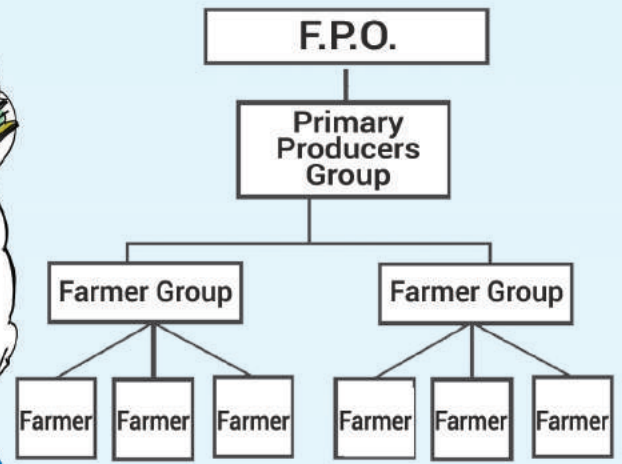


PARIKALPANA 2

INSTITUTIONAL STRUCTURE & DESIGN OF FARMER PRODUCERS ORGANIZATION



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



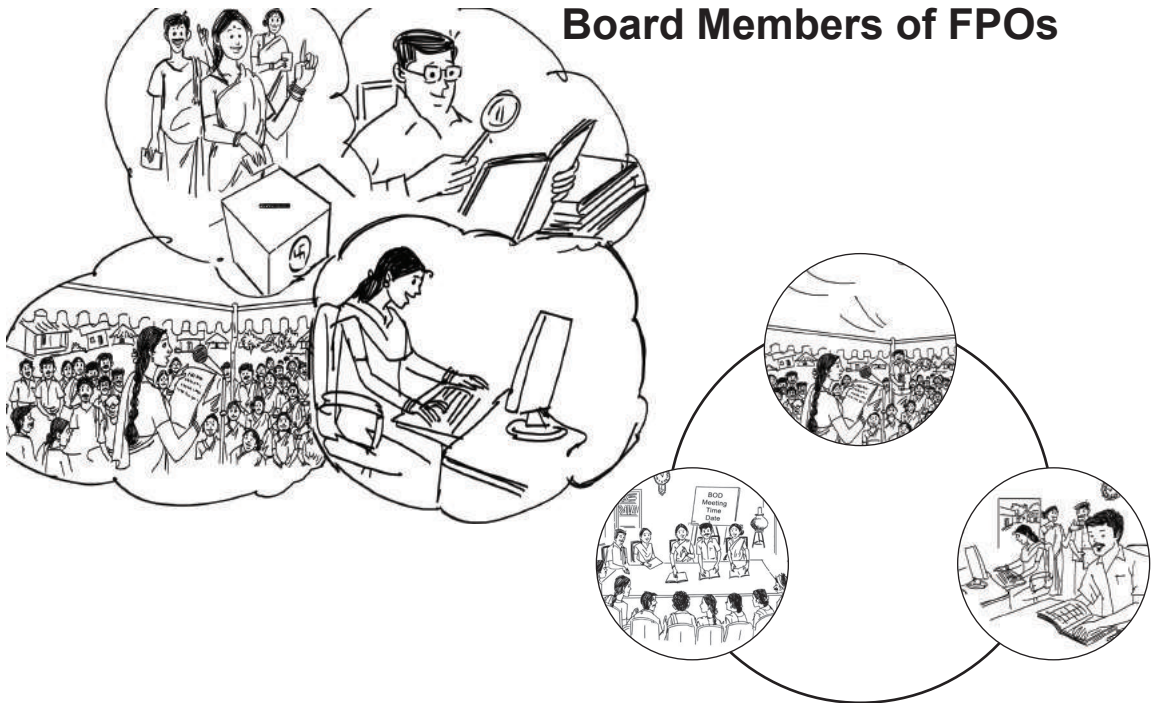
- ▶ Conducting of elections
- ▶ Auditing of the Accounts
 - ▶ Annual returns filing
- ▶ Amendments to the bylaws
- ▶ Conducting meetings – General body & Board

2

Parikalpana

INSTITUTIONAL STRUCTURE AND DESIGN OF FARMER PRODUCERS ORGANIZATIONS

Learning Module for
Board Members of FPOs



Parikalpana

INSTITUTIONAL STRUCTURE AND DESIGN OF FARMER PRODUCERS ORGANIZATIONS

First Edition – July 2019

Price – Rs. 100

Reproduction rights reserved. Material can be reprinted with permission from APMAS, and using APMAS and DGRV Logos.

For ordering the books, you can contact APMAS office either through phone or sending a mail.

Publication by

	<p>Mahila Abhivruddhi Society (APMAS) Plot 11 & 12, HUDA Colony, Tanesha Nagar, , Manikonda, Hyderabad – 500089, Telangana, India Off:08413-403118 / 08413-403120 mail id:- info@apmas.org website – www.apmas.org</p>
---	---

Why Self-Learning Module Kit for FPO Board of Directors?

Though Indian farmers are facing a number of challenges, agriculture sector has achieved significant momentum in the past decade. Mobilizing farmers into their collectives, as Farmer Producer Organizations (FPOs), has emerged as the most preferred institutional mechanism for farmer prosperity by policy makers & practitioners. FPO is the lynchpin strategy for Doubling Farmers' Income in India over the next five years. Almost 5,000 FPOs have been promoted by different agencies in India and many more FPOs are being formed. Telugu States of Andhra Pradesh & Telangana have around 700 FPOs. The FPO movement is still at a nascent stage with FPO Board of Directors being dependent on their promoters as their own vision, business orientation & capacities being limited as very limited training provided to them. FPOs continue to face the challenge of not able to have a strong, well-trained and committed CEO. FPOs face several other challenges such as good governance, management of business, effective systems, access to finance & markets and government schemes. The ability to influence the agri-value chain development in a significant manner remains far-fetched for the FPOs.

