs only through project mode.

#### **Major factors looked into for considering a proposal for sanction**

- ✓ The Implementing Agency shall undertake a due diligence process to establish the credibility, sustainability and viability of the FPC through Desk Appraisal on the basis of documents received and a Field Visit to the FPC and its Promoter Organisation,
- ✓ before taking a decision. The important aspect looked into are: a) Governance; b) Business and Business Plan Viability; c) Management Capability; d) Financials.

Government has taken steps towards providing various services like consumer credit, production credit, retail services of inputs for agriculture, storage, transportation and other agricultural production services

required by the small and marginal farmers. This ecosystem can be strengthened with various types of services made available for farmer members at the right time and at affordable price.

These steps helps to promote FPOs towards prosperous and sustainable agriculture development with increased agriculture productivity through efficient, cost-effective and sustainable resource utilization

### **DISCLAIMER**

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Yogendra Yadav  
(Author)  
M-7275278701