



**Indo-Global
Social Service Society**
Celebrating the Spirit of Humanity

A GUIDELINE FOR FORMATION AND PROMOTION OF FARMERS' PRODUCER ORGANIZATIONS

(FOR USE OF WORKERS OF PROMOTING INSTITUTIONS AND COMMUNITY LEADERS)







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A Guideline for Formation and Promotion of Farmers' Producer Organizations (For use of Workers of Promoting Institutions and Community Leaders)

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Information & Photography : IGSSS, Partner agencies and Web source
Layout & Design : Ramakrishna Maharana
Publisher : Indo-Global Social Service Society, New Delhi
Source of reference : Please refer the Acknowledgement
Month & Year of Publication : March, 2021

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Foreword

Agriculture is the mainstay of Indian economy. As per the Economic Survey 2020-21 the contribution of agriculture activity to the gross domestic product (GDP) is around 19.9%. Apart from this there is a huge contribution to food & nutrition security, employment generation, input for Agro based and non-agro based industries. For this reason, agriculture is called as the backbone of Indian Economy. It is irony that though the farmers toil hard in their field to feed others, they hardly get fair price for their produces. The reasons are manifold but mainly due to lack of collective marketing system and value chain skills they are exploited by middlemen and getting the prices lower than that they ought to get.



Considering these issues and challenges Government and Non-Government agencies have emphasized on promotion and strengthening of Farmers' Interest Groups (FIGs), Farmers' Producer Groups (FPGs) and Farmers' Producer Organizations (FPOs) for collective marketing. But several studies have raised concerns that the performances of FPOs are very much affected by the issues like; lack of vibrant farmers' producers groups, absence of effective business plans & strategies, low capital base, insufficient external finance, existing of operational issues & weak governance, inadequate storage & processing facilities etc.

In this context IGSSS has made conscious attempt to develop a comprehensive guideline for development practitioners which would be useful to them in forming and strengthening the farmers' producer companies for safeguarding the interest of the primary producers

I extend my heartfelt thanks to my team and all others who have contributed to develop this useful guideline

John Peter Nelson

Executive Director
Indo-Global Social Service Society





Acknowledgement

For preparation of this guideline I have referred to various materials published by organizations like ASA, R&A Associates (Company Secretaries) and Government of India. I am also thankful to IGSSS for assigning me this task which has enriched my knowledge and understanding the FPOs. I am sure the community leaders and workers involved in promoting FPOs shall find this manual useful in their works.

Jagdish Pradhan

Introducing the Guideline

India has over 12.5 crore farmer households of which over 85% are small and marginal farmers with land holdings of less than 2 hectares. More than 90 per cent of the small and marginal farmers (SMF) are dependent on rain for their crops & agriculture for income and employment. But they hardly realize fair value from selling the surplus produces as they mostly do the marketing individually. Only a minority farming section of our nation is served by the formal agriculture extension system due to various limitations including the structural problems. Only 9% farmers receive extension services from government extension staff, while 19% of farmers depend on private input dealers for advice (NSSO, 2005). A large chunk of SMF seeks farm credit from moneylenders while only a limited numbers from Bank. There is one regulated market (Agriculture Produce Marketing Committee) per 450 sq. km. Not even one third of Indian farmers, especially the SMF, have access to the formal agriculture marketing system, leaving the rest dependent on the informal service providers which are exploitative and non-remunerative.

The collectivization of producers, specifically marginal and small farm holders into producers' organizations is emerging as the effective possible pathway to address improved access to investments, technologies, knowledge support, inputs, and markets. In recent years FPOs are able to leverage their collective strength and bargaining power to access financial and non-financial inputs and services, technologies, reduce transaction costs, tap high value markets and enter into partnerships with private and public entities on more equitable terms. IGSSS has identified Farmers' Producer Organizations (FPOs) as the appropriate institutional form around which farmers would be mobilized and their collective capacity of production & marketing can be leveraged by strengthening their capacities. The formation and development of FPOs will be actively encouraged and supported by IGSSS through different projects. This strategic document is a reference guide for regions and project units that are focussing on to promote and support Farmer Producer Organizations

Based on this context a "guideline for formation and promotion of farmer's producer organization" has been developed under Su-poshan Project focusing on the aspects such as:- Understanding the Farmer Producer Organization (FPO) and step by step process for formation of FPO, Preparations for registration of Producer Company, Salient Provisions of Companies Act relating to Producer Companies, Differences between a Producer Cooperative and Producer Company etc. Hope this guideline would guide project staff, volunteers, frontline workers Promoting Institutions and Community Leaders in forming and strengthening the effective FPOs in their operational areas.

K. C. Sahu

Thematic Lead-Livelihoods
Indo-Global Social Service Society







1

Background of Farmers' Producer Organisation



Introduction

In spite of significant development in the field of industry and service sector even today more than 57% of our population live on agriculture and allied activities. While such a huge percentage of population is dependant on Agriculture their contribution to the GDP is less than 15% which indicates the income disparity between the people in farm sector and those who are in other sectors. Every year such income disparity has been growing which needs to be curbed.

Ever since India entered to the process of economic liberalization and subsequently into the W.T.O. many people were concerned about its probable consequences on our farmers and the farm sector. This is more particularly because of the agricultural land holding in India is dominated by small & marginal farmers with average land holding size of less than one hectare and most our farmers are still in subsistence farming while the farmers in the developed countries have very large land holding and they are into commercial farming with a lot of mechanization. With such small land holding our farmers have been facing various challenges both in production and post production stages. Because of the small land holding the farmers have not been able to access to latest production technology, quality inputs at reasonable price and at the right time, credit support for value addition, processing and most importantly to market access. With all these problems our farmers have to compete at the global market for which incase of several agricultural produces our farmers have not been able to realize a reasonable and remunerative price.

