

## **Module 10: Capacity Building and Sustainability of FPCs**

# **MODULE 5**

# **Financials and Funding of FPCs**



## Learning Objectives

By the end of this module, participants will:

- Understand how to structure and implement capacity-building programs for the Board of Directors (BoD) and CEO
- Learn practical models for **value addition, branding, and market linkage**
- Explore how FPCs can **transition into federations** for scale, bargaining power, and collective growth (e.g., AMUL model)

### ◆ **Section 1: Capacity Building for Board and CEO (CBBO Guidelines)**

#### **CBBO Role in Capacity Building**

Cluster-Based Business Organizations (CBBOs) are responsible for:

- Handholding FPCs for **3–5 years**
- Providing **training, tools, and mentoring**
- Enabling self-sufficient and well-governed FPCs

#### **Training for Board of Directors**

Training Area	Content
Governance Basics	Roles, responsibilities, voting rights, quorum, minutes
Financial Oversight	Reading financial statements, approving budgets, audit process
Statutory Compliance	AOC-4, MGT-7A, board meetings, AGM, ROC filings
Strategic Planning	Business model review, risk management, crop planning
Member Engagement	Communication with producers, feedback systems, patronage

**Mode:** Onsite sessions, simulation exercises, peer exchange visits

**Frequency:** Minimum **2 trainings/year** for BoD

#### **Training for CEO & Staff**

Topic Area	Details
Operations & MIS	Recordkeeping, digital tools, procurement planning
Market Linkage & Negotiation	Contract farming, buyer-seller meets, quality assurance
Compliance & Reporting	GST, TDS, financial reports, inventory audits
Team Management	Delegation, communication, conflict resolution

**Delivered by:** CBBO mentors, FPO federations, NABARD/SFAC empanelled agencies

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#### ◆ **Section 2: Value Addition and Market Linkages**

##### **What is Value Addition?**

Value addition is the process of **enhancing the value** of a product by processing, branding, or improving packaging—thus fetching **better price and market reach**.

##### **Value Addition Strategies for FPCs**

Commodity	Value Addition Technique	Equipment/Unit Required
Pulses	Grading, de-husking, packaging	Mini dal mill, color sorter
Turmeric	Polishing, boiling, branding	Polisher, solar dryer
Vegetables	Cleaning, packaging, cold storage	Packhouse, crates, cold room
Dairy	Chilling, pasteurizing, flavored packaging	Bulk Milk Cooler, pouch packer
Spices	Grinding, blending, branding	Pulverizer, FSSAI license

##### **Branding & Marketing Support**

- Develop **local brand identity**
- Use **Agmark, FSSAI, organic or GI tag** for credibility
- Leverage **e-commerce**, retail outlets, and government e-markets (GeM, ONDC)

##### **Market Linkage Models**

Type	Example
B2B (Bulk Sales)	Tie-ups with processors, exporters, traders
B2C (Retail)	Farmer-producer outlets, fairs, mobile vans
Institutional Buyers	Govt schemes (PDS, mid-day meal), Mother Dairy
Digital Platforms	ONDC, BigBasket, Flipkart, Krish-e, Agribazaar

### ◆ Section 3: Transitioning to Federation Model

#### Why Form Federations?

- Increase **bargaining power**
- Centralized **value addition infrastructure**
- Access **larger finance and institutional buyers**
- Share compliance, legal, and audit services
- Replicate the **AMUL model** (village → district → state)

#### 3-Tier AMUL-Style Federation Model

Tier	Entity Type	Function
Primary Level	Individual FPCs	Member mobilization, aggregation
District Level	Federation/Consortium of FPCs	Storage, value addition, brand promotion
State/National	Apex Organization	Bulk marketing, exports, policy advocacy

#### 📌 Steps to Form Federation:

1. Identify **3+ active FPCs** with similar commodities
2. Conduct joint **business planning session**
3. Register **federation as Section 8 company or Producer Company**
4. Appoint a **professional CEO & Board**
5. Apply for grants (SFAC, NABARD) and CSR partnerships

## **Key Outputs of a Sustainable FPC**

Pillar	Indicators of Sustainability
Governance	Regular Board/AGM meetings, updated records
Financial Viability	3-year break-even plan, working capital in place
Market Reach	B2B tie-ups, FSSAI/Agmark-certified products
Member Ownership	70%+ member participation in aggregation & decision
Federation Ready	Partnership with nearby FPCs, joint infrastructure

