

**DIRECTORATE OF AGRICULTURE AND FOOD PRODUCTION, ODISHA,
BHUBANESWAR**

Letter No- IS(08)05/2019 - 5687

Dated- 20.02.2019

To,

Deputy Director of Agriculture-cum-PD, ATMA and Facilitating Agencies,
Bolangir, Gajapati, Ganjam, Kalahandi, Kandhamal, Koraput, Malkangiri, Mayurbhanj, Nuapada,
Rayagada and Sundargarh.


Subject: Promotion of Farmer Producer Organizations (FPOs) under Odisha Millets Mission.

Sir,

With reference to the subject cited above, a two-day workshop on FPO promotion was conducted at IMAGE, Bhubaneswar on 7-8 January to brainstorm on strategies for the same. A Calendar of activities for 2019-20 is required to be prepared by Facilitating Agencies for formation, registration and promotion of FPOs in each block as per the format attached herewith. You are requested to ensure FPO registration is completed by 31st March 2019.

A detailed explanation and break-up of budgets is also enclosed herewith for your kind information and necessary action.

Yours Faithfully


Director of Agriculture & Food Production
Odisha, Bhubaneswar

Memo no - 5688

Dated- 20.02.2019

Copy forwarded to Programme Secretariat and Director, NCDS for information and necessary action.


Director of Agriculture & Food Production
Odisha, Bhubaneswar

Memo no - 5689

Dated- 20.02.2019

Copy submitted to Principal Secretary to Govt. in Agriculture & Farmers Empowerment Department,
Odisha, Bhubaneswar for favor of kind information.


Director of Agriculture & Food Production
Odisha, Bhubaneswar

“Component 7.1- Promotion of Farmers’ Producer Organizations”

(Explanation and Break-up of the Budget Head, Timeline and Calendar of Operations)

The Special Programme for Promotion of Millets in Tribal Areas of Odisha (Odisha Millets Mission) envisages forming of Farmers’ Producer Organizations in each block. These FPO’s are expected to be farmer-led bodies that will ensure improvement of production, productivity, direct linkages for higher value realisation for the millet farmers and take-up some welfare activities directly.

This aims to achieve the following objectives: -

- a. The FPOs will successfully deal with challenges and constraints that confront farmers by leveraging collective strength and bargaining power to access financial and non-financial inputs, services and appropriate technologies, reduce transaction costs, tap high value markets and enter into partnerships with private entities on more equitable terms.
- b. The FPOs will offer forms of aggregation and investments in irrigation, storage, processing etc. leaving land titles with individual producers and will use the strength of collective planning and bargaining for production, procurement and marketing, so that considerable value is added to the members’ produce.

These FPO’s are expected to be a platform for small and marginal millet farmers to collectively sell processed grains and value-added products of millets. They are also expected to anchor community institutions envisaged in the programme viz. Millet Processing Unit, Community Managed Seed System and Custom-Hiring Centre. Thus, in addition to the revenue from collective sale of millet grains, the FPO shall earn its revenue from:

1. Supply of products like
 - a. locally produced or sourced seeds of preferred varieties of different millet crops
 - b. bio-manures and bio-pesticides
 - c. processed grains and value-added products
2. Provision of services like
 - a. primary processing of millet grains: threshing, de-stoning, de-husking and pulverization (Managing Processing Units)
 - b. farm implements on hiring basis: Weeders, markers, power-sprayers, tarpaulin sheets, electronic weighing machines (Managing Custom Hiring Centres)
 - c. Storage of seeds (through Community Seed Centres) and other value-added products
3. Opening up of millet-based eateries or outlets in small towns (Managing Millet Enterprises)

Further the FPOs may also be benefitted by:

1. Availing work guaranteed under MGNREGA
2. Opening up of bank accounts of farmers and linking those accounts to a Direct Benefit Transfer (DBT)-ID.
3. Availing life insurance, health insurance and crop insurance for farmers from various Govt schemes
4. Availing benefits of agriculture and other department schemes/ programmes

As per the programme guidelines of Odisha Millets Mission, the nodal CBO in every block will take the form of a Farmer's Producer Organization- which is a representative organization of farmers meant to them provide services and help them negotiate with market agencies for better price realization on their produce through organized efforts. Legally, the FPO could be a Cooperative Society (State Cooperatives act or MACS act or Multi-State Cooperative Act), a Producer Company (Section 581 C of Companies Act) or a Private Limited Company. The choice of registration lies with the facilitating agency that is providing hand-holding support to the nodal CBO considering the institutional and financial health of the CBO.