To address to the above issues confronted by our farmers Union Government sought the expert advice for which a high power committee was set up in the year 1999, under the chairmanship of Dr. Y. K. Alag. Based on the recommendations of this committee Government brought an amendment in the Companies Act of 1956 to pave the way for collectivization of farmers to form their organizations and get registered under the Companies Act, so as to enjoy all the benefits as any other companies had been getting so far. All over the world, organizing small farmers to such collectives has been recognized as the most effective and appropriate institutional mechanism which can make the small farmers competitive at the national and global market. It has been envisaged that when most of our farmers shall get organized into Farmer Producer Organizations (FPOs) this will not only help to raise the income of the associated farmers but also will greatly contribute towards transforming our rural economy.

Even though the provision for Farmer Producer Companies was made in the Companies Act through the Companies (Amendment) Act, 2002 and notified in the gazette on 31st December, 2002, in the initial ten years the number of FPOs registered in India was very less. This was primarily because of lack of awareness among the farmers and lack of encouragement from Government and Non-government institutions. During the year 2011 Government of India kept financial provisions for promotion of FPOs under the RKVY scheme for which the number of FPOs increased in many states. However after 2014 with support from NABARD and few other government agencies as well as support from Non-government organizations, there has been significant rise in the number of FPOs.

Role of NGOs in promoting FPOs

Even though several government agencies are involved in promoting FPOs it is obvious that voluntary organizations (NGOs), because of their strong presence at grass root level and closer contact with the farmers, they can play a more effective role in promoting FPOs. For this the workers involved in such activities first need to have thorough knowledge on various aspects of FPOs. Hence this manual is being prepared which will give basic knowledge to the Community Leaders and workers about the FPOs as well as how to develop them as an agri-enterprises in service of it's members.

Understanding the Farmer Producer Organization (FPO)

FPO is a generic name, which means and includes Farmer Producer Organization incorporated / registered either under Part IXA of Companies Act or under Co-operative Societies Act of the concerned States and formed for the purpose of leveraging collectives through economies of scale in production and marketing of agricultural and allied sector. However this manual is being prepared keeping the FPOs in mind which are to be registered under the Companies Act.





2

Broad Services and Activities to be undertaken by FPOs

Broad Services and Activities to be undertaken by FPOs

The FPOs may provide and undertake following relevant major services and activities for their development as may be necessary:-

- 👉 Supply quality production inputs like seed, fertilizer, pesticides and such other inputs at reasonably lower wholesale rates.
- 👉 Make available need based production and post-production machinery and equipment like cultivator, tiller, sprinkler set, combine harvester and such other machinery and equipment on custom hiring basis for members to reduce the per unit production cost.
- 👉 Make available value addition like cleaning, assaying, sorting, grading, packing and also farm level processing facilities at user charge basis on reasonably cheaper rate. Storage and transportation facilities may also be made available.
- 👉 Undertake higher income generating activities like seed production, bee keeping, mushroom cultivation etc.
- 👉 Undertake aggregation of smaller lots of farmer members' produces, add value to make those more marketable.
- 👉 Facilitate market information about the produces for judicious decision in production and marketing.
- 👉 Facilitate logistics services such as storage, transportation, loading/un-loading etc. on shared cost basis.
- 👉 Market the aggregated produce with better negotiation strength to the buyers and in the marketing channels offering better and remunerative prices.

A Business Plan linked development in both medium and long term will be the hallmark of strong business growth for FPO.

The Promoting Institution need to undertake cluster identification and move step by step as discussed in the following pages.

