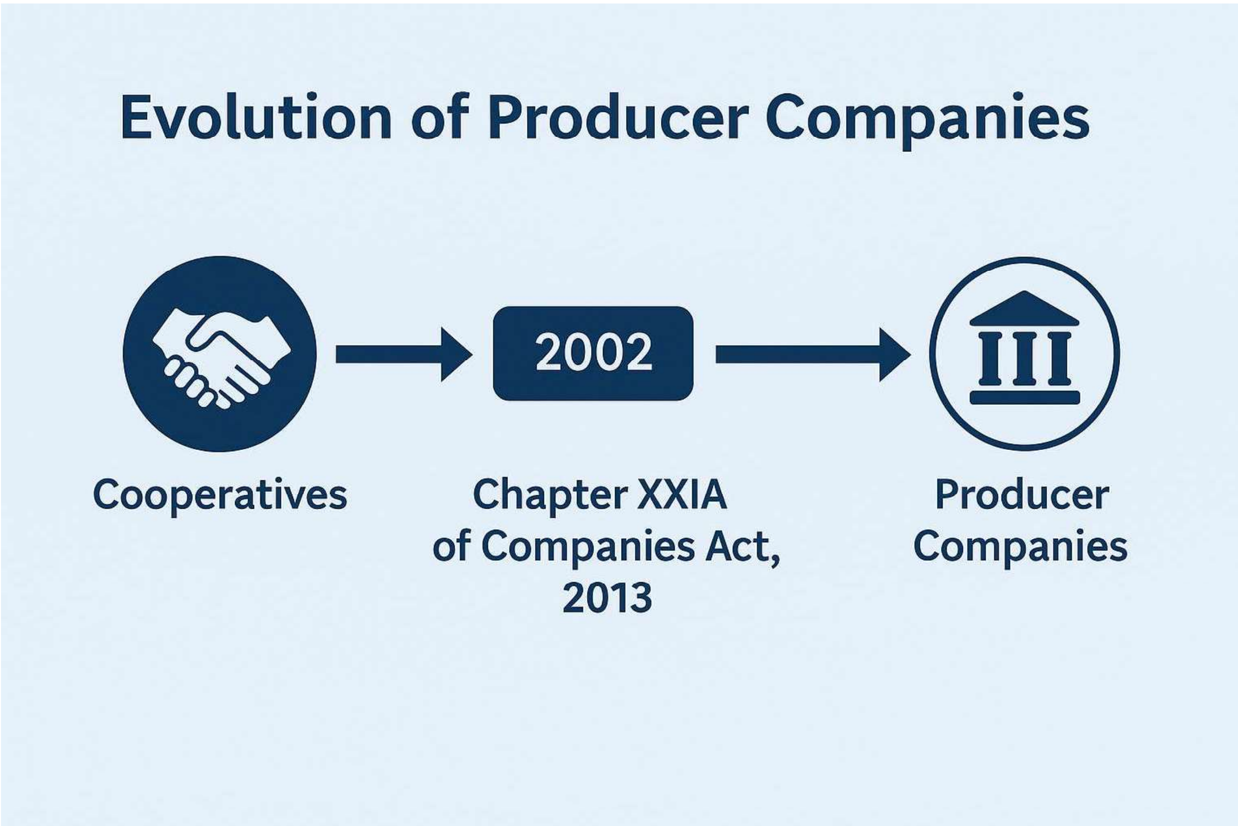
Module 1: Introduction to Farmer Producer Companies (FPCs)



Learning Objectives

By the end of this module, participants will be able to:

- Definitions of FPO, FPC, PC
- Understand the legal structure of FPCs under Indian law.
- Differentiate between FPCs, Cooperative Societies, and Section 8 Companies.

Definition

Term	Definition
Producer Company	"Producer Company" means a body corporate having objects or activities specified under Section 378B of the Companies Act, formed by a group of primary producers.
Producer Institution	A Producer Institution is an organization or entity whose members are primary producers and which operates to promote the interests of such producers.
FPO (Farmer Producer Organization)	A legal entity formed by primary producers (farmers, artisans, milk producers, weavers, etc.) to leverage collective strength in production and marketing.
FPC (Farmer Producer Company)	A type of FPO registered under **Chapter XXIA (Sections 378A to 378ZU)** of the **Companies Act, 2013**, having features of a company and cooperative.