Building the capacities and capabilities of the Board of Directors of FPOs is fundamental & a prerequisite to the success of the FPOs and their ability to emerge as business organizations providing a range of need-based services to member-farmers to increase their profits from agriculture. Continuous training and mentoring of the FPO Board of Directors, staff and wider membership is the top most priority for APMAS, through its FPO incubation centre, as we have been engaged in promoting a large number of FPOs and in mentoring FPOs promoted by others to engage in appropriate agriculture value-chain development initiatives.

Having reviewed existing training manuals and modules on FPOs, we found a major gap of not having high-quality, practical and user-friendly self-learning modules for FPO Board of Directors. Building on our tremendous experience of developing self-learning modules on self-regulation of SHG institutions and 18 years of experience in institution building trainings, APMAS team led by Mr. Madhu Murthy & Mrs. Ramalakshmi, worked for more than a year in collaboration with resource organizations, partner NGOs, training

institutions and FPO representatives to develop a series of 12 easy-to-use self-learning modules kit (booklets) for FPO Board of Directors covering Need & Importance of FPO, Institutional Design, Membership, Leadership & Governance, Management, Registration & Legal Compliance, Business Planning, Productivity Enhancement, Collective Marketing (input & output), managing Farm Service Centre, Accounting & Financial Management.

FPOs being democratic autonomous business entities in perpetuity, there will always be need for capacity building of the FPO Board of Directors and Office Bearers as there will be period election and change of Board of Directors. We are certain that these easy-to-use self-learning module kits will be of immense use for the FPOs to become viable organizations serving their membership. FPO promoters have to systematically support FPO BoDs to learn from these self-learning module kits. The PFO promoters and other Stakeholders will also be able to use FPO BoD Self-Learning Module Kit to effectively mentor and work towards FPOs becoming self-managed and viable business organizations. While APMAS has taken responsibility for producing these self-learning module kits in Telugu & English, based on the demand, these modules can be appropriately adapted into other Indian languages by Resource Organizations, State Governments, NABARD and training agencies. APMAS will surely support such an endeavour. Very much look forward to feedback!

Best

CS Reddy

CEO of APMAS

CONTENTS

About the Learning Manual.....	6
Glossary / Acronyms.....	8
Baseline.....	11
1. INSTITUTIONAL STRUCTURE OF FPOS.....	12
2. OPERATIONAL MECHANISM OF FPOS.....	15
3. ROLES AND RESPONSIBILITIES.....	21
Reading Material.....	34
End line.....	41

About the Learning Manual

BOD LEARNING MODULE

1. Jagriti - FPOs: Introduction & Rationale
- 2. Parikalpana - Institutional Structure & Design of FPOs**
3. Vinimaya - Membership in FPOs
4. Prerana - Governance in FPOs
5. Samarthana - Management of FPOs
6. Sudharma - Legal Compliances of FPOs
7. Business Plan
8. Accounting & Finance
9. Post Harvest, Supply Chain Management
10. Marketing
11. Farm Productivity Enhancement Services
12. Leadership

This module – Institutional Structure and Design of FPOs - is the second one in the series of self-learning modules for BoD members of FPOs. This module deals with institutional model of FPOs.

Purpose

The purpose of this module is to enable the BoD members of FPOs equip with necessary understanding and orientation so that they can play their role effectively and lead their FPOs into vibrant entities benefiting their members.

Target group: This module is aimed for Members of the Board of Directors of Farmers Producer Organisations. Members of the BoDs shall have at least one year of experience in governing their FPO.

Learning Objectives

Following are the key learning objectives of this module on Institutional Structure and Design.

- To get an understanding on appropriate institutional model for FPOs
- To get an understanding of various functionaries of an FPO and interrelation among them
- To become aware of role clarity of different functionaries of FPO so as to ensure performance of respective roles by the functionaries

Structure and Contents

This Module starts with institutional structure of FPOs and then get into different functionaries of FPOs ie Members, BoD Members, Staff and interrelation among them. Then it deals with the important aspect of role of different functionaries of FPOs.

How to Use

The BoD members can use these modules on their own or they can also have an external resource persons to facilitate the learning from these modules. Along with this module, there are posters related to this module which the BoD members can display at relevant places for learning.

We wish you enjoy the learning from this module and govern your FPO in more effective and efficient manner.

Glossary / Acronyms

- Articles of Association (AoA)** : Just like the Byelaws for a cooperative society, Articles of Association (AoA) are for a Producer Company. AoA specifies the regulations for a company's operations and defines the company's purpose and ways and means of achieving the purpose.
- The Board has to get the AoA prepared and they have to be approved by the Registrar of Companies. Any amendment to the AoA can be made by the General Body only and has to be approved by the Registrar of Companies.
- Board/ Board of Directors (BoD)** : Board is the governing body of the FPO to take the policy decisions and ensure that the FPO works for it's members. The Board of a FPO is constituted by representatives elected by the General Body (GB) i.e. members of the FPO.
- Byelaws Body Corporate** : Byelaws are the set of regulations to enable the functioning of a cooperative society. Each cooperative society has their own Byelaws and all affairs of the cooperative society have to be taken place under the purview of it's byelaws.
- The Board has to get the byelaws prepared and they have to be approved by the Registrar of Cooperatives. Any amendment to the byelaws can be made by the General Body only and has to be approved by the Registrar of Cooperatives.
- Cooperative Society Equity** : An FPO registered under a Cooperative Act (for e.g., Andhra Pradesh Mutually Aided Cooperative Societies Act, 1995) is called a Cooperative Society.

