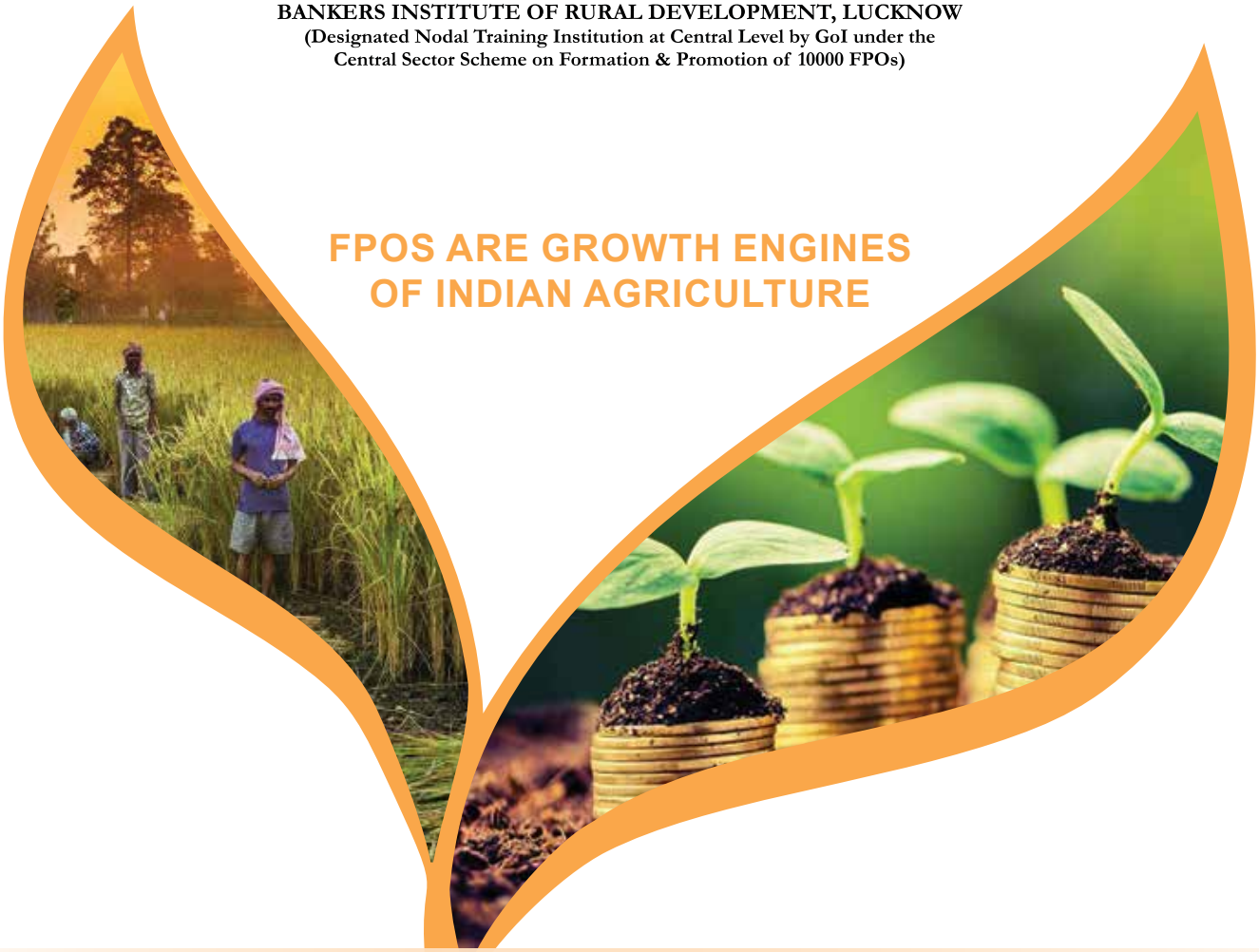
BIRD

BANKERS INSTITUTE OF RURAL DEVELOPMENT, LUCKNOW
(Designated Nodal Training Institution at Central Level by GoI under the Central Sector Scheme on Formation & Promotion of 10000 FPOs)



Resource Material

Capacity Building of Board of Directors (BODs)

Under

Central Sector Scheme On Promotion & Formation Of 10000 FPOs

NABARD

german cooperation
DEUTSCHE ZUSAMMENARBEIT

Implemented by
giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

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CONTENTS

SESSION - I

FARMER PRODUCER ORGANISATIONS – NEED, STATUS AND PAST EXPERIENCE

Why FPO

Farmer Producer Organizations (FPOs) can address the issues emerging out of vulnerability of the farmers to risks in agriculture production & marketing. These issues could be related to scale of operations, information asymmetry, communication constraint in linkages with the wider markets, no or limited participation in supply & value chains, input procurements, access to and cost of credit, etc.

Past approaches/ institutional models like formation of *agricultural cooperatives*, *contract farming* **and** *amendment of the APMC Act in 2003 have had very limited success in addressing these issues.* Promoting collectives in the form of FPOs could facilitate addressing challenges faced by the small and marginal farmers (SMF), particularly those to do with enhanced access to investments, technological advancements, and efficiency in inputs and output management.

Needs for collective action

- SMF require agricultural inputs in small quantities, which they procure from local traders in retail (higher cost). Many a times, the quality of these inputs is not assured. Timely availability is also an issue especially when a concept of seasonality is involved.
- Transporting small quantities of produce to urban markets is not economically viable and thus, the farmers end up selling their produce in local markets at low prices. This issue is more in case of a farmer dealing with perishable commodities
- Considering the small scale of operations, the farmer's bargaining power is insignificant both in input procurement as well as sale of output
- Lack of capital and education coupled with poor access to adequate information - Leads to a different set of problems viz. adoption of traditional farming methods affecting the productivity and significant post-harvest losses
- Inability to access credit and insurance services and vulnerability to vagaries of nature and other related risks further complicate the situation for SMF

- Research increasingly shows that smallholders would be able to substantially increase their incomes from agriculture and allied activities, if they participate more in the product supply & value chains. The focus needs to be shifted from production based farming to income based farming and increasing the depth of participation in the market supply and value chains.
- Small Farmers' Organizations such as cooperatives and FPOs are expected to enhance incomes, reduce costs of input purchases along with transaction costs, create opportunities for involvement in value-addition including processing, distribution and marketing, enhance bargaining power and better access to formal credit

Need and significance of FPOs

- More than 86% of farmers are small and marginal with average land holdings in the country being less than 1.1 hectares and this trend is likely to continue in future
- These small, marginal and landless farmers face challenges during agriculture production phase - Access to technology, quality seed, fertilizers and pesticides including requisite finance
- SMF face a huge challenges in marketing their produce at remunerative prices due to lack of economic strength
- Being small producers, SMF feel constrained in participation in the product supply & value chains, thus having limited share in the consumer price
- FPOs give them the collective strength to deal with such issues

Status of promotion and incorporation of FPOs

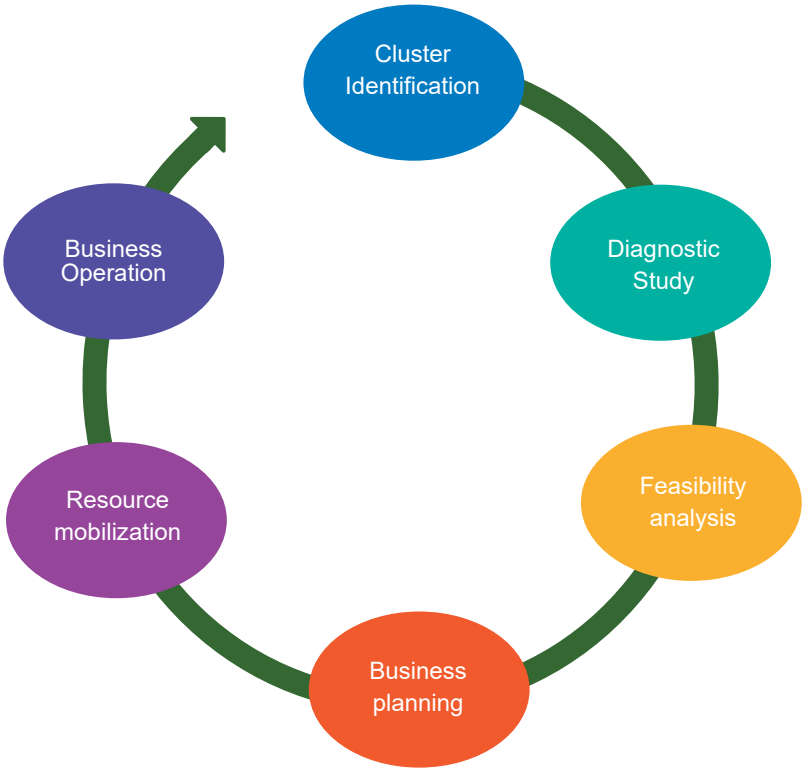
The government has played a critical role in promotion and support of producer companies. Some of the oldest producer companies were formed under the District Poverty Initiative Program (DPIP) in Madhya Pradesh by bringing together existing Common Interest Groups of farmers. As early as 2007, the Government of Madhya Pradesh facilitated formation of Producer Companies under its District Poverty Initiatives. Realising the indispensable role of collectivisation of farmers' particularly small and marginal farmers into their groups for leveraging the economies of scale in production and marketing, Department of Agriculture, Cooperation & Farmers' Welfare (DAC&FW), Ministry of Agriculture & Farmers' Welfare (MoA&FW), Government of India, launched a pilot programme for promotion of Farmers Producer Organisations (FPOs) during 2011-12 under two sub-schemes of Rashtriya Krishi Vikas Yojna (RKVY) viz. National Vegetable Initiative for Urban Clusters and Programme for Pulses Development for 60,000 rainfed villages. The initiative got a real momentum in 2013 with formulation of National Policy and Process Guidelines for FPOs and with introduction two schemes viz. Equity and Credit Guarantee Scheme for Farmer Producer Organizations (FPOs). This was followed by setting up of a dedicated 'Producers Organization Development and Upliftment Corpus' (PRODUCE) Fund with NABARD in 2014 for formation of 2000 FPOs. In fact, all major centrally sponsored schemes of DAC&FW (Dept. of Agriculture Cooperation & Farmers Welfare) have special provisions for promotion and nurturing of FPOs now. Further in Union Budget 2018-19, the government announced a 5-year tax holiday for FPOs with turnover of up to Rs. 100 crores. Presently more than 6500 FPOs are operating on the ground. With an objective of bringing more number of farmers particularly the marginal & small farmers under the FPO fold for addressing the challenges being faced by them viz. lack of market access, credit linkages, inadequate financial support, lack of managerial skill, etc., the DAC&FW has launched a dedicated Central Sector Scheme on **'Formation and Promotion of 10,000 Farmer Producer Organisations (FPOs)**.

Experience

FPOs are prominent in few states, which have enabling environment, enterprising farmers and have a history of collective action. The FPCs are emerging as a prominent form of FPOs. Studies shows heterogeneity in the product, functioning, working styles, dealing with the issues considering the local factors in the area of operation. Hence, there are no 'success models', rather contextual learnings. A significant number of FPCs have been successful in providing benefit to their member producers in real terms by facilitating better than market prices for commodities, inputs at reduced costs, and reducing transaction costs, etc. However, this is not enough given the greater challenges faced by the vast majority of small and marginal landholding farmers. Hence, there is a need for fine-tuning of the idea to make FPOs able to do what they are designed to do. To that end, an FPO may not be considered successful unless it has end-to-end control over value chain of at least one food product, either directly or through some other mechanism. Today, there are very few which can be assessed as successful with this benchmark. To create a conducive milieu for majority of FPOs to attain the same benchmark, serious efforts to ease capacity, capital and other constraints of an FPOs are required.

FPO Development Approach

The FPO developmental approach could be as under:

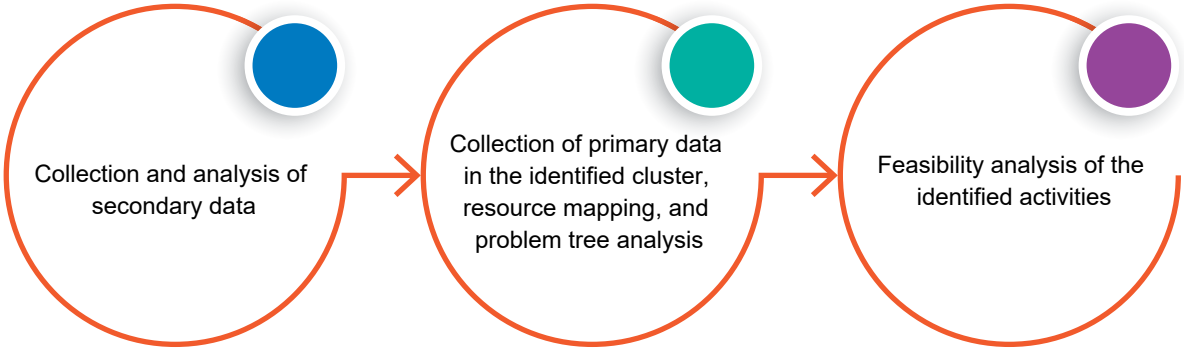


- **Cluster identification:** Ideally, a cluster of more than 1000 farmers is to identified within one or two Blocks covering about 20-30 contiguous villages in a particular district to form agriculture based Farmer Producer Organisation (*However this may change depending upon the products to be handled by the FPO)*. Normally, selection of the cluster and the members will be done on the basis of the commonalities like produce, farmers' need and common problems which they face in terms of inputs, production and marketing. Strategy involves organizing the primary groups on the basis of common interest, geographies and then federating them as FPO to address the larger issues of economies of scale in input management, integration with the market, participation in

supply chain at higher order, value chain development, etc. based on felt need by the members of the primary groups.

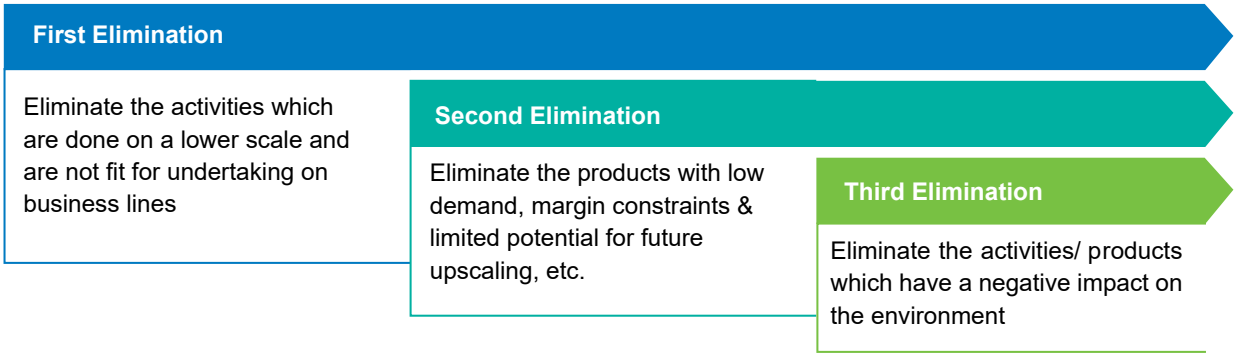
- **Undertaking Diagnostic Study:** The diagnostic study in selected clusters will be undertaken to assess the preliminary situation of the farmers and the status of agriculture in that area. The study will also facilitate in identifying the potential interventions required and understanding the specific context of project implementation. The objective of the study would be to develop a planning as well as reference document defining the pre-development contours in the context of goal desired to be achieved. Hence, the facts and figures that are presented, must be comprehensive and must lead to an action. The sustainability of any intervention depends on the impact of the intervention on the member families. The design variables for the intervention will include elements like size, scope, institutional structure, management and technology. The diagnostic study will facilitate in finalizing the design variables using the primary and secondary data analysis and contextualize the interventions. The process of diagnostic study would as under:

Process involved in conducting Diagnostic Study



- Using the above information from the primary & secondary data, the feasibility of the prospective business plan for the identified cluster can be assessed to achieve success of a proposed business venture. While undertaking feasibility analysis of the gathered information following parameters need to be considered:

General Rules for elimination of unviable economic activities:



- **Business planning**: Business planning will be carried out by CBBOs with the help of selected farmers' representatives. It is the process through which the strategic and operational orientation of an emerging FPO is shaped. A business plan with proper projections on various aspects needs to be developed. The key is to develop business plans in details with involvement of the Board of Directors and with most of FPO farmer members, to provide clear vision.

- **Resource Mobilization**: Prior to launching the activities of an FPO, all required resources should be mobilised with the help of FPO representatives and Board of Directors. Final, human (staff), technical and physical resources should be developed during this particular step. Based on the business plan, CBBO/FPO should liaise with various financing agencies and mobilise resources for hiring/purchasing and developing various resources.
- **Business Operation**: Business operation is the commencement of procurement, production, processing, marketing and other services activities of FPO as per the prepared business plan. CBBOs need to carefully train both the governing and operational team of FPO in order to ensure smooth functioning of business operations. The entire value-chain related to various agriculture and allied products and commodities needs to be managed.
- **FPO Business Model**: The CBBO need to ensure that FPO offers a complete bouquet of services to its members. This may cover almost all aspects of cultivation (from inputs, technical services to processing and marketing). The FPOs is to facilitate linkages between farmers, processors, traders and retailers to coordinate supply and demand and to access key business development services such as market information, input supplies, and transport services. Based on emerging needs, the FPOs should keep on adding new services from time to time. The set of services include business and other services.