Advantages and disadvantages of registering CBOs in different legal forms

- While cooperatives are easier to register and have lower costs for compliance, government control is higher in cooperatives which is not conducive for the growth of people's leadership and ownership of the institutions.
- Producer companies have higher compliance costs but government has very little control over their functioning.
- The Directors of companies are mandated to get a Director's Identification Number which is nationally tracked and it is not possible for a person to be Director in more than one company.
- Financial institutions like banks tend to trust more in companies owing to the strong compliance required to run a producer company.
- National policies on promotion of FPOs are in favour of Companies including the schemes being operated by NABARD and SFAC.

Structure of FPOs

- FPOs should be 2-tier or 3-tier farmer-led organizations with farmers' representation at every level- neighbourhood, village/GPs and cluster of GPs/Block. The role of Facilitating Agencies should only be of facilitation and assisting for management.
- FPO should be a primary institution of farmers (either an SHG or a Farmer's Interest Group or any other arrangement) that is close and accessible to the farmer, as the 1st tier of the FPO.
- A Cluster of villages or Gram Panchayats could be chosen as the 2nd tier of collectivization while a sub-block or block level formation could become the 3rd Tier of the FPO.
- The purpose of having intermediate and apex level bodies within the FPO is to enable certain collective operations that require volumes or economies of scale.

Function of FPOs

- The FPO must work to provide services that save the household cash income. This includes getting access to government benefits like a job-card or work under MGNREGA, health, life and crop insurance.
- They will also facilitate access to other schemes on agriculture and rural development departments through farmers' registration for Direct Benefit Transfer (DBT).
- Farmers have the wisdom to govern but they need a team of trained professionals to manage business operations that require specific skills or training. Thus, **Governance of FPOs must be done by farmers and management by professionals, for initial period.** Once farmers develop requisite skills, they shall take over the management of FPO as well.

This shall keep the control and decision making of the FPO with farmers while making business operations more cost effective and efficient.

- Higher the participation of farmers in decision-making higher the chances of success. As farmers feel more ownership on the FPO and not as mere recipients of government or NGO aid.
- Because these FPOs shall operate in rainfed areas with small and marginal farmers, the per farmer surplus produce available shall be low and of multiple crops/commodities. Thus, **the FPO shall need to do small-scale service delivery for multiple crops/commodities.**
- Small and marginal farmers cannot afford machinery at individual level. So, **general purpose machines** that could be used around the year for different purposes should be procured by FPOs. This shall provide primary processing and value addition services to farmers in exchange for a nominal user-fee.
- The **FPOs should not get into Business to Consumer (B to C) models** that require high capital, complex operational management, long-term investment in branding, marketing and publicity to grow. They **should instead get into Service Provider and Business to Business (B to B) models** where they provide services to farmers on increasing the value of their produce but do not directly market products to consumers. They shall get into partnerships with institutional buyers or traders for sales of multiple crops on a negotiated price. The power of collectivization shall enhance their bargaining power.
- The focus of FPOs should be on reducing farmer's losses or adding small values to their produce rather than into large businesses. **They should follow a low risk-low reward strategy than a high risk- high reward one.**
- An FPO shall be successful if farmers' interests are central to its functioning. FPOs should not get into deals with individuals or agencies merely for profit. Every business decision must be based on whether or not it involves and benefits farmers.
- In a business organization, decisions need to be taken quickly. The facilitating agency must drive it in times when farmers do not or cannot take leadership. The role of facilitating agency is to build this leadership and provide necessary hand-holding support.
- Cash handling in organizations must be minimum. Use of cheques and bank transfers must be encouraged. All decisions and important processes must be documented.
- Standardizing processing of grains to FAQ grade products is beneficial as it helps in fetching good price even if there is no MSP. Because, this ensures that there is trust in the market that farmers of this particular area or FPO sell good quality products.
- FPO will take proactive role in creating awareness for pre-cleaning of Ragi and other millets through the millet processing units set up with the help of OMM funds.
- Facilitating agencies shouldn't start FPOs as short-term projects but as long-term institutions.
- Facilitating Agencies need to manage the pressure of deliverables. They must select a good board of directors in absence of which capture of benefits by the elite and cash misappropriation by some people may take place.

