

## **Formation and Promotion of Farmer Producer Organizations (FPOs)**

### **Aims and Objectives of the Scheme**

- To provide holistic and broad based supportive ecosystem to form new 10,000 FPOs to facilitate development of vibrant and sustainable income oriented farming and for overall socio-economic development and wellbeing of agrarian communities.
- To enhance productivity through efficient, cost-effective and sustainable resource use and realize higher returns through better liquidity and market linkages for their produce and become sustainable through collective action.
- To provide handholding and support to new FPOs up to 5 years from the year of creation in all aspects of management of FPO, inputs, production, processing and value addition, market linkages, credit linkages and use of technology etc.
- To provide effective capacity building to FPOs to develop agriculture-entrepreneurship skills to become economically viable and self-sustaining beyond the period of support from government.

### **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' produce; add value to make them more marketable.
- Facilitate market information about the produce 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.

### **FPO Management Cost**

Under the scheme, financial support to Farmer Producer Organization (FPO) @ up to maximum of Rs. 18 lakh / FPO or actual, whichever is lesser is to be provided during three years from the year of formation. The financial support is not meant for reimbursing the entire administrative and management cost of FPO but it is to provide the financial support to the FPOs to the extent provided to make them sustainable and economically viable. Hence, the fourth year onwards of formation, the FPO has to manage their financial support from their own business activities. The indicative financial support broadly covers

- The support for salary of its CEO/Manager (maximum up to Rs.25000/month) and Accountant (maximum up to Rs. 10000/month)
- One time registration cost(one time up to maximum Rs. 40000 or actual whichever is lower)
- Office rent (maximum up to Rs. 48,000/year)
- Utility charges (electricity and telephone charges of office of FPO maximum up to Rs. 12000/year)
- One-time cost for minor equipment, including furniture and fixture, maximum up to Rs. 1,00,000 subject to the condition that the FPO is saving from other heads like office Rent, travel, cleaning, etc. by the FPO subject to overall ceiling of assistance of Rs. 18 lakhs per FPOs in 3 years
- Travel and meeting cost (maximum up to Rs.18,000/year)
- Misc. (cleaning, stationery etc. maximum up to Rs. 12,000/year)

FPO being organization of farmers, it does not become feasible for FPO itself to professionally administer its activities and day to day business, therefore, FPO requires some professionally equipped Manager/CEO to administer its activities and day to day business with a sole objective to make FPO economically sustainable and farmers' benefiting agrienterprise. Not only for business development but the value of professional is immense in democratizing the FPOs and strengthening its governing system. To substantiate the fact, the most successful example is of dairy co-operative in India where professional managers have contributed immensely to make it a success. There are other so many examples which prove the absolute requirement of professional managers. The number of professional staff could depend on geographical spread of business operation, diversity of activities and volume of business. However, an FPO should

have minimum a CEO/Manager and an Accountant. Accountant is required in FPO to look after its day to day accounting work. Based on requirement, FPO can engage other staff also.

The CEO/Manager is to be appointed by the executive body of the FPO who should be either graduate in agriculture / agriculture marketing / agri-business management or BBA or equivalent. Locally available professionals with 10+2 and preferably diploma in agriculture / agriculture marketing / agri-business management or in such other related areas may be preferable. The accountant should have educational qualification of 10+2 with Mathematics as a compulsory subject or alternatively with Commerce or Accountancy background. If any members of the FPO meet the above criteria, they may be considered preferably in the selection process.

Under the scheme, financial support towards salary of CEO/Manager up to @ Rs. 25,000/- per month and of Accountant up to @ Rs.10, 000/- per month with annual increment up to 5% is to be provided from the earmarked financial support for first 3 years only. Thereafter, FPOs will manage from their own resources to pay the salary of CEO/Manager and Accountant. In order to create interest of good professional activities of CEO/ Accountant, the FPO may also offer higher payment with their own sources of funds on above of Govt. support. One CEO will provide full time services to one FPO at a time only. It will be duty and responsibility of respective Board of Directors (BoDs) and CBBO that quality of services is rendered by CEO for developing the business for sustainability of the FPO.

One time registration cost: Under the scheme, the registration cost of incorporating FPOs under Companies Act. or registering under Co-operative Societies Act. will be reimbursable up to a limit of Rs. 40,000/- or actual, whichever is less; and remaining, if any, will be borne by respective FPO.

FPO will forward the periodic utilization certificate for FPO management cost received and utilized as may be necessary to Implementing Agency through concerned CBBO.