

Promotion of FPOs (Support for innovative projects on horticultural crop by FPOs) through SFAC 2024-25- Working Instructions.

SFAC-33/2024

Dated: 28.02.2025

Sub: SHM Kerala – MIDH AAAP 2024-25- Promotion of FPOs (Support for innovative projects on horticultural crop by FPOs) through SFAC 2024-25 – Working Instructions – issued – reg.

Ref: 1. SHM (3)470/2024-25 dated 18.02.2025 of Mission Director, SHM-K
2. Order No. SHM (3)410/2024-25 dated 25.02.2025

Outlay proposed and administrative sanction received: Rs. 300 lakhs

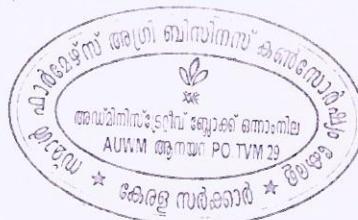
As per reference cited above, sanction has been accorded for the scheme “Promotion of FPOs (Support for innovative projects on horticultural crop by FPOs) through SFAC 2024-25” with a total outlay of Rs. 300 lakhs.

1. Introduction

In recent years, the Farmer Producer Organization (FPO) movement in Kerala has gained significant momentum through the implementation of various government schemes, including the Central Sector Scheme for Formation and Promotion of 10,000 FPOs, the RKVY FPO Promotion Scheme 2019-20, and the Farm Plan FPO Scheme. Prior to these initiatives, several farmer collectives—registered as cooperatives, companies, and other forms—were already operating with the goal of supporting primary producers.

2. Objectives of the Scheme.

- To financially support Farmer Producer Organizations (FPOs) through innovative, viable and horticulture-based projects. This support is structured for promoting sustainable and impactful agricultural practices.
- To provide project based financial support (80:20 ratio) as credit linked back ended subsidy, to eligible and viable projects of FPOs through SFAC. Provide financial support to existing FPOs for post harvest management and value addition (infrastructure and machinery only), marketing and aggregation activities, infrastructure development for storage, export, pack houses, processing units, transportation etc., (infrastructure and machinery). This will help FPOs enhance their product offerings, improve value addition, and facilitate better marketing



strategies, ultimately enabling them to secure better prices for their products. Beneficiary has to bear 20% costs of eligible components.

3. Beneficiaries of the scheme

1. Only innovative projects of FPOs focusing on horticultural crops such as Fruit crops, vegetables, flowers, spices, Aromatic crops, plantation crops, tubers, mushrooms, honey, etc. will be eligible for financial assistance
2. FPO applicants who are willing to avail credit to a minimum equal to eligible subsidy (i.e. amount availed from Banks/NBFC approved by NABARD as credit should be equal or more than the eligible subsidy). As per MIDH norms beneficiary has freedom to avail term loan from nationalized banks/financial institutions such as NABARD, IDBI, SIDBI, ICICI, State Financial Corporations, State Industrial Development Corporations, NBDCs, NEDFI, National SC/ST minorities/backward classes Financial and Development Corporation, other designated loaning institutions of the state/UTs, Commercial/Co-operative Banks etc.
3. Any FPOs in Kerala which are registered as Farmer Producer Company under the Companies Act /Co-operative Society under Kerala Co-operative Societies Act, 1969 and charitable society act are eligible to apply.
4. The scheme will be focusing on FPOs/FPCs under the strengthening category of RKVY FPO Promotion scheme 2019-20, Farm Plan FPOs formed and any other FPO/FPCs which have completed three years from the date of Registration and not presently covered under any other assistance/scheme, however in the case of Farm Plan FPOs the age of the FPOs should be minimum 1 year from the date of registration/incorporation.
5. The new FPOs/FPCs formed under the RKVY FPO Promotion Scheme 2019-20 under SFAC Kerala and the Central Sector Scheme of formation and promotion of 10000 FPOs are excluded from this particular scheme as the projects are ongoing and funds are already allocated for these FPO/FPCs.
6. Legal Compliance Criteria as per their FPC or Co-Operative, Society Registration Status to be up to date till March 2024 (A declaration/certificate from the chartered accountant (CA)/competent authority is to be enclosed certifying that the FPC/FPO meets all legal/statutory compliances up to previous financial year on the date of application i.e. for FY 2024-25.
7. Ensure women participation amongst the board of directors of the FPO