Key Characteristics of FPCs

Attribute	Description
Legal Status	Registered under Companies Act, 2013 – Chapter XXIA
Members	Only producers (individuals or producer institutions)
Minimum Members	10 individuals or 2 producer institutions
Voting Rights	One-member, one-vote (irrespective of shareholding)
Profit Distribution	Based on patronage participation (use of services, not shareholding)
Area of Operation	Entire India

Objectives of FPCs [Sec. 378B]

- Production, harvesting, grading, pooling, marketing, and selling of member produce
- Processing activities like drying, brewing, canning, etc.
- Supply of machinery, tools, and inputs to members
- Welfare and technical services, training, and education

- Insurance for members and produce
- Generation and distribution of power, revitalization of land and water resources

Benefits of Forming an FPC

Benefit Type	Details
Economic	Aggregation leads to better price realization and lower input costs
Legal & Financial	Access to credit, subsidies, tax exemptions, and government schemes
Operational	Infrastructure support and professional management
Social	Stronger community and collective bargaining power

Comparison: FPC vs Cooperative vs Section 8 Company

Parameter	FPC (Producer Company)	Cooperative Society	Section 8 Company
Governing Law	Companies Act, 2013	Cooperative Societies Act (State/Multi-State)	Companies Act, 2013
Profit Sharing	Allowed (as patronage bonus/dividend)	Allowed	Not Allowed
Area of Operation	Pan India	Limited to state/region	Pan India
Members	Only producers	Producers + Government or others	Any person/NGO
Audit and Regulation	By ROC under MCA	By Registrar of Cooperatives	By ROC under MCA
Eligibility for Govt Schemes	High (SFAC, NABARD, CBBO support)	Moderate	Low
Objective	Commercial + Member Benefit	Welfare + Member Benefit	Non-profit (charitable)

Types of Producer Organizations (POs)

Type	Registered Under
Producer Company (FPC)	Companies Act, 2013 (Chapter XXIA)
Cooperative Society	State Cooperative Societies Acts
Mutually Aided Cooperative Society (MACS)	MACS Acts of states
Section 8 Company	Companies Act, 2013
Trust / Society	Indian Trusts Act / Societies Registration Act

Examples of Producer Institutions

Type	**Legal Basis**
Self-Help Groups (SHGs)	Informal/NGO-registered
Cooperative Societies	State Cooperative Acts / Multi-State Act
Mutually Aided Cooperative Societies (MACS)	MACS Acts of States
Section 8 Companies (if run by producers)	Companies Act, 2013
Trusts (engaged in production-based livelihoods)	Indian Trust Act

Role in FPC Formation

- A minimum of **2 Producer Institutions** can together form an FPC (alternative to 10 individuals).
- These institutions must be primarily **owned and operated by producers**.
- They can **nominate directors**, subscribe to shares, and avail FPC services

Exclusions

Entities not engaged in direct or indirect primary production or not owned by producers (e.g., marketing companies, traders, or unrelated NGOs) **cannot qualify** as Producer Institutions for FPC formation.

Legal Structure of an FPC

Feature	Details
Applicable Law	Chapter XXIA, Companies Act, 2013 (amended)
Sections	378A to 378ZU
Promoters	Minimum 10 individual producers or 2 producer institutions
Incorporation Authority	Registrar of Companies (ROC)/MCA
Documents Required	MoA, AoA, PAN, DSCs, DINs, SPICe+ form
Post-Incorporation	Allotted CIN, PAN, TAN; eligible for government schemes

Support Institutions

Institution	Role
SFAC	Central Nodal Agency for FPOs
NABARD	Technical & financial support
CBBOs	Cluster Based Business Organizations for field-level handholding
POPI	Producer Organization Promoting Institutions (NGOs, agencies)

Government Initiatives

- Central Sector Scheme: Formation & Promotion of 10,000 FPOs
- Equity Grant Scheme
- Credit Guarantee Scheme
- Dedicated FPO Support Portals and National Policies

MCQs – Module 1: Introduction to FPCs

1. What does FPC stand for?
   a) Farmers Primary Cooperative
   b) Farmer Product Committee
   c) Farmer Producer Company
   d) Federal Producer Cluster
   ✅ **Answer:** c) Farmer Producer Company

2. An FPO is an organization formed by:
   a) Traders and wholesalers
   b) Government employees
   c) Primary producers like farmers
   d) Export-import agents
   ✅ **Answer:** c) Primary producers like farmers

3. Under which Act is an FPC registered?
   a) Societies Registration Act, 1860
   b) Companies Act, 2013
   c) Indian Trusts Act, 1882
   d) Multi-State Co-operative Societies Act
   ✅ **Answer:** b) Companies Act, 2013

4. Which chapter of the Companies Act, 2013 governs Producer Companies?
   a) Chapter IX
   b) Chapter XI
   c) Chapter XXIA
   d) Chapter XXI
   ✅ **Answer:** c) Chapter XXIA