- CEO/ Manager/
General Manager** : Every FPO need to have a full time Chief Executive Officer (CEO) or by whatever the designation may be (Manager, General Manager etc).The CEO shall manage the affairs of the FPO under the general superintendence, direction and control of the Board and be accountable for the performance of the FPO.
- Dividend** : Dividend is the distribution of reward from a portion of FPO's earnings and is paid to its members.
- FPO (Farmer Producers Organization)** : A Farmer Producers Organization (FPO) is a registered organization owned and controlled by their farmer members. The purpose of FPO is to meet the common needs of it's members by providing required services to them. FPOs are engaged in different activities in Agriculture and allied sectors. As FPOs are formal organizations, they need to have their office/ infrastructure, staff, systems and governed by the Board of Directors.
- Federation** : Federation is an apex FPO at certain appropriate level (cluster, region, mandal, district etc) in which different small FPOs (primaries) in similar business are members.
- General Body** : All the members of an FPO is termed as General Body of that FPO. General Body is the supreme authority in an FPO.
- Member** : "Member" means a person or Producer Institution admitted as a Member of an FPO and who retains the qualifications necessary for continuance as such. In FPOs, only eligible farmers or Producer Institutions in their operational area (as per their Byelaws/ AoA) can become members.

- OB – Office Bearers** : Office Bearers are elected among the BoD members to oversee specific responsibilities. Office Bearers include Chairperson, Secretary, Treasurer etc.
- Producer Company** : An FPO registered under Companies Act 2013 is called a Producer Company. Producer Company means a body corporate having objects or activities specified in section 581B and registered as Producer Company under Companies Act 2013.
- Patronage** : The use of services offered by the FPO to its Members by participation in its business activities.
- Patronage bonus** : Patronage bonus means payments made by an FPO out of its surplus income to the Members in proportion to their respective patronage.

Baseline

This module deals with topic “Institutional structure and design of FPOs”. Given below are some basic questions for you on this topic. The purpose of this baseline is to assess our present understanding on these questions and thus get into learning more about “Institutional structure and design of FPOs”.

So, shall we answer the following questions now?

1. Can FPOs form into federations?

.....
.....

2. To whom BoD members of FPOs have to be accountable?

.....
.....

3. Under whose control staff of FPOs have to work?

.....
.....

4. What are the roles and responsibilities of BoD members of FPOs?

.....
.....



INSTITUTIONAL STRUCTURE OF FPOS

Session Objective



To get an understanding on appropriate institutional model for FPOs

Content items

1. Appropriate institutional structure for FPOs
2. Functions at different levels
3. Membership in federations

Introduction

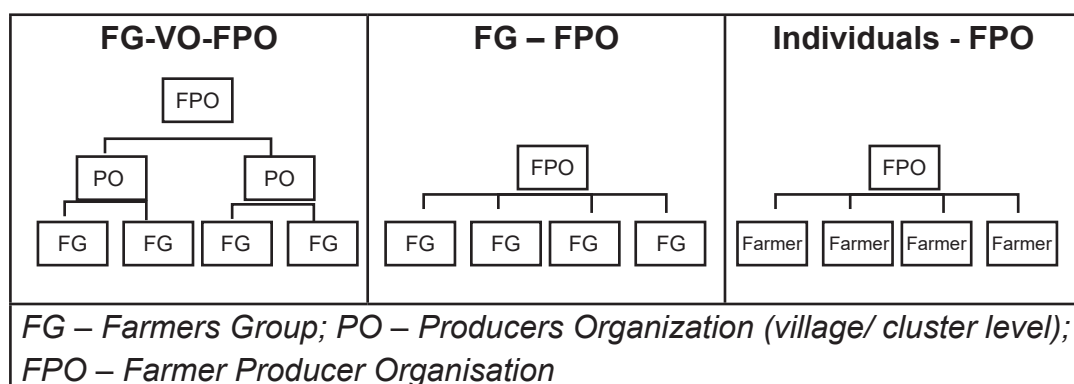
We can recall that in the first Module of “FPOs: Introduction & Rationale”, the introductory aspects of constraints in farming, need for collective action to overcome those constraints, FPO as an effective institutional platform for such collective action, meaning and key features of FPOs.

With the above background, now shall we get into the details of FPOs – particularly the institutional details? To know about the institutional details of FPOs, we need to see the aspects of institutional structure, different functionaries of FPOs & the interrelation among them and roles of different functionaries. Now, let’s look at these one by one.

Institutional Structure

There are various possible institutional structure for FPOs. However, all of these start with individual farmer. There can be small, informal Farmers Groups (FGs). From these FGs, primary FPOs can be formed. Also, if

required, a federation of these primary FPOs can be formed at appropriate level. Members can be either individual farmers or registered producer organizations. Other possible structure is individual farmers themselves form into a FPO.



Functions at different levels

- Federation - Processing, storage, marketing; finance for FPOs; technical linkages
- FPO - Seed production, Input services, Procurement, Agrl machinery
- FG - Technology demonstration, FFS

There are many forms of institutional structure of FPOs in the country as depicted above. However, experiences show that there are successful FPOs in all kinds of institutional arrangements and there are failures too in all these kinds of arrangements. Thus even if an FPO has appropriate institutional structure, it is also important to ensure all these aspects for effective functioning of the structure.

The institutional structure of any FPO has to meet the following two core purposes.