## **MCQs – Capacity Building & Sustainability of FPCs**

### **◆ Section 1: Capacity Building for BoD and CEO**

1. As per CBBO guidelines, how often should BoD be trained?

- a) Once in 5 years
- b) Monthly
- c) At least twice a year
- d) Only during incorporation

 **Answer:** c) At least twice a year

2. CBBOs are expected to support FPCs for:

- a) 1 year
- b) 3 to 5 years
- c) Lifetime
- d) Only for training sessions

 **Answer:** b) 3 to 5 years

3. What is a key training area for CEOs of FPCs?

- a) Income tax filing
  - b) Operational planning and MIS
  - c) Only bookkeeping
  - d) Vehicle management
-  **Answer:** b) Operational planning and MIS

4. Who is primarily responsible for mentoring FPCs under the 10,000 FPO scheme?

- a) NABARD Regional Office
  - b) CBBOs
  - c) District Collector
  - d) Krishi Vigyan Kendra
-  **Answer:** b) CBBOs

5. What is not a core topic in Board training?

- a) Voting rights and AGM
  - b) Financial statement analysis
  - c) Payroll management
  - d) Legal compliance under Companies Act
-  **Answer:** c) Payroll management

## ◆ **Section 2: Value Addition & Market Linkage**

6. Value addition refers to:

- a) Reducing production
  - b) Enhancing product quality and market price
  - c) FPO registration
  - d) Selling shares
-  **Answer:** b) Enhancing product quality and market price

7. Which of the following is a value-added product?

- a) Raw milk sold in bulk

- b) Pasteurized milk in branded pouches
  - c) Unsorted pulses
  - d) Loose onions in sacks
-  **Answer:** b) Pasteurized milk in branded pouches

8. Branding helps FPCs to:

- a) Avoid taxation
  - b) Reduce packaging cost
  - c) Increase product recall and premium pricing
  - d) Remove shareholders
-  **Answer:** c) Increase product recall and premium pricing

9. Agmark certification ensures:

- a) Legal registration
  - b) Standardized product quality
  - c) Financial audit
  - d) Tax exemption
-  **Answer:** b) Standardized product quality

10. ONDC is an example of:

- a) Agricultural input
  - b) Government tax portal
  - c) Digital market linkage platform
  - d) Audit firm
-  **Answer:** c) Digital market linkage platform

### ◆ **Section 3: Federation Model**

11. The AMUL model is an example of:

- a) Section 8 society
- b) Sole proprietorship

- c) 3-tier cooperative/federation model
  - d) LLP-based federation
-  **Answer:** c) 3-tier cooperative/federation model

12. A district-level federation may:

- a) Conduct local elections
  - b) Oversee FPC banking activities
  - c) Manage value-addition and branding for member FPCs
  - d) Replace directors
-  **Answer:** c) Manage value-addition and branding for member FPCs

13. Which form of registration is suitable for FPC federations?

- a) Proprietorship
  - b) Section 8 company or Producer Company
  - c) AOP
  - d) GST only
-  **Answer:** b) Section 8 company or Producer Company

14. Federations benefit FPCs by:

- a) Diluting ownership
  - b) Sharing infrastructure and scaling markets
  - c) Increasing income tax
  - d) Decreasing profit
-  **Answer:** b) Sharing infrastructure and scaling markets

15. What is not a precondition for forming a federation?

- a) Similar crop focus among FPCs
  - b) Common geography
  - c) At least 3 active FPCs
  - d) FSSAI license
-  **Answer:** d) FSSAI license

◆ **Section 4: Sustainability Indicators**

16. A sustainable FPC should:

- a) Hold Board meetings only once a year
- b) Rely only on subsidies
- c) Have clear governance, operations, and market strategy
- d) Avoid AGMs

 **Answer:** c) Have clear governance, operations, and market strategy

17. What indicates member engagement in FPCs?

- a) Attendance in weddings
- b) High patronage and shareholding in aggregation
- c) Absenteeism from meetings
- d) Annual dividend only

 **Answer:** b) High patronage and shareholding in aggregation

18. Digital MIS tools help FPCs:

- a) Create invoices only
  - b) Manage accounts and stock, plan procurement
  - c) Track gossip
  - d) Print labels
-  **Answer:** b) Manage accounts and stock, plan procurement

19. Regular CEO training contributes to:

- a) Director voting
  - b) Operations efficiency and compliance
  - c) Share dilution
  - d) CA rotation
-  **Answer:** b) Operations efficiency and compliance

20. Which of the following is a sustainability best practice?

- a) Avoid market research

- b) No budgeting
  - c) Regular review of business plan with members
  - d) Limit procurement to Board families
-  **Answer:** c) Regular review of business plan with members