5. What is the range of sections applicable to Producer Companies in the Companies Act, 2013?
   a) Section 378A to 378ZU
   b) Section 365 to 395
   c) Section 1 to 50

d) Section 7 to 15

✅ **Answer:** a) Section 378A to 378ZU

6. Which of the following is NOT a feature of a Producer Company?
    a) Shareholding by government
    b) Profit sharing based on patronage
    c) Only primary producers can be members
    d) It is a corporate legal entity

    ✅ **Answer:** a) Shareholding by government

7. Which of these is a key benefit of forming an FPC?
    a) Reduced individual liability
    b) Collective bargaining power
    c) Access to government schemes
    d) All of the above

    ✅ **Answer:** d) All of the above

8. The comparison between FPC and Cooperative mainly differs in:
    a) Audit frequency
    b) Ownership structure
    c) Geographical coverage and legal form
    d) Office location

    ✅ **Answer:** c) Geographical coverage and legal form

9. Section 8 Company is primarily formed for:
    a) Profit earning for members
    b) Trade and commerce
    c) Charitable and not-for-profit purposes
    d) Government services

    ✅ **Answer:** c) Charitable and not-for-profit purposes

10. Who owns the Producer Company?
    a) Government of India
    b) Cooperative bank
    c) Its shareholders who are producers

d) Local self-government body

✅ **Answer:** c) Its shareholders who are producers

11. Which one of the following is a key purpose of an FPC?
    a) Maximize returns to investors
    b) Promote private shareholding
    c) Enhance income and welfare of member producers
    d) Create financial institutions
    ✅ **Answer:** c) Enhance income and welfare of member producers

12. A Farmer Producer Company can be formed with:
    a) Any 2 individuals
    b) Minimum 10 producer individuals or 2 producer institutions
    c) 1 farmer and 1 trader
    d) Only government cooperatives
    ✅ **Answer:** b) Minimum 10 producer individuals or 2 producer institutions

13. The suffix used by all Producer Companies as per the law is:
    a) Pvt Ltd
    b) Cooperative
    c) Producer Company Limited
    d) LLP
    ✅ **Answer:** c) Producer Company Limited

14. Which feature distinguishes FPCs from private limited companies?
    a) Unlimited liability
    b) No share capital
    c) One member, one vote principle
    d) No requirement of AGM
    ✅ **Answer:** c) One member, one vote principle

15. Which government body regulates FPCs?
    a) Registrar of Cooperatives
    b) SEBI
    c) Registrar of Companies (ROC) under MCA
    d) RBI
    ✅ **Answer:** c) Registrar of Companies (ROC) under MCA

16. The term "producer" in an FPC context excludes:
    a) Vegetable growers
    b) Fishermen
    c) Landless laborers not involved in production

d) Poultry farmers

✅ **Answer:** c) Landless laborers not involved in production

17. What is a major benefit for FPC members?
    a) Employment guarantee
    b) Access to free land
    c) Patronage bonus based on participation
    d) Fixed salary

    ✅ **Answer:** c) Patronage bonus based on participation

18. Section 378A of the Companies Act defines:
    a) Taxation of FPCs
    b) Formation of LLPs
    c) Definitions related to Producer Companies
    d) Dividend rules

    ✅ **Answer:** c) Definitions related to Producer Companies

19. A key governance principle common to both FPCs and cooperatives is:
    a) One share = one vote
    b) One member = one vote
    c) Voting by proxy
    d) Board appointed by government

    ✅ **Answer:** b) One member = one vote

20. Cooperative societies are formed under:
    a) SEBI Act
    b) Income Tax Act
    c) State Cooperative Societies Act / Multi-State Cooperative Societies Act
    d) Companies Act, 2013

    ✅ **Answer:** c) State Cooperative Societies Act / Multi-State Cooperative Societies Act

21. FPCs are required to file annual returns with:
    a) District Collector
    b) NABARD
    c) Registrar of Companies (ROC)
    d) Cooperative Registrar

    ✅ **Answer:** c) Registrar of Companies (ROC)

22. Which of the following is generally more flexible in decision-making and operations?
    a) Cooperative Society
    b) Public Sector Undertaking
    c) Farmer Producer Company

d) Municipal Corporation
✅ **Answer:** c) Farmer Producer Company

23. Cooperative societies often receive:
    a) Foreign venture capital
    b) Large tax exemptions and state subsidies
    c) Stock market funding
    d) GST exemption automatically
    ✅ **Answer:** b) Large tax exemptions and state subsidies

24. What is one administrative challenge faced by Cooperative Societies?
    a) No state regulation
    b) No voting rights
    c) Excessive political interference
    d) No access to member capital
    ✅ **Answer:** c) Excessive political interference

25. Which of the following can issue equity shares?
    a) Cooperative Society
    b) Producer Company
    c) Gram Panchayat
    d) Society under Societies Registration Act
    ✅ **Answer:** b) Producer Company

Quiz Sheet: Module 1 – Introduction to Farmer Producer Companies (FPCs)

Instructions:

- Read each question carefully.
- Circle or tick the correct answer.