1. Efficient service delivery to members
2. Ensuring the business viability of the FPO

Membership in Federations

Federation is an apex FPO at certain appropriate level (cluster, region, mandal,

district etc) in which different small FPOs (primaries) in similar business are members. For example, village level dairy cooperatives in a region can federate into an apex dairy federation. The activities of milk collection, quality check, payments etc are done at village level dairy cooperatives. Whereas the activities of milk chilling, packing, marketing, technical support etc are taken up by the Federation.

Discussion question: Can FPOs have membership in a federation? For which purpose/ services, FPOs can become member in a federation?

FPOs can very well take membership in a federation, operating in their geographic area and in similar business area. In fact, federations are a means through which FPOs can fulfil the principle of co-operation among co-operatives/ producer companies.

Advantages of membership in federations

- Much better bargaining power in view of required economies of scale & branding
- Better access to market, finance and technology
- Able to deal with competition
- Better management of partners
- Able to access the government programmes in a better manner
- Can serve as effective platform for advocacy and safeguarding of members interests
- Enhanced exposure and awareness

Assignment: Let's discuss on the existing institutional structure of our FPO and come up with required improvements, if any.

OPERATIONAL MECHANISM OF FPOS

Session Objective



To get an understanding of various functionalities of an FPO and interrelation among them

Content items

1. Operational mechanism of FPOs
2. Key functionalities in FPO and their interrelationships
3. Indicators of design

Operational Mechanism

Mr. Sivaram, chairperson of Chaitanya FPO is waiting for Smt. Baharati, Chairperson of Pratibha FPO, who got a best FPO Award at State Level. In the state level award function, Mr. Sivaram requested Smt. Bharati to visit his FPO to share her experiences to his Board members. Today Smt. Baharati is visiting Chaitanya FPO to interact with its Board members



By the time Smt. Baharati arrived, the Board members of the Chaitanya FPO were already present for the interactions with her. They have come to interact with her about the

key factors contributing to success of FPO. Mr. Sivaram, Chairperson of the Chaitanya FPO cordially invited Smt. Baharati and introduced her to all the Board members. After the introduction was over, the interactions started.

Smt. Baharati was working for the last three years as Board member of the Pratibha FPO. In the last year she is also elected as Chairperson. She has learnt about the key factors contribute to success of FPO through her practical experience. By virtue of her being experienced, she came to interact with Board member of Chaitanya FPO.

Addressing the Board members present, she briefly explained about their FPO. She also mentioned that *our members regularly attend the General Body meeting much above the required quorum, actively participate in decision making and voting. Our Board well represent the collective interests of members and we regularly conduct the on time General Body meetings, present the progress to our members and make available the annual report to members.*

Our Board members also ensure the continuous sharing of information to our members. We maintain meetings minutes books and keep available for our members and Board members etc. Also, internal and statutory audits take place regularly in our FPO and audit recommendations are complied with.

Mr. Sivaram asked if Board members are taking major responsibility, then what is the role of staff?

In replay Smt. Baharati stated, staff is appointed by us and accountable to us. Unless we delegate the power, they cannot take decisions. They should deliver quality, timely and adequate services to our members on direction of the Board. The Board with support of staff set's up and engage the required systems and business rules efficiently so as to extend the services to the members.

Key Functionaries and interrelations

Smt. Baharati asked to note that Members, Board of Directors and Staff are the three constituents in any FPO. It is very crucial to understand and ensure the interrelations among these three for the success of the FPO.

She then presented a chart and started explaining the relationship between the three functionaries.

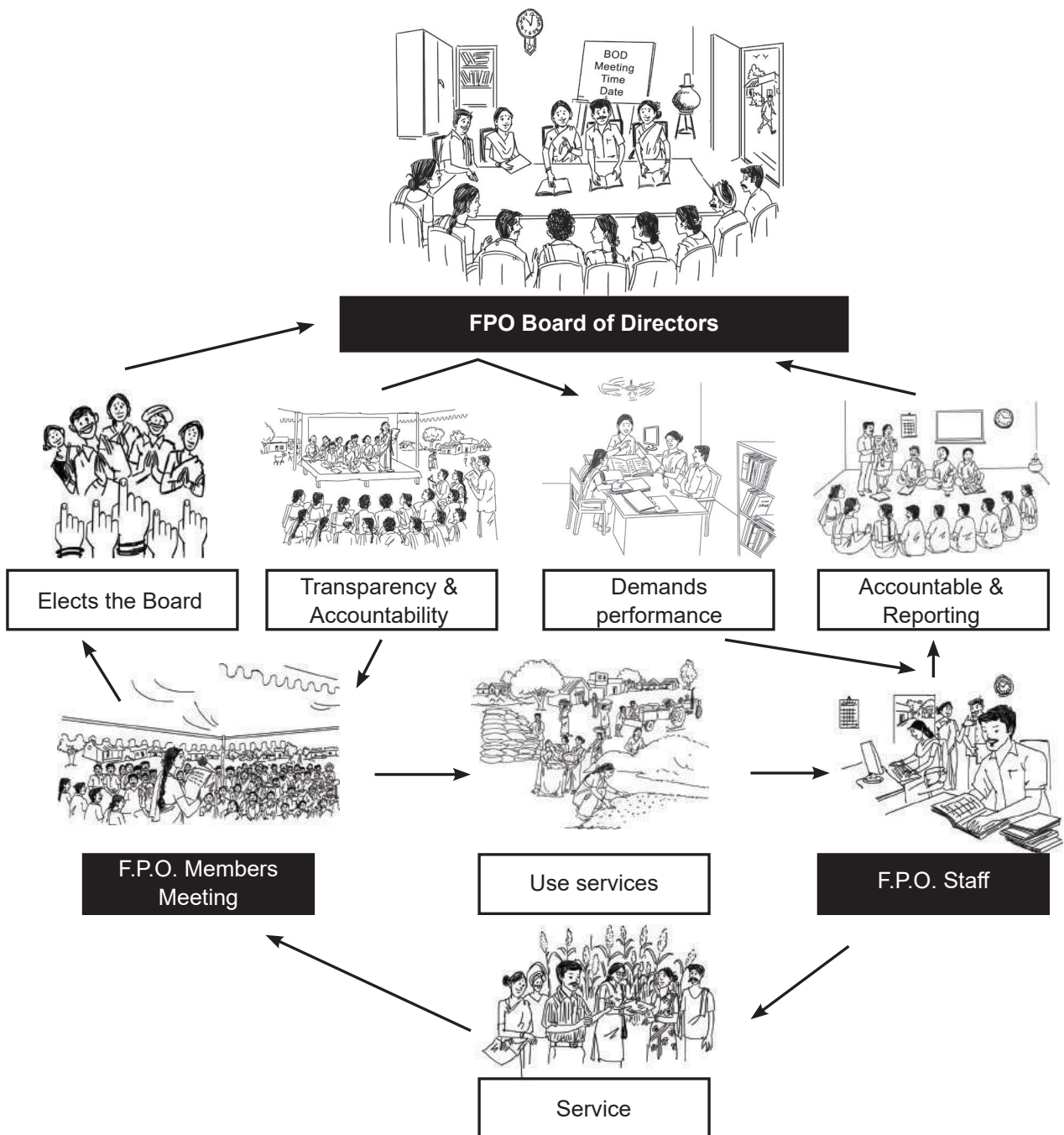
As shown in the chart, Members (General Body) are the supreme in an FPO, who elect the Board. That is why Board has to work for the common interests of members in a transparent and accountable manner. Staff is hired by BoD and thus they have to be accountable to the BoD. BoD sets performance standards for the staff and rewards them for the performance.

