Strategy Paper for promotion of 10,000 Farmer Producer Organisations (FPOs)

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1. Introduction:

The Department of Agriculture, Cooperation& Farmers' Welfare (DAC&FW), Ministry of Agriculture, Government of India launched a pilot programme for promoting Farmer Producer Organisations (FPOs) during 2011-12. This was in partnership with state governments and was implemented through the Small Farmers' Agribusiness Consortium (SFAC). The pilot programme involved the mobilisation of approximately 2.50 lakh farmers into 250 FPOs (each with an average membership of 1000 farmers) across the country, under two sub-schemes of the Rashtriya Krishi Vikas Yojana (RKVY), namely the National Vegetable Initiative for Urban Clusters and the Programme for Pulses Development for 60,000 rain-fed villages.

The purpose of the pilot programme was to collectivise farmers, especially small and marginal producers, across several states, so as to foster technology adoption, improve productivity, facilitate adoption of good agricultural practices, enable improved access to inputs and credit, develop direct marketing capacity and thereby enhance farmer incomes, concomitantly augmenting their sustainable agriculture-based livelihoods.

The pilot programme has already shown encouraging results and more than 3 lakh farmers have been mobilised into village-level Farmer Interest Groups (FIGs), which have been federated into registered FPOs. To mainstream and institutionalise the process of development of Farmer Producer Organisations, DAC&FW subsequently issued a Policy & Process Guidelines for Farmer Producer Organisations in the year 2013 to encourage states to directly support FPO promotion as a regular activity under the RKVY during the XII Plan. The primary objective of mobilising farmers into member-owned producer organisations, or FPOs, is to enhance the production, productivity and profitability of farmers, especially small and marginal farmers.

In this setting, as on 31.10.2019, against a target of 8.85 lakh farmers to be mobilised, 8.28 lakh small and marginal farmers have been identified and aggregated into 822 FPOs and have been registered while 80 are under the process of registration.

More recently, in the Union budget of 2019-20, the Government of India has declared its intention to promote 10,000 FPOs in the next 5 years so as to ensure economies of scale for farmers in the country. Accordingly, the SFAC has prepared a strategy to scale up the number of FPOs virtually catalysing an FPO movement in the country, through which over a period of time every small and marginal farmer will eventually be a part of this movement.

2. Concept of Development of FPOs:

The underlying rationale for the development of FPOs is the typical fragmented and small size of land holdings of farmers in India. With typical holdings of less than 1 hectare, farmers cannot individually enjoy economies of scale and afford to invest in farm mechanisation/technology for enhancing farm productivity, nor optimally procure inputs nor directly access buyers. Aggregation through FPOs is the only feasible option left for farmers to enhance their bargaining power and farm-related value accruals, as has also been established through various programmes.

As a matter of fact, the collectivisation of producers, especially small and marginal farmers, into producer organisations has globally emerged as one of the most effective pathways to address various challenges in agriculture, but most importantly to enable improved access to investments, technology, inputs, credit, and markets. The Department of Agriculture, Cooperation & Farmers' Welfare, Ministry of Agriculture & Farmers' Welfare, Govt. of India has identified Farmer Producer Organisations registered under the special provisions of the Companies Act, 1956 as the most appropriate institutional form around which to mobilise farmers and build their capacity to collectively leverage their production and marketing strengths.

In this scenario, Farmer Producer Organisations are typically defined as "membership-based organisations or federations of organisations with elected leaders accountable to their constituents" with an objective to develop and deploy the aggregation mechanism of farmers, wherein farmers/producers with common interest agree to pool their resources together to form a group, jointly deal with various issues of farming; be it credit, input sourcing, deployment of farm technology and good agricultural practices, post-harvest handling or onward sale of agricultural produce".

In India, the legal constitution of FPOs typically comprises Societies and Trusts, Co-operatives, Mutually Aided Co-operative Societies and Farmer Producer Companies (FPCs). Arguably, in the country, two types of legally registered FPOs are typically in vogue i.e. Farmer Producer Companies (FPCs) and Cooperatives.

Farmer Producer Companies (FPCs):

The instrument of FPOs, registered under Companies Act 2013, is emerging as one of the most effective tools of aggregation. These Producer Companies are designed in such a manner that they are professionally managed and are able to take care of agricultural supply chain.

A Producer Company is basically a corporate body registered as a private limited company under Part IX-A of Companies Act 1956, now 2013 (as amended in 2002). An amendment in Companies Act 2002 was done on the basis of recommendation of Y. K. Alagh Committee (1998) to add corporate muscle to cooperatives so that it can bring effective management and good governance. The same provisions have been retained for FPCs after revisiting the Companies Act in 2013. The main objective of the formation of FPC is not only to help in doubling farmers' income but also to establish basic business principles within farming communities, to bring industry and agriculture closer and to boost rural development by collectivisation of farmers, especially small and marginal farmers.

The FPC model essentially focuses on common interest groups as the basic unit for aggregation, with neither a limit on the size of membership nor on the extent of the operational area. Basically, FPCs break the producer organisation free of the typically inefficient and politicised image of cooperatives with scant focus on principles of democratic management and free enterprise. The FPC structure is a distinct improvement over the existing legislation on cooperatives, which can accommodate non farmers/producers as members. To the contrary, FPCs can accommodate only primary producers to participate in the ownership and management of FPCs, i.e., the members (individuals or SHGs) necessarily have to be "primary producers" – persons engaged in any activity connected with or related to primary produce. With regard to cooperatives, its architecture allows scope for political and government interference and control in management.

Advantages of FPOs:

Numerous reports and studies have clearly captured and established the positive role of FPOs. Some of the important benefits ascribed to FPOs are as under:

- Cost of production or cultivation may be reduced by procuring all necessary inputs in bulk at wholesale rates, as well as use of custom hiring services of farm equipment.
- Aggregation of produce and bulk transport reduce marketing cost, therefore, enhancing the net value accruals to the producer.
- Building scale through aggregation of commodities lends advantage of economies of scale and attracts traders, processors, and retailers to the farm gate.
- Access to modern technology, extension services and joint training on Good Agricultural Practices (GAP) and ensuring traceability of agriculture produce.
- Post-harvest losses can be minimised through joint storage and value addition facilities.
- Adverse price fluctuations and distress sale can be managed or avoided; if good practices are imbibed. These include contract farming agreements, stocking in own common facilities or leased storage facilities with credit support, etc.
- Ease in communication for dissemination of information about prices and volumes in different locations and other farming-related advisories thereby reducing in formation asymmetries.
- Access to institutional credit against stock, without collateral by virtue of joint liability implicit in the FPO framework.
- Movement up the value chain and graduation into primary and secondary processing will be possible as minimum scale economies are reaped.
- Greater bargaining power to farmers and greater quality orientation in production and processing activities.

As a result of the above initiatives, farmer members of the FPOs are saving in cost of production and commission, and there is reduced wastage of produce and value addition to output.

3. Vision:

The vision in the present context may be viewed as -

To foster a prosperous and sustainable agriculture sector by 2024 through promoting and supporting Farmer Producer Organisations, that enable farmers to collectively enhance their incomes through enhanced productivity, deployment of cost-effective production techniques, competitive and convenient access to inputs, adoption of improved practices and technology, and collective bargaining as well as better access to market and credit.