Multiple Choice Questions (MCQs)

1. What does FPC stand for?
a) Farmers Primary Cooperative
b) Farmer Product Committee
c) Farmer Producer Company
d) Federal Producer Cluster

2. An FPO is an organization formed by:
a) Traders and wholesalers
b) Government employees
c) Primary producers like farmers
d) Export-import agents

3. Under which Act is an FPC registered?
a) Societies Registration Act, 1860
b) Companies Act, 2013
c) Indian Trusts Act, 1882
d) Multi-State Co-operative Societies Act

4. Which chapter of the Companies Act, 2013 governs Producer Companies?
a) Chapter IX
b) Chapter XI
c) Chapter XXIA
d) Chapter XXI

5. What is the range of sections applicable to Producer Companies in the Companies Act, 2013?
a) Section 378A to 378ZU
b) Section 365 to 395

c) Section 1 to 50
d) Section 7 to 15

6. Which of the following is NOT a feature of a Producer Company?
a) Shareholding by government
b) Profit sharing based on patronage
c) Only primary producers can be members
d) It is a corporate legal entity

7. Which of these is a key benefit of forming an FPC?
a) Reduced individual liability
b) Collective bargaining power
c) Access to government schemes
d) All of the above

8. The comparison between FPC and Cooperative mainly differs in:
a) Audit frequency
b) Ownership structure
c) Geographical coverage and legal form
d) Office location

9. Section 8 Company is primarily formed for:
a) Profit earning for members
b) Trade and commerce
c) Charitable and not-for-profit purposes
d) Government services

10. Who owns the Producer Company?
a) Government of India
b) Cooperative bank
c) Its shareholders who are producers
d) Local self-government body

11. Which one of the following is a key purpose of an FPC?
a) Maximize returns to investors
b) Promote private shareholding
c) Enhance income and welfare of member producers
d) Create financial institutions

12. A Farmer Producer Company can be formed with:

a) Any 2 individuals

b) Minimum 10 producer individuals or 2 producer institutions

c) 1 farmer and 1 trader

d) Only government cooperatives

13. The suffix used by all Producer Companies as per the law is:

a) Pvt Ltd

b) Cooperative

c) Producer Company Limited

d) LLP

14. Which feature distinguishes FPCs from private limited companies?

a) Unlimited liability

b) No share capital

c) One member, one vote principle

d) No requirement of AGM

15. Which government body regulates FPCs?

a) Registrar of Cooperatives

b) SEBI

c) Registrar of Companies (ROC) under MCA

d) RBI

16. The term "producer" in an FPC context excludes:

a) Vegetable growers

b) Fishermen

c) Landless laborers not involved in production

d) Poultry farmers

17. What is a major benefit for FPC members?

a) Employment guarantee

b) Access to free land

c) Patronage bonus based on participation

d) Fixed salary

18. Section 378A of the Companies Act defines:

a) Taxation of FPCs

b) Formation of LLPs

c) Definitions related to Producer Companies
d) Dividend rules

19. A key governance principle common to both FPCs and cooperatives is:
a) One share = one vote
b) One member = one vote
c) Voting by proxy
d) Board appointed by government

20. Cooperative societies are formed under:
a) SEBI Act
b) Income Tax Act
c) State Cooperative Societies Act / Multi-State Cooperative Societies Act
d) Companies Act, 2013

21. FPCs are required to file annual returns with:
a) District Collector
b) NABARD
c) Registrar of Companies (ROC)
d) Cooperative Registrar

22. Which of the following is generally more flexible in decision-making and operations?
a) Cooperative Society
b) Public Sector Undertaking
c) Farmer Producer Company
d) Municipal Corporation

23. Cooperative societies often receive:
a) Foreign venture capital
b) Large tax exemptions and state subsidies
c) Stock market funding
d) GST exemption automatically

24. What is one administrative challenge faced by Cooperative Societies?
a) No state regulation
b) No voting rights
c) Excessive political interference
d) No access to member capital

25. Which of the following can issue equity shares?

a) Cooperative Society

b) Producer Company

c) Gram Panchayat

d) Society under Societies Registration Act

Answer Key

Q.No	Answer	Q.No	Answer	Q.No	Answer
1	c	10	c	19	b
2	c	11	c	20	c
3	b	12	b	21	c
4	c	13	c	22	c
5	a	14	c	23	b
6	a	15	c	24	c
7	d	16	c	25	b
8	c	17	c		
9	c	18	c		

Prepared by:

CA Hemantha Kumara Y S

Chartered Accountant

Founder – Vihara Foundation

Proprietor – Hemantha & Associates