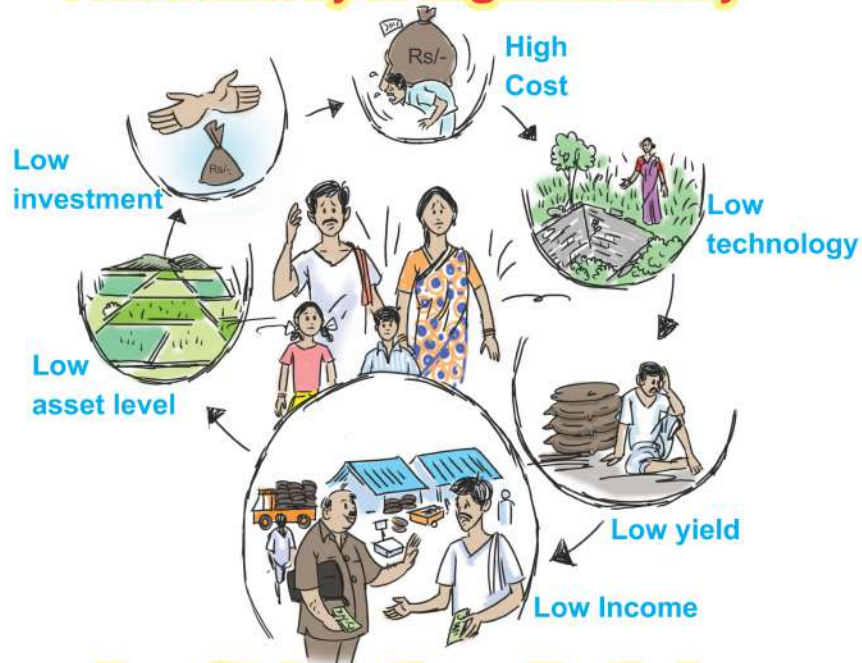


# Situation of farmer Individually and Collectively

## Constraints by acting individually



## Benefits by acting collectively



# ACTIVITIES AT COLLECTIVE LEVEL



## Business Enterprise

Provide Pre-production, Production & Post production Services



## Autonomous & Independent

Farmers own enterprise, private in nature



## Formal Organization

Registered, legal entity with staff and systems



# Key Features of FPO



## Member owned

Owned, used and controlled by members



## Equity from members

Members contribute to equity



## Self-governance

Governed by board of directors elected by and from members



## Democratic control

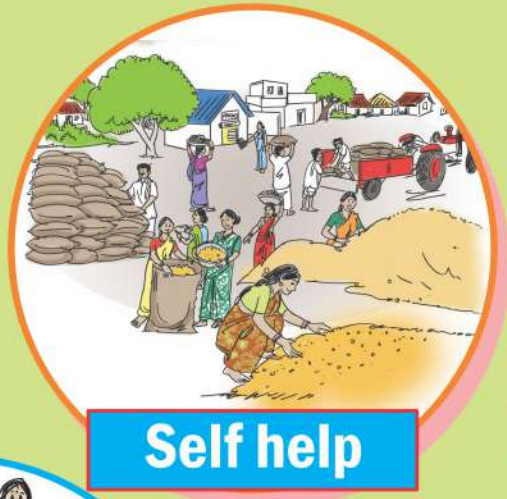
One member, one vote



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Implemented by  
giz



**Self help**



**Self Responsibility**



**Democracy**

# COOPERATIVE VALUES



**Equity**



**Equality**



**Solidarity**

# Cooperative Principles

Voluntary and Open Membership



Democratic Member Control



Member Economic Participation



Autonomy and Independence



Education, Training and Information



Cooperation among Cooperatives



Concern for Community



# Mutual Assistance Principles

- 1 Voluntary Membership**

The membership shall be voluntary and available, to all eligible persons who, can participate or avail of the facilities or services of the Producer Company, and are willing to accept the duties of membership.
- 2 Democratic Member Control**

Producer Companies are democratic organisations controlled by their members, who actively participate in voting and decision making. In primary enterprises, each member have only single vote (one member, one vote) irrespective of the shareholding.
- 3 Governance by elected Board**

The Producer Company shall be administered by a Board consisting of persons elected as directors and the Board shall be accountable to the Members.
- 4 Limited Return**