4. Mission:

The related mission may be visualised as-

1. To promote and support 10,000 economically viable, democratically managed and self-governed Farmer Producer Organisations.
2. To channel required assistance by way of policy, inputs, technical knowledge, market linkage, credit linkage and infrastructure support to strengthen FPOs.
   a. To remove hurdles in small & marginal farmers' access to markets through FPOs.
   b. To create an enabling environment for fostering and nurturing FPOs

5. Objectives:

Within the overarching objective of doubling farmers' incomes, the related objectives may be considered as under-

1. To mobilise small and marginal farmers to evolve 10,000 FPOs across the country.
2. To channel inputs on good agricultural practices for enhanced production and productivity at the farm level.
3. To sustainably build the capacity of such FPOs so as to help them evolve as strong rural self – governance platforms for farmers even while giving them increased bargaining strength
4. To ensure better access to quality inputs and services as well as markets to FPOs for intensive agriculture and value-added processing.

6. Present scenario of FPOs in the country:

SFAC has been designated by the Department of Agriculture, Cooperation & Farmers' Welfare, and Ministry of Agriculture & Farmers' Welfare as the nodal agency for promoting FPOs across the country. FPOs are being promoted in the country under various schemes and programmes of the Central government, State government, and other agencies since 2011.

Presently, around 5000 FPOs (including FPCs) are in existence in the country. These were formed under various initiatives of the Govt. of India (including SFAC), State Governments, NABARD, as well as other organisations over the last 8-10 years. The vast majority of these FPOs are at their nascent stage and are still in the early growth phase of their life cycle. (MANAGE Report, 2019). It is estimated that at best 30%of these FPCs are currently operating viably and around 20% are still struggling to survive. Around 50% are still in the phase of mobilisation, equity collection, business planning other management related developmental stages This is quite comparable to the success rate vis-a-vis new enterprise start-ups in the industrial and processing sector in India.

The number of FPO promoters is numerous and hence a representative listing of larger promoters is given here:

Sl.	Promoting Agency	Nos.
1.	SFAC	902
2.	NABARD	2086
3.	State Government (Funded by leveraging RKVY or the World Bank funds)	510
4.	NRLM Programme (MoRD)	131
5.	Other Organisations/Trust/Foundations**	1371
	Total	**5000**

***Other Organisations like - Bill & Melinda Gates Foundation, TATA Trust, Reliance Foundation, Ambuja Cement Foundation, HDFC Foundation, C&A Foundation, HSBC CSR, Axis Bank Foundation, Jindal Steel &Power Ltd. and Syngenta foundation.*

7. Impact of FPO Promotion:

In order to enhance farmers' income and empower small and marginal farmers, promotion of FPOs has evolved as an intervention strategy in India. The impact of related initiatives may be summarily considered as follows: -

a. Through operating inputs shops, FPOs are successfully reducing their procurement cost of insecticides, pesticides, fertiliser as well as seeds.
b. Through providing custom hiring services in terms of farm equipment and machines like tractors, tillers, and harvesters, savings are made in production and cultivation costs.
c. By operating common facilities for primary and secondary processing and direct sale, FPOs are enabling higher value of accruals to farmers.
d. Being able to offer volumes, they are even able to directly negotiate with and sell to large buyers and retailers.
e. Through hedging initiative and leveraging on the NCDEX platform, they are able to hedge against possible commodity price falls during harvest.
f. Through availing the eNAM platform, FPOs are able to reach out to large number of buyers competitively.
g. The market for organically farmed commodities is being exploited through collective farming practices, in turn, enabling supply of necessary volumes so as to access related markets.

8. Challenges faced in the promotion of FPOs:

Some of the more critical challenges confronting FPOs may be visualised as:

a. **Difficulty and delay in mobilisation of farmers:** Some organisations involved in promoting FPOs suffer from high manpower attrition rate as well as capacity and capability gaps in forming FPOs. Further BoDs and leaders of FPOs have limited understanding of business planning and the benefits of collectivised action.

b. **Limited organisational and management capacity of FPOs:** The BoDs/ leaders of FPOs typically have limited entrepreneurship and business management skills. There is a need for their capacity building and training of BoDs/ leaders and the CEOs of the FPOs. Such training is not only on efficient business planning tools but also on enterprise management practices.

c. **Need for incubation and handholding support to FPOs:** FPOs face problem in networking and negotiating with various stakeholders for implementing their business plan and are hence unable to realise benefits of economies of scale.

d. **Membership base of an FPO:** In India FPOs are promoted by various organisations and are of different sizes in terms of number of members ranging from 50-1000 farmers. Evolving an FPO with 1000 members is a time consuming and sometimes difficult task.

e. **The limited capacity of FPOs to raise necessary equity:** Presently, matching equity share (1:1) is given to FPOs based on the equity share mobilised from members up to Rs. 15 lakh under the Equity Grant Scheme offered through the SFAC. This is subject to a share limit of Rs. 1000 per farmer.

f. **Policy level challenges**: Today, there are several challenges at the policy level due to which FPOs are unable to reap benefits due to lack of information asymmetry and understanding. This is in terms of reforming the state APMC act, facilitating direct market license to FPOs, relaxation in Mandi cess, relaxation in filing statutory compliances including those related to the RoC as well as tax authorities. Penalty of delayed compliance is a burden, particularly on FPOs in their infancy.

g. **Limited capability to autonomously invest in primary/ secondary processing, storage and custom hiring facilities:** FPOs often experience difficulties in establishing necessary infrastructure facilities to complement their business activities due to limited access to equity or institutional funds at initial stage. They also face challenges in availing related support from various schemes and departments of the Government.

h. **Inability of FPOs to access institutional credit sans collateral:** Credit Guarantee cover to the tune of 85% of the eligible sanctioned credit facility (or) Rs. 85 Lakh, whichever is lower is being provided to Eligible Lending Institutions (ELIs) for every FPO borrower subject to a maximum of 2 times over a period of 5 years. However, the limit is relatively low given the requirement of many FPOs. Also Banks have been reluctant to process cases of FPOs for Credit Guarantee by SFAC.

9. Proposed interventions to overcome the challenges:

The envisaged interventions to overcome the challenges presently being faced by FPOs and create an enabling ecosystem for FPO promotion have its underpinnings on re-orienting the implementation architecture drawing from global best practices. This is, even while the schematic support as available will continue.

The interventions may be summarised as under:

a) Capacity building and training of FPO promoting organisations is critical. This maybe in terms of mobilisation of farmers through motivating potential FPO members on the envisaged benefits of aggregated and collectivised action, evolving a viable common business plan, etc. Such plans need to be integrated in terms of input as well as output business, with informed selection on crops/commodities and revenue-generating options. The need for a competent National Programme Management Agency is apparent.

b) Capacity building and training of BoDs/Leaders of FPOs, as well as their manager/ CEOs, is also important. There is also a need to ensure that such managers/CEOs continue to remain with the FPO through appropriate selection and incentive structure, with covenants restricting typically high attrition rates of CEOs. Institutions may devise certificate / diploma courses to train “barefoot managers/ CEOs”. Such courses need to be institutionalised and developed by concerned institution viz. agricultural universities, entrepreneurship development institutions, NIAM, BIRD, NIFTEM, Manage, VAMNICOM etc. with Sector Skill Council accreditation (Annexure 1 indicatively presents the coverage required in such a course).

c) There is also a need for professional handholding and support of FPOs to help develop their capabilities and offer efficient services to members. Thus, there is a need for competent Cluster Based Business Organisations (CBBOs) with capability to effectively mobilise farmers and to offer the necessary range of incubation services. These CBBOs need to have demonstrated capabilities.