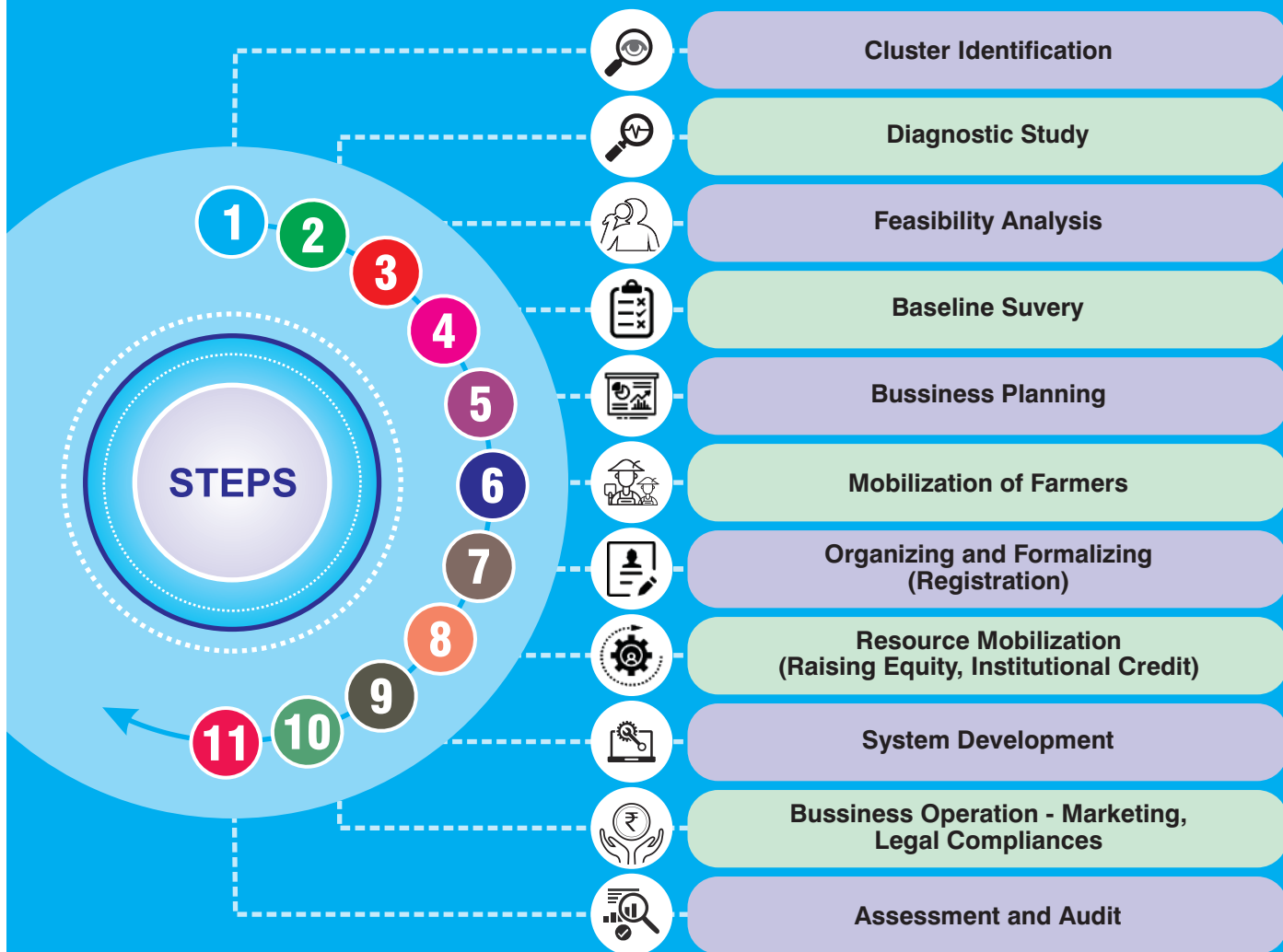


3

Step by Step Processes for Formation and Promotion of FPO



PROCESSES FOR FORMATION AND PROMOTION OF FPO



Cluster Identification

According to the availability of Agricultural and allied produces, Cluster areas should get selected in consultation with government departments and local agencies working in the area. Ideally a cluster of eight to ten contiguous villages having a population of 5000-8000 (1000 to 1500 households) shall be selected to start with.

Diagnostic Study

Diagnostic study is conducted to assess the preliminary situations of the farmers and level of agriculture in the area. This also helps in identifying the potential interventions required and understand the specific project implementation context.

A Diagnostic study is to be conducted by the Resource Agencies like IGSSS or the Promoting Institution in the selected cluster area.

List of Factors to be covered in the Diagnostic study

- 1 Study Abstract:** Objective and deliverables, methodology
- 2 District Profile:** Geographic profile, socio-political background, major agricultural crops, agricultural productivity, farmers and land details, secondary data on production, major marketyards, processing facilities.
- 3 Cluster Profile:** Rationale for cluster selection, Agro-climatic conditions, cropping pattern, geographic profile, status of natural resources, villages' profile abstract. Any uniqueness of the local produces.
- 4 Value Chain Details:** Stakeholders involved, economics at different levels of stakeholders, service providers' profile, terms at which services are obtained.
- 5 Gaps Identified:** Inputs side, financial services, marketing services, insurance services, access to government programmes, probable farmers' services.

Feasibility Analysis

- 👉 A feasibility study should cover aspects such as financial, technical, legal, political, socio-cultural, environmental, economic and resources feasibility.
- 👉 A feasibility analysis should be carried out by the Promoting Institution or the Resource Institution and then appraised by hired external experts in various technical areas.
- 👉 The feasibility analysis will establish a case for promotion of Farmer Producer Companies (FPCs) in the prevailing specific regional environmental context of the Farmers' Producer Organizations (FPOs).

Baseline Survey

- 👉 Baseline Survey will help in generating data related to current prevailing situation of farming and small, marginal, and tenant farmers. It will cover a variety of factors to identify the potential interventions, to plan development and business plans.
- 👉 The assessment shall be conducted using stratified random sampling through structured household level interviews and open ended focus group discussions with different stakeholders.

If needed PRA and Focus Group Discussion (FGD) tools may be used for this.

List of Factors to be studied in Baseline Surveys

- 👉 General Information: Demographics, Household size, Members and Occupation details
- 👉 Economics of Agriculture: Costing, input and output ratios, yields and current productivity
- 👉 Production: Quality and quantity of inputs, technological levels, input suppliers and vendors, seasonality of production, availability of tied sales
- 👉 Financial Aspects: Sources, terms and conditions, interest and existing outstanding, access to government programmes
- 👉 Risk Aspects: Historical risks, Computation of losses due to risk, coping mechanisms
- 👉 Marketing Aspects: Channels of marketing, margins and cost at various levels, quality aspects, price sensitivity, seasonality of marketing, alternate market structure
- 👉 Best practices
- 👉 Constraints and Challenges

Business Planning

- 👉 Business Planning is a process through which the strategic and operational orientation of an emerging FPO is shaped.
- 👉 The Business Plan will have to be developed using a variety of tools. The key is to develop a business plan in detail with at least 10% of FPO farmer members to provide a clear vision.
- 👉 It will be carried out by the Promoting Institution with the help of selected farmers' representatives and experts in the field of Agri-Business.

Mobilization of Farmers

- 👉 Identification of Promoter Farmer Members.
- 👉 Promoter farmer members are those who are eager to form a FPO on voluntary basis, having understood the importance and potential benefits of forming FPOs, obtained through training programmes and exposure provided by the Promoting Institution.
- 👉 Mobilization of farmers should be done with a variety of communication aids like pamphlets, documentary movies, posters, regular village level meetings and proper vision development of promoter farmer members.

Organizing and Formalizing

- 👉 Producer Groups (PGs) in an aggregated cluster together form FPOs. Typically, around 50-70 PGs can come together to form a FPO.
- 👉 FPOs can be registered under the Producer Company provision under the Companies Act.
- 👉 Before going for registration the PGs should understand the basis rules of a FPC and how it could benefit them.
- 👉 Any period between 12 months to 18 months may be necessary for the PGs to settle down and understand the implications of aggregation. Only then should the FPO registration be attempted.

Resource Mobilization

- 👉 Before initiating the operations of a FPO, all required resources should be mobilized by the Promoting Institution with the help of FPO representatives and board of directors.
- 👉 Financial, human (staff), technical and physical resources should be developed during this particular step.
- 👉 Based on the business plan the Promoting Institution should liaise with various financing agencies and mobilize resources for hiring/purchasing and developing various resources.