4. Criteria for selection of FPOs is as follows:

- Financial support will be limited to projects focusing on horticultural crops only
- As per the guidelines of SFAC Kerala, District level ATMA offices will call applications along with projects, assess and validate the viability of each project submitted by FPOs. The Project based support to the FPOs/FPCs will be provided based on the final approval of the State Level vetting committee, after receiving the shortlisted applications from PD ATMA office of each district. The projects shortlisted from District level should not exceed a total amount of Rs. 21 Lakhs which is the maximum amount available to the district as per the present scheme. It is liable to change based on fund availability.
- The applications are shortlisted by the District Level Technical Committee.
- Potential FPO/FPCs are rated using an evaluation matrix and categorized to A,B and C class for justified allocation of funds based on the performance level of FPOs. FPOs can be rated based on number of shareholders, annual turnover, array of activities carried out by FPO etc., (Evaluation matrix given as Annexure 1).
- After grading FPOs as grade A, B, and C class, the fund may be limited to the amount allotted/sanctioned to the district. For the Farm Plan FPOs there is no categorization, and the fund support is provided based on the highest score received. (Evaluation matrix for Farm Plan FPO is given as Annexure 2).

Category wise Assistance to the FPOs:

Sl. No.	Class of the FPO Score (on a scale of 100 marks)	Maximum Assistance (Project Based)	Selection Criteria	Remarks/Requirements
1	A-Class-FPOs (≥ 80 marks)	15 Lakhs	<p>Mandatory</p> <ol style="list-style-type: none"> 1. Should have completed three years from the date of Registration. 2. More than 300 Farmer Members as shareholders. 3. Minimum Average Annual Turn Over: >25 Lakhs in FY 23-24. 	<ul style="list-style-type: none"> • Certificate of incorporation/Registration by competent authority. • Certified copies/declarations from the



2	<u>B-Class FPOs</u> (> = 60 marks and < 80 marks)	10 Lakhs	<p><u>Mandatory</u></p> <ol style="list-style-type: none"> Should have completed three years from the date of Registration. Between 201 – 300 Farmer Members as shareholders. Minimum Average Annual Turn Over: >20 Lakhs to 25 Lakhs in FY 23-24. 	<p>concerned CA/competent authorities regarding number of shareholders</p> <ul style="list-style-type: none"> Annual Audited Balance Sheets and Audit Reports certified by Chartered Accountant/competent authorities for FY 2023-24.
3.	<u>C-Class FPOs</u> (> = 40 marks and < 60 marks)	5 Lakhs	<p><u>Mandatory</u></p> <ol style="list-style-type: none"> Should have completed three years from the date of Registration. Minimum 200 Farmer Members as shareholders. Minimum Annual Turn Over: > 10 Lakh to 20 Lakh in FY 23-24. 	<ul style="list-style-type: none"> A certificate from the concerned Assistant Director of Agriculture is to be furnished mentioning the area of cultivation under the FPO jurisdiction with major crops grown by the members and major business activities of the FPOs which are functional and revenue generating.
4.	<u>Farm Plan based FPOS.</u> (> = 80)	5 Lakhs	<p><u>Mandatory</u></p> <ul style="list-style-type: none"> Should have completed one year from the date of Registration. Minimum 100 Farmer Members as shareholders. Minimum Annual Turn Over: >2 Lakhs in FY 23-24. 	<ul style="list-style-type: none"> A certificate from the concerned Assistant Director of Agriculture is to be furnished mentioning the area of cultivation under the FPO jurisdiction with major crops grown by the members and major business activities of the FPOs which are functional and revenue generating.

5. Components of the Scheme

a. Project based funding to existing FPOs:

Each FPO can submit a project proposal to the PD ATMA of the concerned district. The detailed project proposal may include

- An overview of proposed activities of FPOs, including how these activities will contribute to the overall development of horticulture sector



- Name of each project with objectives, Project cost as per proposal, Project cost admissible as per norms, assistance proposed for the project and projected outcomes
- Technical Feasibility and Financial feasibility, Economic analysis, Marketing strategies and timeline for implementation
- Details of company/individual profile, nature of the project, existing infrastructure, proposed infrastructure, benefit from the proposed facility in terms of capacity increase/quality up gradation, existing and proposed process flow chart, intended market viability etc.. The cost of project should be duly supported by Quotations (for equipment), Bills of quantity (for civil work) etc. It should also include profit loss statement, projected balance sheet, debt service coverage ratio, Internal Rate of Returns etc.
- Loan sanction letter from Government approved banks (nationalized banks/financial institutions such as NABARD, IDBI, SIDBI, ICICI, State Financial Corporations, State Industrial Development Corporations, NBDCs, NEDFI, National SC/ST minorities/backward classes Financial and Development Corporation, other designated loaning institutions of the state/UTs, Commercial/Co-operative Banks etc.) should be submitted along with the application.
- Details of area (including ownership, if applicable)- Copy of the title deed/Land tax receipt of the land if the property is owned by the FPO or a member of the Board of Directors, or a copy of the lease agreement or rental agreement (more than 15 years)
- Should specify the horticultural crops (mandatory crops as per MIDH guidelines)/specific activities/the areas or field for which the FPOs seek assistance, as this will help ensure that the funds are directed towards activities with the greatest impact. The component wise activities that can be included are detailed below.:

Sl. No	Component	Total per FPO (Rs. In Lakhs)			
		A Class	B-Class FPOs	C -Class FPO	Farm Plan FPOs
A	Funds To FPOs**	15	10	5	5
1	Component 1: Post harvest and value addition, Infrastructure development for storage, export, processing, transportation (infrastructure and machinery only)				



	Project Based Funding for Primary and secondary processing/export/ Marketing infrastructure (for Packing, sorting, grading, washing, pre-cooling/ cold storage, storage, processing machineries, sales facilities, etc.)
2	Component 2: Marketing and aggregation activities (infrastructure and machinery only)
	Note 1: For infrastructure including pack house, storage and pre-cooling chambers valuation of Civil Engineer not below the rank of Assistant Executive Engineer or Chartered Engineer is needed. Note 2: For machineries and other purchases GST bill is necessary. Note 3: Land cannot be purchased using these funds.
B	Funds needed for documentation, handholding, training, Participation in Promotion events, Buyer Seller Meets, B2B meets, and Trade Fairs FPO etc. can be included in the project if necessary. Training to Board of Directors, CEOs and Farmers/Exposure Visits/Leadership Development for FPC Leaders, stakeholders, Participation in Promotion events, Buyer Seller Meets, B2B meets, Trade Fairs etc., training regarding Branding and Marketing Support, on software Mobile Apps, traceability of product etc may be included if necessary for the FPC.

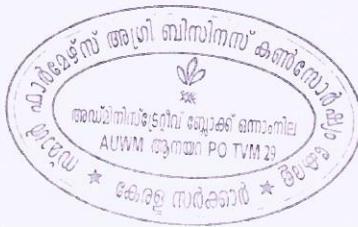
Note**: Funds cannot be used for any debt service purpose.

6. Implementation

- The scheme will be implemented by SFAC Kerala through Project Director ATMA of the districts.
- Project Director ATMA of the districts will manage the selection of applicants, project appraisal, record keeping and auditing in accordance with SFAC guidelines.

1. Procedure for submission of application and approval

- Based on the notification/publicity by the Project Director (ATMA) of districts, the applicant should submit the applications along with detailed Project Report and other supporting documents (2 spiral bound copies) to the concerned PD ATMA of the district.
- The submitted proposals complete in all respect shall be processed by PD ATMA immediately after the receipt of application.
- PD ATMA will classify the applicants into A, B or C Class. A district level technical committee (DLTC) will be constituted with Principal Agricultural



Officer as Chairman, PD ATMA as convenor, DDA (H) and ADA Marketing and one resource person from KVK /KAU or State /Central Research Stations as Members. Technical Committee has to grade the applicants based on FPO Evaluation matrix (given as annexure 1 & 2) for Selection of Potential FPOs. The applicants with higher score will be selected based on evaluation of DPR and other documents. Project vetting should be done by the Technical Committee and must approve the components envisaged in the project. The technical committee meeting shall be conducted regularly whenever required.

- The shortlisted applicants/FPO/PD ATMA will present the proposal in the State Level Vetting Committee (SLVC). Projects will be evaluated by the State Level Vetting Committee comprised of MD SFAC-K, ATMA PD of respective district, Expert from KAU/Research institutes, Business Plan expert. Based on approval and consent of SLVC, a Primary Approval Letter (PAL) is to be issued by PD ATMA to the beneficiary.
- Assistance will be 80% of the eligible components and the beneficiary has to meet balance 20 percentage.
- Approved Projects can be implemented by the respective FPOs under the supervision of district level technical committee.
- Beneficiary FPO will avail credit and submit details to concerned PD ATMA. Subsidy will be given based on selected project after availing credit for amount equal to or higher than subsidy fund. Ploughing of profits, share contribution, support from convergence-based schemes etc. can be used to meet non-credit part of the project.
- A tripartite agreement has to be executed between beneficiary FPO, PD ATMA and bank from which the FPO has availed loan. Project is to be completed within one year after approval of the project.
- After the commencement of commercial production of the unit, the technical committee will inspect the unit and submit the recommendation of eligible subsidy to SFAC Kerala. Based on the recommendation of the DLTC, the eligible assistance will be sanctioned by the State level committee.

Funds will be released only after completion of the project, as back ended subsidy to avoid complication in fund utilization.