d) Various studies and initiatives of the World Bank and other reputed institutions reflect that 350 -500 farmers is an optimal size for an FPO. As a matter of fact, the World Bank-supported projects in the states of Maharashtra, Rajasthan and Himachal Pradesh argue for this option. FPOs will therefore be formed with an average of 500 farmer members in plain areas and 200 in hilly areas. However, the number of farmer members may be increased/decreased depending upon the interest of the FPOs, on the basis of geographical location, subsector /commodity categories imperatives etc.

e) The farmer equity share will be increased from Rs. 1000 to Rs. 2000. Equity Grant ratio will remain the same, i.e. 1:1 times of the mobilised paid-up equity; will be subject to maximum of Rs. 15 lakh per FPO.

f) The FPO concept needs to be propagated and widely shared among stakeholders and several policy-level initiatives are required to be considered:
   i. FPOs need to be provided seed, pesticide, insecticide, fertilizer sales license, as well as APMC license and dealerships on priority basis.
   ii. All the farmer centric schemes of the Government may be routed through FPOs to the extent feasible.
   iii. Reforms in the APMC Act.
   iv. Relaxation on extent of penalty for delayed filing of statutory documents and returns under the Companies act (Annexure 2 affixed presents changes in the proposed policy).

g) Many FPOs may require infrastructure and technical facilities such as pack house, warehouse, sorting and grading, packaging, material handling, transport and custom hiring equipment and machines, etc.

These may be facilitated to FPOs who have proven track record, necessary land in their possession and market linkages. The intervention for infrastructure support has been considered by proposing modifications (where feasible) in the existing schemes of various Ministries such as the Ministry of Food Processing Industries, Mission for Integrated Development of Horticulture under the Ministry of Agriculture and Farmers Welfare, as well as related schemes under the ambit of the Ministry of Micro Small and Medium Enterprises. This is by way of modifying their eligibility criteria so as to suit and attract FPOs more conveniently under the relevant scheme. The concerned ministry may relax specific eligibility criteria as proposed under this project for promotion of FPOs. (Annexure 3 also presents indicative and relevant contours of the schemes as well as required relaxations/modifications).

h) The credit guarantee scheme for FPOs will be increased by 2 times (i.e. from Rs. 1 crore to Rs. 2 crore per project) subject to 1 crore project Rs. 85 lakh (i.e. 85% of the total project cost) and in case of project up to 2 crore whose credit guarantee will be provided up to Rs. 150 lakh (i.e. 75% of the total project cost). An FPO will be eligible for support under the credit guarantee scheme if it has 500 members in plain areas and 200 members in hilly areas subject to a maximum borrowing of 2 times over a period of 5 years.

NBFCs with required net worth and track record may also be accommodated as ELIs, and such NBFCs should on-ward lend to FPOs with a moderate spread between their cost of capital and lending rate. This is giving due consideration to difficulty of FPOs in realising credit from the formal banking system.

To promote FPOs in the cooperative sector, SFAC already accommodates FPOs registered under Cooperatives Societies Act and financed by NCDC under the Credit Guarantee Scheme. However, if such entities wish to avail of any other assistance the concerned Cooperative Laws, Rules and Programmes, if necessary, are to be amended with augmented funding.

10. Proposed Model, Roles and Organisational Structure

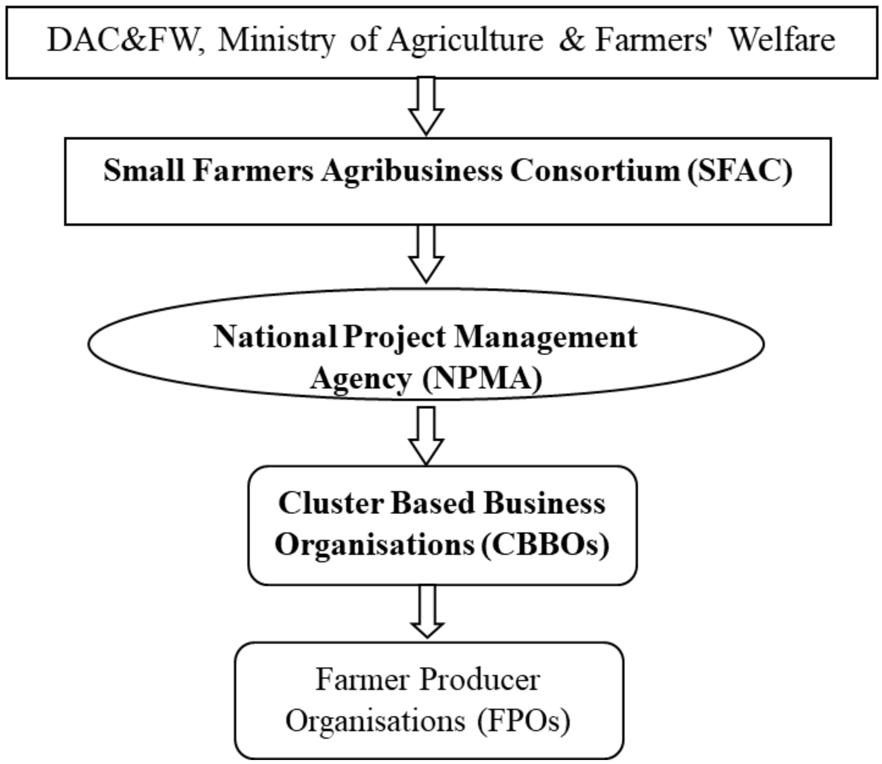
10 (a) Proposed Model:

The major shift in approach to promotion of FPOs is in terms of the contours of programme implementation architecture. Presently, RIs largely provide support towards farmer mobilisation, registration and equity collection. Typically, they neither have the expertise nor are mandated to provide incubation support services for creation of effective marketing and credit linkages or even to ensure statutory compliance by FPOs. FPOs are also concomitantly unable to acquire and imbibe the requisite skill sets to evolve and implement a viable and bankable business plan. The proposed model steps in to redress this critical gap. The CBBO is expected to serve as the fulcrum of implementation, which will house experts in every felt need vertical and provide incubation support services to FPOs that they help mobilise. This is quite in sync with the implementation architecture being successfully adopted in projects in states like Maharashtra, Himachal Pradesh, Rajasthan, Assam and Tamil Nadu.

These are supported by Multilateral Development Agencies like the World Bank, drawing from global best practices and also demonstrated through a pilot project initiated by SFAC.

SFAC being the nodal agency for the formation of FPOs, will act as the nodal implementing agency for the formation of 10,000 FPOs across the country. However, considering the necessary scale of operation a three-tier model is proposed. SFAC assumes responsibility for project execution and monitoring supported by a National Project Management Agency (NPMA) (to be housed at SFAC). Further, for execution at the field level, Cluster Based Business Organisations (CBBOs) assisted by Project Advisory Group consulting interalia of different stakeholders will be selected depending on the potential of identified clusters. These CBBOs will have their offices in the state. There could be one or more CBBOs in a state depending on the potential for FPO promotion. They will undertake the work of FPO formation, provide business incubation services and catalyse market linkages. Both NPMA & CBBOs along with their grassroot/support agencies would be run by professional service providers to be selected by SFAC after due diligence.

