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Farmers Producers Organizations (FPOs) and their Role Helps for Income Generation of Migrant Labourers during Lockdown

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ABSTRACT

Farmers Producers Organizations (FPOs) is a very useful organization to develop self employment and self confidence among the farmers at very large scale. A farmer produces FPOs for the farmers, by the farmers and with skilled farmers through development of successful entrepreneurship. The present investigation of this study showed that the Parmaparagat Krishi Vikas Yojana (PKVY) year 2019-20 studied on FPOs develops among the farmers of Block- Arang of District Raipur. There are two clusters with namely Village Nisda and Kukra of Block-Arang by selecting with two LRPs. The FPOs mainly works on Organic Farming Producers with 10 boards of members. The PKVY programme will be for three years programme. There are 16 farmers actively participated in year 2019-20 respectively.

Introduction

In India, there are many legal forms of organisations into primary producer can organise themselves. A Producer Company (PC) is one such and relatively new legal entity of the producers of any kind, viz., agricultural produce, forest produce, artisanal products, or any other local produce, where the members are primary producers. PC as a legal entity was enacted in 2003 as per section IXA of the Indian Companies Act 1956. Since the above enactment, the PC has been hailed as the organizational form that will empower and improve the bargaining power, net incomes, and quality of life of small and marginal farmers/producers in India.

A Producer Organisation (PO) is a legal entity formed by primary producers, viz. farmers, milk producers, fishermen, weavers, rural artisans, craftsmen. A PO can be a producer company, a cooperative society or any other legal form which provides for sharing of profits/benefits among the members. In some forms like producer companies, institutions of primary producers can also become member of PO. The main aim of PO is to ensure better income for the producers through an organization of their own. Small producers do not have the volume individually (both inputs and produce) to get the benefit of economies of scale (Singh and Singh, 2013).

Essential features of a PO

It is formed by a group of producers for either farm or non-farm activities.

It is a registered body and a legal entity.

Producers are shareholders in the organization. It deals with business activities related to the primary produce/product. It works for the benefit of the member producers. A part of the profit is shared amongst the producers. Rest of the surplus is added to its owned funds for business expansion.

The ownership of the PO is with its members. It is an organization of the producers, by the producers and for the producers. One or more institutions and/or individuals may have promoted the PO by way of assisting in mobilization, registration, business planning and operations. (Anonymous, 2015).

Collectivization of producers, especially small and marginal farmers, into producer organisations has emerged as one of the most effective pathways to address the many challenges of agriculture but most importantly, improved access to investments, technology and inputs and markets. Department of Agriculture and Cooperation, Ministry of Agriculture, Govt. of India has identified farmer producer organisation registered under the special provisions of the Companies Act, 1956 as the most appropriate institutional form around which to mobilize farmers and build their capacity to collectively leverage their production and marketing strength**.** This policy document is meant to serve as a reference and guide to Central and State Government agencies which seek to promote and support Farmer Producer Organisations, especially producer companies and link them to benefits under various programmes and schemes of the Central and State Governments (Anonymous, 2013).

Farmers Producer Organisation (FPO)

FPO is one type of PO where the members are farmers. Small Farmers' Agribusiness Consortium (SFAC) is providing support for promotion of FPOs. PO is a generic name for an organization of producers of any produce, e.g., agricultural, non-farm products, artisan products, etc.

Objectives

The primary objective of mobilising farmers into member-owned producer organisations, or FPOs, is to enhance production, productivity and profitability of agriculturists, especially small farmers in the country. The participant farmers will be given the necessary support to identify appropriate crops relevant to their context, provided access to modern technology through community-based processes including Farmer Field Schools; their capacities will be strengthened and they will be facilitated to access forward linkages with regard to technology for enhanced productivity, value addition of feasible products and market tie-ups. Farmers will be organised into small neighbourhood informal groups which would be supported under the programme to form associations/organisations relevant to their context including confederating them into FPOs for improved input and output market access as well as negotiating power.