Central Sector Scheme on Formation & Promotion of 10000 FPOs - Salient features

A. Aims & Objectives of the Scheme

i. To provide holistic and broad based supportive ecosystem to form new 10,000 FPOs to facilitate development of vibrant and sustainable income oriented farming and for overall socio-economic development and wellbeing of agrarian communities.

ii. To enhance productivity through efficient, cost-effective and sustainable resource use and realize higher returns through better liquidity and market linkages for their produce and become sustainable through collective action.

iii. To provide handholding and support to new FPOs up to 5 years from the year of creation in all aspects of management of FPO, inputs, production, processing and value addition, market linkages, credit linkages and use of technology, etc.

iv. To provide effective capacity building to FPOs to develop agri-entrepreneurship skills to become economically viable and self-sustaining beyond the period of support from government

B. Key features of the scheme:

1) **Target & Coverage**:

   a) The scheme aims at providing a holistic & broad based supportive ecosystem for formation of 10,000 new FPOs by 2023-24. For achieving economic viability & self-sustainability beyond support period, newly formed FPOs are to be initially provided handholding support in terms of capacity enhancement in areas of management, governance, business development and business diversification particularly through their participation in supply & value chains, market linkages, credit linkages and use of technology, etc.

   b) FPOs are to be formed with a minimum farmer-members' base of 300 with an exception of 100 members in difficult areas like North-Eastern & Hilly regions *(area at a height of 1000 metre or above MSL)*. For above, the farmer-members cohesively located with almost same interest

are to be mobilized to form a small informal group of 15-20 members (Farmer Interest Group (FIG)/ Self Help Group (SHG)/ Farmers Club (FC)/ Joint Liability Group (JLG)/ Rythu Mitra Group (RMG)) and with such groups forming an area-based producer cluster based on certain commonalities to be put together to form an FPO.

c) Special focus is to be accorded to small & marginal farmers, women farmers, women SHGs, SC/ST farmers and other economically weaker categories to make the FPOs more effective and inclusive.

d) Concerted efforts to be made for prioritizing formation of FPOs in aspirational districts with a target of promoting at least 15% of the 10,000 FPOs i.e. 1,500 FPOs. The aim set is to promote at least one FPO in each block of aspirational districts of the country.

e) In addition to above, priority is to be given to promotion of FPOs in the notified tribal areas in the country for undertaking business activities in forest and minor forest produce by the tribal communities through convergence with schemes of Tribal Affairs Ministry, DONER and North Eastern Council (NEC).

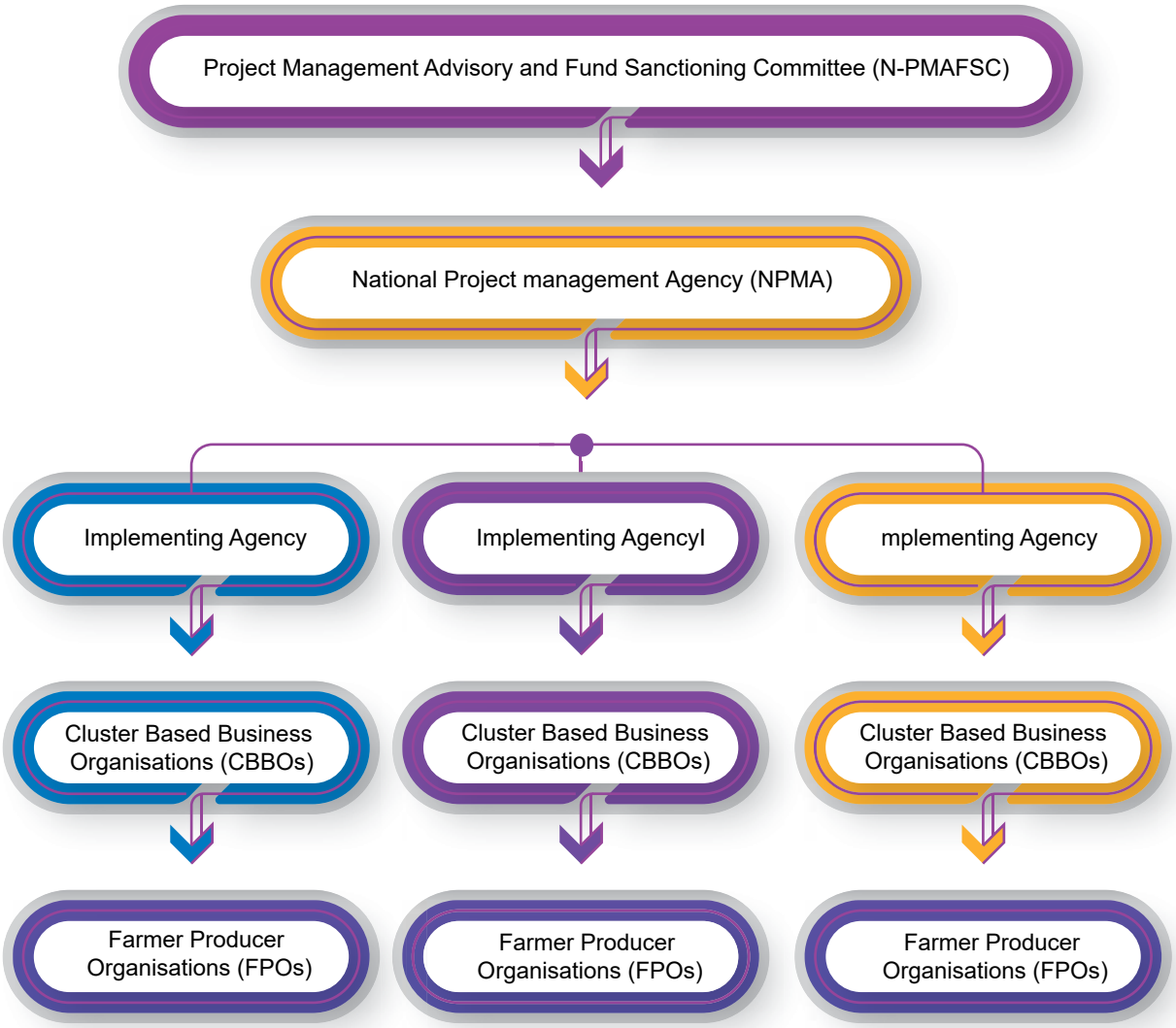
f) Overall, the scheme envisages to cover all blocks in the country under scheme as also achieve an average membership base of 500 farmers in normal areas and 200 farmers in Hilly and North-Eastern regions to make them sizable for economic sustainability and profitability.

g) Types of FPOs Covered: FPO is a generic term, which means and includes farmer- producers' organization incorporated/ registered either under Part IXA of Companies Act or under Co-operative Societies Act of the concerned States and formed for the purpose of leveraging collectives through economies of scale in production and marketing of agricultural and allied sector. **However, FPOs registered under Cooperative Societies Act of the State (including Mutually Aided or Self-reliant Cooperative Societies Act by whatever name it is called) for the purpose of this Scheme, is to be insulated from all kinds of interference including election process and day today management through suitable provisioning in their Memorandum of Association and Bye-laws with a view to encourage healthy growth and development of FPO**

h) Budgetary provision: The scheme is to be implemented till 2023-24 with budgetary support of Rs. 4496.00 crore. Since, financial support *(except management cost)* is to be extended for five years, therefore, FPOs formed will be required to be financially supported till 2027-28. Provision for this additional committed liability for period from 2024-25 till 2027-28 of Rs. 2369.00 crore say Rs. 2370.00 crore will be made. Thus, the total budgetary requirement up to 2027-28 would be Rs. 6866.00 crore. The budget requirement will be met from overall allocations of DAC&FW.

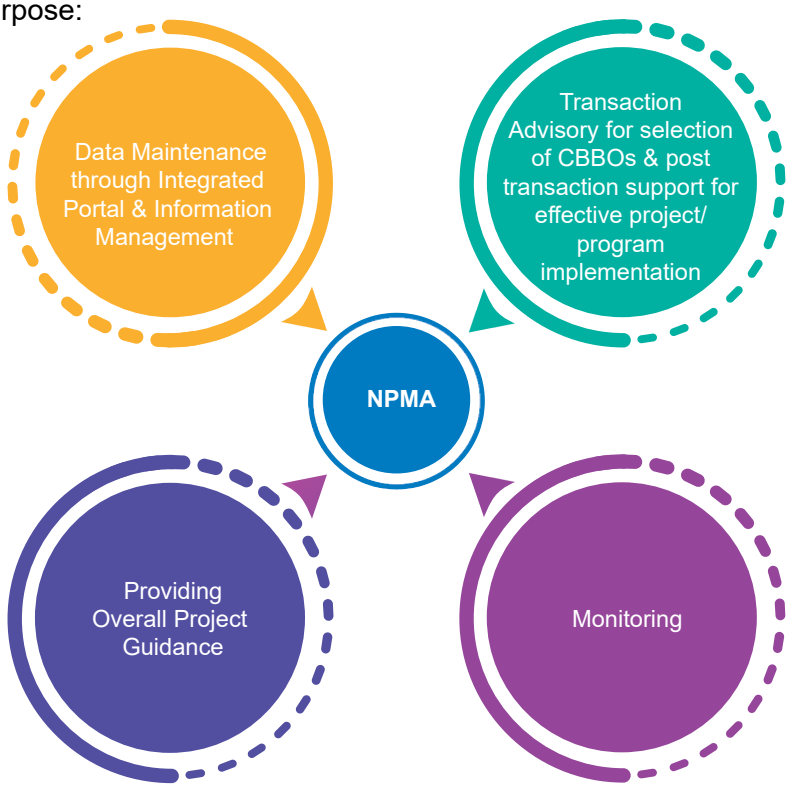
2. Stakeholders – Role & Responsibilities

The program will be implemented under the overall guidance of **Project Management Advisory and Fund Sanctioning Committee (N-PMAFSC)** constituted under the Chairmanship of Secretary, DAC&FW with Joint Secretary (Marketing), and DAC&FW as Member Secretary. The hierarchical structure under the scheme would be as under:

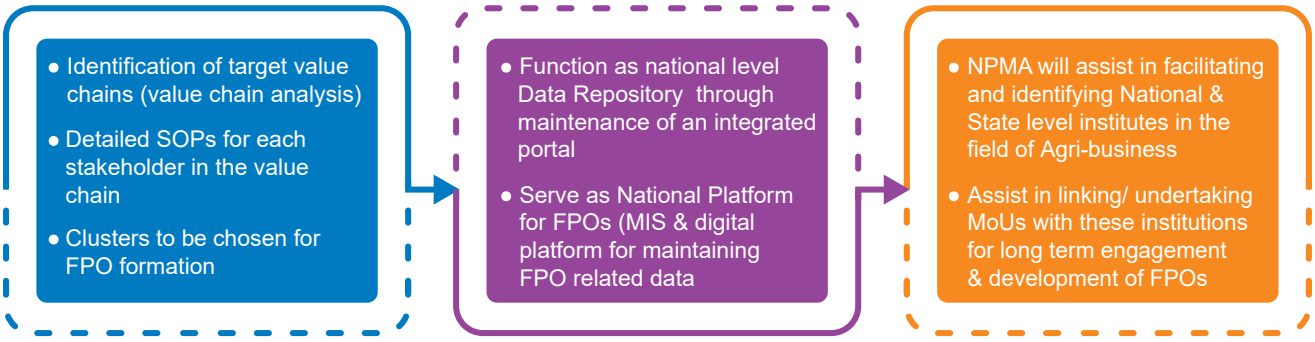


As per the scheme guidelines, the important stakeholders, their respective roles as also the implementation & monitoring mechanism prescribed are as under:

a) **National Project Management Agency (NPMA):** NPMA shall be set up by SFAC for the following purpose:



NPMA to be equipped with a technical team comprising five categories of specialists viz. Agriculture / Horticulture, Marketing & Processing, Incubation Service Provider, IT/MIS and Law &
Accounting for providing overall guidance at All India level



b) Implementing Agencies (IAs)

i. For promoting FPOs in uniform and effective manner three Implementing Agencies viz. NABARD, SFAC & NCDC have been identified.

ii. Based on the Implementing Agencies' area of operation in a particular States/ Regions/ Districts/Produce Cluster along with their human resource capital and area of specialization, targets for number of FPOs to be promoted by them will be tentatively allocated by Project Management Advisory and Fund Sanctioning Committee (N-PMAFSC).

iii. In addition to aforementioned three implementing agencies, in case, if any State/Union Territory is desirous to have its own implementing agency, they can approach DAC&FW for consideration of the same.

Role of Implementing Agencies

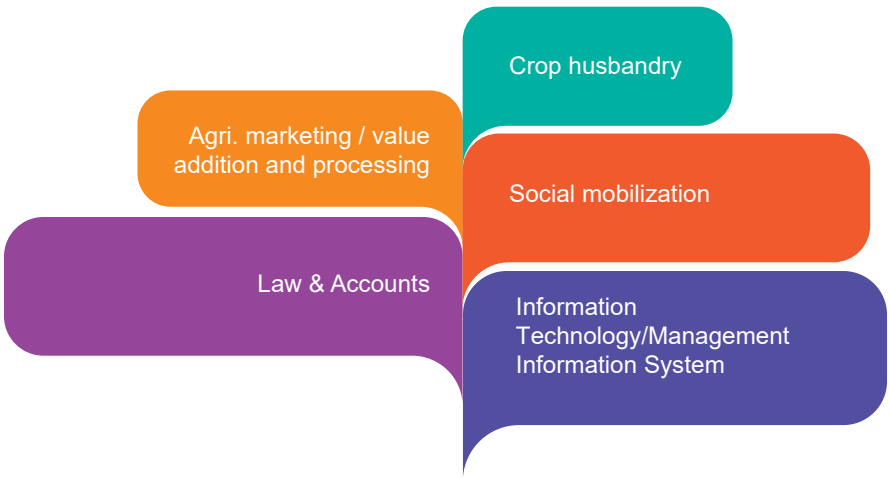
a) Identification of CBBOs
b) Provide fund to CBBOs & FPOs as envisaged in the Scheme
c) Monitoring of CBBOs & undertake regular desk and/or field monitoring of the borrowing FPOs
d) Ensuring regular data entry on integrated portal (Integrated National Level Data Repository through Portal managed through NPMA)
e) NABARD and NCDC will also maintain and manage the Credit Guarantee Fund (CGF) for credit guarantee to banks for FPO financing
f) Developing tools for FPOs to assess their level of activity, economic viability and sustainability, etc.
g) Coordination with concerned Value-Chain Organization(s) for channelizing their claim to N-PMAFSC for payment

c) Cluster Based Business Organisations (CBBOs):

i. Implementing Agencies will be identifying **Cluster- Based Business Organizations (CBBOs)** at the State/Cluster level to form and promote FPOs. A Committee under Chairmanship of MD, SFAC with representatives of Chairman, NABARD and MD, NCDC will finalise the eligibility criteria for selection of CBBOs for consideration of DAC&FW.

ii. In a State, based on geography, produce clusters, cropping pattern, etc., there can be one or more CBBO and a CBBO can also serve in more than one State.

iii. CBBOs should have professional expertise & requisite experience in formation of FPOs in agriculture & allied sector and should have a panel of specialists in following domain areas



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Role of CBBOs

CBBOs will undertake Feasibility Study in assigned clusters which will include the following:

a) Cluster Identification – Undertaking diagnostic study including Baseline survey to:
   - Map the current situation of farming specially in respect of small, marginal and landless farmers for aggregation
   - Identify the geographical area for potential interventions
   - Based on socio-cultural similarity, identify the produce, existing gap (production knowhow, supply & value chain, post-harvest management, marketing, etc.) and the scope of potential interventions
   - Shortlist interventions in terms of infrastructure, services, etc. required in the value chain development of identified agricultural/horticultural produce including post-harvest management and marketing

b) Preparation of Prospective Business Plan: Prepare a prospective Business Plan in order to establish a fit case for formation of an economically sustainable FPO

c) Undertake community mobilization as well as mobilization of members for FPO

d) Registration of FPO

e) Execution of Business Plan

f) Training and capacity buildings of FPOs/farmer groups (FPO management, marketing, financial management, compliance management, etc.)

g) Monitoring and data submission as required under the scheme

h) Assist in regular interface with stakeholders

i) Convergence with ongoing government programs/schemes & Networking

j) Assist in Federating FPOs

iv. Moreover, interested Central & State Government Agriculture Universities & KVKs promoting FPOs can also seek empanelment as CBBOs in consultation with N-PMAFSC on nomination basis.

d) Formation of FPO (Industry Concept)