As indicated, staff's primary role is to provide different services to members as directed by BoD. It is crucial responsibility of members to patronize (use) the services provided by their FPO.

Indicators of Design

Later Smt. Bharati invited Board members to reflect on diagram and list the activities those should be performed by Members, Board and Staff to ensure proper interrelation in their FPO. At the end Smt. Bharati consolidate discussion by saying that it is the important responsibility of the BoD to ensure the following indicators for their FPO.

Figure: FPO operational mechanism



Functionary	Indicator
I. Members and BoD	
1	Evolving & Amendment of Bye-laws
2	Regularity in BoD elections
3	Annual reports
4	Audits
5	Regular and effective GB meetings
6	Proper bookkeeping
II. BoD and Staff	
1	Recruitment of staff/ CEO
2	Reporting and performance evaluation of staff/ CEO
3	Annual plan& performance indicators
4	Performance incentives/ disincentives
5	Management systems
III. Members and Staff	
1	Timely, quality and required services
2	Use of services by members
3	Member centrality
4	Business plan
5	Business rules
6	Service portfolio

Exercise:

Based on the discussion on the institutional design of FPOs and interrelations among members, board and staff, we need to assess the following situations in the scale of 1-5. We also need to explain the reason for the given score.

1 - Very poor; 2 - Poor; 3 - Average; 4 - Good; 5 - Very Good.

- 1. In a cooperative, the Board regularly involve in setting the plan for the CEO and performance assessment of the CEO.

1-Very poor 2-Poor 3-Average 4-Good
5-Very Good

Explanation: _____

- 2. In an FPO, the Chairperson and the CEO join hands, take control of all affairs for their own interest and report to each other.

1-Very poor 2-Poor 3-Average 4-Good
5-Very Good

Explanation: _____

- 3. In an FPO, the members never divert to other service providers as the staff of the FPO always provide required, quality services to them in time.

1-Very poor 2-Poor 3-Average 4-Good
5-Very Good

Explanation: _____



ROLES AND RESPONSIBILITIES

Session Objective



To become aware of role clarity of different functionaries of FPO so as to ensure performance of respective roles by the functionaries

Content items

1. Importance of role clarity and role performance
2. Powers of the General Body
3. Role& responsibility and liability of Directors
4. Role of CEO/ GM
5. Role differentiation between Directors and CEO/ GM
6. Role& responsibility of Chairperson
7. Role& responsibility of Secretary

In the earlier session, we saw that Members, Board and Staff are the three key functionaries of FPOs. Now, in this session, let's see the role and responsibilities of these functionaries. As we all are aware, having role clarity is important for smooth functioning of any organization including our FPOs. We need to ensure that different functionaries perform their role so that there will not be any confusion in the functioning of our FPO.

So as to understand more on role clarity, let's continue with the previous case.

Bharati ji, now we got clarity on interrelation between Members, Board and Staff of the FPO. Our General Body has entrusted some responsibilities, consequent to that, how should we run the FPO? asked Mr. Sivaram. Mrs. Bharati stated “All the members together are called General Body and have an equal right to participate and be heard. It is imperative for the General Body to meet at least once in a year to chalk out plans based on the requirements, to review the manner of its implementation, etc”.

“Even though all of you know about the board, can you explain what the board is? questioned Smt. Bharati. In reply to this Mr. Lakshman, one of the Board member explained “with a view to run the activities of the FPO, those members who are elected by the general body are called as Board or Directors of the Board.” This Board will have the responsibility of governing the FPO.