There shall be limited return (maximum dividend as specified in the Articles) on share capital to members.
- 5 Distribution of Surplus**

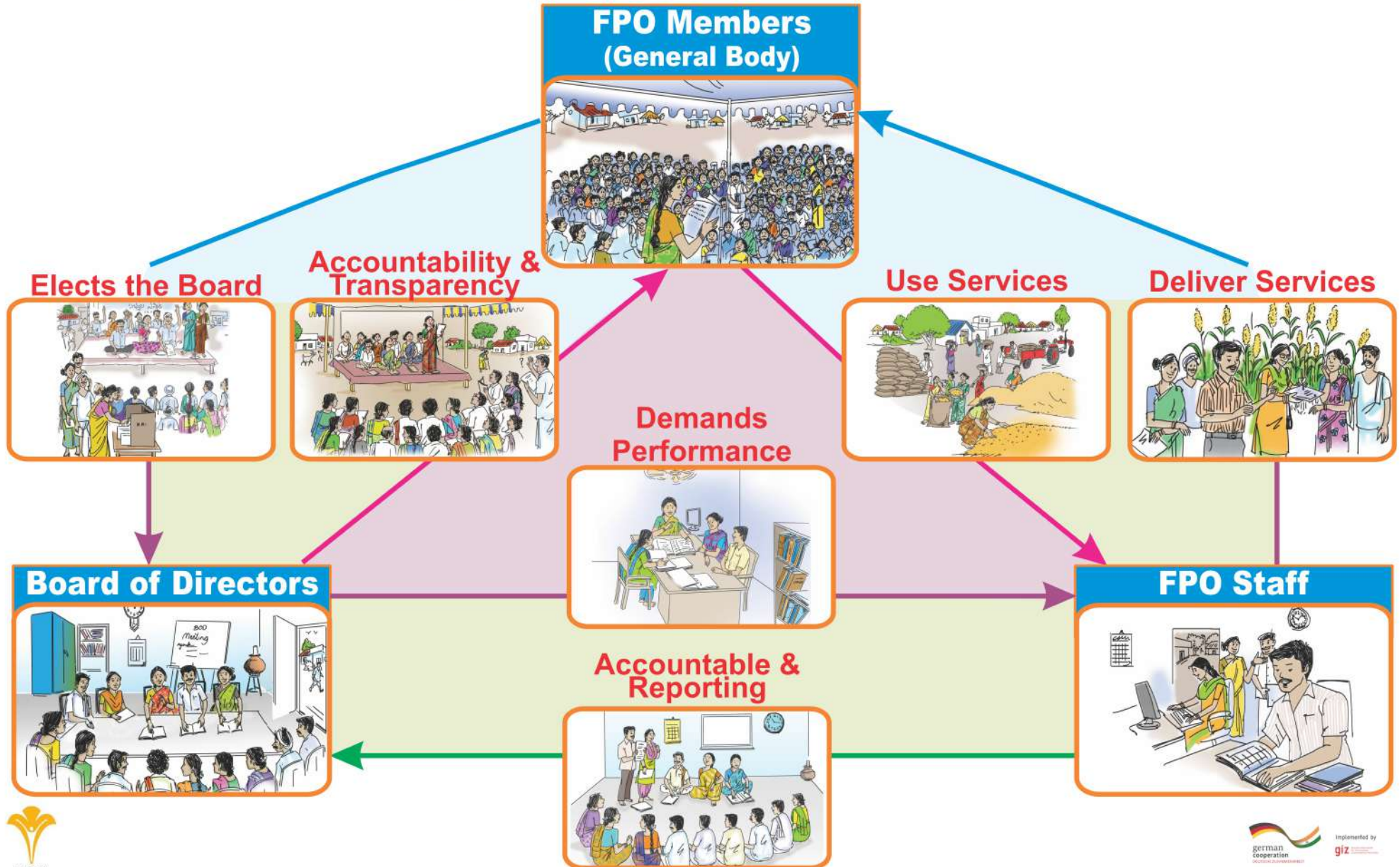
The surplus arising out of the operations of the Producer Company shall be distributed in an equitable manner by : - (i) providing for the development of the business of the Producer Company ; (ii) providing for common facilities ; and (iii) distributing amongst the Members, as may be admissible in proportion to their respective participation in the business
- 6 Education, Training and Information**

In Producer Company, provision shall be made for education of Members, employees and others, on the principles of mutuality and techniques of mutual assistance
- 7 Cooperation among Producer Organisations**

The Producer Company shall actively co-operate with other Producer Companies (and other organisations following similar principles) at local, national or international level so as to best serve the interest of their Members and the communities it purports to serve.