Proposed three-tier Model



10 (b) Roles of Agencies -

i. DAC&FW, MoA:

- Impact, output and outcome based monitoring of the project.
- Providing guidance over project/programme implementation.
- Facilitating synergies between various line departments as and when required to ensure effective implementation of the project.
- Periodic review of the project may be conducted at the level of the Ministry to provide guidance as and when required.

ii. SFAC:

- Overall Programme Implementation and Management.
- Project Coordination with Central and State Departments.
- Selection of NPMA, CBBOs and supporting grassroot professional agencies.
- Monitoring & Evaluation of NPMA & CBBOs.

iii. National Project Management Agency (NPMA):

The dire need for an NPMA is to provide dedicated and specialised professional guidance and incubation services to CBBOs and other related organisations for promoting 10,000 FPOs throughout the country. The NPMA will also be responsible for overall project implementation during the project period. Such specialised service provision is beyond the present capacity and professional resource base of SFAC. The NPMA may typically comprise a global consulting firm with expertise in promoting agri business value chains and FPOs as well as agri-enterprise start-ups, a Global Fair Trade related organisation with experience in FPO promotion or Multi-lateral Development Organisation including those related to the United Nations system. The NPMA should necessarily have considerably demonstrated experience in FPO formation and capacity building in terms of providing the necessary range of incubation services.

The role of the NPMA is given as under:

- Programme Management & Implementation of the project at the National level.
- Identification of clusters across the country.
- Assistance in selection of CBBOs.
- NPMA will comprise Sector Experts also responsible for development, management and dissemination of learning and best practices.
- Facilitating and identifying National and state level institutes in the field of Agribusiness (which may include Agri. Input Companies, Financial Institutions, Capacity Building and Training institutions, Food Processing, Storage and Distribution organisations, etc.). There is need to partner with such stakeholders for effective project implementation. NPMA shall assist in linking/undertaking MoUs with these institutions for long term engagement and development of FPOs.
- Providing technical assistance to SFAC.
- Strengthening the dashboard of SFAC for collecting information, provide linkages to markets and link all other stakeholders operating in the ecosystem.
- Training & Capacity Building of CBBOs: offering hand holding support where required.
- Assist in structured interface with stakeholders like Ministries, Financial Institutions, Training, and Research and Development institutions.
- KPI (Key Performance Indicators) related monitoring of CBBOs.
- Policy orientation and related advocacy at National and State level.

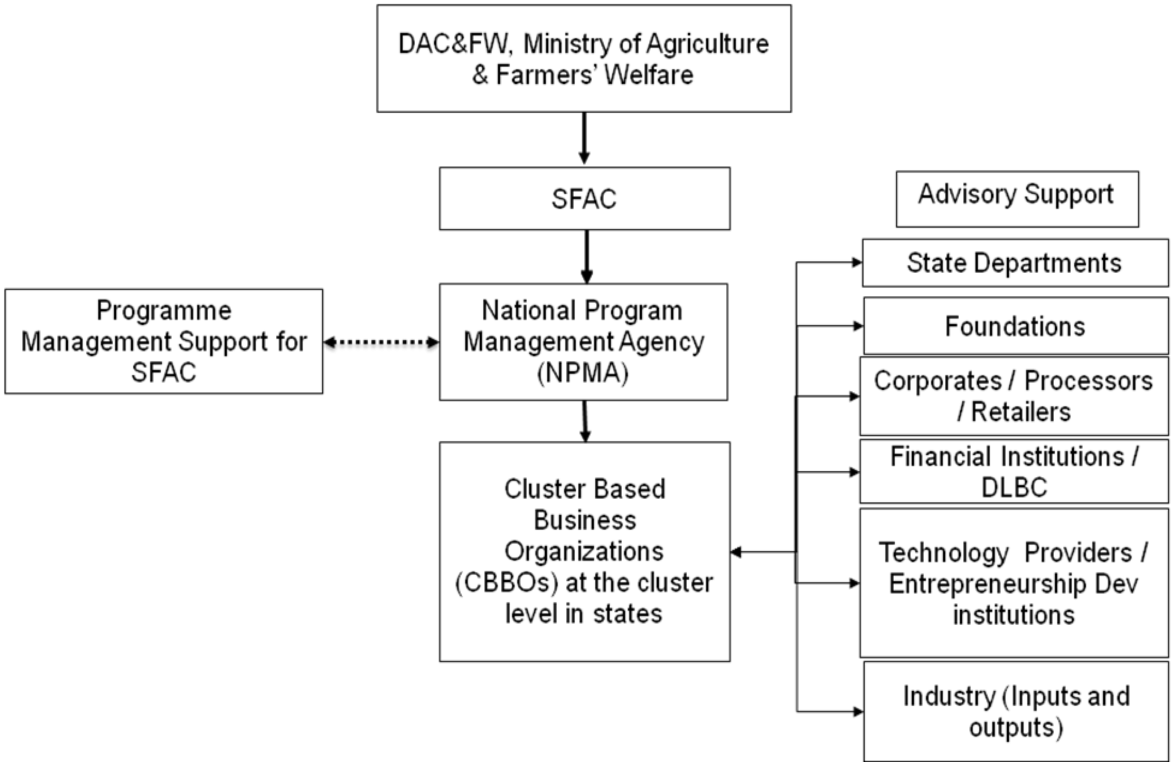
iv. Cluster Based Business Organisations (CBBOs):

The typical profile of CBBOs will be in terms of entities like Business Support Organisations, Trusts, Societies, Corporates, Foundations, Corporate CSR Cells, Entrepreneurship Development Institutions, reputed NGOs, Individual or federated successful FPOs, Central or reputed Agricultural Universities, ICAR institutions (KVKs) etc. They need to have demonstrated capability, impact in formation, providing incubation services to FPOs such as facilitating establishment of inputs shops, provide credit linkages, establish common facility centres, disseminate GAP and provide direct market ties, credentials in training of BoDs of the FPOs etc. Typical Resource Institutions work will be subsumed by CBBOs who will undertake the required expanded scope of work. The role of the CBBO is given as under:

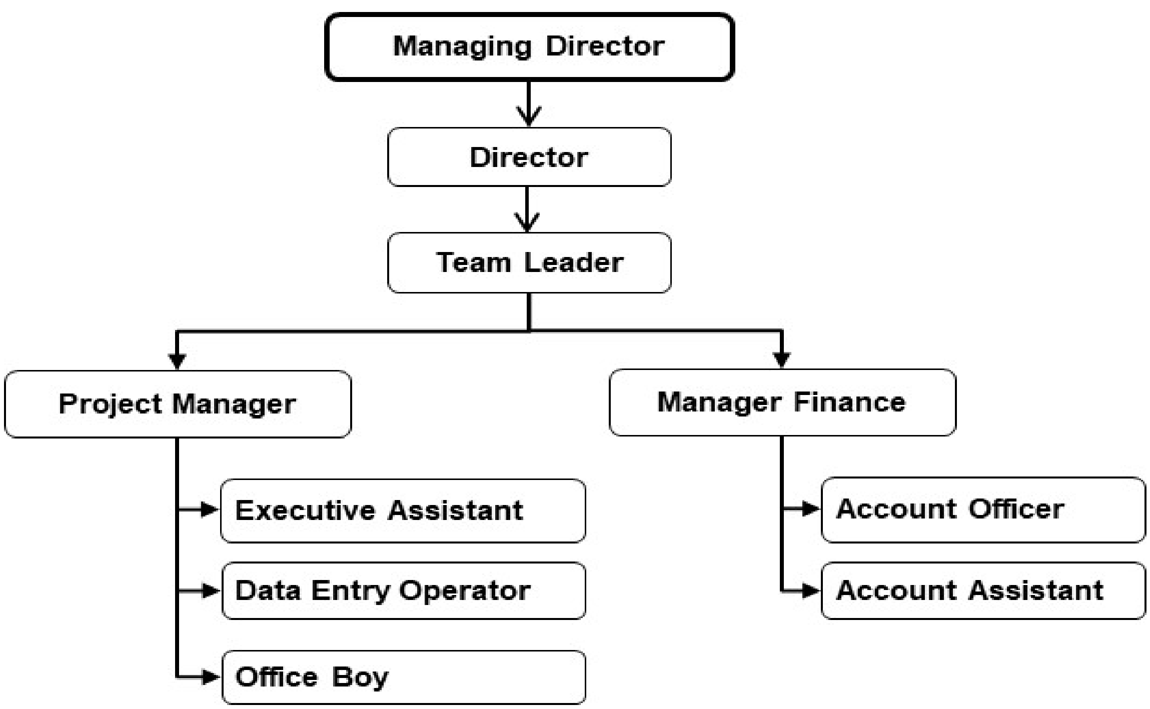
- Assist in the implementation of the programme as suggested by the NPMA and as per scheme guidelines.
- Assist in community mobilisation - cluster finalisation, baseline survey, value chain study, formation of groups.
- Registration of FPOs and Training of BOD's on roles, responsibilities, management - Registration of Companies/ FPOs with the Registrar of Companies (ROC); capital/ equity mobilisation.
- Training and capacity buildings of FPOs/farmer groups - Training needs identification, develop training modules; conduct basic training workshops; exposure visits.
- Preparation and execution of Business Plans- Business plan preparation (for different incubation services), acquiring land, mobilising equity capital.
- Assist in regular interface with stakeholders like various government departments, Financial Institutions, training, and Research and Development institutions at the cluster level.
- Incubation/handholding services for sustainability - Provide support and monitoring in terms of incubation activities; capacity building of BODs and FPO Management for sustainability. The incubation/handholding services include ensuring input, credit, market linkages, preparing and implementing related business plans. Also facilitating establishment of necessary common facility.
- Facilitating traceability, compliance and global market connectivity.

- Review and Monitoring of the field team during implementation as per desired outcomes.
- Assist in communication and dissemination of information to farmers by way of market and crop advisory.
- Progress report on all specified target activities to be submitted periodically to the NPMA.
- Ensuring programme/project targets are met.
- Assist NPMA in data collection and generating MIS reports/information in the required data sheets.
- Any other activity related to implementation, management and monitoring of the project.
- An advisory body consisting of various stakeholders including state government representative, NGOs, RIs, KVKs or any other support institutions will provide active guidance over project implementation.
- State governments will ensure that all the benefits accorded to cooperatives will be offered to FPCs also.
- State governments will also ensure that all state government programmes, incentives for start-ups in the state is offered to FPOs.

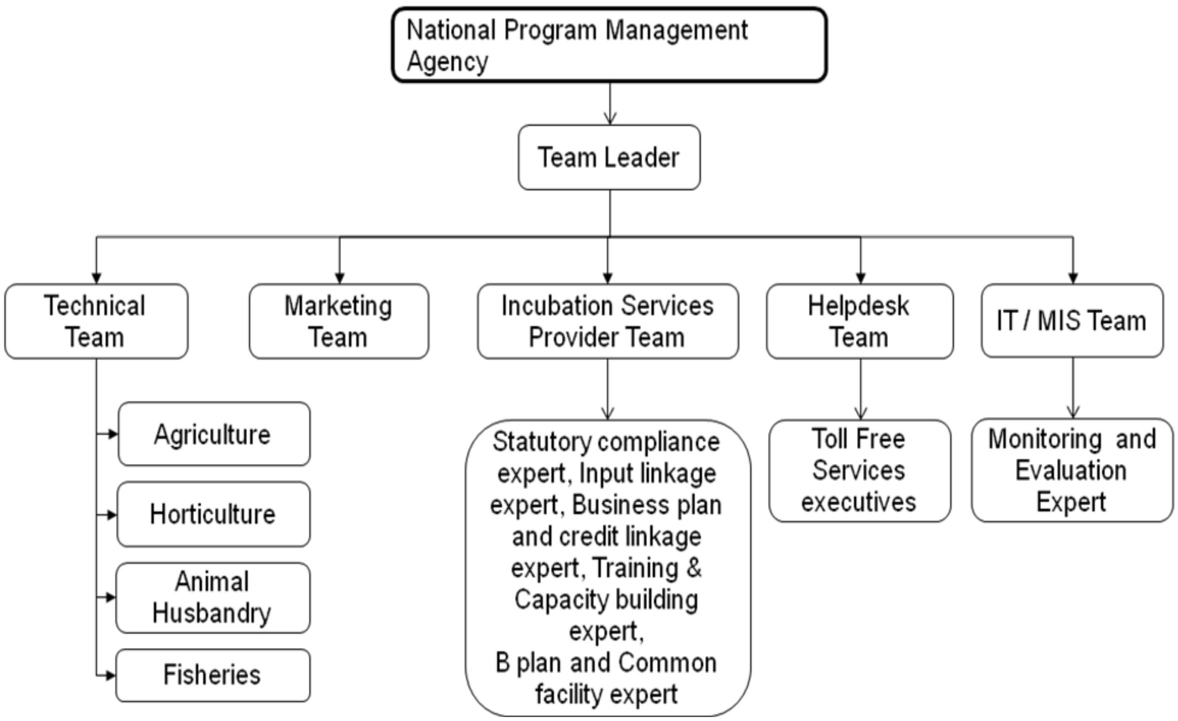
10 (c). Organisational Structure of Proposed Model:



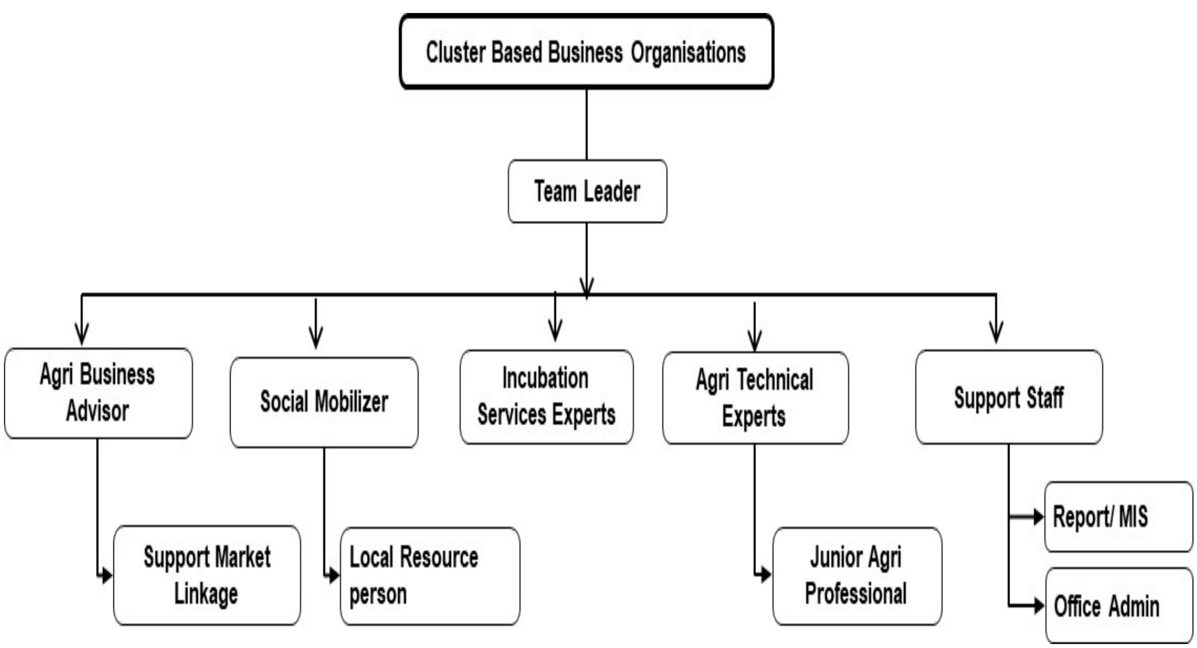
- **The Organisational Structure of SFAC:**