Role of Farmers Producer Organisation (FPO)

To promote economically viable, democratic and self governing Farmer Producer

Organisations (FPOs); To provide support for the promotion of such FPOs by qualified and experienced Resource Institutions (RIs); To provide the required assistance and resources – policy action, inputs, technical knowledge, financial resources, and infrastructure – to strengthen these FPOs; To remove hurdles in enabling farmers access the markets through their FPOs, both as buyers and sellers; To create an enabling policy environment for investments in FPOs to leverage their collective production and marketing power.

Role of Central Government Institutions in Supporting FPOs

Department of Agriculture and Cooperation (DAC), Ministry of Agriculture, Govt. of India will act as the nodal agency for the development and growth of FPOs.

Small Farmers' Agribusiness Consortium (SFAC), a Society under DAC, will be the designated agency of DAC to act as a single-window for technical support, training needs, research and knowledge management and to create linkages to investments, technology and markets.

The mandate of National Cooperative Development Corporation (NCDC) will be expanded to include FPOs in the list of eligible institutions which receive support under the various programmes of the Corporation.

NAFED will take steps to include FPOs in the list of eligible institutions which act on its behalf to undertake price support purchase operations.

DAC will work with Food Corporation of India (FCI) and State Governments to encourage them to include FPOs as procurement agencies under the Minimum Support Price (MSP) procurement operations for various crops.

DAC and its designated agencies will work with NABARD and other financial institutions to direct short and medium term credit for working capital and infrastructure investment needs of FPOs. DAC will also work with all relevant stakeholders to achieve 100% financial inclusion for members of FPOs and link them to Kisan Credit Cards.

DAC will work with Ministry of Corporate Affairs and other stakeholders to further clarify and strengthen provisions of the law relating to the registration, management and regulation of FPOs with a view to fostering fast paced growth of FPOs.

Role of State Government Institutions in Supporting FPOs

Besides encouraging State Governments to take up formation of FPOs on a large scale through Centrally-sponsored and State-financed programmes and schemes, DAC suggests the following steps to be taken by State Governments to support and strengthen FPOs: 6.1.1 By declaring FPOs at par with cooperatives registered under the relevant State legislation and self-help groups/federations for all benefits and facilities that are extended to member-owned institutions from time to time.

By making provisions for easy issue of licenses to FPOs to trade in inputs (seed, fertilizer, farm machinery, pesticides etc.) for use of their members as well as routing the supply of agricultural inputs through FPOs at par with cooperatives.

By using FPOs as producers of certified seed, saplings and other planting material and extending production and marketing subsidies on par with cooperatives.

By suitable amendments in the APMC Act to allow direct sale of farm produce by FPOs at the farm gate, through FPO owned procurement and marketing centres and for facilitating contract farming arrangements between FPOs and bulk buyers.

By appointing FPOs as procurement agents for MSP operations for various crops.

By using FPOs as implementing agencies for various agricultural development programmes, especially RKVY, NFSM, ATMA etc. and extending the benefits of central and State funded programmes in agriculture to members of FPOs on a preferential basis.

By linking FPOs to financial institutions like cooperative banks, State Financial Corporations etc. for working capital, storage and processing infrastructure and other investments.

By promulgating state level policies to support and strengthen FPOs to make them vibrant, sustainable and self-governing bodies. (Anonymous, 2015).

Materials and Methods

Department of Agriculture and Cooperation (DAC), Ministry of Agriculture, Government of India launched a pilot programme for promoting member-based Farmer Producer Organisations (FPOs) during 2011-12, in partnership with state governments, which was implemented through the Small Farmers' Agribusiness Consortium (SFAC). The states follow a standard methodology for FPO promotion, as well as to provide indicative costs and a monitoring framework. States may directly engage RIs to mobilise farmers. Alternatively, they can invite SFAC to empanel suitable RIs on their behalf.