# FPO Operational Mechanism



# Role of FPO Board of Directors

## Administrative



- ▶ Enrol & cancellation of Membership
- ▶ Election & removal of Office Bearers
  - ▶ Making Policies and plans
- ▶ Formation of Functional committees/ sub-committees
- ▶ Appointment of staff & review their performance
  - ▶ Regular review progress
- ▶ Determine membership in other organizations, associations, and federations

## Financial



- ▶ Mobilisation of funds
- ▶ Utilization of funds
- ▶ Safe custody of funds and assets
- ▶ Maintenance of bank accounts
- ▶ Maintenance of books of accounts
  - ▶ Allocation of surplus
  - ▶ Deficit management

## Statutory



- ▶ Conducting of elections
- ▶ Auditing of the Accounts
  - ▶ Annual returns filing
- ▶ Amendments to the bylaws
- ▶ Conducting meetings – General body & Board



# Role of CEO/ Manager

## Be responsible and accountable to the Board of Directors of the FPO



- ❖ Assist the Board in formulation of goals, strategies, plans and policies
- ❖ Ensure different legal compliances like Board meeting, GB meeting, bookkeeping, audit, annual returns etc as directed by the Board
- ❖ Ensure all required reports as required by the Board and external support agencies
- ❖ Managing day-to-day affairs of the FPO

## Services to members under the overall guidance of the BoD



- ❖ Identifying opportunities for business of the FPO / welfare of members, business plan development and operationalization of the business plan
- ❖ Provide different services to the members as per direction of the Board.
- ❖ Information, training & orientation to members
- ❖ Resource (financial, technical) mobilization for the FPO
- ❖ Ensure setup of / access to different required infrastructure for the FPO

## Organizational systems and compliances



- ❖ Maintain proper books of account; prepare annual accounts and audit thereof; place the audited accounts before the Board and in the annual general meeting of the Members
- ❖ Recruit staff, on the direction of the Board, monitor their performance
- ❖ Establish and operationalize different systems in the FPO – Accounting & Bookkeeping, Monitoring & Reporting, Production, Marketing, Governance, HR etc.,
- ❖ Dealing with support agencies partners and Govt. Agencies.

# Good Governance Practices in FPOs

- Mission and strategies
- Interests of members
- Viability and sustainability of FPO



- Regular
- Participation
- Compliance to meeting decisions

- Timeliness
- Participation in decision making
- Internal control



- Robust systems & policies in place

- Transparency
- Accountability

## Reporting



## Audits











- Regular
- Compliance to audit recommendations

- All and in time
- Under the registered Act and also all other Acts concerning the activities of FPO
- Required legal licenses/ permits



# Monitoring Indicators

#	INDICATOR	DETAILS	PERIODICITY						
<b>I BUSINESS</b>									
1		Net profit	Final profit after meeting all expenses, taxes, interest and depreciation	Quarter					
2		Turnover	The value of sales or services of the FPO	Quarter					
3		Turnover per member	Total turnover in the year divided by number of members	Quarter					
4		Corpus fund	Fund generated and kept for the needs of the organization	Quarter					
5		Financial self sufficiency	Enough revenue to meet the costs	Quarter					
6		Member coverage	Proportion of members covered under required services	Quarter					
<b>II PARTICIPATION</b>									
1		Board members	% of Board members participating actively in Board meetings	Quarter					
2		GB members	% of members attending General	Annual					
3		Body meetings	% of active members to total members	Half-yearly					
4	Active members								
<b>III COMPLIANCES</b>									
1		Board meeting	Proportion of decisions of the Board Meeting complied	Quarter					
2		Decisions	to total number of decisions of Board Meetings						
3		AGM decisions	Proportion of decisions of the AGM complied to total number of decisions of AGM	Annual					
4		Audit recommendations	% of recommendations complied to total recommendations in audits	Annual					
5		Legal compliances	% of legal compliances met in time to total number of legal compliances	Half-yearly					
	Board Meetings	Proportion of Board Meetings happened regularly to total number of Board Meetings	Annual						