- **Organisational Structure of the National Project Management Agency:**



- **Organisational Structure of Cluster Based Business Organisations (CBBOs):**



11. Detailed Budget:

As per the approved guidelines of Ministry of Agriculture and Farmers Welfare, promotion of one FPO takes three years' duration and accordingly the detailed required budget is given below:

1. **Formation and incubation services for 10,000 FPOs** – For formation and incubation of 10,000 Farmer Producer Organisations (FPOs), CBBOs will be engaged to perform the activities of baseline survey, mobilisation of an average of 500 farmers per FPO, training and capacity building of Board of Directors of each FPO, facilitating registration and compliances of the FPOs as required by the Registrar of Companies (RoC) and other registering authorities, organising exposure visits of farmers, collection of equity share capital of farmer members and also facilitating equity grants for FPOs, preparation and execution of business plans, enabling convergence with government schemes, facilitating establishment of input centres with required licenses as well as custom hiring centres, enabling credit linkages, market linkages and monitoring and review of FPO activities for a period of three (3) years for each FPO during promotion period.

2. **Management support for 10,000 FPOs -** Under this head, assistance will be provided to FPOs for different components and activities such as registration fee of FPOs, office equipments and furniture, salary and mobility expenses of barefoot Manager/CEO, office rent, electricity and communication charges for a period of three years for each FPO during promotion period.

3. **Equity Grant**– An equity grant will be provided in 1:1 ratio as per the existing guidelines against the paid up equity share capital of farmer members to the maximum tune of Rs. 2000 per FPO member. This will be subject to a maximum of Rs. 15 Lakh per FPO to assist the FPOs for strengthening their capital base and undertake activities such as establishing common facility centre infrastructure, securing working capital as to stock commodities and avoid distress sale, undertake market development activities, procure farm inputs in bulk to optimise production cost etc. All 10,000 FPOs will be covered under the project.

4. **Credit Guarantee Fund** - The credit guarantee scheme for FPOs will be extended to assist the FPOs to implement and expand their business activities on commercial scale. A credit guarantee cover will be provided up to Rs. 85 lakh for 1 crore project (i.e. 85% of the total project cost) and in case of project up to Rs. 2 crore, the credit guarantee cover will be provided up to Rs. 150 lakh (i.e. 75% of the total project cost). This will be subject to a maximum borrowing of 2 times over a period of 5 years.

- **National Project Management Agency (NPMA)** - The NPMA will comprise a global consulting firm with expertise in promoting agri business value chains and FPO, a Global Fair Trade related organisation with experience in FPO promotion or a Multi-lateral Development Organisation including those related to the United Nations system. The NPMA will manage and implement the project at the National level. They will identify clusters across the country and will assist in the selection and capacity building of CBBOs. They will undertake Information, Education and Communication (IEC), activities to promote awareness, generate interest and twin roles of different stakeholders related to the project. Such IEC activities will include preparation of promotional and campaigning material, conduct of promotional workshops/seminars, awareness camps, exposure visits, media promotion initiatives, as well as orientation training. The NPMA will also take up maintenance of dashboard and digitization of required data in close association with the CBBOs.

  The NPMA will comprise a range of experts as to provide technical assistance to the SFAC and CBBOs for promoting 10,000 FPOs under the project. The NPMA will also identify potential partner institution for effective project implementation (these may include Agri. Input Companies, Financial Institutions, Capacity Building and Training institutions, Food Processing, Storage and Distribution organisations etc.). There is need to partner with such stakeholders for effective project implementation. The NPMA will also sstrengthen the dashboard of SFAC for collecting information, undertake market development initiatives for FPOs, offer hand holding to CBBOs where required and assist in structured interface with stakeholders like Ministries, Financial Institutions, Training, and Research and Development institutions. It will also monitor performance of CBBOs and undertake necessary policy advocacy related initiatives at the National and State level.

The detailed budget is as follows:

(Unit: FPOs in Number and Cost in INR crore)

Budgetary Allocation for Promotion of 10000 FPOs														
														Rs. in Crore
S. N.	**Components**	**Unit Cost**	**Budget for 1 to 5 years (2019-20 to 2023-24)**						**Budget for committed liabilities for 6th to 9 years (2024-25 to 2027-28)**					**Grand Total Budget for 10,000 FPOs**
			Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Total (1 to 5 year)**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**(6 to 9 year)**	
Number of FPOs		**Nos.**	**250**	**1000**	**2500**	**4500**	**1750**	**10000**	**NA**	**NA**	**NA**	**NA**	**NA**	
1	FPO Formation & Incubation Cost (10,000 FPOs) including CBBOs engaging cost	0.25 / FPO for 5 years	12.5	62.5	187.5	412.5	500	1175	487.5	437.5	312.5	87.5	1325	2500
2	FPO Management Cost (10,000 FPOs)	0.18 /FPO for 3 years	15	75	225	480	525	1320	375	105	0	0	480	1800
3	Equity Grant (10000 FPOs)	0.15	0	38	150	375	675	1238	263	NA	NA	NA	263	1500
4	*Credit Guarantee Fund	L.S.	0	0	150	150	250	550	200	NA	NA	NA	200	750
5	Monitoring & data management/MIS Portal including cost of NPMA	L.S.	5	8	10	10	8	41	3	3	1.5	1.5	9	50
6	Capacity Building through specialized Training Institutes #	L.S	-	3	3	3	3	12	3	3	3	3	12	24
Sub Total (1+2+3+4+5+6)			**32.5**	**186.5**	**725.5**	**1430.5**	**1961.0**	**4336.3**	**1331.5**	**548.5**	**317.0**	**92.0**	2289	**6625.0**
7	Supervision Charges, Other administrative expenses cost for NCDC and SFAC (@5%)**		1.0	6.0	24.0	48.0	66.0	145.0	45.0	18.0	11.0	3.0	77.0	222.0
8	Education and 3rd party evaluation by DAC&FW		0.0	1.0	2.0	5.0	7.0	15.0	1.5	1.0	1.0	0.5	4.0	19.0
Grand Total (1+2+3+4+5+6+7+8)			**34**	**193.5**	**751.5**	**1483.5**	**2033.5**	**4496.0**	**1378**	**567.5**	**329.0**	**95.5**	**2374**	**6866.0**

Annexure 1: Indicative coverage of the FPO "Barefoot" Managers/CEO Diploma (or) Certificate course

The training courses need to offer necessary inputs with regard to "soft" and "hard" skills required by an intrepreneurial manager. Further, the course will build capacities of trainees in terms of facilitating a range of "incubation services" by an FPO. This may be in terms of operating an input supply facility, business plan for common facility, business planning for credit linkages, etc.