Objectives

Mobilising farmers into groups of between 15-20 members at the village level (called Farmer Interest Groups) and building up their associations to an appropriate federating point i.e. FPOs so as to plan and implement product-specific cluster/commercial crop cycles.

Strengthening farmer capacity through agricultural best practices for enhanced productivity.

Ensuring access to and usage of quality inputs and services for intensive agriculture production and enhancing cluster competitiveness.

Facilitating access to fair and remunerative markets including linking of producer groups to marketing opportunities through market aggregators.

Principles for Sustaining FPO Development

FPOs are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. FPO members must believe in the ethical values of honesty, openness, social responsibility and caring for others. FPO principles are the guidelines by which FPOs will put their values into practice. Voluntary and Open Membership, Democratic Farmer Member, Farmer-Member Economic Participation, Autonomy and Independence, Education, Training and Information, Co-operation among Concern for the Community.

Selection of Resource Institutions (Ris)

Cluster Identification - Cluster of 8,000-10,000 farmers should be formulated, within one or two blocks, identifying 80 to 120 contiguous villages of a particular district.

Diagnostic Study - The diagnostic study is conducted to assess the preliminary situation of the farmers and level of agriculture in the area and also help in identifying the potential interventions required to understand the specific project implementation context.

Feasibility Analysis - Feasibility analysis for the formation of FPCs should be carried out by RIs and then appraised by hired external experts in various technical areas. The feasibility analysis will establish a case for promotion of FPCs in the prevailing specific regional environmental context of the FPOs.

Baseline Assessment - Baseline Assessment, to be carried out by RI, will help in generating data related to the current prevailing situation of farming and small, marginal and tenant farmers. It will cover a 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 a variety of stakeholders.

Business Planning – It will be carried out by RIs with the help of selected farmers' representatives. Business planning is a process through which the strategic and operational orientation of an emerging FPO is shaped. The key is to develop business plans in detail with at least 10% of FPO farmer members to provide clear vision.

Mobilisation Of Farmers - Mobilisation of farmers should be done with a variety of communication aids like – pamphlets, documentary movies, posters, regular village-level meetings, proper vision development 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 SHT of RIs.

Organising and Formalising - FIGs in an aggregated cluster together form FPOs. Typically, around 50-70 FIGs can come together to form a FPO. FPOs can be registered under the Producer Company provision under the Companies

Resource Mobilisation - Before initiating the operations of a FPO all required resources should be mobilised by the RI with the help of FPO representatives and board of directors.

Management Systems Development - RIs should facilitate the development of management systems in the FPO. Guidelines for management systems should be able to address all requirements related to financial services, input and output management services.

Business Operations - Business operations are the commencement of procurement, production, processing, marketing and financial service activities of a FPO.

Assessment and Audit - RIs should facilitate constant assessment of performance of various stakeholders like farmer members, governing board of directors and service providers. (Anonymous, 2015).

Small Farmers' Agribusiness Consortium (SFAC)

The purpose of the project is to collectivize farmers, especially small producers, at various levels across several states, to foster technology penetration, improve productivity, enable improved access to inputs and services and increase farmer incomes, thereby strengthening their sustainable agriculture based livelihoods (Anonymous, 2020).

Members of a Producer Company and their position in a company

In a producer company, only primary producers or producer organisations can become members

Membership is acquired by purchase of shares in a Producer Company

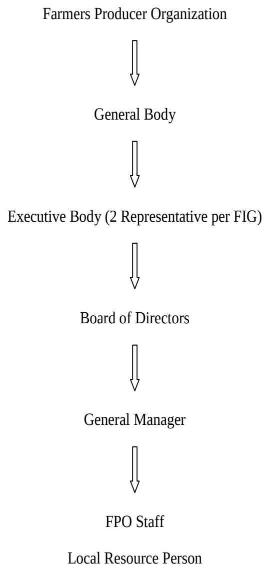
A Producer Company can act only through its members

Members create the company

Members can also wind up the company

Members act through their General Meeting

Structure of FPO



Minimum share capital for a producer company

The minimum Authorized Capital of Producer Company is Rs.5 lakh.