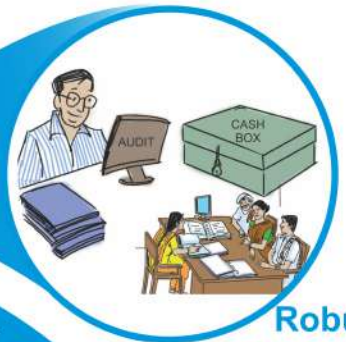
# Key Features of best Performing FPOs



Quality services as per members needs; Members active patronage

Adhere to Cooperative Values and Principles

Cooperative values and Principles



Robust internal systems

Leadership & Cooperative Trusteeship



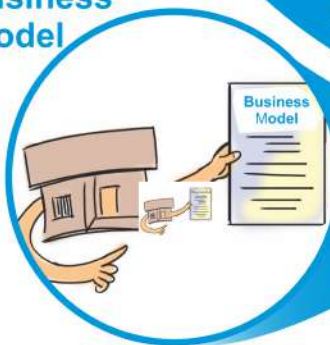
Viable & feasible business model

Highly effective Governance









Professional management

Market, finance and technical linkages








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# Legal Compliances for a Producer Company






#	Compliance	Details	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
1	<b>Board Meeting</b> 	Minimum 4 in a year (one in a quarter)												
2	<b>Statutory Audit</b> 	For Every Financial Year												
3	<b>Special Audit</b> 	When registrar approach												
4	<b>Annual General Meeting (AGM)</b> 	Once in a year before six months after the close of the financial year												
5	<b>Election of Board members</b> 	One third every year												
6	<b>Annual returns with RoC</b> 	Within 30 days of AGM												

contd....

## Legal Compliances for a Producer Company

#	Compliance	Details	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
7	<b>General Reserve</b> 	Once in a year												
8	<b>Auditor appointment</b> 	by the AGM												
9	<b>GST returns Filing</b> 	12 (once in a month)												
10	<b>Extraordinary General Meeting (EGM)</b> 	As and when required												
11	<b>Maintenance of Statutory registers</b> 	All the times												

# FPO Licenses & Permits

#	Business/	Activity	Required license/ permit	Issuing Authority
1	<b>Input business</b> 	<b>Seed</b>	Seed production and Selling License; Seed Certification License	Agriculture Department; State Seed Certification Agency
		<b>Input Shop</b>	Input (Fertilizers, Pesticides) dealership; Shops and Establishments	Agriculture Department; Shops and Establishments Act, Labour Department
2	<b>Procurement, storage and selling</b> 	<b>Procurement</b>	Agricultural Produce Market Committee (APMC) license	APMC, Department of Agricultural Marketing
		<b>Quality</b>	Agricultural Marketing (AGMARK) certification	Directorate of Marketing and Inspection, Ministry of Agriculture and Farmers Welfare, GoI
		<b>Storage</b>	Warehouse compliances; Food Grain License	Warehousing Development and Regulatory Authority, State Warehousing Corporation; Civil Supplies Corporation
		<b>Selling</b>	Weights & Measures	Civil Supplies Corporation
3	<b>Processing</b> 	<b>Processed foods</b>	Food Safety and Standards Authority of India (FSSAI) certification	Ministry of Health & Family Welfare, GoI
		<b>Polluting industry, Factory, Micro Small Medium Enterprises (MSME)</b>	Pollution Control; Factory license; MSME certificate	Industries Department (District Manager, District Industrial Centre)
			Water permit	Gram Panchayat/ Municipality
			Electricity permit	Electricity department
4	<b>Business/ Services</b> 	<b>Tax on goods/ services transacted</b>	Goods & Services Tax (GST)	Central Board of Indirect Taxes and Customs, Ministry of Finance, GoI
		<b>Income Tax</b>	Permanent Account Number (PAN); Tax Deduction and Collection Account Number (TAN)	Income Tax Department
5	<b>Production</b> 	<b>Organic Products</b>	Participatory Guarantee System (PGS); Third party certification	Authorized agencies (Ministry of Agriculture and Farmers Welfare, GoI)