Management Systems Development

- 👉 Promoting Institution should facilitate the development of management systems in the FPO.
- 👉 Guidelines for management systems should be able to address all the requirements related to financial services, input and output management services.
- 👉 Systems related to management of finance, human resources, stock & inventory, procurement & quality management, marketing, internal audit, internal conflict resolution and other important functional areas should be developed.
- 👉 Standard operating procedures for the same should be established.

Business Operations

- 👉 Promoting Institution should carefully train both the governing and operational structures of the FPO in order to ensure smooth functioning of business operations.
- 👉 The entire value chain related to various agriculture & allied products and commodities needs to be managed.

Assessments and Audit

- 👉 Promoting Institution should facilitate constant assessment of performance of various stakeholders like farmer members, governing board of directors and service providers. They should also help FPOs to reflect and understand areas of improvement.
- 👉 Internal review processes and Accounting Audits will also help in maintaining both transparency and Accountability.



4

Preparations for Registration of Producer Company







Mobilization Activities in the Pre-registration Phase:

Village Level Meetings:

Generally village level meetings should be conducted in the monthly Gram Sabha, where a large percentage of the local population attends to discuss village level issues. This is a good platform to identify active members and leaders from each village.

Meetings with Active Members and Leaders:

There will be a series of meetings to discuss the following issues:-

-  Concept and vision of forming the Producer Company
-  Process involved in the Producer Company formation
-  The business transaction to be conducted
-  Few responsibilities of promoters such as increasing membership base, establishing relationship with buyers, industries, corporates, vendors etc.

Village Level Workshops and Meetings on Producer Company Formation:

Once the members shall understand the business prospect and value chain, it is advisable to convert their economic group into a Producer Company. Meetings and workshops should be conducted where the audience (farmers/villagers) should be explained very clearly about the Company Act, definitions, terminologies, legal formalities, voting rights, governance and board structure, special provisions in the Act, phases of registration, application processes, legal formalities, framing rule for the Company, etc. These meetings/workshops are critical for understanding the concept of Producer Company and also for further segregation of leaders and active members who can facilitate the process of registration.

Organising Exposure Visit for Active Members:

All the active members/leaders will be taken for exposure visits to successfully established Producer Companies. These visits will strengthen feelings of group solidarity and motivate them to participate actively. It will help understand the economic benefits of the Producer Company model. Furthermore, the members will be help them to understand the concept and the governance practices more clearly the experience of the fellow producers. During this visit, the accompanying initiators will also get a chance to establish a stronger bond of trust with the members, which will turn out to be useful in the following stages of the formation process.

Identification of Promoters:

Members who have been particularly active in using the services from different sources or supplying the products, to traders and who attended meetings frequently and showed a keen interest in understanding the Producer Company concept, should be selected as Initial Promoters. They should believe in the benefits of doing business as a collective. Generally ten initial promoters are selected from the identified group of active members. The promoters should represent the diversity of the villages which will form the Producer Company, in terms of demography, gender and geographical area.

Orientation of Promoters on the Registration Process:

After the promoters are identified they should be oriented on the registration process in detail.

Activities necessary for Registration

- 👉 Appointment of the Chartered Accountant (CA) or Company Secretary (CS): to disburden the producers and the promoting organizations from having the sole responsibility for legal formalities of the registration process.
- 👉 Application for Allotment of PAN (Permanent Account Number) Card of the promoters
- 👉 Application for Director Identification Number (DIN)
- 👉 Application for Digital Signature Certificate (DSC)
- 👉 Procedures to get PAN, DAC and DIN
- 👉 Application for Company's Name
- 👉 Drafting of By-Laws (Memorandum of Association and Articles of Association)
- 👉 Declaration from Promoters, Affidavit and Consent letter
- 👉 Submission of Articles of Association (AoA) and Memorandum of Association (MoA)

Post Registration Governance Processes

- 👉 Conduct 1st Board meeting within 30 days of registration
- 👉 Share Capital Collection: To mobilise members and collect share capital, village level meetings have to be conducted. Ideally the Director who is familiar with the village should conduct these meeting.
- 👉 Open Bank Account in the name of Producer Company (PC): Ideally the bank account should be opened in a nearby nationalised bank which can provide prompt services.

👉 After the 1st Board meeting, a bank account should be opened in the producer company's name. Several documents are required to open a bank account such as copy of the Resolution of the Board meeting, copy of MOA and AOA, copy of Certificate of Incorporation, photographs and ID proofs of the authorised signatories, PAN of the Company etc. The signatories and the facilitator should be present in person while opening the bank account.

👉 Make a Business Plan for the Company: The reason for drafting another business plan post registration is to reevaluate the actual shareholders base and based on these figures, calculate new projections for the future business of the company.

The following questions should be kept in mind while drafting the revised business plan:

1. Which services do we want to offer?
2. In how many villages/ to how many members, do we want to provide services?
3. How much will it cost to offer these?
4. How much revenue do we want to create with the services?.
5. However the first business plan is to be revised or re-validated once the membership reaches to reasonable level and business is commenced.
6. How much should we charge the members for those services?
7. Which staff is required and how much salary do we have to pay?
8. What will be the critical risk factors?
9. Which additional sources of funds could be accessed?
10. How much interest will be due when loans are taken from the bank?
11. Administrative and transport costs
12. Profit and loss statements (projection)
13. Future Plans

👉 Conduct 1st General Meeting within 90 days of incorporation



5




Salient Provisions of Companies Act relating to Producer Companies





Incorporation




Any of the following combination of producers can incorporate a producer company:

-  Ten or more producers (individuals); or
-  Two or more producer institutions; or
-  Combination of the above two (10+2).