Steps for registration of Farmers' Producer Companies under the Section 581 C of the Company's Act of India, 1956 (amended in 2003 to bring in producer companies)

Step 1: Awareness creation and meeting with the villagers and introducing the concept, objectives and potential activities of the FPO in the area

Step 2: Exposure visit to a successful Producer Company to gain experience and confidence

Step 3: Motivating eligible members to become shareholders and raising share capital

Step 4: Drafting of Memorandum and Articles of Association

Step 5: First formal meeting of the shareholders to: i) Approve Memorandum and Articles of association, ii) Selection / election of Directors and Promoters, iii) Authorized Capital and Cost of each share

Step 6: List of Directors and Promoters and application for PAN (Permanent Account Number) card of each Director and Promoter

Step 7: Application for Digital Signature Certificate (DSC) of nominated directors

Step 8: Application for the company's name

Step 9: Submission of AoA and MoA, forms for Registered Office, Director's Appointment to Registrar of Companies (RoC) after Receipt of Company Name from RoC

Step 10: Application for Director's Identification Number (DIN)

Step 11: Power of Attorney in favour of a consultant to authorize him to make necessary changes in MoA and AoA as required by the RoC.

Step 12: Submission of documents to RoC for Incorporation of Producer Company.

Step 13: Obtain Certificate of Commencement

In addition to these, the Registrar of Companies has made the following requirements mandatory:

1. A certificate of being an agriculturist for all directors
2. A live video of director to be uploaded

{Having at least 2 women directors in the Board of Directors is mandatory to receive grants, especially matching equity grants up to 15 lakhs from Small Farmers' Agri-Business Consortium (SFAC)}.

For further details, please see the Odisha FPO Policy 2018 and guidelines for promotion of FPOs published by Small Farmers' Agri-Business Consortium (SFAC)¹.

M. M. S.
19/2/19

S. S. S.
Director of Agriculture
F.P, Odisha, Bhubaneswar

¹ <http://sfacindia.com/UploadFile/Statistics/Farmer%20Producer%20Organizations%20Scheme.pdf>

The provision of expenditure under the component 7.1 may be made under the following sub-heads:

A. Support to New FPOs

Break up of Funds 7.1 "Support to FPOs" (New FPOs)						
Sr. No	Activities for support	Amount per FPO (Lakh Rs.)				Remarks
		Y1	Y2	Y3	Total (Lakh Rs.)	
1	Mobilizing of Farmers- expenses for awareness creation, organising meetings, etc.	0.10	0.00	0.00	0.10	Could be spent on mobility of staff / footing of farmers
2	Registration (New FPOs only)- Getting Digital Signature Certificate, Directors' Identification number, name of company, CA fees, GST registration for marketing products, etc.	0.40	0.20	0.00	0.60	only for registration of FPC purposes
3	Revolving fund assistance for investment in provision of products and services- primary processing / value addition / aggregation / organic fertilizers and pesticides / seeds / implements	0.40	0.00	0.00	0.40	to be used as working capital
4	Salary expenses of CEO	1.80	1.80	1.80	5.40	CEO should be recruited exclusively for FPO work
5	FPO office expense towards stationery , electricity, etc.	0.12	0.12	0.12	0.36	This is in addition to admin cost available under budget head 7.2
6	One-time support for office essentials (One laptop printer, tables and chairs)	0.50	0.00	0.00	0.50	
7	Training & Exposure visits for farmers for FPO management	0.20	0.05	0.00	0.25	
8	Training to FPO Directors- one programme per year	0.00	0.00	0.00	0.00	Will be done by Programme Secretariat
9	Training to CEO of FPO- one programme in first two years	0.00	0.00	0.00	0.00	Will be done by Programme Secretariat
10	Other expenses - MIS, audit, DPR, etc.	0.15	0.15	0.09	0.39	
Total		3.67	2.32	2.01	8.00	