The Authorized Capital of the company can be more than Rs. 5 lakh as indicated in the memorandum of Association.

The authorized share capital should be sufficient for carrying out the objects mentioned in the memorandum.

The authorized share capital should be realistic.

The minimum paid up capital for Producer Company is Rs. 1 Lakh

The legal formalities for formation of a Producer Company

Obtain Digital Signature of the Nominated Director, who will be affixing DSC on all the documents to be submitted to RoC online, on behalf of the company. Chose maximum 4 names for the Producer Company in order of preference. Apply for the name availability in Form – INC1. Once name is available, a letter is received from RoC indicating it. The documents to be submitted to ROC thereafter are: Articles of Association (AoA), Memorandum of Association (MoA), Form No. INC-22 for Registered Office, Form No. DIR-12 for Directors' Appointment, Apply on-line for Directors Identification Number (DIN) for the proposed Director, INC-7 – Affidavits by subscribers to Memorandum of Association to be filed, in case, if they have signed in Hindi, Power of Attorney in favour of a consultant to authorize him to make necessary changes in MoA and AoA as required by the RoC and Submit the documents to RoC for Incorporation of Producer Company.

m. Obtain Certificate of Commencement in INC-21.

Results and Discussion

The present investigation of this study showed that the Parmaparagat Krishi Vikas Yojana (PKVY) is a three year programme from year 2019-20 to year 2021-22. This PKVY training programme conducted by Krishi Vigyan Kendra, Raipur from year 2019-20 at Block- Arang of District-Raipur. The objective of this program is work on organic farming with 20 ha area of organic producer. The Parmaparagat Krishi Vikas Yojana (PKVY) year 2019-20 studied on FPOs established among the farmers of Block- Arang of District Raipur. There are two clusters with namely Village Nisda and Kukra of Block- Arang by selecting with two LRPs. The FPOs mainly works on Organic Farming Producers with 10 boards of members. The PKVY programme will be for three years programme. There are 16 farmers actively participated in year 2019-20 respectively. PKVY Yojana provides agri-organic inputs to actively selected farmers and worked on the organic farming especially on paddy crops like black rice, green rice, scented rice, zinc rice and protein rice respectively.

Expenses will be incurred for registration of a PO

Expenditure towards registration fee, stamp duty, preparation of documents and facilitation charges etc., will depend on the legal structure of the PO. In general, establishment of a producer company is more expensive than other legal forms. The estimated cost of incorporating a producer company is given below:

Estimated cost for incorporation of a producer company

Particulars	Item of expenditure	Amount (Rs.)
Application for Name of PC	Fees	500
Digital signature	Fees	2600
Stamp duty	Memorandum of Association and Articles of Association	1500
Registration/Filing fees	MoA, AoA, Form-1, Form-18, Form-32	17200
Fees of Chartered Accountant or Company Secretary	Consultancy charges	10000
Stamps cancellation		300
Affidavit expenses	Fees of Notary	500
Share transfer fees and processing		5000
Miscellaneous expenses		2000
Total		**39600**

In conclusion to build a prosperous and sustainable agriculture sector by promoting and supporting member-owned Producer Organisations, that enable farmers to enhance productivity through efficient, cost-effective and sustainable resource use and realize higher returns for their produce, through collective action supported by the government and fruitful collaboration with academia, research agencies, civil society and the private sector.

Future prospectus

The provisions of this Policy will apply equally to FPOs already registered both under the Companies Act and under various central and state cooperative society laws and those FPOs which will be registered subsequent to the issue of this Policy. The main qualifying criterion for an FPO to attract benefits under various schemes and programmes of the Central and State Governments is that it must be a body registered and administered by farmers and the organisation must be focused on activities in the agriculture and allied sectors.

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