Registration

- a) In a Producer Company, only persons engaged in an activity connected with, or related to, primary produce can participate in the ownership. The members have necessarily to be primary producers.
- b) These companies shall be termed as “Companies with Limited Liability” and the liability of the members will be limited to the amount, if any, unpaid on the shares.
- c) The name of the company shall end with the words ”Producer Company Limited”
- d) On registration, the producer company shall become as if it is a private limited company for the purpose of application of law and administration of the company(however it shall comply with the specific provisions of part IXA).
- e) The maximum number of 50 members is not applicable to these companies.

Share Capital and Voting Rights

- a) The share capital of a Producer Company shall consist of equity shares only.
- b) Members’ equity cannot be publicly traded but only be transferred.
- c) Voting, when membership is:-
 -  Only of individuals then voting rights shall be based on a single vote for every member.
 -  Only of producer institutions then voting rights on the basis of their participation.
 -  Combination of individuals and producer institutions then voting rights shall be based on a single vote for every member.

Management

- 👉 Every producer company is to have at least five and not more than 15 directors.
- 👉 A full time chief executive should be appointed by the board and shall be entrusted with substantial powers of management as the board may determine.

Reserve Fund

- 👉 Every producer company has to maintain a general reserve in every financial year and in case there are not sufficient funds in any year for such transfer, the shortfall has to be made up by members' contribution in proportion to their *patronage in the business.
**Patronage, in turn, is defined as the use of services offered by producer companies to their members by participation in their business activities.*

Members' Benefit

- 👉 Members will initially receive only such value for the produce or products pooled and supplied as the directors may determine. The withheld amount may be disbursed later either in cash or in kind or by allotment of equity shares.
- 👉 Members will be eligible to receive bonus shares.
- 👉 There is a provision for the distribution of patronage bonus (akin to dividend) after the annual accounts are approved - patronage bonus means payment out of surplus income to members in proportion to their respective patronage (not shareholding).

Dispute Resolution

Dispute relating to producers companies are to be settled by conciliation or arbitration under the Arbitration and Conciliation Act, 1996 as if the parties to the dispute have consented in writing to such procedure.

Audit & Internal Audit Requirements

Producer Companies shall carry out an internal audit of its accounts, at regular intervals in accordance with its articles of association and such an audit shall be carried on by a Chartered Accountant.

In addition to the internal audit, the auditor shall make an annual audit report to the members of the company on the accounts examined by him, and on every balance sheet and profit and loss account and on every other document declared by the Act to be part of or annexed to the balance sheet or profit and loss account, which are laid before the company in general meeting and the report shall state whether, in his opinion and to the best of his information and according to the explanations given to him, the said accounts give the information required by the Act in the manner so required and give a true and fair view.

Tax Benefits

Indian economy is basically an agrarian economy. More than two-thirds of the Indian population depends upon agriculture for their livelihood.

The Indian Income Tax Act, 1961 (“the IT Act”) specifically exempts tax on agricultural income under section 10(1). However, the exemption for such agricultural income shall sometimes vary depending upon the kind of agricultural activity carried on.

It is to be noted that though the IT Act does not per-se give any special benefits or exemptions to Producer Companies as such, but depending upon the kind of agricultural activity it carries on, certain tax benefits can be availed.

For instance, if green tea leaves are grown and sold directly without any further processing, the income derived from such an activity is considered as agricultural income under the IT Act and such income is 100 % tax free, but if the green tea leaves are further processed and tea is manufactured only 60% of the income derived from such an activity is considered as agricultural income and the tax exemption can be availed only on the said 60% of such income. Thus, it is clear that the tax exemption to a producer company depends upon the activity it carries on.

Differences between Producer Cooperative and Producer Company

Features	Producer Cooperative	Producer Company
Registration	Cooperative Societies Act	Companies Act
Membership	Open only to individuals and cooperatives	Only those who participate in the activity
Relationship with other corporates/ business houses /NGOs	It can have contractual or transaction based relations.	Producers and corporate entity can together float a producer company and thus can become members of the Company
Voting Rights	One person, one vote, but Government and RCS holds veto powers	One person one vote. Those not having transactions with company can't vote
Role of Registering authority	Significant	Minimal
Shares	Not tradable	Not tradable but transferable
Reserves	Created if there are profits	Mandatory to create every year
Dispute Settlement	Through Cooperative mechanism	By Arbitration



Appendix



Details of Compliances required for the FPOs registered under Companies Act of 2013

Particulars/Form No. [Section and Rules] & Remarks

1. **DSC:** Digital Signature Certificate Class -3 (For Ten members) to be renewed every two years.
2. **DIR-3(Renewal, Every financial year) [Rule 12A]:** Intimation of Director Identification Number by the company to the Registrar of Companies. By 30th September.
3. **DIR-3 KYC/Web form [Rule 12A]:** Director KYC-Any person who has been allotted "Director Identification Number. DIR-3 has to file KYC before 30th September of every financial year.
4. **ADT-1 [Section 139 and 140 of the Companies Act, 2013]:** Auditor will be appointed usually for 5 (Five) years and form ADT-1 will be filed for 5-year appointment within 15 days of Annual General Meeting.
5. **ADT-2 [Section 140 of the Companies Act, 2013]:** Application for removal of auditor(s) from he/his their office before expiry of the term.
6. **ADT-3 [Section 140(2) of the Companies Act, 2013]:** Notice of Resignation by the Auditor (When the Auditor intends to resign)
7. **INC-20A [Section 149(2A)]:** Commencement of Business Certificate -The Companies (Amendment) Ordinance 2018 was introduced in November 2nd 2018. Any company incorporated after November 2018 would be required to obtain Commencement of Business Certificate from R.O.C.
8. **INC-22A (ACTIVE):** Proof of registered office- Within 30 Days from The Date of Incorporation.
9. **INC-22A:** Shifting of Registered Office (In case of change of office address)
10. **AOC 4 [378 ZA]:** AOC 4 to be used for filing of the financial statements for each financial year with the Registrar of Companies. Within 180 of closure of the financial year, i.e. before 30th October.
11. **MGT-7 [378 ZA]:** Annual Return to be filed by the company with ROC every year, before 30th September).