Theme 1: Introduction to successful FPCs and Company Management; policy contours

#	Coverage
1	Why FPOs and FPCs particularly? Status and experience.
2	FPC principles and development approach (phases)
3	Case illustrations on some successful FPCs and related initiatives in India and abroad
4	Elements of agri-marketing policy for FPOs

Theme 2: Soft Skill Inputs: Intrapreneurship (Entrepreneurial-Management by FPO managers)

#	Coverage
1	Soft skills for launching and managing an enterprise
2	Interpersonal communication and persuasion and use of influence strategies
3	Creativity and problem solving
4	Negotiation and networking
5	Delegation of authority and task
6	Leadership
7	Efficiency orientation and systematic planning as a trait

Theme 3: Hard Skill Inputs: Basic Management Inputs

#	Coverage
1	Business opportunities identification inputs: Assessment of a local area to identify/explore business ideas
2	Business plan: An introduction
3	Profiling various stakeholders and analysis of industry structure in target markets: Positioning of a CFC in this control
4	Strategic position and marketing of an enterprise
5	Product/market-mix and pricing decisions
6	Networking with large processors/marketers in the value-chain
7	Compliance for market linkages and traceability
8	Technical analysis of a project
9	Cost-output-profit relationships in an enterprise
10	The financials of a business plan
11	Feasibility analysis of projects (introduction)
12	Case illustration on successful micro and small sized enterprise start-ups: Learning for FPC
13	Fundamentals of book keeping; training on “Tally”
14	Practical management in business
15	Understanding total quality management
16	Project activity planning and implementation

Theme 4: FPC Management and Regulatory Inputs

#	Coverage
1	Case studies: Typical activity profile of some successful FPCs in India -income and expenditure mix
2	Healthy financial statements- presentation to financial institutions
3	Regulatory compliances Udyog Aadhaar, DML/DPL, FSSAI, private markets
4	Working capital for FPCs - Case studies
5	NCDEX operation for hedging against commodity price risk; NCDML operations
6	New dimensions of technology for FPCs; eNAM
7	Management of FPC
8	Statutory compliances for FPCs

Annexure 2: Enabling policy imperatives

Some of the enabling policy imperatives at the central and state level may be considered as follows:

1. **At Central Level:**

- CGST exemption on input and output for FPOs (maybe considered for a period of 5 years from date of implementation of policy). FPOs dealing in input facilitation particularly should be exempted from GST.

- Presently, farmers' certificate issued by Tehsildar / Patwari only is accepted. Certificate should be acceptable when issued from other offices as well as Panchayats.

- Land records should be accepted in all the scheduled languages of the country. Presently, land records, if submitted in local language are not accepted and a certified copy of translation of the document in English or Hindi is required.

- FPO promotion activities should be exempted from 18% GST charges.

- Penalty of Rs. 5,000 per director for failing to update KYC (DIR 3-KYC Form) may be waived off.

- Penalty of Rs 10,000 for failing to verify renewal of company address through form INC-22A should either be waived off or be reduced to Rs. 1000.

- Filing of annual return of company has to be done through form MGT-7 within 60 days of holding Annual General Meeting for the period 1st April to 31stMarch. Presently, the delay in compliance incurs a penalty of Rs. 100/day which should be revised to Rs. 100/month.

- Filing of financial statements of company i.e. balance sheet, profit & loss account and directors' report has to be done through form AOC-4 within 30 days of holding Annual General Meeting for the period 1st April to 31stMarch. Presently, the delay in compliance incurs a penalty of Rs. 100/day which should be revised to Rs. 100/month.

2. At State Level:

- Storage Subsidy- Facilitate access to storage infrastructure such as accredited warehouses and storage to FPOs at concessional rates similar to what is made available to farmers in many states.

- Contract Farming (registration and redressal) authority should ideally not be the district level market committee. There is need for a distinct and special committee/ dispute redressal tribunal to consider possible cases. This is because the market committee which co-ordinates functioning of the APMCs may have an obvious "conflict of interest." A distinct state-wide dispute re-dressal tribunal/committee will encourage contract farming practices.

- Targets will be set at the District level for the District Level Bankers 'Committee to finance FPOs at the district level. These targets will be akin to PMEGP targets accorded at the District level.

- FPOs will be accorded priority in the allocation of Udyog Aadhaar Part B by the DIC. This will help them avail of State government incentive schemes.

- Skill training institution and programmes in the State will give priority to FPO representatives while selecting candidates for various Entrepreneurship Development Programmes (EDPs), Entrepreneurship and Skill Development Programmes (ESDPs), and Management Development Programmes (MDPs).

- State Governments should offer "priority" sector status to FPOs and offer the same benefits that are offered by the State by way of policy to FPO start-ups. These may include: refund of state GST for a period of time, exemption from stamp duty on procurement of land, investment/interest subsidy on capital expenditure, reduced power tariff for a period of time etc.

- State Governments should reform their APMC Act as to provide for Direct Market/Purchase License to FPOs with minimal requirement in terms of bank guarantee and net worth as well as transaction volumes.

Annexure 3: Proposed modifications/ relaxations in schemes of different Ministries to enable FPOs to conveniently avail assistance

The required modifications/ relaxations in schemes of different Ministries are presented in the tabulations below for consideration:

#	Name of scheme	Eligibility criteria	Parameters/Extent of support	Concern from the point of FPO	Schematic modifications required
1	Operation Greens under PMKSY implemented by MoFPI	• Bank term loan sanction for at least 20% of the project cost • At least 20% equity for general areas and 10% for North East States, Himalayan States, ITDP Areas and Islands	• Assistance percentage – 70% of the eligible project cost • Maximum Grant amount – Rs. 50 Cr. • Eligible components- Capacity Building of FPOs & their consortium, Quality production, Post-harvest processing facilities, Agri-Logistics, Marketing / Consumption Points	• Net worth conditions for FPOs (equal to the grant amount) • Bank sanction at the time of application for grant • FPCs cannot typically bear charges of a professional agency who can support in filling applications.	• Net worth norms should be waived off for FPOs. • Bank sanction should not be mandatory at the time of application, letter of intent may be considered • No minimum marks for FPOs
2	Micro and Small Enterprises – Cluster Development Programme (MSE-CDP) implemented by Ministry of MSME	• Common Facility projects to support a number of industrial enterprises in a cluster • There should be a minimum of 20 MSE cluster units serving as members of the	• Assistance percentage – 70%-90% of the eligible project cost • Maximum Grant amount – Rs. 13.5 Cr. • Eligible components- Land, building, pre-operative expenses, preliminary expenses, machinery &	• Fund from GoI cannot be used for building related construction, but only for equipment. • Only individual enterprises with Udyog Aadhaar	• Application and sanction procedures should be relaxed specifically for FPOs. • FPO may be considered in itself as an SPV and projects under the