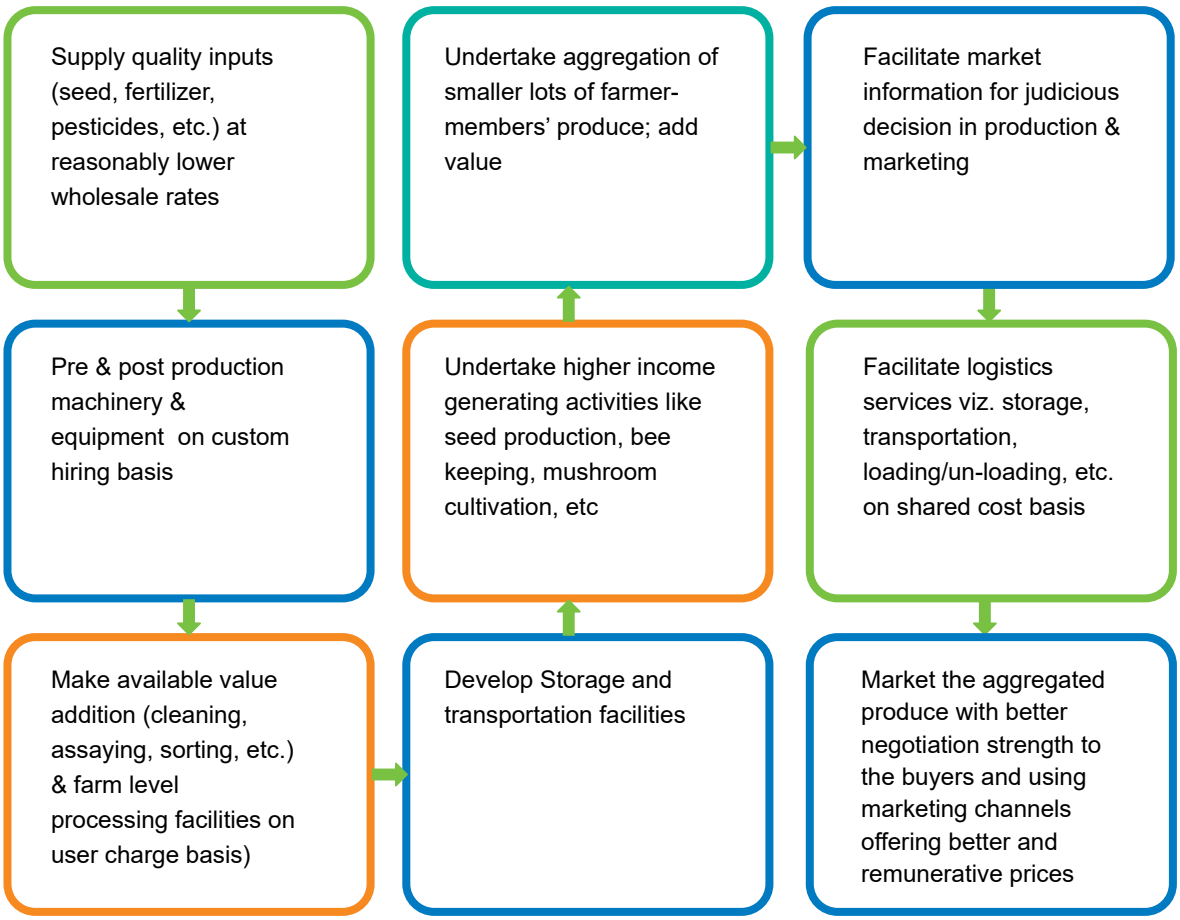
i. Concerned Industries (Value Chain Processing & Export Industries) can also form and promote FPOs directly through cluster approaches and will be eligible for assistance under the scheme. However, their eligibility is subject to the condition of ensuring buyback of at least 60% of the produce of members of such FPOs with appropriate processing & assured marketing linkages on sustainable basis for remunerative prices for improving the income of the members.

ii. The FPOs promoted by them can avail credit guarantee cover under Credit Guarantee Fund from banks along as also equity grant through implementing agencies and the advisory services rendered by NPMA provided they comply with the norms & guidelines of respective schemes.

iii. However, for participating in the program, these entities are required to submit detailed proposals in advance to N-PMAFSC along with year-wise action plan for consideration.

e) **Thrust on FPO participation in product value chains:** For sustaining an FPO, in addition to business as usual (aggregation model), the focus under the scheme is to explore possibilities for FPOs participation in the supply & value chain business. Thus, the business modelling

should incorporate participation of FPOs in supply chain & value chains along with standard model to strike viability. The standard business model could be as under:

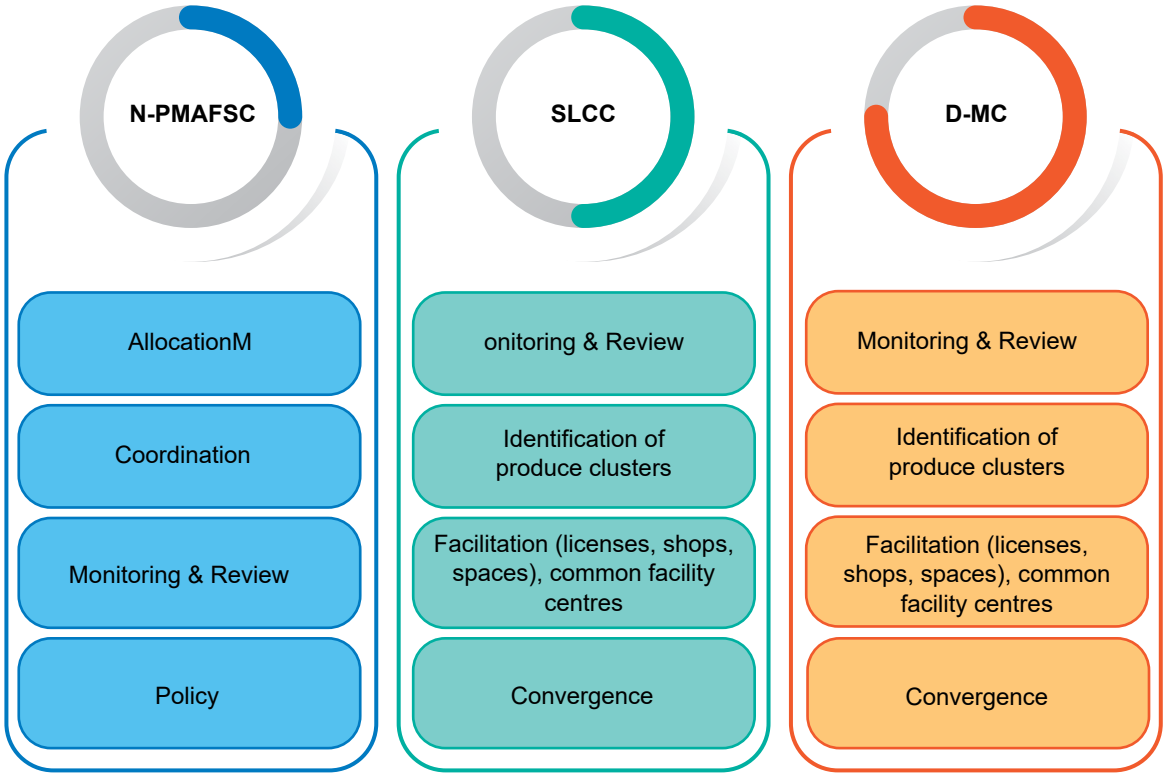


- For economical sustainability, diversification of risk and enhanced returns, the FPO can also have additional product and service mix so as to have enough activities and engagements with the members throughout the year.

f) Implementation & Monitoring Mechanism

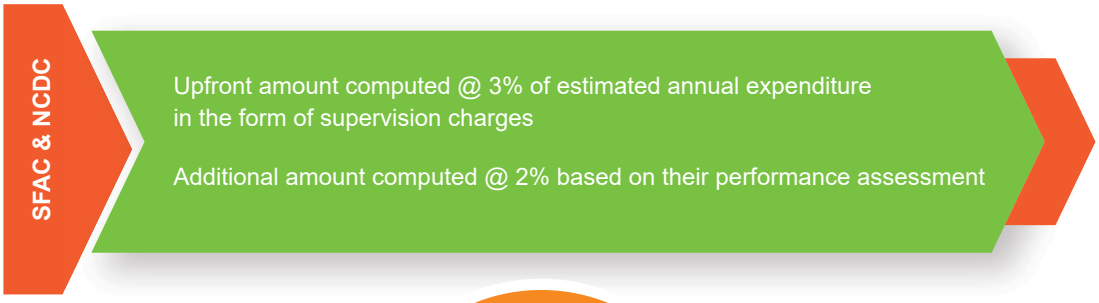
i. A three tier institutionalized structure (National, State and District level) has been conceived under the scheme for effective implementation and monitoring.

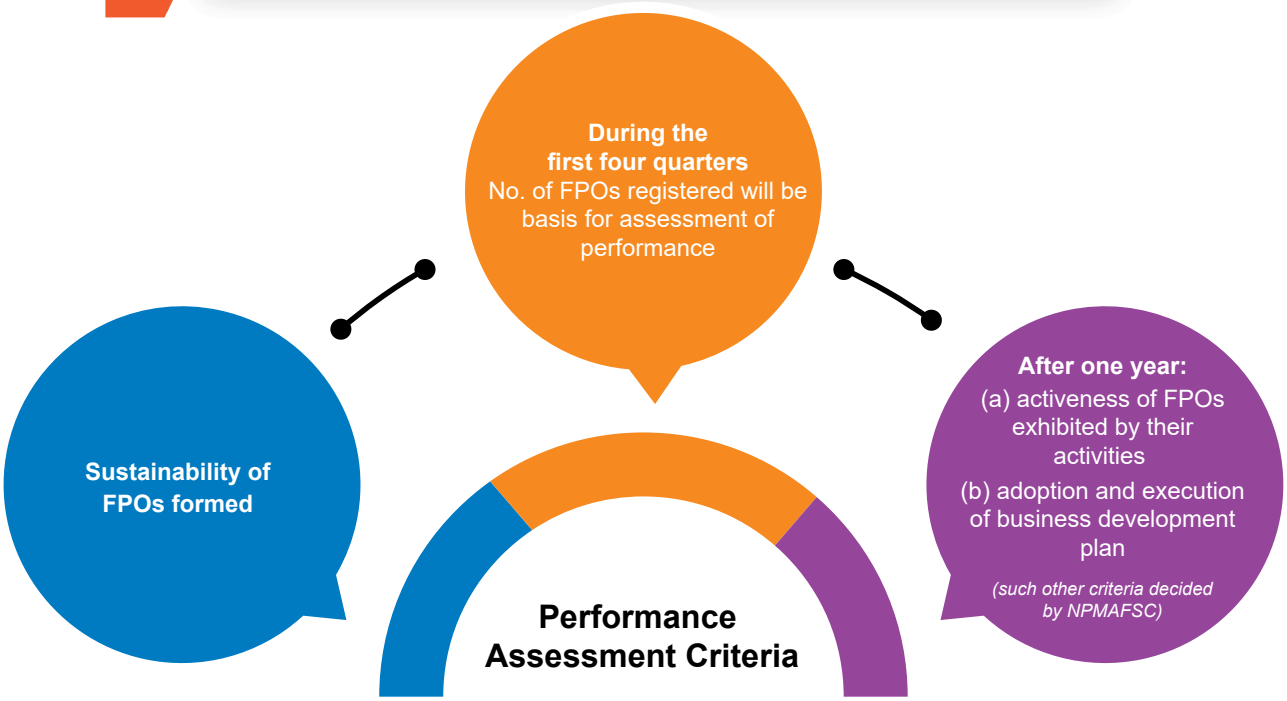
ii. Role & Responsibilities of Committees



g) Support available under the scheme to different stakeholders

1) Incentive to Implementing Agency:





2) Incentive to Cluster based business organisations (CBBOs): The formation and incubation cost of CBBO, limited to maximum of **Rs. 25 lakh / FPO** of support or actual whichever is lesser, is to be provided **for five years** from the year of formation.

   a. It includes cost towards undertaking baseline survey, mobilization of farmers, organizing awareness programmes and conducting exposure visits, professional hand holdings, incubation, other overheads etc. Payment will be made to the CBBOs by Implementing Agencies and shall be released after receiving the utilization certificate of the previously released amount.

   b. The Implementing Agencies after applying the due diligence will satisfy themselves with the performance of the CBBOs as per the following criteria:

First 6 months

- Performance of the CBBOs will be assessed based on baseline survey, report submitted and aggregation activities undertaken for FPO formation

6 mths to 1 yr

- No. of FPOs formed in allocated aspirational districts in different blocks, if any
- Number of farmers mobilized to become members of FPOs (min. membership of 300 in plain areas & 100 members in NER & Hilly areas (including such other areas of UTs) as per prescribed minimum number;
- Registration of FPOs
- Formulation of business plans for FPOs

Yr-2

- First equity grant availed by the FPOs
- Statutory clearances obtained to carry out business activities
- Minimum 50% of business activities executed as per business plan
- Number of preliminary awareness programmes for members/BoDs and exposure visits of FPOs are undertaken
- First tranche of Equity Grant availed by FPOs, if any
- First tranche of Credit Guarantee facility availed by FPOs, if any
- Institutional training provided to CEOs/BoDs
- Registration of FPOs in e-NAM or other electronic platforms undertaken and trading activity thereon taken place

Yr-3 & 4

- Issuing share certificates to each member in third year, if any
- Audited Financial Statements for FPOs for second year and third year in due time and filing as required
- MoU and vendor registration as per business plan with marketing agencies/institutional buyers
- Trading/uploading of produce in e-NAM/other sources, if any
- Second tranche equity grant to FPOs, if any; and second tranche of credit guarantee facility, if any

Yr-5

- Audited Statements of accounts of FPO and filing it
- 100% of agri-business plan executed and value chain developed
- Revenue model showing financial growth in last 3 consecutive years
- Detailed project completion Report
- Third tranche of credit guarantee facility if any.

3) FPO Management Cost: Under the scheme, financial support up to maximum of **Rs. 18 lakh / FPO** or actual, whichever is lesser is to be provided to FPOs for **three years** from the year of formation. From fourth year and onwards, the FPOs have to manage their own business activities. The indicative financial support broadly covers:

Note: *Any expenditure of operations, management, working capital requirement and infrastructure development etc., over and above this, is to be met by the FPOs from their financial resources*

4) Equity Grant for FPO

a) Support: Equity Grant shall be in the form of matching grant up to **Rs. 2000 per farmer** member of FPO subject to maximum limit of **Rs. 15.00 lakh per FPO**.

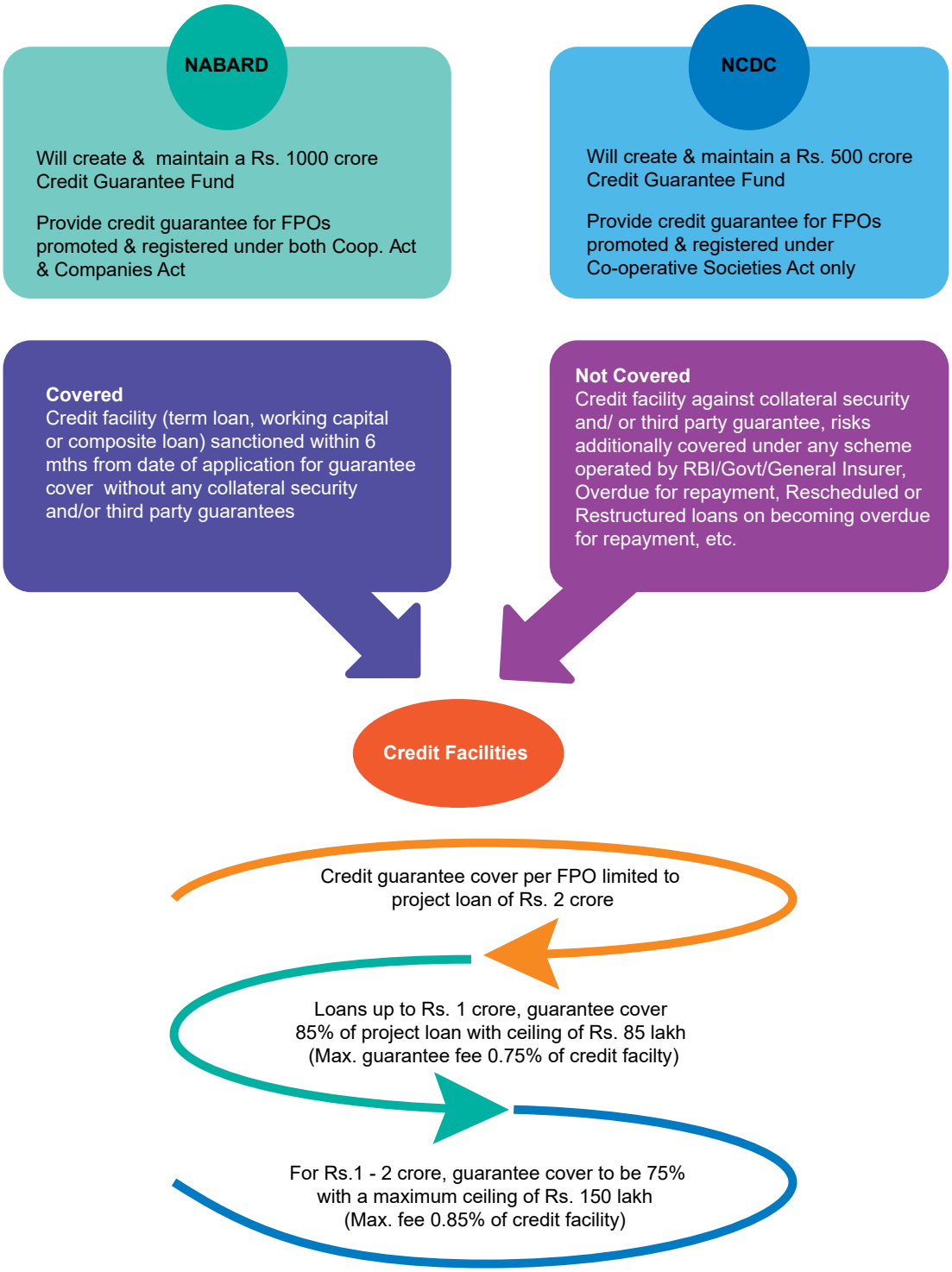
Objective		
Enhance viability & sustainability of FPOs	Increase credit worthiness of FPOs	Enhance shareholding of members to increase their ownership and participation in their FPO

b) Broad Eligibility Criteria

- Equity Grant sanctioned will be released to respective Implementing Agency for transferring to the bank account of the FPO.
- Post receipt follow-up action time frame: Within 45 days of the receipt of the Equity Grant, FPO will have to issue additional shares to shareholder members.
- No. of times it can be drawn: The FPO can draw the Equity Grant in a maximum of 3 tranches (within a period of 4 years of the first application and within the handholding period of CBBO) subject to the cap and the extent it is able to raise additional Member Equity to qualify for an additional matching grant.
- Recourse on Non Compliance: In the event of violation of any of the terms and conditions, Implementing Agency will have the right to demand and enforce forthwith, the repayment of the entire amount of Equity Grant sanctioned by Implementing Agency along with appropriate damages.