12. **Circulation of Financial Statement [378 ZA]:** Company will send to the members the approved Financial Statement, Directors' Report and Auditors' Report at least 14 days before the Annual General Meeting
13. **Notice of AGM [378 ZA]:** Company shall in each year hold an Annual General Meeting and not more than 15 months shall elapse between the dates of one Annual General Meeting to the next. A general meeting of the Company shall be called by giving not less than fourteen days prior notice in writing
14. **Board Meetings [378 V]:** Board shall meet at least once in every three months and at least four such meetings shall be convened in every year.
Quorum: 1/3rd of the total strength of Directors subject to a minimum of 3.
15. **Sending of Notice of AGM [378 ZA]:** The notice calling the annual general meeting shall be accompanied by the following documents, namely; (a) the agenda of the annual general meeting; (b) the minutes of the previous annual general meeting or the extraordinary general meeting; (c) the names of candidates for election, if any, to the office of director including a statement of qualifications in respect of each candidate; (d) the audited balance-sheet and profit and loss accounts of the Producer Company and its subsidiary, if any etc.
16. **ITR Return Filing:** Before 30th July Every Financial year
17. **DIR-12 [Sections 7(1) (c), 168 & 170 (2)]:** Particulars of appointment of Directors and the Key Managerial Personnel and the Changes (Removal of directors) if any.
18. **MR-1:** Appointment of Managing Director or C.E.O.
19. **MOA and AOA certified copy:** Form SPICe +32 (In case of requirement of the copy it can be obtained by applying in this format fees @ Rs.100/- per page)
20. **Monthly GST Return filing [GSTR - 3A]:** Before 20th day of every month. Late fine will be Rs.20 Per day
21. **Quarterly GST Return filing [GSTR - 3B]:** Before 20th day of every three-month starting from financial year. Late fine will be Rs.20 Per day
22. **Annual GST Return filing [GSTR - 9]:** Before 30th September Every Financial year
23. **TDS Deposit filing:** Before 7th day of every month (In case of TDS deduction)
24. **TDS Return filing:** Before 10th day of every three month starting from financial year
25. **Form CHG-1:** Charge Registration (Creation). Creation/ modification of charge are one of the crucial activities for obtaining a Loan from Bank/ financial institutions.

26. **Form CHG-4:** Charge Creation removal of Loan from Bank/ financial institutions (After repayment loans). He is a loan clearance certificate.
27. **MGT-14:** Filing of EGM/AGM Resolutions for special purpose i.e Share Allotment
28. **PAS-5:** For approval of New Share allotment
29. **PAS-3:** Return filling of share allotment
30. **MGT-10:** Changes in shareholding position of promoters and top ten shareholders (for transfer of shares)
31. **MGT-15:** Form for filing Report on Special Annual General Meeting.

For Registration of a New FPO under the Companies Act of 2013, DSC (Digital Signature Certificate) of a minimum of 10 promoters is required

The following documents are required for obtaining DSC;

1. Passport size photograph – 1 copy
2. Aadhar Card
3. PAN (Permanent Account Number issued by Income Tax Authority)
4. E-Mail address of each individual director. (if a promoter does not have his/her personal E.mail id he/she should open a new one). This is important for verification of the identity of the concerned person.)
5. Mobile phone Number of the promoters.
6. For the DSC a physical video verification shall be done by R.O.C. or it's agency. In this regard the C.A. or shall assist the promoters.

TIN (Tax Information Network) facilitation PAN Centres

Model Application form for Equity Shares

Application Form No:						
Application Form for Equity Shares of Face Value of Rs. 100/- each for cash at par						
To Company name I, Dear Sirs, I/We hereby apply for allotment to me/us of the Equity Shares of the Company. I/We hereby confirm that I am/we are eligible persons to invest in this Issue in accordance with applicable laws.			<u>STATUS</u> Individual Producer Institution			
No of equity shares	In numbers		In words			
Issue Price of shares	Rs.		Rupees			
Amount Payable	Rs.		Rupees			
Cheque/DD No.	Drawn on		Dated:			
SHARE HOLDER INFORMATION						
Name of the Applicant				Date of Birth (DD/MM/YYYY)		
	Please mention your name as it appears in your Bank Account					
Mailing Address (Local address incase of NRI)	1.					
	2.	E-mail				
	3.	Pin code				
	4.					
	Telephone No: Office			Fax		
	Residence			Mobile No.		
Father/Husband's Name						
Name of the Nominee			Date of Birth (DD/MM/YYYY)			
Name of Guardian (in case of minor)						
Mailing Address of the Nominee	E-mail*					
	Pin code					
	Telephone	No: Office:		Fax		
		Residence:		Mobile No.		
PAN NO. (Mandatory for investments of Rs. 50,000 and above)*	Circle/Ward/District		MAPIN/UIN No.		Enclosed PAN card copy	
Bank Account Details						
Name of the Bank:			Account No.			
Branch Address						
Account Type: Current/Savings/NRO/NRE/FCNR/NRSR			Bank (MICR) Code:			
Signature						
Acknowledgement Slip (Name of the Company)						
Received From		No. of Shares	Amount (Rs.)	Date	Accepting Office's Stamp & Signature	
Mr./Mrs./Ms.						
Address		In Number				
Pin Code		In Words				
(Cheques/Drafts are subject to realization)		Cheque/DD No. Dated				
		drawn on for Rs.				
					

Encl: (i) Voter id card , (ii) Affidavit of the applicant being a Farmer.

MINUTES OF THE ANNUAL GENERAL BODY MEETING

..... PRODUCER COMPANY LIMITED,

Held on(day) , (Date-Month-Year) At (Venue)

Sl. No	Name	Designation and Agency	Signature
1		Chairman	
2		Director	
3		Director	
4		Director	
5		CEO	
6		Director	
7		Director	
8		Director	
9		Director	
10		Member	
11		Member	
12		Member	
.		.	
..		..	
215		Special Invitee	

Present Members

There are total farmers FIG, SHG member (shareholder) present in the 6th Annual General Meeting and the details of the members is attached.