As directed by the General body and in accordance with the bye-laws and the Act under which FPO registered, Board of Directors will have to perform their duties. That means whatever activities they do will have to be brought to be notice of the General Body and obtain its approval. **Only general body will have the powers to take all final decisions relating to FPO.**

To conduct the business of the FPO, the General Body, the Board of Directors and the Staff have certain duties and responsibilities. When we have clear understanding of duties and responsibilities of the three functionaries, then only we can run the FPO efficiently and gain the confidence and trust of our members. Therefore, Smt. Bharati proceeded to say, “let us know the roles and responsibilities to be carried out by the three functionaries of the FPO”.

General Body

The powers of the General Body are depicted in the following diagram.

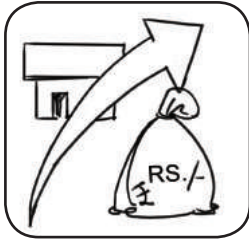
Figure: Powers of the General Body



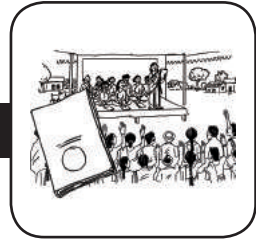
Election of BoD



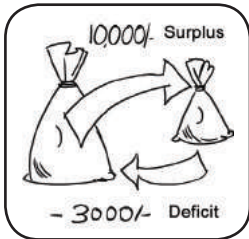
Amendment to byelaws/Articles



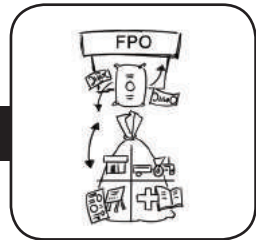
Approval of future plan, policies and budget



Approval of annual report and audited statements



Disposal of surplus and management of deficit



Creation of specific reserves and funds






Appointment of Auditor

As given above, General Body is supreme vested with all required powers as they are the owners of the FPO. This is the supreme of the FPO to take all crucial decisions like long term plans, dissolution of the FPO, vetoing Board’s decisions etc.

Role and Responsibilities of BoD

BoD is also delegated with many powers, responsibilities and also liabilities as shown below.

Figure: Role and responsibilities of FPO Board of Directors

		
<p>Administrative</p>	<p>Financial</p>	<p>Statutory</p>
<ul style="list-style-type: none"> • Enrol & cancellation of Membership • Election & removal of Office Bearers • Making policy and plans • Formation of Functional committees/ sub-committees • Appointment of staff & review their performance • Regular review of progress • Determine membership in other organizations, associations, and federations 	<ul style="list-style-type: none"> • Mobilisation of funds • Utilization of funds • Safe custody of funds and assets • Maintenance of bank account • Maintenance of books of accounts • Allocation of surplus • Deficit management 	<ul style="list-style-type: none"> • Conducting of elections • Auditing of the Accounts • Annual returns filing • Amendments to the bylaws • Conducting meetings – General Body and Board

Role of CEO/ Manager

The role and responsibilities of CEO/ Manager of FPOs is depicted below.

1. 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
- Discharge such other functions as may be delegated by the Board

2. 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

3. 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 direction of the Board and 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 government agencies

Role differentiation

Later Smt. Bharati mentioned that, as discussed earlier, it is important to distinguish the role of Board members and CEO/ GM. This is because it is tricky and in instances, their effective functioning get affected in view of lack of this role clarity. Thus, let's look at the following role differentiation between Directors and CEO/GM.



**Table:
Role Differentiation**






Directors	CEO/ GM
1. Provides direction	1. Acts in line with BoD direction
2. Strategic direction	2. Operational direction
3. Set organizational policies	3. Operationalize organizational policies
4. Reports to General Body	4. Reports to the BoD
5. Set the required services for the members	5. Provide the set services to members
6. Review performance of CEO/ GM	6. Review performance of other staff as directed by the Board


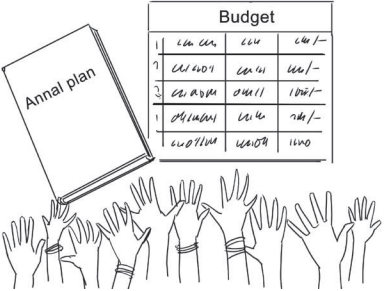

In brief, while Directors set policies, strategic direction and plans, staff have to implement them by reporting to the Board.




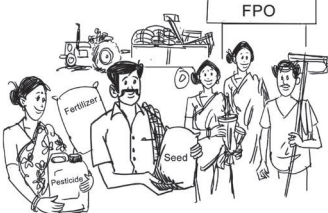
Exercise:

For each of the following activities, tick the correct cell of whose responsibility it is.




Activity	GB Member	Board	Staff
<p>1. Admission of members</p> 			
<p>2. Conducting of GB meeting</p> 			
<p>3. Appointment of auditor</p> 			

Farmer Producers Organizations

Activity	GB Member	Board	Staff																				
<p>4. Voting to elect Board Members</p> 																							
<p>5. Approval of annual plans</p>  <table border="1" data-bbox="334 877 522 1039"> <thead> <tr> <th colspan="4">Budget</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>600 000</td> <td>600</td> <td>600/-</td> </tr> <tr> <td>2</td> <td>600 000</td> <td>600</td> <td>600/-</td> </tr> <tr> <td>3</td> <td>600 000</td> <td>600</td> <td>600/-</td> </tr> <tr> <td>4</td> <td>600 000</td> <td>600</td> <td>600/-</td> </tr> </tbody> </table>	Budget				1	600 000	600	600/-	2	600 000	600	600/-	3	600 000	600	600/-	4	600 000	600	600/-			
Budget																							
1	600 000	600	600/-																				
2	600 000	600	600/-																				
3	600 000	600	600/-																				
4	600 000	600	600/-																				
<p>6. Approval of audited financial statements</p> 																							