5) Credit Guarantee Facility for Lending Institutions

Objective
Providing a Credit Guarantee Cover to Eligible Lending Institution enabling them to provide collateral free credit to FPOs by minimising their lending risks


NABARD
Will create & maintain a Rs. 1000 crore Credit Guarantee Fund
Provide credit guarantee for FPOs promoted & registered under both Coop. Act & Companies Act
NCDC
Will create & maintain a Rs. 500 crore Credit Guarantee Fund
Provide credit guarantee for FPOs promoted & registered under Co-operative Societies Act only
Covered
Credit facility (term loan, working capital or composite loan) sanctioned within 6 mths from date of application for guarantee cover without any collateral security and/or third party guarantees
Not Covered
Credit facility against collateral security and/ or third party guarantee, risks additionally covered under any scheme operated by RBI/Govt/General Insurer, Overdue for repayment, Rescheduled or Restructured loans on becoming overdue for repayment, etc.
Credit Facilities
Credit guarantee cover per FPO limited to project loan of Rs. 2 crore
Loans up to Rs. 1 crore, guarantee cover 85% of project loan with ceiling of Rs. 85 lakh (Max. guarantee fee 0.75% of credit facilty)
For Rs.1 - 2 crore, guarantee cover to be 75% with a maximum ceiling of Rs. 150 lakh (Max. fee 0.85% of credit facility)

SESSION - II

GOVERNANCE ASPECTS IN FPO – ROLE & RESPONSIBILITIES OF BODS

The three key stakeholder in a FPO are members of FPO, the Board of Directors and Office bearers including CEO.

a) **Members or shareholders:** A producer organization can act only through its members. The FPO is created by the members and can also be wound-up by them and the members act through the general body
b) **Board of Directors:** The Directors are elected by members for specified period
c) **Officer Bearers:** They are hired professionals to manage day to day affairs of the FPO and includes CEO, Accountant etc.

Members: A member is defined as a "person or producer institution", whether incorporated or not, admitted as a member of a producer organization and who retains the qualification necessary for continuance of membership. Membership is voluntary and is available to all eligible members *(criteria of membership defined in the AoA/Byelaws of a FPO)* who can participate and avail the facilities or services of the FPO.

The members act through the general body, and the body alone can:

1. Approve the budget and adopt annual accounts of the FPO
2. Approve patronage bonus
3. Authorise the issues of bonus shares
4. Appoint auditors
5. Declare dividend and decide on the distribution of patronage
6. Amend MoA and AoA/Byelaws
7. Specify the conditions and limits of loans that may be given by the BoD
8. Approve and act on any other matters that are specifically reserved in the AoA/bye-laws for decision by the members.

Rights of the members

Effectively, once a person becomes a member she or he is entitled to exercise all the rights of a member until she or he ceases to be a member in accordance with the provisions of the relevant Act. The rights of a member are as under:

- To transfer his shares
- To vote on resolutions at meetings of the FPO
- To request on an extraordinary general meeting of the FPO or to be a part of joint requisition
- To receive notice of a general body meeting to attend and speak in a general body meeting
- To move amendments to resolutions proposed in meetings
- In case the member is a corporate body, to appoint a representative
- To attend and vote at general meetings on its behalf
- To request the FPO to circulate its resolutions
- To enjoy the profits of the FPO through the share of dividends
- To elect directors and to participate in the management of the FPO through them
- To apply to the Company Law Board/similar body under Cooperative Act at State Level for relief in case of oppression or mismanagement
- To apply to the Court for winding up of the FPO
- To get share in the surplus on winding up
- To have a share certificate issued to him in respect of his shares

Voting Rights of a Member

- In a case where the membership consists solely of individual members, the voting rights shall be based on a single vote for every member, irrespective of his shareholding or patronage of the FPO
- In a case where the membership consists of Producer institutions only, the voting rights of such Producer institutions shall be determined on the basis of their participation in the business of the FPO in the previous year, as may be specified by articles/bye-laws provided that during the first year of registration of a Producer Organisation, the voting rights shall be determined on the basis of the shareholding by such Producer institutions.
- In a case where the membership consists of individuals and Producer institutions, the voting rights shall be computed on the basis of a single vote for every Member.
- The articles of any Producer Company/byelaws of FPO registered under cooperatives act may provide for the conditions, subject to which a Member may continue to retain his membership, and the manner in which voting rights shall be exercised by the Members.
- No person, who has any business interest which is in conflict with business of the FPO shall become a Member of that FPO
- A Member, who acquires any business interest which is in conflict with the business of the FPO, shall cease to be a Member of that FPO and be removed as a Member in accordance with articles/ byelaws.

Cessation of membership

A member is sized off with his or her membership; by transferring his or her shares. In the case of a transfer, the person transferring will continue to be a member until the shares are registered in the name of the transferee, by forfeiting his or her shares, by a valid surrender; by death, but until the

shares are transmitted, his or her stake will be valid for any money due on the shares, by the FPO selling his shares in exercise of its right under its Articles of Association/byelaws, by order of Court or any other competent authority attaching and selling the shares, in satisfaction of a decree or claim, by the official assignee disclaiming his shares, on his adjudication as an insolvent, by recession of contract of membership, on the grounds of misrepresentation or mistake.

Board of Directors

Every FPO should have a Board of Directors of not less than five and not more than fifteen in case of Farmers Producer Companies and in case of FPO registered the State Cooperative Act as per the stipulations under it.

Powers and Functions of the Board

The Board may act only in areas not reserved to the General Body and may not exercise executive functions. In general, the Board has authority and is responsible for formulating, supervising, and monitoring of the performance of the FPO in respect of the following matters:

- Determination of the dividend payable
- Determination of the quantum of withheld price and recommended patronage to be approved at general body meeting
- Admission of new members
- Pursue and formulate organizational policy, objectives, establish long-term and annual objectives, and approve strategies and financial plans
- Appointment of a CEO and other officers, as may be specified in the AoA/Byelaws
- Exercise superintendence, direction and control over CEO and other officers
- Sanction any loan or advance, in connection with the business activities of the FPO to any member, not being a director or his relative
- Investment of the funds of the company in the ordinary course of its business
- Acquisition or disposal of property in its ordinary course of business.
- Check that proper books of account is maintained.
- Ensure that annual accounts are placed before the AGM with the auditor's report
- The Board may make recommendations in the case of those matters reserved for decision of the General Body.
- Approval of budget and adoption of annual accounts, approval of patronage bonus, Issue of bonus shares
- Specify the conditions and limits of loans that may be given by the board to any director

All the powers specified above shall be exercised by the Board only by means of a resolution passed in its meeting and decision can be made or resolution adopted by circulation

Appointment of Directors

The members who sign the memorandum and articles/byelaws may designate therein the first Board of Directors' who shall govern the affairs of the FPO until the directors are elected by the members in a general meeting, which has to be done within ninety days of incorporation of Producer Company and in case of FPO registered under State Societies Act as per the relevant Act. Every director in a Producer Company, elected by the members in the general meeting shall hold office for a period of not

less than one year and not more than five years in case of FPCs. Also, it must be noted that the entire Board of Directors, except the Chief Executive Officer and Expert Directors, is subject to retirement by rotation in a period of five years. Retirement of Directors shall take place at the Annual General Meeting where the re-election also shall take place. However, every director who retire is eligible for re-appointment to the Board.

Additional or Expert Directors

The Board may co-opt one or more expert directors as an additional director not exceeding one fifth of the total number of directors or appoint any other person as additional director for such period as the Board may deem fit.

Alternate Directors

In case of FPCs, the Board of Directors, if authorized by its Articles of Association or a resolution passed by the company in general meeting, appoint an alternative director to act in a place of an original director during his absence for not less than three months from the State in which the Board meetings are ordinarily held. The alternative director so appointed holds office for the period the original director is away from the State and when the original director returns to the State in which the meeting of the board are ordinarily held, the alternative director ceases to be the director.

Removal of a Director and Cessation of Directorship

- By Shareholders of the Company: A director may be removed from office before the expiry of his term by shareholders of the FPO. The shareholders of a FPO may, by passing an ordinary resolution at a general meeting, remove a director before the expiry of the period of his office. However, the following directors cannot be removed by the FPO unless otherwise stipulated in the terms of their appointment.
    - A director appointed by the Central Government under Section 408 in case of FPC
    - A director appointed by a financial institution under the terms of a loan agreement
    - A director appointed by the National Company Law Tribunal
- The State or Central Government: A director may be removed by the Central Government. The Central Government may remove a director by making a case against the person and refer the same to the tribunal with the request that the Tribunal inquiry into the case and record the decision as to whether or not such a person is eligible to hold the office of director, or any other office connected with the conduct and management of any company.
- The Tribunal: For FPCs, where on application to the Tribunal for prevention of oppression under Section 397 and mismanagement under Section 398 of the Act, the Tribunal finds that the relief ought to be granted, it may terminate or set aside any agreement of the company with the director or managing director or other managerial personal on such terms and conditions as it think just and equitable. The court may constitute an advisory board as a proper administrator. Where the appointment of the director is so terminated or set aside, he cannot except with the leave of the Tribunal, serve any company in a managerial capacity for a period of five years. He also cannot sue the company for damages or compensation for loss of office.

Resignation of Directors

A director may resign his office in the manner provided by the AoA/Byelaws. If the same contain no provision regarding the resignation by a director, he may resign his office at any time by giving reasonable notice to the FPO, no matter whether the FPO accepts it or not. A Chief Executive or Managing or Whole Time Director, however, cannot resign merely by giving notice. His resignation is governed by the terms and conditions of his appointment. In this case, the formal acceptance of the resignation is essential so as to make it effective, for he has to be relieved of his duties and obligations.

Liabilities of Directors (Companies Act)

1) When the directors vote for a resolution, or approve by any other means, anything done in contravention of the provisions of this Act or any other law for the time being in force or articles, they shall be jointly and severally liable to make good any loss or damage suffered by the Producer Company

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 subsection (1), an amount equal to that loss or damage

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

Penalty for contravention (Companies Act)

1) If any person, other than a Producer Company registered under this Part, carries on business under any name which contains the words “Producer Company Limited”, he shall be punishable with fine which may extend to ten thousand rupees for every day during which such name has been used by him

2) If a director or an officer of a Producer Company, who wilfully fails to furnish any information relating to the affairs of the Producer Company required by a Member or a person duly authorised in this behalf, he shall be liable to imprisonment for a term which may extend to six months and with fine equivalent to five per cent of the turnover of that company during preceding financial year.

3) If a director or officer of a Producer Company-
   a. makes a default in handing over the custody of books of account and other documents or property in his custody to the Producer Company of which he is a director or officer; or
   b. fails to convene annual general meeting or other general meetings,

   He shall be punishable with fine which may extend to one lakh rupees, and in the case of a continuing default or failure, with an additional fine which may extend to ten thousand rupees for every day during which such default or failure continues.

Meeting of Board and Quorum

1. A meeting of the Board shall be held not less than once in every three months and at least four such meetings shall be held in every year

2. Notice of every meeting of the Board of Directors shall be given in writing to every director at his usual address
3. The CEO shall give notice as aforesaid not less than seven days prior to the date of the meeting of the Board and if he fails to do so, he shall be punishable with fine of five thousand rupees provided that a meeting of the Board may be called at shorter notice and the reasons thereof shall be recorded in writing by the Board.
4. The quorum for a meeting of the Board shall be one-third of the total strength of directors, subject to a minimum of three
5. If provided in the AoA/Byelaws, directors including the co-opted director, may be paid such fees and allowances for attendance at the meetings of the Board, as may be decided by the Members in the general meeting.

Office Bearers

Office bearers are the individuals appointed to look after the day to day affairs of the company, like CEO accountant, godown keeper, etc. They are salaried people of the company. Fair representation should be given to women members as officer bearers.

Chief Executive Officer

Board of Directors has to appoint full time CEO amongst persons other than members. The qualification, experience and the terms and conditions of services shall be decided by the Board. The CEO shall be the ex-officio Director of the Board and shall not retire by rotation. The CEO shall be entrusted with substantial powers of management as may be determined by the Board. She or he is accountable for the performance of the FPO, both, to the Board of Directors and to the Members. The CEO shall be authorized to exercise the powers and discharge the functions as described below:

- Do administrative acts of a routine nature including managing the day-to-day affairs
- Operate bank accounts or authorize any person, subject to the general or special approval of the Board
- Make arrangements for safe custody of cash and other assets
- Sign business related documents as may be authorized by the Board for and on behalf of the FPO
- Maintain proper books of account prepare annual accounts, place the audited accounts before the Board and in the annual general meeting of the Members
- Furnish the members with periodic information to appraise them of the operation and functions of the FPO
- Make appointments to posts in accordance with the powers delegated to him by the Board
- Assist the Board in the formation of goals, objectives, strategies, plans and policies
- Advise the Board with respect to legal and regulatory matters concerning the proposed and ongoing activities and take necessary action in respect there of
- Exercise the powers as may be necessary in the ordinary course of business
- Discharge such other functions, and exercise such other powers, as may be delegated by the Board
- To provide timely information to the members and Board of Directors for scheduled FPO meetings or emergency or short notice meetings:
- Meetings or emergency or short notice meetings.

Conditions relating to Annual General Meeting

The following are the conditions pertaining to the annual general meeting.

- The FPO has to conduct its first general body meeting within 90 days from the date of its incorporation.
- FPO should regularly organize the annual general meeting (in addition to any other meetings).
- Time interval between two annual general meetings should not be more than 15 months.
- The notice for organizing an annual general meeting of the Company has to be issued to the members at least 14 days in advance in writing.
- The Registrar of Company may, for any special reason, permit extension of the time for holding any annual general meeting (not being the first annual general meeting) by a period not exceeding three months.
- The members shall adopt the articles of the company and appoint directors for the board in the annual general meeting.
- The notice for convening the annual general meeting of the FPO shall be accompanied by the documents such as,
  - (a) The agenda of the meeting
  - (b) The minutes of the previous AGM or the extraordinary general meeting
  - (c) The names of candidates for election, if any, to the office of director, including a statement of qualifications in respect of each candidate
  - (d) The audited balance sheet and profit and loss accounts of the company and its subsidiary, if any, together with a report of the Board of Directors pertaining to
    - (i) The state of affairs of the FPO
    - (ii) The amount proposed to be carried to reserve
    - (iii) The amount to be paid as limited return on share capital
    - (iv) The amount proposed to be disbursed as patronage bonus
    - (v) The material changes and commitments, if any, affecting the financial position of the company and its subsidiary, which have occurred in between the date of the annual accounts of the company to which the balance sheet relates and the date of the report of the board.
    - (vi) Any other matter of importance relating to energy conservation, environmental protection, expenditure or earnings in foreign exchanges;
    - (vii) Any other matter which is required to be, or may be, specified by the Board;
    - (e) The text of the draft resolution for appointment of auditors;
    - (f) The text of any draft resolution proposing amendment to the memorandum or articles to be considered at the general meeting, along with the recommendations of the board.
- The Board of Directors based on the resignation request made in writing, duly signed and setting out the matters for the consideration by one-third of the members entitled to vote in any general meeting, proceed to call an extraordinary general meeting.
- Every AGM shall be called at a time during business hours on a day (excluding public holiday).
- The AGM shall be held at the registered office of company or at some other place within the place where the registered office is situated.
- The notice of the general meeting indicating the date, time and place of the meeting shall be sent to every member and auditor of the company.

- A minimum of one-fourth of the total number of members of the company shall be the quorum for the AGM.
- The proceedings of every AGM along with the director's report, the audited balance sheet and the profit and loss account shall be filed with the Registrar within sixty days of the date on which the AGM is held, with an annual return along with the filing fees as applicable under the act.
- In case where company is formed by producer institute, such institution shall be represented in general body through competent authority such as chairman or CRO.

Business to be transacted at annual general meeting:

The AGM mainly deals with the following approvals.

- The agenda of the annual general meeting
- The minutes of the previous AGM or the extraordinary general meeting.
- The name of the candidates for election, if any, to the office of the director including statement of qualifications in respect of each candidate.
- The audited balance sheet and profit and loss accounts of the FPO and its subsidiary, if any, together with a report of the Board of Directors of such Company with respect to, the state of affairs of the FPO, the amount proposed to be carried to reserve, the amount to be paid as limited return on share capital and the amount proposed to be distributed as patronage bonus.
- All major (equal or more to Rs. 1 lakh) contracts with other company or persons, done by Board of Directors or CEO or other person authorized on behalf of the Company.
- Any other disputed/ unsolved issues of Board of Directors or any other business matters required so far and felt by CEO can be brought in the meeting for approval or finalization.
- Proceedings of every annual general meeting along with the Directors report, the audited balance sheet and the profit and loss account shall be filed with the Registrar within sixty days of the date on which the annual general meeting is held, with an annual return along with the filing fees as applicable under the Act.

Extraordinary General Meeting Convened By the Board

- Any general meeting, other than annual general meeting is called as an extraordinary general meeting.
- It is usually convened by the Board of Directors for transecting some urgent business for which has to be done before the next annual meeting.
- Extraordinary general meeting to be convened as per provisions of companies law.
- The Board of the Directors upon requisition made in writing duly signed and setting out the matters for consideration, made by one-third of the members entitled to vote in any general meeting can proceed to convene an extraordinary general meeting.