Quorum

The Chairman, took the chair and having ascertained the quorum and called the meeting to order.

Notice of the meeting

With the consent of the members present, the notice of the Annual General Meeting of the Company which has already been lying with the members was taken as read.

- 👉 Background
- 👉 Involvement of Shareholder in AGM.
- 👉 Different past activity and current year planning taken by FPO
- 👉 Opportunity for Networking and stakeholder engagement
- 👉 Introduce Innovations to farmers

Item No. 1: Appointment of new Director

Shri..... member, proposed the resolution and,, BoD of Company at present.

RESOLVED THAT in accordance with the provision of companies Act and Articles of association of the company, another two BODS are being appointed as a director of the Company named as Xxxxx, Xxxxx, Xxxxx, Xxxxx, Xxxxx, Xxxxx, Xxxxx are new director of the Company“ an ordinary resolution.

Item No. 2: Re-appointment of Director

"RESOLVED FURTHER THAT"

Item No. 3. Removal of old Director

Item No.4:

Approval of five- years Business plan: -A proposal also approved in this meeting that five-year plan, how this FPO will function next five year. After fully discussion five-year plan of xxxx was approved.

For Future Action

Vote of thanks

There being no other business to transact, the meeting concluded with a vote of thanks to the Chair.

Agenda:

- 1. Ratification of the minutes of last meeting.
- 2.
- 3.
- 4. Resolution NO.1 – Ratification of the minutes of last meeting.

x x

Resolution No. 2

Resolution No. 3

Resolution No. 4

Vote of thanks

The meeting was concluded with a vote of thanks to the Chair.

ALSO, FURTHER RESOLVED that a copy of the above Resolution certified by the Director.

Certified true copy

Signature of Chairman

.....Producer Company Limited

Date:

Place:



Minutes of XXX Meeting of Board of Directors of

M/s Farmers Producer Company Limited

held on DD/MM/YEAR at its registered office At-.....

“RESOLVED THAT in pursuance of the provisions of section 581W of Companies Act, 1956 read with provision of section 465 of the Companies Act, 2013, and other relevant provisions of these Act Shri be and is hereby appointed as the Chief Executive Officer of the Company with effect from DD/MM/YEAR.”

“RESOLVED THAT Shri, Director is and be hereby authorized to issue necessary appointment letter to Shri with the following terms and conditions:

- a) Salary: Rs. per month,
- b) Allowance: Rs per month,

He will be responsible for the day to day functions of the company including procurement, sales, accounts & Finance, liasoning with government agencies”

For and on behalf of the Board of

.....

Farmers Producer Company Limited

MODEL APPOINTMENT LETTER

Letter No:

Date:

To

.....
.....

Sub: Appointment as the C.E.O.

Dear,

I am pleased to write to you that after due consideration of your application for the post of Chief Executive officer of Producer Company Ltd., the Board of Directors of the Company in it's meeting held on Date..... has decided to recruit you as the C.E.O. of the Company with the following terms and conditions.

1. Your recruitment in the company shall be effective from
2. Your Head Quarters shall be district
3. You shall be reporting to the B.O.D. of Producer Company and your specific jobs will be as per the rules of the Company Registration Act, Government of India. A copy of the detail job description is separately enclosed.
4. Your Gross Salary will be Rs...../- during the year which may be revised by the company based on your performance and the income of the company.
5. This recruitment is for a period of one year which may be extended by the B.O.D. based on the performance of the company as well as your personal performance as the C.E.O.

6. The public holidays will be as per the State Government Holiday List and you shall be entitled for 12 days of casual leave and 15 days of earned leave per annum. However, in case of emergency the B.O.D. may revise the leave rules in the interest of the company.
7. Since the company is dealing with trading activities of Agricultural Produces and inputs during the peak season, you may have to work on irregular hours for which the company may consider for suitable compensation.
8. Period of notice: In case the company shall desire to terminate your service for any reason it will give you a notice of one month or pay a salary of one month in lieu of that. Similarly, in case you shall desire to leave the company, you shall have to give one month notice or forfeit one month salary in lieu of the notice.
9. In case of breach of trust, the company reserves the right to terminate your service without showing any cause and without any notice.
10. In addition to the above terms and conditions the B.O.D. of the company may introduce additional terms and conditions if they will become inevitable in the interest of the company.

In case you agree to abide by the above terms and conditions please sign on both the pages of the letter and send the original copy to the undersigned.

Wishing you a successful professional career in service of the members of the company.

Yours Sincerely,

Chairman

.....**Farmers Producer Co. Ltd.**

Place:

Date: DD/MM/YY



Institutions who are providing Marketing Support in Agricultural Produces

1. **eNAM:** National Agriculture Market (eNAM) is a Pan India electronic trading portal which networks the existing APMC Mandis to create a unified national market for agricultural commodities. FPOs can get registered under eNAM to take its benefit and get a better price of their commodities. It is being functioning under SFAC (Government of India)
2. **NCDEX:** NCDEX has created an electronic trading platform under the name NeML exclusively to deal with Agricultural Commodities and derivatives. FPOs also can be registered under this platform to do marketing of their commodities so as to access to better price as well as services like Ware Housing. (It is under the RBIs – Govt. of India)
3. **APEDA:** Agriculture and Processed Food Products Export Development Authority (APEDA) has been supporting FPOs who are involved in export of Agricultural and food products.
4. **NAFED:** National Agriculture Co-operative Marketing Federation of India (NAFED) has been providing Marketing support for Agricultural produces through co-operatives and FPOs.
5. **Mother Dairy / Reliance Fresh and other Retail Chains:** The retail chains are also procuring various produces through the FPOs.