#	Name of scheme	Eligibility criteria	Parameters/Extent of support	Concern from the point of FPO	Schematic modifications required
		Special Purpose Vehicle (SPV)	equipment, miscellaneous fixed assets, support infrastructure such as water supply, electricity and margin money for working capital. • The entire cost of land and building for CFC shall be met by SPV/State Government concerned.	may form an SPV. Farmers are not eligible for support. • Sanction related compliance requirements are cumbersome also in terms of SIDBI appraisal and recommendation • Stand-alone processing facilities are not supported	scheme be permitted to benefit farmers directly. • Assistance towards both civil construction as well as for machinery and equipment need be offered to FPOs • Stand-alone primary/secondary processing facilities should also be supported.
3	Scheme for Fund for Regeneration for Traditional Industries (SFURTI) implemented by Ministry of MSME	• Only traditional industries can apply which are classified into three categories based on the number of the artisans per Cluster-Heritage cluster: 1000-2500 artisans; Major cluster: 500-1000 artisans; Mini cluster: Up to 500 artisans	• Maximum grant limit per typical cluster is based on the type of cluster: Mini: Rs. 1.5 Cr. • Soft Interventions including skill training, etc up to about Rs. 25 Lakh. • Hard intervention including CFCs has 75% by way of grant assistance • Cost of Technical Agency is about 8% of total cost of	• Only traditional industry artisans with tools are usually considered	• FPO may be considered in itself as an SPV and projects under the scheme be permitted to benefit farmers directly.

#	Name of scheme	Eligibility criteria	Parameters/Extent of support	Concern from the point of FPO	Schematic modifications required
		• SPV can be a group of traditional enterprises and also include an NGO.	cluster interventions and cost of Implementing agency is up to a maximum of Rs. 20 lakh		
4	Backward and Forward Linkage scheme under PMKSY implemented MoFPI	• Bank term loan sanction for at least 20% of the project cost • At least 20% equity for general areas and 10% for North East States, Himalayan States, ITDP Areas and Islands	• Assistance percentage – 35%-50% of the eligible project cost • Maximum Grant amount – Rs. 5 Cr. • Eligible components - Backward linkage includes Integrated Pack-house(s), Milk Chilling Centre(s) / Bulk Milk Cooler(s), Pre Cooling Unit(s) / Chillers, Reefer boats, forward linkage includes retail chain of outlets and transport includes refrigerated/ insulated transport / reefer vans in conjunction with backward and forward linkages.	• Bank sanction at the time of application for grant • Minimum marking in scheme is of 60% for project eligibility • Weak handholding for FPOs towards submission of documents • Need of FPCs towards working capital loan is not addressed • Awareness about scheme among FPCs	• Bank sanction should not be made mandatory at the time of application; letter of intent may be considered sufficient • Minimum project cost criterion should be waived off for FPOs • No minimum marks be specified for FPOs while considering projects for sanction • Cost of technical agency's support may be included in the scheme
5	Scheme for Creation /Expansion of Food	• Central and state PSU /Joint Ventures	• Assistance percentage – 35%-50% of the eligible	• Net worth conditions for the	• Bank sanction should not be made

#	Name of scheme	Eligibility criteria	Parameters/Extent of support	Concern from the point of FPO	Schematic modifications required
	Processing and Preservation Capacities (CEFPPC) under PMKSY implemented MoFPI	/Farmer Producer Organisation /NGO/Cooperative /SHGs /Corporate entity/ proprietorship firms • Availing term loan from the Bank/Financial Institution for a minimum of 20% of the total project cost • Date of commercial production should not be prior to the date of submission of application • CEFPPC scheme requires units to be established within the food parks in the state	project cost • Maximum Grant amount – Rs. 5 Cr. • Eligible components - Technical civil work and eligible plant & machinery	FPOs (1.5 times of the grant amount) • Bank sanction at the time of application for grant • Establishing only in Food Parks • Weak handholding for FPOs towards submission of documents	mandatory at the time of application; letter of intent or in- principle sanction may be considered adequate • Minimum Net Worth criterion for FPOs may be waived off • Condition of establishment only in food parks should be waived off for FPOs • No minimum marks be prescribed for FPOs over consideration for sanction • Cost of technical agency's support may be included in the scheme
6	Scheme for Cold Chain, Value Addition	• Central and state PSU /Joint Ventures	• Assistance percentage – 50%-75% of the eligible	• Net worth conditions for the	• Bank sanction should not be made

#	Name of scheme	Eligibility criteria	Parameters/Extent of support	Concern from the point of FPO	Schematic modifications required
	and Preservation Infrastructure under PMKSY implemented MoFPI	/Farmer Producer Organisation /NGO/Cooperative /SHGs /Corporate entity/ proprietorship firms • In principal sanction of term loan from the Bank/Financial Institution for a minimum of 20% of the total project cost • Date of commercial production should not be prior to the date of submission of application	project cost • Maximum Grant amount – Rs. 10 Cr. • Eligible components - The grant is provided only in respect of technical civil work and eligible plant & machinery including MPC/Farm level infrastructure, reefer transport, and distribution hubs	FPOs (1.5 times of the grant amount) • Establishing only in Food Parks • Weak handholding for FPOs towards submission of documents	mandatory at the time of application, letter of intent or in principle sanction may be considered adequate • Minimum Net Worth criterion for FPOs may be waived off • Condition of establishment only in food parks should be waived off for FPOs • No minimum mark requirement be specified for FPOs • Cost of technical agency's support may be included in the scheme
7	Capital investment subsidy scheme for construction/expansion/ modernisation of cold storage and storages for	• Applicable to a person, a group of individuals or a legal person (Partnership Firm, a Trust,	• Assistance percentage – 35%-50% of the eligible project cost for a storage capacity above 5,000 MT up to 10,000 MT.	• Need of FPC to begin with for smaller infrastructure is not addressed	• Cost of technical support agency may be included in the scheme • Credit linked back

#	Name of scheme	Eligibility criteria	Parameters/Extent of support	Concern from the point of FPO	Schematic modifications required
	Horticulture Products under NHB implemented by MIDH	Cooperative Society, a Society registered under Registration of Society Act, a company, self-help group, Farmer Producers Organisation, Co-operative Marketing Federations, Agricultural Produce Marketing Committees, Marketing Boards / Committees, Municipal Corporations / Committees, Agro-Industries Corporations)		• Very high capacity and therefore, FPCs could not avail the same • Credit linked bank ended subsidy • Weak handholding for FPOs towards submission of necessary documents • Application requires bank sanction of project • Awareness about scheme among FPCs	ended subsidy requires bank term loan. Initial capital to fund the project is required. FPOs lack in the same and requirement may accordingly be relaxed removing this condition
8	Cold Storage (Construction, Expansion and Modernisation) under NHM implemented by MIDH	• Applicable to horticulture sector	• Assistance percentage: Credit linked back ended subsidy of 35%-50% • Maximum grant amount- Rs. 8,000/MT, (max 5,000 MT capacity)	• Back ended subsidy	• Up front subsidy may be offered to FPOs
9	Scheme of	• Establishment of	• Assistance percentage: 90%	• FPOs cannot bear	• Cost of technical

#	Name of scheme	Eligibility criteria	Parameters/Extent of support	Concern from the point of FPO	Schematic modifications required
	infrastructure development by APEDA	common infrastructure facilities by APEDA or any other Government or Public Sector agency like Airport Authority of India or Port Trust etc.	of eligible project cost • Eligible components - The grant is provided only in respect of technical civil work and eligible plant & machinery	typical charges of a professional agency who can support in filling applications.	agency support may be included in the scheme • Component of working capital may be added for FPOs