Meeting of Board of directors:

- The Board of Directors can meet any number of times as per the needs.
- The Board of Directors may meet as often as it may consider necessary for regular transaction of the business of the company.

- The Board of Directors shall meet at least once in every two months. In any circumstances, the Board of Directors shall meet at least once in every three months and at least four such meetings shall be held in every year.
- The CEO of the company has to give at least seven days notice to the members to convene the meeting of Board of Directors.
- In case of any emergencies the meeting shall be organized at a shorter notice.
- As per the Part IX A of the Companies Act, 1956, Section No. 581ZH, FPO shall not make, directly or indirectly, any contribution or subscription or make available any facilities including personnel or material to any political party or for any political purpose to any person.
- In case, the CEO fails to issue a notice for holding a meeting of the Board, s/he will be punishable with fine which may extend to one thousand rupees.
- Every year after the constitution of the Board, in the first Board meeting the Board shall elect the Chairman of the company for a period of two years.
- The Chairman shall preside over the meeting of the board. In case of his absence, the directors present shall elect one of the elected directors as the Chairman of the meeting.
- Each member of the board shall have one vote.
- Decisions at the board meeting shall be arrived at by majority votes of the directors present. In case of a tie, the Chairman of the meeting shall have the casting vote in addition to his usual vote except in case of election of the Chairman. In case of election of chairman, the matter shall be decided by draw of lots.
- An elected member of the board who is absent from three consecutive meetings of the board without obtaining the leave of absence, shall cease to be a member of the board.
- No member shall be present at discussion or vote on any matter in which he has personal interest.

Contributions of Board of Directors:

A FPO may make contributions or donations in some special occasions or situations such as,

(a) Contributions to the National Defence Fund etc. : The Board of Directors of any Company or any person or authority exercising the powers of the Board of Directors of a Company or of the company in general meeting, may contribute such amount as it thinks fit to the National Defence Fund or any other fund approved by the Central Government for the purpose of national defence.

(b) Through a special resolution a FPO shall make donations or subscription to any institution or individual for the purposes of promoting the social and economic welfare of the members of the FPO or other producers or general public or promoting the mutual assistance principles.

SESSION - III

FPO MANAGEMENT – REQUISITE SKILL SET REQUIRED FOR FUNCTIONING AS A BOARD MEMBER

The personal qualities of board members viz. integrity, competence, insight, dedication and effectiveness are vital and critical to Board's successful operation. Key qualities of a good board member can be summarized as:

- **Passion** – deep interest in the mission of organization
- **Vision and Leadership** — Ability to see the big picture and the courage to set direction to achieve the organization's mission
- **Stewardship** — Integrity to serve the interests and pursue the goals of organization, as well as the interests of the public and organization's intended beneficiaries
- **Knowledge** — Knowledge of constituents, its operations and organizational & managerial acumen
- **Diligence** — Dedication and commitment to fulfilling organization's goals
- **Collegiality** — Possessing a sincere and respectful attitude toward colleagues and their views
- **Discretion** — Maintains confidentiality of board discussions and speaks with one voice when representing the organization to the community.

To be an effective board member:

- Bring your personal interests and expertise to the non-profit, but bear in mind your primary obligation of stewardship is to the organization as a whole.
- Come to meetings on time, be attentive and well-prepared
- Respect disagreement without personalizing the debate, and avoid paralysis in the face of dissent
- Ask questions rather than accepting the status quo
- Welcome information and advice, but reserve the right to make decisions based on your own best judgment
- Support board decisions as well as professional staff that you have appointed to serve the organization

(Source: https://behcr.com)

Creativity and problem solving

A critical competency of an entrepreneur is creativity and problem-solving attitude and skills. Many barriers develop due to pre-conceived ideas which impede the growth of creative thinking. The barriers are

1. Closed frame of mind
2. Avoiding challenges

An open minded approach and efforts help to remove barriers hindering creativity within person. In routine life, many problems are often not even noticed. This is because experience have equipped us with spontaneous reactions that solve them. However, sometimes when we face an unusual or difficult problem, there is no routine reaction. In such cases, various approaches and ways have to be tried. In appropriate system, approach and methodology is developed to solve problem in an enterprise which help the entrepreneur to manage his / her affairs smoothly and he / she would not remain under stress and tension while encountering problems. The following steps are suggested for developing a problem-solving mechanism:

- ✓ Build a problem solving attitude
- ✓ Recognise the problem and it seriousness, specify the problem
- ✓ Formulate possible causes
- ✓ Test and develop alternative solutions with relevant cost-benefits
- ✓ Compare and implement appropriate solution
- ✓ Internalise the process so that similar problems will be easily resolved

Negotiation and Networking

Negotiation is a key activity in business. One negotiates within an enterprise with employees, and outside with suppliers, customers, support institutions and financers. A successful entrepreneur is a successful negotiator. It is, therefore, imperative for an aspiring entrepreneur to develop negotiating skills. Negotiation is a process of arriving at a mutually satisfying agreement / understanding / position by different actors/ parties having differing viewpoints initially – upon effective negotiation they reach an agreed position, which satisfies all.

General principles of negotiation

- **Know what you are trying to accomplish**
- **Develop a game plan before negotiations start**
- **Study and understand your counterpart**
- **Work towards a win-win**
- **Avoid negotiating with yourself**
- **React strongly to an untrustworthy party at the negotiating table**
- **Remember that it takes two parties to negotiate or renegotiate a deal**

So, before entering a negotiation, be well prepared. Know when you are willing to walk away. Understand your situation and that of the other party, including strengths, weaknesses and alternatives. If you are in a long-term relationship with the other party, drive for a win-win. Exercise caution driving for a win-lose. People have long memories, and you might encounter them again, perhaps when they are in a position of relative strength.

Relevant technique for influencing others to achieve workplace objectives

1. **Identify the Audience:** Figure out who you will need to influence. Weigh the variables such as a difference in generation, the level of understanding for the project, personality, and any details that can cause a significant impact. Then choose the leadership style that best fits the goals. Pick up on any non-verbal cues that show resistance or approval. Try to determine who has the most influence on the decision. Nurture those relationships with genuine interest.

2. **Identify the Wants and Needs:** In a meeting, most people lead with their own agenda at the forefront. Blazing ahead with great reasons and well thought out data. This is the reverse of an effective influencing technique as it does not align the interests of others before your request. Areas that could spell trouble should be forecast before promoting your idea. Knowing ahead of time is a great way to prepare and can direct your expected questions.

3. **Build Trust:** Research continues to show that it is important to create a connection before leading. Establishing this trust happens when the person recognises certain qualities in you:

   - People trust people who are like themselves
   - Aligned interests - Find mutual commitments or common values
   - Have a genuine concern for others
   - Capability or competence - The ability to deliver on your promises
   - Predictability and integrity - Consistent trustworthy attitudes
   - Listen fully, hear other sides and open to discussion

   Trust takes time to develop. If time is short and you need to show more commonality with the person, then you can use a technique called mirroring *(Mirroring is a method applied in sales and any other business negotiations. ... When mirroring, one person scans and subtly replicates the physical and verbal behaviours of another in order to establish rapport and empathy during a conversation)*. This gives the person a sense of comfort and familiarity.

4. **Explain the Win-Win:** If you have correctly followed steps one, two and three then you are certain to have a more receptive audience for step four. This is where reasoning comes in. Explain the advantages clearly and give examples. Nothing beats a strong argument that shows how the request ties to the needs of others. How are co-workers affected if they do-not take part? Pain points like this can often be as strong a motivator of support as if they do take part. Detail how the person or company is worse off, if they do not act.

Three negotiation strategies for conflict resolution

1. **Avoid being provoked into an emotional response:** By challenging, demeaning, and criticizing you, the other party (whether consciously or not) may be attempting to provoke you into an emotional response that will shift the balance of power in their favour

2. **Don't abandon value-creating strategies:** Disputants may also be able to create value by trading on their differing preferences and priorities. Suppose Party A places a high value on receiving a formal apology from Party B. Party B might be willing to grant the apology in exchange for a lower settlement payment to Party A. Through such trade-offs, negotiators can increase the odds of a peaceful and lasting resolution.

3. **Use time to your advantage:** The perceptions we hold about the dispute resolution process may change over time as a result of our experiences dealing with the conflict and with the other party. For example, a couple that endures a rancorous divorce might grow more cooperative over time for the sake of their children. Rather than viewing your dispute as permanently intractable, try to view it as being constantly in flux.

The Value of Networking

Depending where you are in the life cycle of a business (entrepreneur or established business), there are two key things that are found valuable about networking viz. learn something and get ideas. No matter where you are in your life, you can always learn something. This is a result of the world changing drastically every single day. You alone are not able to capture all of the change happening. Get outside opinions.

There are three types of networks important in business - Operational, Personal and Strategic. While a lot of managers excel at building and using their operational network, they often overlook their personal and strategic networks.

- **Operational networking** involves cultivating the relationships with people you need to accomplish your job. This may mean working closely with your HR manager to make sure you hire the right people or developing relationships within other departments to win support for your initiatives.
- **Personal networking** is an afterthought for many busy managers. These networks allow you to meet a diverse group of like-minded professionals. They also are a way to develop important social skills for many professionals and may be the first place you turn when you start thinking about changing careers.
- **Strategic networking** is the toughest but most essential if managers want to become business leaders. Ibarra explains that contact with peers and with senior executives in your field is vital and she encourages managers to look beyond their industry as well. This allows managers to share ideas about best practices in management, learn new approaches and keep close tabs on developments in business and technology. It helps managers to see the bigger picture and create their own visionary approach.

Delegation

Effectiveness of an entrepreneur will depend upon the level of performance of his employee or other. Delegation of authority is a process in which the authority and powers are divided and shared amongst the subordinates. When the work of a manager gets beyond his capacity, there should be some system of sharing the work. This is how delegation of authority becomes an important tool in organization function. Through delegation, a manager, in fact, is multiplying himself by dividing/multiplying his work with the subordinates.

Importance of delegation

1. A manager is able to divide the work and allocate it to the subordinates.
2. With the reduction of load on superior, he can concentrate his energy on important and critical issues of concern. This way he is able to bring effectiveness in his work as well in the work unit. This effectively helps a manager to prove his ability and skills in the best manner.
3. Delegation of authority is the ground on which the superior-subordinate relationship stands. The flow of authority is from top to bottom which is a way of achieving results.

4. Delegation of authority in a way gives enough room and space to the subordinates to flourish their abilities and skill. They get motivated to work and this motivation provides appropriate results to a concern.
5. Delegation of authority is not only helpful to the subordinates but it also helps the managers to develop their talents and skills. It is only through delegation, a manager can be tested on his traits.
6. Delegation of authority is help to both superior and subordinates. This, in a way, gives stability to a concern's working.

What Is Leadership?

Leadership captures the essentials of being able and prepared to inspire others. Effective leadership is based upon ideas (both original & borrowed) that are effectively communicated to others in a way that engages them enough to act as the leader wants them to act. A leader inspires others to act while simultaneously directing the way that they act. They must be personable enough for others to follow their orders, and they must have the critical thinking skills to know the best way to use the resources at an organization's disposal.

An entrepreneur as a leader

✓ Successful entrepreneurs have been competent leaders as to motivate and guide others to follow his dream / vision and / or an evolved common vision.

✓ Instruments that can be used to enhance leadership skills include imitating role models, analysing experiences of self and learning from those situations to modify behaviour and to enhance the effectiveness.

Developing leadership skills and effectiveness

✓ Develop skills of communication and negotiation and building trust of members

✓ A single leadership style will not work in all situations. One's style may have to vary

✓ Goal setting and goal selling to followers have been found very useful. Therefore, setting appropriate goals, communicating them clearly and providing support in terms of guidance go a long way to improve performance.

What is Systematic Planning?

In simple terms, systematic planning is 'developing and using logical, step-by-step plans to reach the goals'. It is possible by:

- Breaking a large task down into sub-tasks
- Developing plans while anticipating obstacles
- Evaluating alternatives
- Taking a logical and systematic approach to activities

Planning has been defined as the most basic of all managerial functions. It involves selecting purposes and objectives and actions to achieve them. This requires decision making, i.e., choosing the future course of action from alternatives. Plans thus provide a rational approach to pre-selected objectives.

The planning process

i) Fixing targets such as increasing sales / profits

ii) Fixing premises / assumptions regarding matters such as raw material prices

iii) Deciding quantitative targets of objectives

iv) Determining the resources required, such as men, material and money

v) Scheduling of activities

On account of changes in conditions, mistakes are committed. Therefore, a periodic measurement of the actual and comparing them with the planned targets and taking remedial measures is important for sustainability.

Entrepreneurial and management skill may be referred to as hard management skill and soft (entrepreneurial or intrapreneurial) skills, respectively. A director needs to act as an "intrapreneur" or an "entrepreneurial-manager" within FPO. Hard skill have reference to techno-managerial skill while soft skill have more to do with personality and internal behavioural traits and characteristics of intrapreneurial manager or director.

Managing Enterprise

Effectively managing a business enterprise involves many aspects. From the day-to-day to the large-scale annual events, managerial duties are often never-ending. A solid leadership and understanding of the industry are a great start, but these alone will not create solid management in a business.

1. Lead with knowledge and confidence: To build your leadership skills, find a more experienced manager willing to mentor you. Use networking to connect with managerial staff from other companies that can give you wisdom. In this ever-changing world, it is crucial that you stay current and informed on any technology, products and practices that relate to your organisation.

2. Delegate effectively: No matter how skilled you are, you will not be able to manage everything on your own. However, delegating can create more work for you if you do not do it well. Make a list of things that you know you must do yourself and things that could successfully be accomplished by another. Your time should be spent in the areas in which you excel, but be careful not to over-delegate. If you have given too many tasks away, you will spend all of your time monitoring their progress, leaving you unable to accomplish your own tasks.

3. Hire the right employees and manage them with care: Interview and screen every candidate, performing background checks and credit checks, especially if they will be handling money. Be purposeful about job descriptions so that the eventual employee will know of your expectations and be clear about what is required of them. Set clear expectations in employee manuals and be prepared to consistently enforce those expectations. Consequences for unethical or inappropriate behaviour should be labelled in employee manuals.

4. Motivate and train your employees: As business practices and technology change, it is important to educate your employees. Motivate them with bonuses and rewards for specific achievements. Building employee morale will benefit you and the business. Share the organisation's success with the employees to give them a sense of ownership and belonging.

5. Meet the needs of your customers: Your employees should be well-trained in customer service, but you should lead as their best example. Make it a priority to truly listen to the needs of your customers. Ask appropriate, open-ended questions about the customer's needs and desires.

6. Market your company effectively: Although the business owner may have a paid marketing staff, you must still be willing to use your own skills. You may be required to coordinate and create

marketing activities, including print media, target market research, advertising and customer communication.

Inter personnel skills

Interpersonal skills are **the qualities and behaviours we exhibit while interacting with other people.** They are considered to be one of the most sought after types of soft skill. We demonstrate them whenever we engage in any kind of verbal or nonverbal communication. In fact, qualities as basic as body language and attitude toward others greatly affect our chances of excelling at work. Strong interpersonal skills are a key indicator of success in a working environment, as benefits include the ability to cooperate with teammates to solve difficult problems, as well as simply enhancing your popularity around the office. On the other hand, lacking them might lead to conflicts with colleagues or management and cause others to see you as a hindrance to getting the job done. **The most effective interpersonal skills examples are as under:**

1. Emotional Intelligence: Emotional intelligence refers to the ability to keep one's emotions under control and navigate social situations with composure. Employers are looking for individuals who can keep calm under pressure and avoid pushing their personal frustration onto others. This is **invaluable in any position that requires teamwork or communication between colleagues.**
2. Communication: Communication is a quintessential interpersonal skill that must be demonstrated to potential employers. Hiring managers are looking for individuals who can clearly articulate complex ideas to others. Any job that involves team-based collaboration, or deals directly with customers or clients, requires both verbal and non-verbal communication abilities**. Effective body language and eye contact are just as important** as the words you use to express your thoughts.
3. Reliability: Reliability encapsulates your work ethic and the integrity to see things through to the end. Simply being on time for work every day puts you on the fast track for promotion, and always fulfilling promises is a key way to earn social capital in the workplace. Arriving on time and completing high quality work goes a long way in overcoming common negative stereotypes and earning a solid reputation.
4. Leadership**:** Leadership is an interpersonal skill that sets candidates apart from their peers. Employers are looking for motivated and **capable workers who can inspire others** and **take charge when work needs to be finished.** Leadership involves not only giving orders and making an operational plan for the company, but also getting the most out of every employee and helping everyone feel like they are making valuable contributions to the organization.
5. Positivity: Candidates and employees who demonstrate positivity are much more likely to find success in a position and be well-liked at the company. Positivity is especially important for administrative assistants, because maintaining a cheerful attitude is **valuable in helping others keep stress levels down and in generating a feeling of optimism throughout the office.**
6. Negotiation**:** Negotiation is not only the act of buying or selling goods, but **any interaction in which two or more people engage in a discussion in an attempt to come to a shared agreement.** Interpersonal communication skills naturally play a large role here, but critical thinking and problem solving are also keys to finding the best solution available to satisfy all parties.
7. Openness to Feedback: No company wants an arrogant or unteachable employee, so it's great to show a willingness to receive feedback and use it to grow. A professional mind-set calls for suppressing one's ego and focusing on the objective requirements for an assignment or project. As a result, **individuals who accept constructive criticism have a better chance of coming out on top in the long run.**

8. Empathy: People at work gravitate towards those who are capable of showing empathy and taking actions consistent with an understanding of how others feel. Empathy can be displayed at work in a variety of ways. For example, you could lend an ear to a colleague experiencing problems in the organisation or, support a project when an unforeseen difficulty strikes.
9. Teamwork: Teamwork is another great interpersonal skill to have in your repertoire. Modern workplaces often require employees to rely on each other in some capacity and be willing to support others when called upon. Effective teamwork involves **knowing when leadership is required** and **when it's okay to stand back and be a supportive project member.**
10. Active Listening**:** It's easier to demonstrate being a good listener during a face-to-face discussion, but it's still valuable to show your willingness to listen and respect others on your resume. Being open to the ideas of others will lead to an environment where all employees feel free to share their thoughts. In addition, **actively listening enables you to clearly understand** all instructions and thus deliver work that satisfies requirements.