List of few Service Providing Institutions and Schemes available for the FPOs

1. **NABARD:** It is an Institution setup by Government of India and it has Regional Offices at the State Level. In every district there are District Development Managers. Nabard has various schemes under Producer Organization Development Fund (PODF) and Farm Sector Development (FSD). It has also a fund to support Off Farming Producer Organization under OFDD.
2. **NABKISAN:** NAB KISAN is a subsidiary of NABARD which provides credit to FPOs at low rate of interest.
3. **N.B.F.C./MFIs:** Here are several NBFCs / MFIs who are providing loans to the FPOs considering their credit score.
4. **Nationalized and Private Banks:** FPOs can have cash credit facilities from the Banks and can avail loans for their business operation.
5. **SFAC:** Small Farmer Agri Business Consortium (SFAC) is set up by Government of India to provide support to co-operative societies, FPOs and other institutions working with the small and marginal farmers. Currently SFAC is providing Equity Matching Grant to FPOs.
6. **AIF:** Agriculture Infrastructure Fund (AIF) is set up by Government of India for creation of Infrastructures related to Agriculture and the fund is available to FPOs through various financial institutions.
7. **State Government Schemes:** Almost every state government has their own policies for promotion of FPOs. They have earmarked funds under various schemes to support the FPOs.
8. **Support under C.S.R:** Various corporate houses and industries are promoting FPOs and they can also provide financial assistance to FPOs for their business activities.
9. **Support under DMF:** In the mineral rich districts govt has created District Mineral Funds (DMF) which are under the control of a district level committee headed by the district collector. FPOs can access to the D.M.F. for their business activities and infrastructure creation.

Case Study



Mahamayee Farmer Producer Company Ltd.

Sundargarh district of Odisha is situated in the Northwestern part and is bounded by Chhattisgarh state in the west and Jharkhand state in the north. Geographical area wise it is the second large district of Odisha. The district is a mineral rich region and having a number of large and medium scale industries including the Rourkela steel plant. However for over 80% of the population the primary source of livelihood is Agriculture, NTFP collection and wage labour in various development works. Since most of the crop lands of the district are non irrigated agriculture is not able to provide enough income to the people for which they depend NTFP collection for about four months in a year. 44% area of the district is under forest cover and it has a great potential to substantially augment the income of the people living in forest areas.



The Seed and Agri Input store of MFPC at Gurundia.

Even though the district has over 44% area under forest land it was largely degraded for which forest department initiated a special project where the villagers were involved in management of the local forest keeping in mind for their livelihood. In this process in many villages the women SHGs played an active role as it was directly related to their livelihood. Among the various SHGs involved in forest protection and management activities, the SHGs in Gurundia block had been the most active who were also supported by the Forest

department for marketing of the NTFPs collected by them. As a part of their exit policy forest department was looking forward to for a co-operative marketing institution of the SHGs but on the advice of NABARD as SVA they accepted the idea of forming a FPO to be registered under the Companies Act so that those SHGs shall have more flexibility to carry out their business. Thus on the request of the forest department and with support from NABARD, SVA as the POPI (Producer Organization Promoting Institution) conducted a diagnostic study of the area and under its guidance several SHGs of Gurundia block came together to form a FPO named “Mahamayee Farmer Producer Company” which was registered on 23rd March 2016.

Capacity Building and Hand Holding Support provided by SVA:

In the first three years SVA organized a series of trainings for the Board of Directors and well the SHG leaders on the management of a FPO. It helped them to conduct baseline survey and to prepare participatory Business Plan. The key leaders were taken on few exposure visits to successful FPOs in Maharashtra and Chhattisgarh which gave them confidence and broadened their vision.

From NTFP to Horticulture and Vegetable Cultivation:

The leaders of MFPCL soon realized that to enhance the income of their members they will have to also deal with marketing of vegetables and other agricultural produces. Usually the traders had been exploiting the farmers by selling spurious seeds and they were paying very low prices for the produces while procuring them. To address to such problems MFPCL started a input sale centre in the village in which it sold good seeds by procuring directly from the reputed seed companies. Along with seed and fertilizers it regularly provided technical advices to its members by involving experts from State Agriculture Departments and KrushiVigyan Kendra. Looking at the activities and



Sorting and grading of vegetables is important for realizing better price in the market. The vegetable growers trained by MFPCL in action.

performances of MFPCL district level officers from various departments came forward to support the FPO and it helped them to expand their activities. MFPCL which started from just five SHGs grew to involve over 50 SHG with 500 share holders within four years. But the BOD of MFPCL intends to grow slowly but steadily with their own strength so that their growth shall be sustainable.

Some of the key activities and achievements of MFPCL in the first four years are as follows:

- 1) Members of 20 Van Surakhya Samities and 25 SHGs trained in scientific harvesting and primary processing of NTFPs.
- 2) Market linkage with Dabur TDCC (Odisha) and others for NTFPs by which realizing 15-25% better price.
- 3) Linkage with the Mandis in Rourkela, Cuttack and Bhubaneswar for sale of Fruits and Vegetables.

- 4) Over 1000 women farmers assisted to grow vegetables with marketing tie up.
- 5) Installation of 5 mini cold storage with solar energy.
- 6) Aggregation value addition of marketing of millets.



One of the Mini cold storage installed by MFPCL
(supported by ITDA - Sundargarh)

The initial three years were used more for the learning and acquiring management skills, exploring technical support institutions at district level and training of the farmers, learning of legal compliances, establishing linkage with Mandis and different trading institutions etc.

The next phase which started from the 4th year was to expand the business activities and the achievement or performance of MFPCL in the 5th year is given below. It is planned that now

onwards MFPCL shall substantially expand its membership base as well as business activities.

Behind the steady growth of MFPCL, which is having hundred percent women members lies the important role played by its chairman Smt. Basanti Singh and her board members who have a strong determination and commitment to serve their members and share holders. For the performance of MFPCL it was selected by the State Government as the best FPO at state level and Smt. Basanti Singh was felicitated by the Chief Minister on 20th January 2020 in a state level function. MFPCL has also lagged several awards from NABARD and other institutions at the state and district level.



Pumpkins of a particular size and having better keeping quality are grown as per the demand of the Mandis. Earlier farmers were growing large size pumpkins which have less demand in the Mandis.





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