B Support to Existing FPOs

Break up for Funds meant for 7.1 "Support to FPOs" (Old FPOs)						
Sr. No	Activities for support	Amount per FPO (Lakh Rs.)				Remarks
		Y1	Y2	Y3	Total (Lakh Rs.)	
1	Mobilizing of Farmers- expenses for meetings, etc.	0.10	0.00	0.00	0.10	Could be spent on mobility of staff / fooding of farmers
2	Registration of GST, , for marketing products, licensing, CA fees etc.	0.20	0.20	0.00	0.40	only for registration, license purposes
3	Revolving fund assistance for investment in provision of products and services- primary processing / value addition / aggregation / organic fertilizers and pesticides / seeds / implements	0.50	0.00	0.00	0.50	to be used as working capital
4	Salary expenses of CEO	1.80	1.80	1.80	5.40	CEO should be preferably from FPO, where ever necessary can be recruited from outside for initial period
5	FPO office expense towards stationery, electricity, etc.	0.10	0.10	0.10	0.30	This is in addition to admin cost available under budget head 7.2
6	One-time support for office essentials (One laptop/ printer, tables and chairs)	0.50	0.00	0.00	0.50	
7	Training & Exposure visits for farmers for FPO management	0.20	0.10	0.00	0.30	
8	Training to FPO Directors- one programme per year	0.00	0.00	0.00	0.00	Will be done by Programme Secretariat
9	Training to CEO of FPO- one programme in first two years	0.00	0.00	0.00	0.00	Will be done by Programme Secretariat
10	Other expenses - MIS, audit, DPR, etc.	0.20	0.20	0.10	0.50	
Total		3.60	2.40	2.00	8.00	

Am/E
19/2/19

Dr. J. P. B.
Director of Agriculture &
Food Production, Odisha
Bhubaneswar

C. Timeline for 2018-19 for formation of New FPOs

Timeline for FPO formation and promotion of FPOs where nodal CBO is not an FPO (Action Plan for 19-20)			
Sr. No	Task	Responsibility	To be completed by
1	Conducting Training on formation of FPOs	Programme Secretariat	7-8 Jan 2019 (completed)
2	Identification of farmers and geographical spread of the FPO	FA	25 th February 2019
3	Identification of potential FPO leaders from and outside existing CBO	FA with existing CBO	25 th February 2019
4	Making an April to March activities calendar for 2019-20 for the proposed FPOs in the block	FA in consultation with existing CBO and potential FPO leaders	20 th March 2019
5	Awareness creation and Village Meetings for pitching the idea and consultations for forming an FPO	FA with potential FPO leaders	On continuous basis as and when required before Feb 2019
6	Exposure Visit to successful FPC/FPO to experience functioning of a successful FPO	WASSAN/FA with potential FPO leaders	31 st March 2019
7	Critical Group (CG) Formation- This process will be carried out to identify and select Directors and Promoters of the FPO	FA and potential FPO leaders	01 st March 2019
8	Revise Business Plan	FA with Directors and Promoters of FPO	10 th March 2019
9	Collection of membership fee from members	FA with Directors and Promoters of FPO	15 th March 2019
10	Collection of Share Capital from members	FA with Directors and Promoters of FPO	20 th March 2019
11	Hiring of consultant and initiation of FPO registration process	WASSAN/FA with Directors and Promoters of FPO	25 th March 2019

D. Timeline for 2018-19 for support to existing FPOs

Timeline for FPO promotion where nodal CBO is an FPO (Action Plan for 2019-20)			
Sr. No	Task	Responsibility	To be completed by
1	Conducting Training on formation of FPOs	Programme Secretariat	7-8 Jan 2019 (completed)
2	Making a April 2019 to March-2020 calendar for 2019-20 for FPOs in the block	FA in consultation with FPO Board of Directors	20 th March 2019
3	Refining the Business Plan and submission to Programme Secretariat	FA in consultation with FPO Board of Directors	31 st March 2019