Summary of soft skills

Persistence	Efficiency orientation
Initiative	Systemic Planning
Seeing and acting on Opportunities	Problem Solving
Information Seeking	Self Confidence
Concern for Work Quality	Assertiveness
Commitment to works contract	Persuasion
Employment of Influence Strategies	

Persuasion and use of influence strategy

There are many influence strategies available to an entrepreneur to persuade people to act in a required manner.

✓ Business potential
✓ Knowledge
✓ Relationship building
✓ Facilitate involvement
✓ Effective negotiation

The various persuasion and influence strategies need to be employed. The success of business will depend on intrepreneur initiatives within and outside his business premises. One can influence activities within a business but not easily with outsiders like bankers, term-lending institutions, and suppliers. However, she/he may employ different influence tools where feasible/appropriate. Existing FPOs may use the lever of giving or withdrawing business to influence the behaviour. A potential / new intrapreneur in a FPO needs to convince others of the potential of the business. This needs three things:

- Hard evidence of the potential
- A credible action plan
- Evidence on competence of the intrapreneur

A well-drawn business plan may serve as an influence mechanism. Knowledge / information on one's business, expertise in some aspects of the business serve as an effective influencing strategy. Associating with experts can also help. Building relationship through networking is another tool of influencing. A known person is more likely to evoke a more favourable response. Involving people in what one is doing is another way in which one can influence others. In negotiation the methodology involves identifying basis of mutual benefits and then to appeal to it. While using the entire gamut of skills, properly planned communication can be a powerful tool of influencing.

SESSION - IV

CONCEIVING & DRAFTING BUSINESS PLANS: AN INTRODUCTION

What is business plan?

A business plan is a document that summarizes the operational and financial objectives of a business. It is a business's road map to success with detailed plans and budgets that show how the objectives will be realized. A business plan is a guide for how a company will achieve its goals. For anyone starting a business, crafting a business plan is a vital first step. Having these concrete milestones will help track the business's success (or lack thereof). There are different business plans for different purposes, and the best business plans are living documents that respond to real-world factors as quickly as possible.

Coverage of Business Plan

- What is to be produced / offered, how and when?
- How much investment is required?
- Where will investment come from?
- Where could loan be secured from? What are its terms & conditions? Can loan be comfortably serviced?
- Can a business survive fluctuations in any of the key parameters?
- What is the payback period of the investment?

How Does a Business Plan Work?

If you have an idea for starting a new venture, a business plan can help you determine if your business idea is viable. There's no point in starting a business if there is little or no chance that the business will be profitable, and a business plan helps to figure out your chances of success. In many cases, people starting new businesses don't have the money they need to start the business they want to start. If start-up financing is required, you must have an investor-ready business plan to show potential investors that demonstrates how the proposed business will be profitable. Business owners have

leeway when crafting their business plan outline. They can be short or long, and they can include whatever detail you think will be useful.

A good business plan follows generally accepted guidelines for both form and content. There are three primary parts to a business plan:

- The first is the *business concept*, where you discuss the industry, your business structure, your particular product or service, and how you plan to make your business a success.
- The second is the *marketplace section*, in which you describe and analyze potential customers: who and where they are, what makes them buy and so on. Here, you also describe the competition and how you'll position yourself to beat it.
- Finally, the *financial section* contains your income and cash flow statement, balance sheet and other financial ratios, such as break-even analyses. This part may require help from your accountant and a good spreadsheet software program

  Breaking these three major sections down even further, a business plan consists of seven key components:

  1. Executive summary
  2. Business description
  3. Market strategies
  4. Competitive analysis
  5. Design and development plan
  6. Operations and management plan
  7. Financial factors

Market Analysis: The market analysis will reveal whether there is sufficient demand for your product or service in your target market. If the market is already saturated, your business model will need to be changed (or scrapped). The objectives of the market analysis section of a business plan is:

- Know your market
- To study whether the market is large enough to build a sustainable business

In order to do that, the following needs to be studied:

- Demographics and Segmentation: Volume and Value/Potential customer/Market Value
- Target Market: The target market is the type of customers you target within the market
- Market Need: Details of the drivers of demand for your product or services.
- Competition: Understand competitors' positioning and assessment of their strengths & weaknesses
- Barriers to Entry: What prevents someone from opening a shop in front of yours and take 50% of your business? and what makes you think you will be successful in trying to enter this market?
- Regulation: The main regulations applicable to your business.

Competitive Analysis: The competitive analysis will examine the strengths and weaknesses of the competition and help direct your strategy for garnering a share of the market in your marketing plan. If the existing market is dominated by established competitors, for instance, you will have to come up with a marketing plan to lure customers (lower prices, better service, etc.). Competitive analysis is an exercise of comparing your business, product, and service with other companies and finding similarities and differences. The most critical part of kicking off a competitive analysis is choosing the right competitors to analyse. But how can you develop a list that accurately reflects your real competitors? Here's what you need your organization to align on first:

- Customer (Who): Who are your target customers (and companies)?
- Problem (What): What core problem does your product solve for your target customers?
- Product Category (How): How do you solve this problem? Are you solving this problem with a unique technology or process?

Management Plan: The management plan outlines your business structure, management, and staffing requirements. If your business requires specific employee and management expertise, you will need a strategy for finding and hiring qualified staff and retaining them.

Operating Plan: The operating plan describes your facilities, equipment, inventory, and supply requirements. Business location and accessibility are critical for many businesses. If this is the case for your business, you will need to scout potential sites. If your proposed business requires parts or raw materials to produce goods to be sold to customers, you will need to investigate potential supply chains.

Financial Plan: The financial plan is the determining factor as to whether your proposed business idea is likely to be a success. If financing is required, your financial plan will determine how likely you are to obtain start-up funding in the form of equity or debt financing from banks, angel investors, or venture capitalists. You can have a great idea for a business, along with excellent marketing, management, and operational plans, but if the financial plan shows that the business will not be profitable enough, then the business model is not viable and there's no point in starting that venture.

Plan Updation: Here are seven reasons to think about updating your business plan. If even just one applies to you, it's time for an update.

1. A new financial period is about to begin: You may update your plan annually, quarterly or even monthly if your industry is a fast-changing one
2. You need financing, or additional financing: Lenders and other financiers need an updated plan to help them make financing decisions
3. There's been a significant market change: Shifting client tastes, consolidation trends among customers and altered regulatory climates can trigger a need for plan updates.
4. Your firm develops or is about to develop a new product, technology, service or skill: If your business has changed a lot since you wrote your plan the first time around, it's time for an update
5. You have had a change in management: New managers should get fresh information about your business and your goals
6. Your company has crossed a threshold: Crossing certain level of sales mark
7. Your old plan doesn't seem to reflect reality any more: Maybe you did a poor job last time; maybe things have just changed faster than you expected. But if your plan seems irrelevant, redo it.

Case Example

Purvanchal Poultry Producer Company Limited (PPPCL), Deoria (UP)

Background: Considering the primarily agrarian economy of district Deoria (UP), developmental interventions in agriculture and allied sector were essential to speed up the pace of the economy of the district. Barring sector like farm mechanization, investment credit in agriculture was not picking up. In 2011, though, animal husbandry in general and dairy and poultry activities in particular held good potential in the district, however, bankers were not keen to finance poultry due to very small presence of poultry units in the district and also the absence of limitation of getting insurance for

this activity. In view of the above, the developmental focus was shifted to demand side interventions (entrepreneurship development) rather than supply side (Banks) initiatives. The initiatives resulted in tremendous success and now the district stands first in egg production in Uttar Pradesh.

Particulars	Unit	2011	2016	2018	2019
Poultry Layer Units	No.	10	150	200	250
Poultry Layer Birds	No.	53530	1000000	1500000	2000000
Poultry Broiler Units	No.	340	1200	1000	1000
Poultry Broiler Birds	No.	172052	1200000	1000000	1000000
DOC Business	Rs. Lakh	225.29	2352.78	1725.00	1900.00
Poultry Feed Business	Rs. Lakh	1121.95	11351.91	12628.67	15983.81
Poultry Meet Business	Rs. Lakh	1083.93	8640.00	7200.00	7200.00
Poultry Eggs Business	Rs. Lakh	485.38	8402.60	14235.00	18980.00
Poultry Support Services	Rs. Lakh	86.03	600.00	500.00	500.00
Total Poultry Business in Dist. Deoria, UP*		**3002.58**	**31347.29**	**36288.67**	**44563.81**

*** Note: Capital Investment, value additions on account of primary processing of poultry meat, wholesale / retail business of eggs, Value of poultry manure, Medicines and Medical Consultancy and employment generation are not included in above estimate**

However, the sector was still facing bottlenecks in availability of inputs (costly & low quality feed), high mortality rates and timely availability of DOCs, lacks of medical facilities and marketing of the eggs and broilers.

In the next phase of the development (2014-15 and 2015-16), 150 poultry layer units were established and egg production reached a level of about 8 to 9 lakhs per day. On analysis of the complete value chain of poultry sector, it was decided to focus upon and plan for aggregate marketing. To begin with, a meeting with poultry farmers both a village & block were organised and through organised mobilization process, the interested farmers were brought under the one umbrella. This lead to formation of the **Purvanchal Poultry Producer Company Limited** in Deoria district which was incorporated on 30th of October 2015 with an authorized capital of Rs.10.00 lakh and paid capital of Rs.6.00 lakh. The same has now increased to Rs.20 Lakh and Rs.16.26 lakh, respectively.

The company started with aggregate marketing of eggs in January 2016 and aggregate feed production was initiated in June 2016.

Key components of Business

What is to be produced / offered, how and when	75 to 80% of the operational cost of the poultry development is feed. Further, viability of the poultry unit is strongly linked to cost of the feed. Even 25 paisa per kg change in cost of the feed will make big difference in the IRR. Further, nutritional value of the feed *(energy content, digestible protein content, carbohydrate, fat, micronutrients etc.)* will affect the efficiency of egg production and boiler meat. Hence, first important intervention chosen was aggregation of feed ingredients, processing and distribution among the growers to enable reduction of feed cost and improved feed quality.

	
How much investment is required?	**Initial Business plan and implementation:** Initially, a small feed unit of one of the director was taken on custom and hiring basis for processing and storage of the feed. **Evolving business plan as per the needs:** To facilitate transport services and income generation through mechanization, a Farm Machinery Centre with TFO of Rs.11.50 Lakh was established with credit support (IDBI Ltd.) of Rs. 9.0 lakh and convergence under "Sub Mission on Agriculture Mechanization" Scheme of GoI. Later on to meet increased demand, a new feed mixing unit with a processing capacity of 2 tonne per hour with Financial Outlay of Rs.14 lakh was established with credit support of Rs. 8.0 lakh from DCCB, Deoria which was converged with the "EDGE component of Poultry Venture Capital Fund Scheme" of GoI.
Sources of Funds used	**Initial source of fund:** ✓ Paid up capital of Rs.12.02 lakh ✓ Rs. 0.50 lakh from "Produce Fund" **Subsequent Source of fund:** ✓ Incremental paid up capital ✓ Reserves and surplus on account of profits ✓ Invest credit of Rs.9.0 lakh from IDBI Ltd. ✓ Invest credit of Rs.8.0 Lakh from DCCB, Deoria ✓ Subsidies from CSS and State Sponsored Schemes ✓ Equity grant from SFAC
Securities offered	■ Loan against farm machinery centre was secured against the primary security and locking of subsidy in bank. ■ Loan against new feed mixing unit was secured against the FDR of one of the director of the company and locking of subsidy in bank. ■ Loan was comfortably serviced due to convergence of the Government Sponsored scheme and profit earnings
Could the business diversification withstand the fluctuations?	Diversification of the activity enabled the company to hedge the market risk (poultry sector passes through price fluctuation of eggs, sharp increase in price of maize ingredient, production cost of feed and unhealthy competition from feed companies)
What was the payback period of the investment?	Payback period of the investment credit was of 5 years and all repayments have been made by the company in time

Elements of Business Planning

Business Idea	Business plan was conceptualised on the basis of 1) *aggregation of inputs* (feed ingredients) 2) *Value addition* (feed processing) and 3) *marketing of finished products* (supply of finished feed to poultry growers)
Market & Marketing	**Potential Customer:** There were 150 poultry layer units and 1200 small broiler units operating in the district. Total business of the poultry sector was about 313.47 crore. Of which, feed business segment comprising to the extent of 113.52 crore. It was thought that if PPPCL was able to undertake 4% of the feed business then estimated turnover of the company would be around Rs. 4.5 crore per annum. **Quality and provision of flexible segment**: Provision was made that any poultry grower can take help of any feed formulation expert from within or outside the company and processing of the feed ingredient can be undertaken in presence of growers or their representatives. **Pricing:** Unit cost of the feed was estimated on the basis of feed formulation formula provided by the experts, prevailing market price and profit margin. Profit margin of the company was decided by the BODs keeping in mind that price should be lower than the market price to face the competition
Finance	**Operational Strategy:** It was decided that feed would be supplied to growers on credit up to amount of paid up capital contribution and grower had to pay the credit amount before subsequent purchase. This cycle was generally of 15 to 20 days. **Meeting the working capital requirement** • Paid up capital of the company • Supply credit for 7 to 15 days • Support under PRODUCE Fund of NABARD **Capital Investment** • Office infrastructure created through support under PRODUCE Fund from NABARD • Initially, one Eicher diesel engine with TFO of Rs. 0.85 Lakh purchased from paid up capital to run the old feed mixing unit taken on custom and hiring basis.

Financial Plan of PPPCL

Techno economic parameters

Present capacity of feed production unit established at Harriya Basantpur, Hata - Deoria Road in District Deoria	10 MT/day
Additional required capacity of feed production unit proposed at village Kaithwalia, Block Tarkulwa in District Deoria	24 MT /day

Present Size of Birds for which feed is being produced	80000 birds
Projected Size of Birds for which feed would be required	**210000 birds**
Feed requirement up to laying, i.e. 20 weeks (kg/bird)	8.5
Feed requirement during laying (kg/bird) - 52 weeks laying	40.0
Feed requirement of Broiler Birds up to 40 days - Kg/bird	4.0
Sale price of Layer Feed (average price Rs/kg)	22
Sale of Broiler Feed (average price Rs/kg)	25
Gross Margin (%)	**4.5**
Net Margin (%)	**3.0**

Financial Parameters

Size of the poultry feed industry in District, Deoria

(Rs. Lakh)

Year	No of Layer Birds	Business of Layer Feed	Margin under layer Feed	No of Broiler Birds	Business of Broiler Feed	Margin under broiler feed	Total feed business	Gross Margin
2016	1000000	7370	-	1200000	8400	-	15770	-

Projected business plan of PPPCL, Deoria (UP)

(Rs. Lakh)

Year	No of Layer Birds	Business of Layer Feed	Margin under layer Feed	No of Broiler Birds	Business of Broiler Feed	Margin under broiler feed	Total feed business	Gross Margin
2016	80000	407	12.21	5000	35	1.05	442	13.26
2017	100000	508	15.24	10000	70	2.10	578	17.34
2018	120000	610	18.30	15000	105	3.15	715	21.45
2019	140000	711	21.33	20000	140	4.20	851	25.53
2020	160000	813	24.39	25000	175	5.25	988	29.64
2021	170000	864	25.92	30000	210	6.30	1074	32.22
2022	180000	915	27.45	35000	245	7.35	1160	34.80
2023	190000	965	28.95	40000	280	8.40	1245	37.35
2024	200000	1016	30.48	50000	350	10.50	1366	40.98
2025	210000	1067	32.01	60000	420	12.60	1487	44.61

Financial analysis

(Rs. Lakh)

Year	Benefits	Cost	Net Benefits
2016	3.32	17.16	-13.85
2017	8.67	3.03	5.64
2018	10.73	3.75	6.98
2019	12.77	4.47	8.30
2020	14.82	5.19	9.63
2021	16.11	5.64	10.47
2022	17.40	6.09	11.31
2023	18.68	6.54	12.14
2024	20.49	7.17	13.32
2025	22.31	7.81	14.50
		Present worth of benefits	**62.11**
		Present worth of cost	**35.65**
		Net present worth of benefits	**26.46**
		BC ratio	**1.74**
		IRR	**54%**

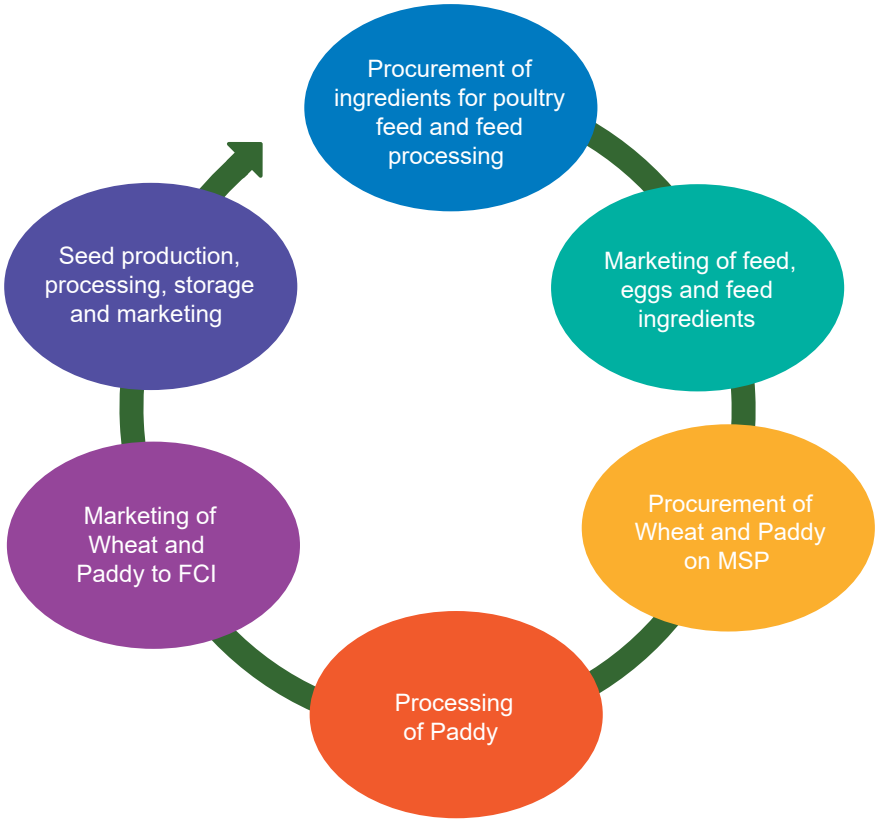
Risk Mitigation Business Plan

In the meantime, competition and malpractices of the feed companies tried to dislodge PPPCL by selling feed to poultry growers on credit up to 20-25 weeks. Further, there was need to enhance membership of the company. Hence, Company started procurement of wheat and paddy on MSP. This generated a requirement of establishment of a rice mill to supply processed paddy (rice) to FCI. The company established the facility by taking a second hand rice mill after repair and maintenance.