- Subsequent to the approval of subsidy by State Level Committee, the fund will be transferred to PD ATMA of concerned district subject to release of fund from SHM.
- Based on recommendation of DLTC, Technical Committee Minutes, Proof of expenditure of project components from FPO loan Account and submission of Bills/Receipts, the eligible assistance amount will be transferred to subsidy reserve fund account of concerned bank of the FPO to keep in suspense account by PD ATMA. Interest relief will be provided to the entrepreneur and amount kept in the reserve fund will be adjusted to the loan account of the entrepreneur after a minimum period of one year or at the time of closure of loan. The unit should function for at least five years and the annual audited statement must be submitted to PD ATMA of the concerned district.
- DLTC has the responsibility to review the progress by frequent visit and ensure the proper functioning of the unit.
- PD ATMA should ensure the submission of final report/documentation (hardcopy/video/photos etc.) from the beneficiary before the final settlement of fund.

2. General Requirements

- Feasibility analysis should be conducted before preparing the DPR and business plan and pricing of products should be realistic.

The applicant should ensure availability of raw materials and marketability of the products before submitting the application and preparing the detailed project report. At least fifty percent of the raw material should be procured locally or from farmers or groups within the State of Kerala.

- FPOs may display board “funded by State Horticulture Mission – Kerala under MIDH AAAP 2024-25”.
- The unit should function for at least five years. If the unit stops functioning earlier the subsidy kept in the reserve fund will be resumed and procedure for revenue recovery will be initiated.
- Component wise budget break up with cost as per proposal and cost recommended by vetting committee, Project appraisal with vetting report and recommendation of project vetting committee as per guidelines should be submitted to SFAC Kerala.
- Project is to be completed within one year after approval of the project. Full expenditure and subsidy transfer should be completed within a maximum period



of two year from the receipt of application/DPR. FPC has to submit month wise progress report to ATMA PD through the Agricultural Officer in the FPO/FPC jurisdiction.

- Technical Team has to visit the beneficiary project site once in six months and evaluate the progress and submit a report of progress. Soon after completion of the project a detailed UC is to be submitted to SFAC Kerala.
- SFAC Kerala with the support of ATMA PDs will carry out regular reviews with stakeholders of FPO, department officials for the smooth implementation of the scheme and plan forward.

7. Source of fund

Amount earmarked for promotion of FPO, under MIDH AAAP 2024-25, is Rs.300 lakhs, release of which will be subjected to availability of funds from MIDH during the financial year.

8. Fund Allocation and Transfer from SHM

- Initial Transfer: - SHM will sanction and transfer the initial fund to SFAC, based on viable project proposals (with appraisal and vetting reports) and MoU in stamp paper.
- Subsequent Transfers: - Subsequent funds will be sanctioned and transferred in installments, conditional upon the release of funds from Government.

MIDH has structured the release of funds in four installments, and hence the funds will be disbursed from SHM in installments.

09. Total Financial Outlay for 2024-25(Summary)

Component	Outlay (Rs. in lakhs)
Project based funding to FPOs/FPCs	300
Total	300

10. Reporting and Utilization Certificate (UC)

- Provisional Utilization Certificate: After utilization of each installment of fund, PD ATMA should submit provisional Utilization Certificate, including a list of FPOs and the projects for which funds were sanctioned. This is necessary to initiate the release of the next installment.



- Supporting Documents/certifications: The UC should be accompanied by relevant supporting documents/certifications to verify compliance with project objectives.
- Audited Utilization Certificate: After complete utilization of all installments, PD ATMA is requested to submit a final audited Utilization Certificate and satisfactory progress reports, ensuring accountability and alignment with project objectives and adherence to project timelines.

11. Additional Conditions for Financial Transparency

- Progress Reporting: Monthly progress reports, detailing financial disbursement status, project milestones and any corrective actions taken to address deviations from planned outcomes.
- Documentation Requirements: Each FPO must submit project updates with financial records and documentation, which will be reviewed by district technical committee and included in the overall progress report to SFAC
- No administrative expenditure shall be met from the fund provided for FPO under the scheme

12. Monitoring and Evaluation

Project Director ATMA will monitor at District Level. A state level monitoring committee will be constituted to ensure effective monitoring of project implementation. The committee will consist of:

Chairman : Mission Director (MD) of the State Horticulture Mission

Member secretary : MD, SFAC (Convenor)

Members : ATMA PD of concerned district, Joint Director of Agriculture (SHM), Deputy Director (DDA), SHM & SFAC, ADA of SHM (MIDH schemes), ADA (SFAC), DDA (H) of concerned district, Field consultants of SHM (Project & non project)

The project will also be reviewed by MD SFAC Kerala separately by constituting a **monitoring and evaluation committee at SFAC level including ATMA PDs and DDA (H) of concerned districts.**

Managing Director

SFAC Kerala

Managing Director

(Additional Director of Agriculture)

Small Farmers' Agribusiness Consortium,

Thiruvananthapuram -29