Activity	GB Member	Board	Staff
<p>7. Annual returns filing</p> 			
<p>8. Legal compliances</p> 			
<p>9. Maintenance of proper books of accounts</p> 			
<p>10. Supply of inputs to members</p> 			

Farmer Producers Organizations

Activity	GB Member	Board	Staff
<p>11. Procurement of produce of members</p> 			
<p>12. Recruitment of CEO</p> 			
<p>13. Set policies of the FPO</p> 			

Individual self-assessment:

Based on the expected role, let's individually make an assessment of ourself and identify to what extent we are able to perform our role. Let's also come up with required improvement so that we can perform our role to full extent



Reading Material

Companies Act 2013

The Authority of Members on the Company: Members act through the General Body, and the Body alone can:

1. Approve the Budget and adopt the Annual Accounts of the Company;
2. Approve the quantum of withheld price;
3. Approve the patronage bonus;
4. Authorize the issue of bonus shares;
5. Appoint an auditor;
6. Declare a dividend and decide on the distribution of patronage;
7. Amend the Memorandum of Association and Articles;
8. Specify the conditions and limits of loans that may be given by the Board to any Director; and
9. Approve or act on any other matters that are specifically reserved in the Articles for decision by the Members.

POWERS AND FUNCTIONS OF BOARD (Companies Act 2013)

1. Determination of the dividend payable;
2. Determination of the quantum of withheld price and recommend patronage to be approved at general meeting;
3. Admission of new Members
4. Pursue and formulate the organisational policy, objectives, establish specific long-term and annual objectives, and approve corporate strategies and financial plans
5. Appointment of a Chief Executive and such other officers of the Producer Company, as may be specified in the articles
6. Exercise superintendence, direction and control over Chief Executive and other officers appointed by it
7. Cause proper books of account to be maintained; prepare annual accounts to be placed before the annual general meeting with the auditor's report and the replies on qualifications, if any, made by the auditors
8. Acquisition or disposal of property of the Producer Company in its ordinary course of business
9. Investment of the funds of the Producer Company in the ordinary course of its business
10. Sanction any loan or advance, in connection with the business activities of the Producer Company to any Member, not being a director or his relative
11. Take such other measures or do such other acts as may be required in the discharge of its functions or exercise of its powers.

MACS Act 1995: Powers and functions of the Board of Directors

1. The board shall, in accordance with the byelaws, be the authority to
 - (a) admit and terminate membership;
 - (b) elect the chairperson and other office bearers;
 - (c) remove from office the chairperson and other office bearers;
 - (d) appoint and remove the chief executive;
 - (e) fix staff strength;
 - (f) frame policies concerning
 - (i) organisation and provision of services to members;
 - (ii) recruitment and conditions of service of the staff at the cooperative society;
 - (iii) mode of custody and investment of funds;
 - (iv) manner of keeping accounts;
 - (v) mobilisation, utilisation and investment of various funds;
 - (vi) monitoring and management information systems including statutory returns to be filed; and
 - (vii) such other subjects and matters necessary for the effective performance of the cooperative society;
 - (g) place the annual report, annual financial statements, annual plan and budget for the approval of the general body;
 - (h) consider audit and compliance reports and place these before the general body;
 - (i) review membership in other cooperatives; and
 - (j) undertake such other functions as may be delegated by the general body.

POWERS AND FUNCTIONS OF BOARD (Companies Act 2013)

1. When the directors vote for a resolution, or approve by any other means, anything done in contravention of the provisions jointly and severally liable to make good any loss or damage suffered by the Producer Company of this Act or any other law for the time being in force or articles, they shall be
2. Without prejudice to the provisions contained in sub-section (1), the Producer Company shall have the right to recover from its director -
 - (a) where such director has made any profit as a result of the contravention specified in sub-section (1), an amount equal to the profit so made;
 - (b) where the Producer Company incurred a loss or damage as a result of the contravention specified in sub-section (1), an amount equal to that loss or damage; 96
3. The liability imposed under this section shall be in addition to and not in derogation of a liability imposed on a director under this Act or any other law for the time being in force.

ROLES AND RESPONSIBILITIES OF CHAIRPERSON:

1. Assume the Chairpersonship of General and Special Meetings and oversee the functions of the meeting
2. To always be aware and conscious that the operations of the FPO are carried out effectively and efficiently as per the guidelines and take necessary actions for the same
3. Implement decisions taken in the General and Special meetings of members
4. Implement decisions taken by the BoD meetings
5. To oversee all the matters of the FPO including the legal compliances
6. Supervise the staff of the FPO
7. To direct the progress for the FPO and plan its line of action
8. Represent the FPO in the outside world
9. Create and maintain a nurturing environment for work in the FPO
10. To understand the problems, complaints of members/ staff through the Secretary, solve them, take decisions and actions
11. To protect the interests of the FPO and carry out all those tasks necessary for its healthy growth

ROLES AND RESPONSIBILITIES OF SECRETARY:

1. To sign as the authorized signatory on all receipts, documents, other important papers, certificates, etc. issued by the FPO
2. To convene and organize the General and Special meetings of the FPO, Meetings of the Board, meetings of the functional committees / Sub-committees appointed by the BoD, attend the meetings, record the attendance of these meetings, prepare the minutes and get it signed by the Chairperson and send it to the concerned persons, follow up the decisions made in the meetings and implement them.
3. Supervise, ensure on timely legal compliances
4. Collate and provide all types of information needed by the members of the FPO, legal and regulatory authority
5. Protect the interest of the FPO in all its transactions

CEO FUNCTIONS (Companies Act 2013)

1. Do administrative acts of a routine nature including managing the day-to-day affairs of the Producer Company;
2. Operate bank accounts or authorise any person, subject to the general or special approval of the Board in this behalf, to operate the bank account;
3. Make arrangements for safe custody of cash and other assets of the Producer Company;
4. Sign such documents as may be authorised by the Board, for and on behalf of the company;
5. 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;
6. Furnish Members with periodic information to apprise them of the operation and functions of the Producer Company;
7. Make appointments to posts in accordance with the powers delegated to him by the Board;
8. Assist the Board in the formulation of goals, objectives, strategies, plans and policies;
9. Advise the Board with respect to legal and regulatory matters concerning the proposed and ongoing activities and take necessary action in respect thereof;
10. Exercise the powers as may be necessary in the ordinary course of business;
11. Discharge such other functions, and exercise such other powers, as may be delegated by the Board.