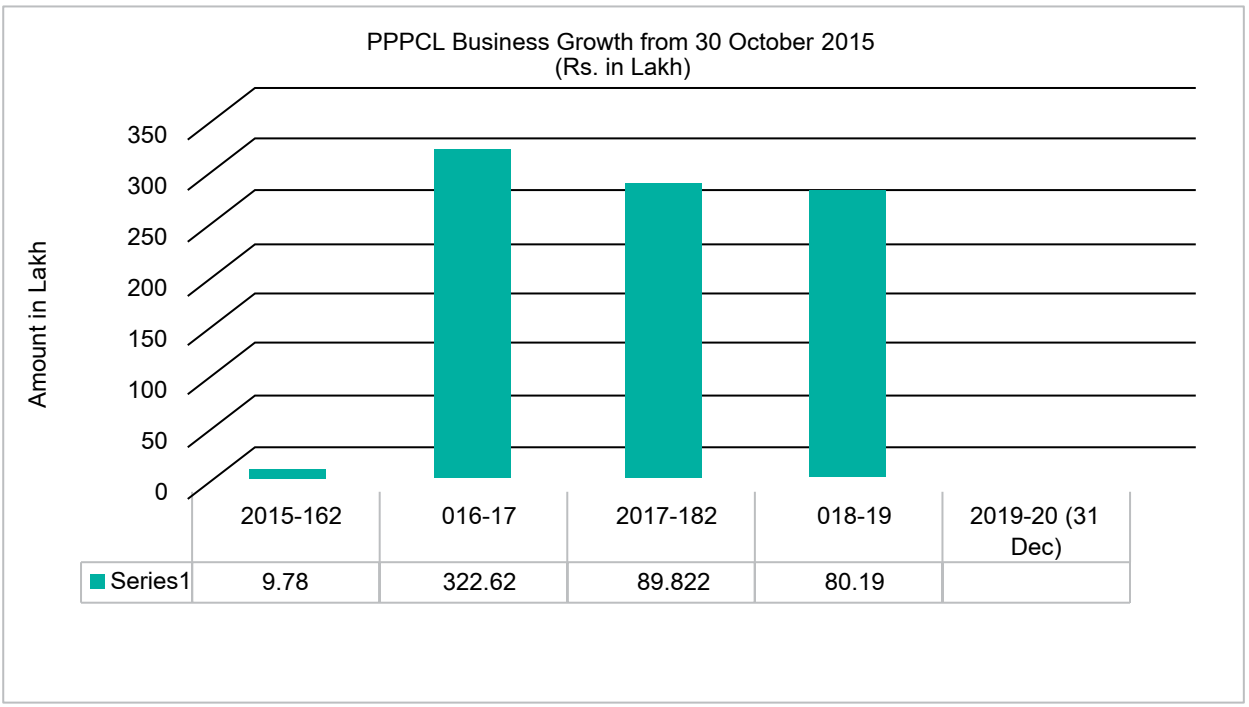
Diversification Business Plan

Now the company is in process of establishing seed processing unit through convergence with the State Government sponsored scheme (grant support available). This includes 4 activities viz. seed production, seed processing, seed storage and seed marketing. Necessary infrastructure support and services are in built under this scheme.

Business activities being undertaken by PPPCL, Deoria



PPPCL, Deoria – The Journey



साझा सफर देवरिया के 18 किसानों ने शुरू किया था काम, आज 500 से ज्यादा लोग हैं साथ

अपनी मुर्गी, अपना दाना... इनसे सीखें बिजनेस जमाना

खुशनुमा रविवार

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लखनऊ : भारतीय गन्ना अनुसंधान संस्थान परिसर में चल रहा किसान कुंभ अपने साथ कई कहानियां लेकर आया है। कॉन्ट्रैक्ट फार्मिंग के बिजनेस मॉडल को लोकल लेवल पर मुर्गी पालन में इम्प्लिमेंट करने की ऐसी ही दिलचस्प कहानी है देवरिया से आए किसान शंकर्षण शाही और उनके साथियों की। सफलता की कहानी पूर्वांचल पोल्ट्री उत्पादक कंपनी लिमिटेड के नाम से लगे स्टॉल पर देखने-समझने को मिल जाएगी। 18 किसानों से शुरू हुए इस साझा सफर से आज 500 से ज्यादा लोग जुड़ चुके हैं।

शंकर्षण शाही का कहना है कि उनकी कंपनी खेती से जुड़ी पहली कंपनी है जो कॉरपोरेट टैक्स दे रही है। इसकी शुरुआत 2015 से हुई। जुलाई में नाबार्ड की टीम देवरिया के हरैया बसंतपुर इलाके में किसानों के लिए चलाई जा रही योजनाओं के संबंध में ट्रेनिंग देने आई थी। इस दौरान नाबार्ड के अफसर राजेश यादव ने उन्हें फूड प्रॉसेसिंग कंपनी खोलने की सलाह दी और बारीकियां भी समझाईं। यह आइडिया ट्रेनिंग में मौजूद 18 लोगों को पसंद आया। लेकिन कोई भी नया लोन लेने के झमेले में नहीं फंसना चाहता था। ऐसे में तय हुआ कि जिसके पास, जितना भी पैसा है, पूल करेगा और काम शुरू किया जाएगा। मुर्गी का दाना बनाने की प्रॉसेसिंग मशीन और जनरेटर खरीदने में 12 लाख रुपये खर्च हुए। 18 किसानों में से कई पहले ही पोल्ट्री फार्म चला रहे थे। ऐसे में वे अपनी ही कंपनी से दाना खरीदने लगे और धंधा चल निकला। 15 अक्टूबर 2015 को शुरू हुई कंपनी पिछले दो वित्तीय वर्ष में 8 लाख से ज्यादा का कॉरपोरेट टैक्स भर चुकी है। कंपनी के निदेशक वेद व्यास सिंह बताते हैं कि हमारी सफलता सिर्फ हमारी ही नहीं है। दाना बनाने के लिए मक्के, धान व जौ आदि की जरूरत होती है। हम आसपास के करीब 500 किसानों से ही कच्चा माल खरीदते हैं। इससे उनकी मंडी तक की दौड़ भी बचती है।

NBT

किसान कुंभ में पूर्वांचल पोल्ट्री उत्पादक कंपनी स्टॉल लगाकर दे रही है पोल्ट्री फार्मिंग की जानकारी।

ऐसे बढ़ी कंपनी

5 लाख रुपये टैक्स दिया 2016-17 में

3 लाख रुपये टैक्स दिया 2017-18

2 साल में 20 लाख रुपये से ज्यादा की स्थायी सम्पतियों का निर्माण

दो लाख की बिक्री रोजाना

वेद का कहना है कि एक मुर्गी आमतौर पर एक दिन में 100 ग्राम चारा खाती है। छोटे से छोटे पोल्ट्री फार्म में 2000 मुर्गियां होती हैं। ऐसे में प्रति दिन 200 किलो चारे की खपत होती है। हमारी कंपनी 20 रुपये प्रति किलो के हिसाब से फार्म मालिक को चारा उपलब्ध करवाती है। यानी 4000 रुपये का चारा तो एक फार्म लग ही जाता है। हम रोजाना एक लाख से ज्यादा मुर्गियों के लिए रोज चारा तैयार करते हैं। यानी दो लाख रुपये का माल रोज बिकता है।

SESSION - V

UNDERSTANDING THE VALUE CHAIN CONCEPT - ASSESSMENT OF BUSINESS OPPORTUNITIES

What is agriculture value chain?

It normally refers to the whole range of goods and services necessary for an agricultural product to move from farm to its final customer. The World Bank's definition of the term "value chain'' describes the full range of value adding activities required to bring a product or service through the different phases of production, including procurement of raw materials and other inputs".

Why talk about agricultural value chains?

- Small-scale farmers in India and elsewhere in the world often say that receiving low prices for their produce is a major challenge. Typically, a farmer waits for traders to visit his farm. The trader offers a low price and won't buy the entire crop. The farmer is unhappy – time and effort are not well-rewarded. He / she may blame the trader for her problems.
- Farmers and traders often fight over prices. Farmers may cheat traders by putting low-quality produce at the bottom of crates, and traders may cheat farmers by using inaccurate weights and measures. There is often a lack of trust between the two. This results in the value chain not working as well as it could, which means worse outcomes for everyone.
- The trader sells the farmer's produce to a processor, who supplies a wholesaler, who supplies a retailer, who supplies a consumer, with transport and other links in between. Each player in this chain adds value, and in return receives an economic return, usually called "economic rent." The amount each actor in the chain receives varies between different products and value chains. But the price the farmer receives for his raw goods is only a small fraction of the price paid by the consumer.
- As individuals, small-scale farmers are often at a disadvantage in these kinds of value chains. Because many farmers grow crops or raise animals on an individual basis, they have little bargaining power. They have little or no influence on the price traders pay them for their produce, or the price they pay input suppliers for seeds, fertilizers, pesticides, etc.

- Also, farmers often lack information about the market for their produce. For example, they may not know how much their produce is really worth, and how much more they could earn if, for example, they transported it to a nearby market rather than selling it to a trader. They may not know who the other players in the market are; they may not know what happens to their produce after they sell it; and they may not know what types of products consumers want. In many cases, the farmer is growing the wrong crop for the market. For all these reasons, it is difficult for farmers to benefit fully from the value chains they are already involved in.
- In part, farmers unknowingly contribute to their own problems. For example, a farmer might produce mangoes of all kinds. Some are large and healthy, others small and spotty. The farmer packs all her mangoes together in a crate. The trader doesn't know what quality to expect, so offers a low price.
- To increase their income and capture more of the value ("economic rent") in the value chain, farmers need to "upgrade" their involvement in the value chain. There are many ways to do this. One step they must take is to become a "crop specialist." A crop specialist is a farmer who has improved his or her farming practices and is producing goods for the market in an efficient and productive way. For example, by using better farming practices, the farmer can produce more mangoes – and higher quality mangoes. This satisfies both the buyer and the consumer.
- Other way of to increase their income in the value chain, farmers need to "upgrade" through framework of institutional model comprising aggregation and collectivization of their resources, production, operations, management and marketing by business participation more and more in the value chain.

What are the benefits of taking a value chain approach?

- The value chain approach considers the role of existing chain actors, supporting actors, and the policy environment. It allows us to look at current challenges in a value chain, as well as the opportunities for improving the efficiency of the value chain and the benefits for everyone involved. From a farmer's perspective, being part of a well-functioning value chain can bring greater income.
- Analyzing a value chain (identifying its challenges, weakness, and strengths) can help to identify new income-generating opportunities. Sometimes, participating in a well- functioning value chain brings farmers not higher incomes or prices, but a more stable and predictable income.
- Participating in value chains can help a farmer learn new skills and adopt improved practices. Instead of piling vegetables in a crate and trucking them to a trader or market, farmers can earn more money by doing basic processing on the farm. Even cleaning and grading produce can make a difference. Washing and packaging lettuce or tomatoes and delivering them to a local store or supermarket can earn a higher price. Peeling and cutting fruit can be an effective way of getting into the growing market for ready-to-eat food products near urban areas.

Who benefits from value chains?

Everyone who participates in a value chain adds value as the product moves from the beginning of the chain towards the consumer. In exchange for adding this value, all participants receive an economic rent. That is the main benefit or incentive for participating in a value chain. The people most likely to benefit from value chains are entrepreneurial, have a willingness to communicate with people in different parts of the value chain, and have the farm and financial resources and the knowledge to develop new markets or participate more effectively in current markets. Farmers who have little land, who are more remote from markets, who have fewer assets, who have language barriers and who are not involved in effective farmer organizations may find it more challenging to benefit from a value chain.

The importance of farmer groups

Farmers need to be well organized to compete in an increasingly demanding market place. Like becoming a crop specialist, joining a farmer organization is a necessary step for small-scale farmers who want to increase their income and capture more value in the value chain. Unlike individual farmers, farmer organizations have the resources to attract and build relationships with different links in the value chain, both locally and further afield.

Farmer organizations help individual farmers by combining the harvests of a number of producers, buying bulk inputs at lower prices on farmers' behalf, and giving farmers access to farm support services. By their sheer size, co-operatives have enough market power to raise the prices received by individual farmers and ensure that farmers receive a steadier, more secure income. Many farmer groups also include savings and loan schemes for their members. These schemes help farmers work with money, keep records, and learn financial skills that are essential to improve their businesses.

Aggregation models in agriculture value chain

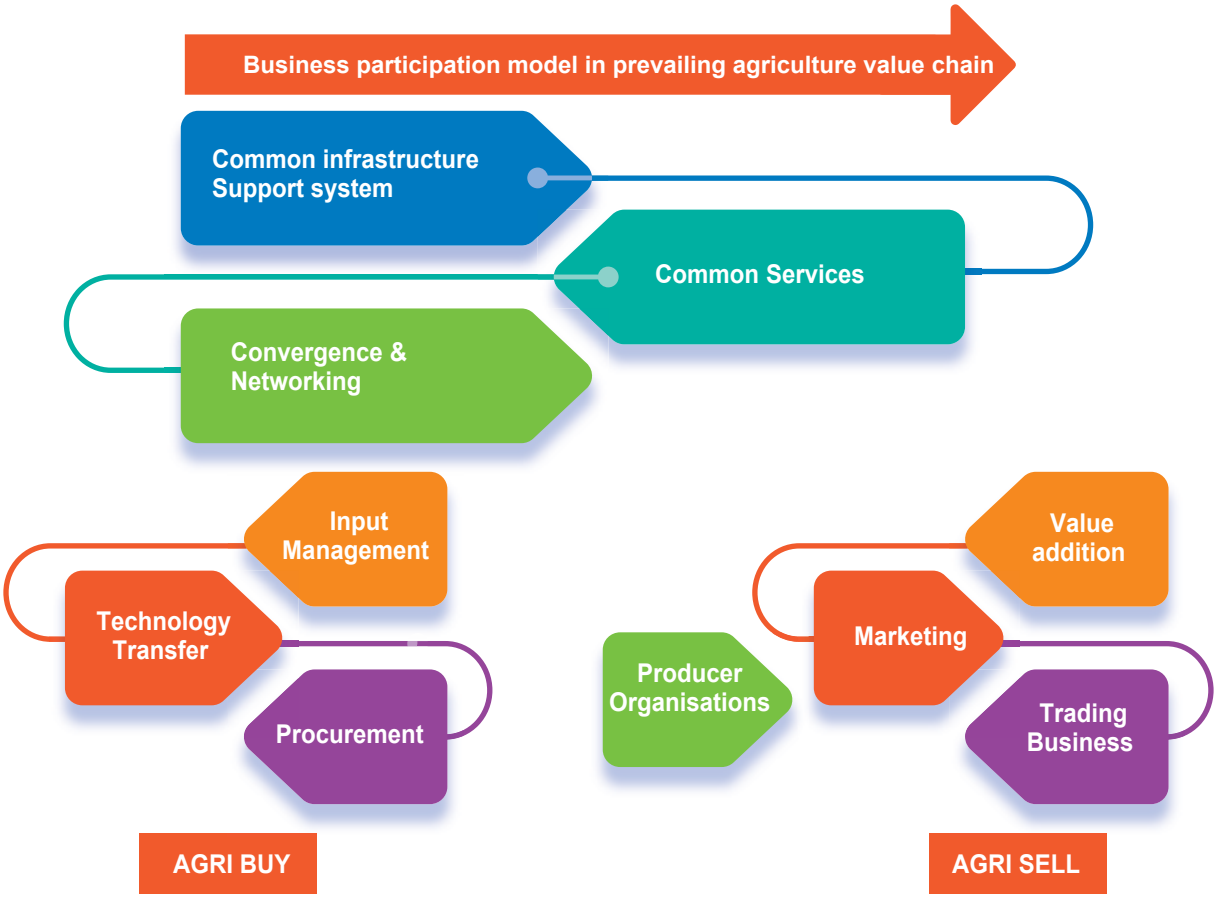
Aggregation brings together small farmers and buyers to achieve economies of scale, create market signal, and provide access to adjacencies in order to reduce friction with other third party ecosystem partner marketplace such as financial services. As one of the most important frameworks for powering small farming, **aggregation in agriculture has the potential to empower local agricultural communities across global markets.**