End line

Now, we have come to the end of this module on “Institutional structure and design of FPOs”. Please recall that at the beginning of the module, we had Baseline in which we answered well some basic questions on this topic.

Now, an End line is given to assess ourself regarding additional understanding after going through this learning module. So, shall we answer some more questions based on our learning on the module?

1. What are the powers and functions of General Body?

.....
.....
.....

2. Who have to provide services to members in FPOs?

.....
.....
.....

3. What are the liabilities of Directors of FPOs?

.....
.....
.....

4. What is the role differentiation between Directors and CEO?

.....
.....
.....



NOTES

A large rectangular area with rounded corners, containing a grid of dotted lines for writing notes.

NOTES

Dotted lines for writing notes.

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

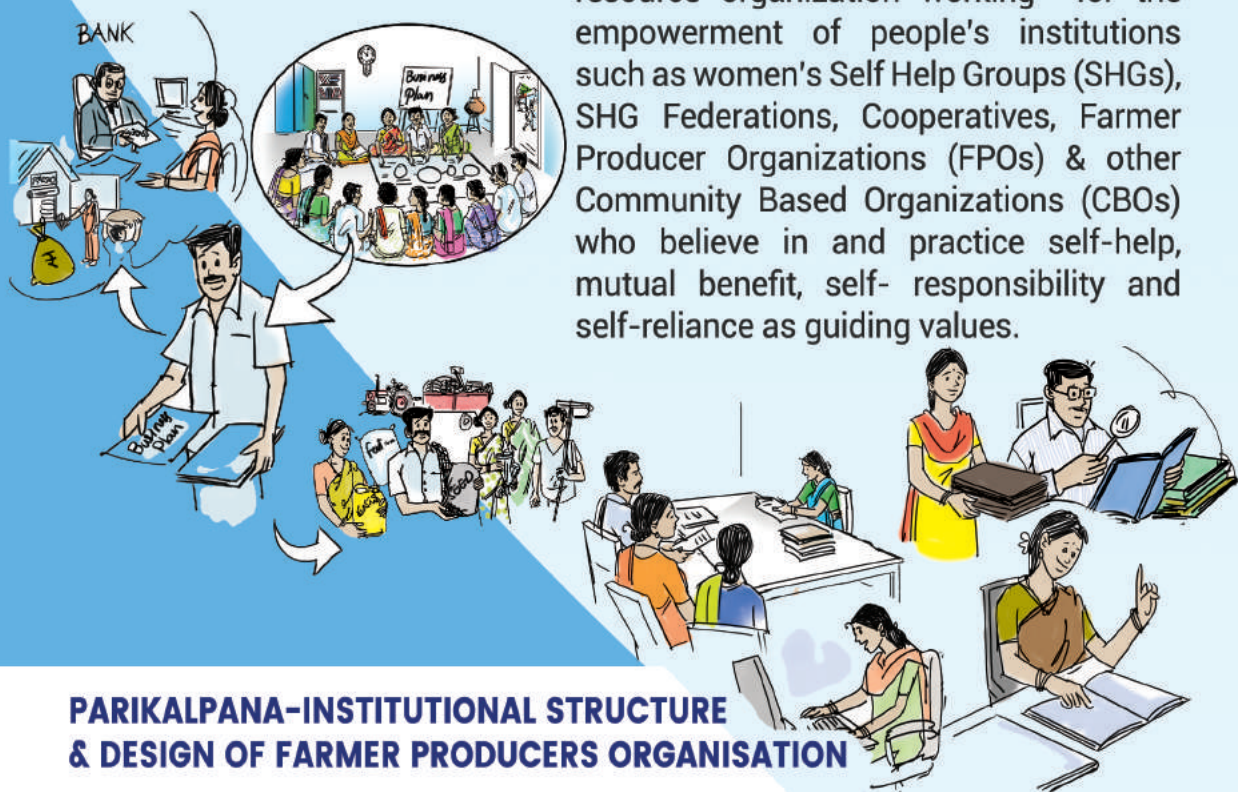
Organizational systems and compliances



- ❖ 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.

About APMAS

APMAS is a not-for-profit national level resource organization working for the empowerment of people's institutions such as women's Self Help Groups (SHGs), SHG Federations, Cooperatives, Farmer Producer Organizations (FPOs) & other Community Based Organizations (CBOs) who believe in and practice self-help, mutual benefit, self-responsibility and self-reliance as guiding values.



PARIKALPANA-INSTITUTIONAL STRUCTURE & DESIGN OF FARMER PRODUCERS ORGANISATION

FPO Incubation Centre promoted by APMAS is a one-stop-centre to provide incubation and nurturing support to FPOs to develop these institutions into viable and sustainable enterprises in partnership with FPOs and FPO promoting and supporting agencies. It provides institution development services such as visioning, statutory compliances, management, governance and capacity building to strengthen these institutions. It also provides business development services such as business planning, financial linkages, marketing and technical assistance to develop business potential of FPOs.

Supported By



Published By