Opportunity of business participation in prevailing agriculture value chain

Enhancement of "economic rent" may be possible through more and more business participation of the producer in aggregation and collectivization of the individual resources, production and marketing in given institutional framework. One or multiple approaches of aggregations, depending upon the available resources, potential and prospects and enabling environment, can be undertaken by farmer producer organization which are as under:

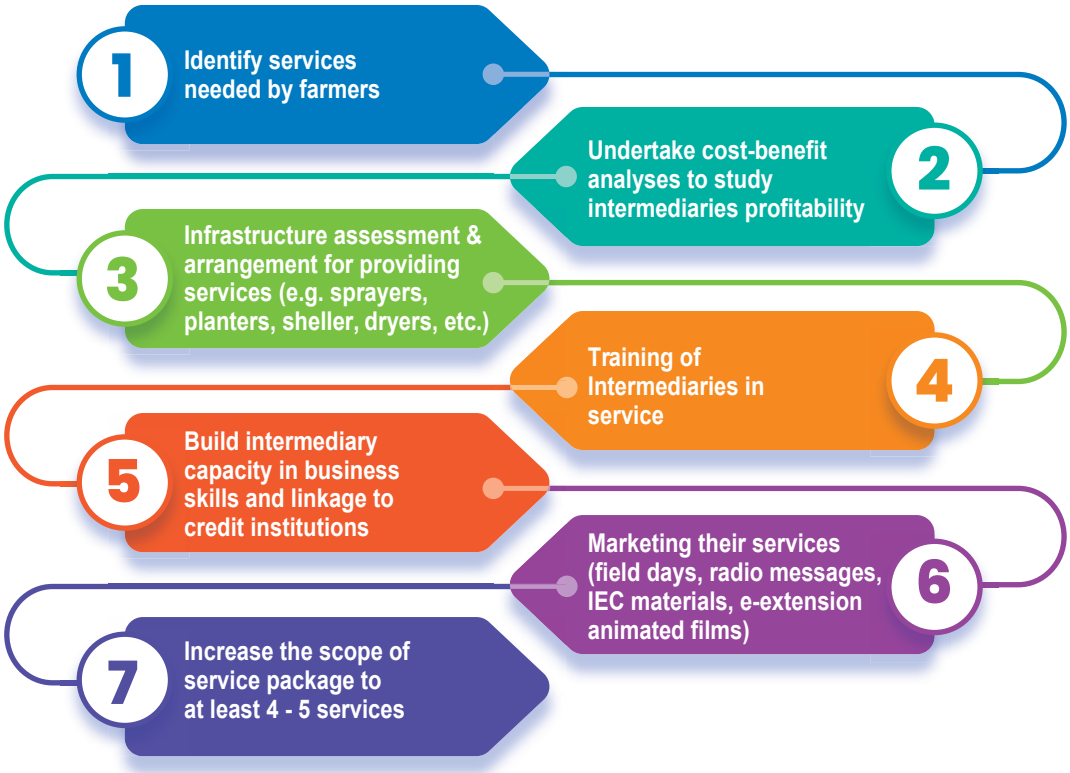
1. Participation to fulfil *technological gap*
2. Business participation in *input management (Aggregation of Inputs)*
3. Business participation in *Primary / secondary processing (Value Addition)*
4. Business participation in *marketing (Collective Marketing)*
5. Business participation in *trading business* during the lean period of the agricultural operation of concern FPO's members

Business participation model in prevailing agriculture value chain



Potential Farmer Activities/ Services required at FPO level

Identifications of the key areas required to be addressed by the intermediary (FPOs) is the prime important factor for the success of the FPOs. Step by step process would be as under:



Some of the illustrative activities according the agricultural value chain have been given in box given below:

Pre-Production	Production
✓ Crop insurance agent ✓ Soil testing agent ✓ Crop Monitoring agent (for banks, insurance companies) ✓ Custom Hiring services ✓ Digital profiling agent	✓ Input supply services ✓ Planting services ✓ Weeding services ✓ Pesticide spraying services
Post-Harvest	**Marketing**
✓ Shelling services ✓ Grain cleaning services ✓ Drying services	✓ Bulking/aggregation services ✓ Rural sales agent, non-agricultural products ✓ Rural banking and Digital Financial Services (DFS) agent

Principles of mapping agricultural value chain for Farmers Producer Organizations: There are four basic core principals which are required for mapping of existing agricultural value chains and assessment of the opportunity for FPOs to make business out of it.

Aggregation of Inputs	Collective Marketing
• Seed Purchase & Seed Production • Fertilizers & Micro Nutrients • Plant Protection • Mechanization	• Aggregation • Procurement (MSP) • Storage • Aggregate Marketing (domestic & Export)
Value Additions	**Trading Business**
• Primary Processing • Secondary Processing	• Purchase & selling of agri-produce (Members) • Purchase & selling of agri-produce (Others)

SESSION - VI

MARKETING PLANNING - DRAWING STRATEGIES – MARKET ACCESS, PRODUCT POSITIONING, PRODUCT MIX AND PRICING DECISIONS

Price Policy and Agricultural Marketing

The Government of India intervenes in the agricultural markets to achieve certain developmental objectives. The overarching reasons for effective government interventions are stated to be food security and price stability. The government intervenes in domestic market in various forms such as food grain procurement and distribution, price support, input subsidies and marketing legislations. The objectives and forms of intervention have undergone substantial changes over time. The interventions attempted to bring in regulation of various agricultural activities to protect the interests of producers and consumers. But, such regulations did not foster a competitive environment for fair play of market forces.

Procurement and Distribution

The Government of India's food grain policy aims at achieving reasonable price support and procurement system to increase farm income and making available food grains to consumers at reasonable price through distribution of subsidised food grains and price stabilisations/ buffer stock operations. The Food Corporation of India (FCI) is entrusted with implementation of food grains policy particularly for rice and wheat. FCI or the designated agency of state government procures paddy and wheat from the farmers at minimum support price (MSP). Additionally, FCI procures rice through a levy system from rice mills. Depending on the state, rice mills are required to deliver to the FCI from 10 to 75 per cent of their milled rice at the prescribed levy price. Wheat and paddy/ rice procured, thus are used to meet the demand for public distribution system, buffer stocks and other welfare measures. FCI's operations are intended to build buffer stocks to meet any exigency, open market sales to stabilise the domestic price and to meet the food security requirements.

Food subsidy

The economic cost of the process of food procurement and distribution includes three components, viz. price paid to the farmers, procurement operations and the cost of distribution. The difference between economic cost of food grains and the issue price of FCI is equivalent food subsidy.

Reform of APMC Act

Observing the inefficiency caused by licensing/registration, market controls and other interference introduced by APMC Acts, it was strongly felt that an alternative marketing system needs to be introduced. The government should facilitate smooth operations of the markets and should not control over it. Further, greater participation of private sector should be encouraged to make investments required for the development of marketing infrastructure and other supporting services.

The Ministry of Agriculture, Government of India in consultation with state governments formulated a Model Act, called "The State Agricultural Produce Marketing (Development and Regulation) Act, 2003. The important features of the Model Act are given below.

- ✓ Permission for establishment of Private Markets/Yards, Direct Purchase Centres, Consumer / Farmers Markets for direct sale and promotion of Public Private Partnership in the management and development of agricultural markets in the country.
- ✓ Provisions for separate constitution of Special Markets for Commodities like Onions, Fruits, vegetables, Flowers etc.
- ✓ A separate Chapter has been included in the legislation to regulate and promote contract-farming arrangements in the country.
- ✓ It provides for prohibition of commission agency in any transaction of agricultural commodities with the producers.
- ✓ It redefines the role of present Agricultural Produce Market Committee to promote alternative marketing system, contract farming, direct marketing and farmers/consumers markets.
- ✓ It also redefines the role of State Agricultural Marketing Boards to promote standardisation, grading, quality certification, market led extension and training of farmers and market functionaries in marketing related areas.
- ✓ Provision made for resolving of disputes, if any arising between private market/ consumer market and Market Committee.
- ✓ Provision has also been made in the Act for constitution of State Agricultural Produce Marketing Standards Bureau for promotion of Grading, Standardisation and Quality Certification of agricultural produce. This would facilitate pledge financing, E-trading, direct purchasing, export, forward/ future trading and introduction of negotiable warehousing receipt system in respect of agricultural commodities.

Price Support

Government's price support policy provides guarantee against sharp fall in commodity prices and helps ensure reasonable income to farmers. Presently, government sets minimum support price for 23 commodities. The Commission for Agricultural Costs and Prices (CACP) recommends the MSP for these commodities. The minimum support prices, especially for food grains, are being effectively implemented only in a few surplus states like Punjab, Haryana, Uttar Pradesh and Andhra Pradesh and only a small segment of farmers in the country are benefited (Acharya, 1997; Vyas, 2003; Chand et al, 2003).The government need not bear the commodity price risks once the income safety nets for the poor have effectively been put in place.

Reforms in Agriculture Marketing

Produce and Livestock Marketing (Promotion & Facilitation) Act, 2017

1. The entire State would be treated as a single market, doing away with the earlier notified area for an APMC
2. The Market Committee and State Agricultural Marketing Board would be fully democratized
3. Enhancing competition for the farmers produce by providing conditions for creation of private wholesale markets and farmer-consumer market yards
4. Reducing price spread by enabling direct contact between farmers and consumers or other end-user categories such as processors, exporters and so on
5. Freedom to the farmer to sell his produce to any person or agency at any place of his choice which may fetch him better returns
6. Declaration of warehouses, silos and other storage structures as markets or sub-market yards to enable direct linkage between the farmer and the buyer
7. Promoting e-trading to link markets across geographies and make trade process transparent
8. Single-point levy of market fee and single trading license across the State
9. Create conducive conditions such as inter-state trading license, grading, standardization, and quality certification for promoting a nation-wide, single agricultural market

The extent to which different states have adopted the 2017 model act is also different.

Three bills were passed by the Government of India in 2020, the gist of which is given below:

Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020

- Expands the scope of trade areas of farmers' produce from select areas to "any place of production, collection, aggregation".
- Allows electronic trading and e-commerce of scheduled farmers' produce.
- Prohibits state governments from levying any market fee, cess, or levy on farmers, traders, and electronic trading platforms for the trade of farmers' produce conducted in an 'outside trade area'.

Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020

- Provides a legal framework for farmers to enter into pre-arranged contracts with buyers including mention of pricing
- Defines a dispute resolution mechanism.

Essential Commodities (Amendment) Act 2020

- Removes foodstuff such as cereals, pulses, potato, onions, edible oilseeds, and oils, from the list of essential commodities, removing stockholding limits on such items except under "extraordinary circumstances"
- Requires that imposition of any stock limit on agricultural produce be based on price rise.

Feature	APMC Regime	Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020
Trade of Farmers' Produce	Farmers to only sell to licensed middlemen in these notified markets (Market Yard / Mandies)	Farmers free to sell in open markets (outside the trade area)
Alternative Trading Channels	Produce has been sold mainly in notified wholesale markets run by APMCs	Barrier-free inter-state and intra-state trade of primary agricultural commodities
Market Fee	Traders binds to obtain licensed and pay requisite tax to AMPC	Farmers and buyers of their produce to trade outside these tax-free markets
Electronic Trading	No such mechanism is there.	It allows the electronic trading of scheduled farmers' produce (agricultural produce regulated under any state APMC Act) in the specified trade area. It will also facilitate direct and online buying and selling of the agricultural produce via electronic devices and the internet.

Thus, there are initiative taken by the GoI to address the operational and legal issues listed above by enforcement of three farmer's bills, 2020. There is a framework for contract farming through an agreement between a farmer and a buyer prior to the production or rearing of any farm produce. The act links contract price to market price. Provision has also been given to ensure buying of entire agreed produce of grower by the contracting agency. It provides for a three-level dispute settlement mechanism: the conciliation board, Sub-Divisional Magistrate and Appellate Authority.

Strategic positioning

Positioning strategy can be conceived and developed in a variety of ways. It can be derived from the object attributes, competition, application, the types of consumers involved, or the characteristics of the product class. All these attributes represent a different approach in developing positioning strategy, even though all of them have the common objective of projecting a favourable image in the minds of the consumers. The general approaches involve:

- **Using Product characteristics or Buyer Benefits as a positioning:** This strategy basically focuses upon the characteristics of the product or customer benefits. Example organic produce. Further, *a product* can be positioned along two or more product characteristics at the same time.
- **Pricing as a positioning:** Quality Approach or Positioning by Price. Basically because of perception, as most of us perceive that if a product is expensive will be a quality product whereas product that is cheap is lower in quality. If we look at this Price – quality approach it is important and is largely used in product positioning strategy.
- **Positioning based on Use or Application:** Let's understand this with the help of an example like Nescafe Coffee for many years positioned itself as a winter product and advertised mainly in winter but the introduction of cold coffee has developed a positioning strategy for the summer months also.

- **Positioning strategy based on Product Process:** Another positioning approach is to associate the product with its users or a class of users.
- **Positioning based on Competitor: In** this type of positioning strategy, an implicit or explicit frame of reference is one or more **competitors.** In some cases, reference competitor(s) can be the dominant aspect of the positioning strategy of the firm, the firm either uses the same of similar positioning strategy as used by the competitors or the advertiser uses a new *strategy* taking the competitors' positioning strategy as the base.

Key aspects of agricultural marketing

Agricultural marketing comprising of all activities involved in supply of farm inputs to the farmers and movement of agricultural products from the farms to the consumers.

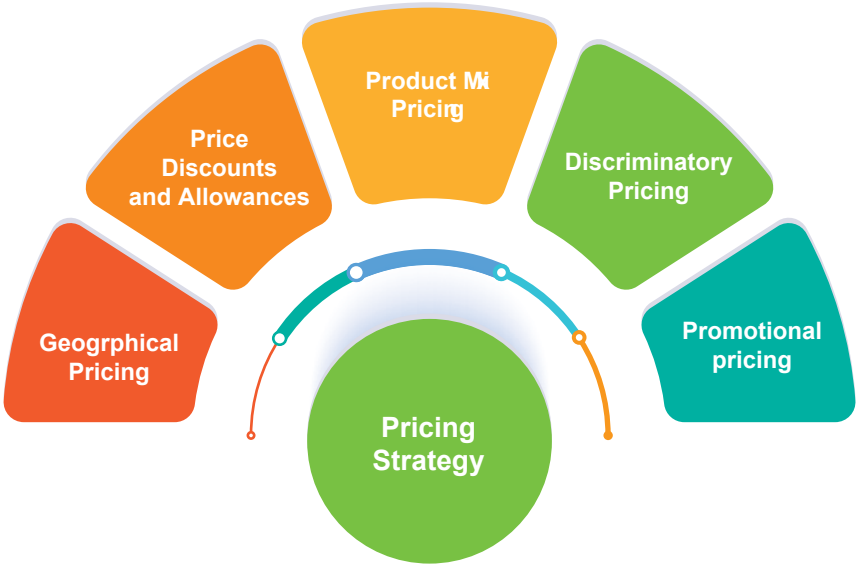
- The agricultural marketing system includes two major sub-system viz. product marketing and input (factor) marketing. The product marketing sub-system includes farmers, village/primary traders, wholesalers, processors, importers, exporters, marketing cooperatives, regulated marketing committees and retailers. The input sub-system includes input manufacturers, distributors, related associations, importers, exporters and others who make available various farm production inputs to farmers.
- The agricultural marketing system is understood and developed as a link between the farm and non-farm sectors. A dynamic and growing agriculture sector requires fertilizers, pesticides, farm equipment's, machinery, diesel, electricity, packing material and repair services which are produced and supplied by the industry and non-farm enterprises. The expansion in the size of farm output stimulates forward linkages by providing surpluses of food and natural fibres which require transportation, storage, milling or processing, packing and retailing to the consumers. These functions are performed by the non-farm enterprises. Further, if the increase in agricultural production is accompanied by a rise in real incomes of farm families, the demand of these families for non-farm consumer goods goes up as the proportion of income spent on non-food consumables and durables tends to rise with the increase in real per capita income. Several industries, thus find new markets for their products in the farm sector.
- The marketing system should be such as may bring about the overall welfare to all the segments (producers, consumers, middlemen and traders) society. Government act as a watch-dog in ensuring the interest of all the groups associated in the marketing.
- The subject of agricultural marketing includes marketing functions, agencies, channels, efficiency and costs, price spread and market integration, producer's surplus, government policy and research, training and statistics on agricultural marketing and imports/exports of agricultural commodities.

The overall objective of agricultural marketing in a developing country like India is to help the primary producers viz. the farmers in getting the remunerative prices for their produce and to provide right type of goods at the right place, in the right quantity and quality at a right time and at right prices to the processors and/or ultimate consumers.

Pricing Strategies

The only time when price setting is not a problem is when you are a "price-taker" and have to set prices at the going rate, or else sell nothing at all. This normally only occurs under near-perfect market conditions, where products are almost identical. More usually, pricing decisions are among the most difficult that a business has to make. In considering these decisions it is important to distinguish between pricing strategy and tactics. Strategy is concerned with setting prices for the first time, either

for a new product or for an existing product in a new market; tactics are about changing prices. Changes can be either self-initiated (to improve profitability or as a means of promotion) or in response to outside change (i.e. in costs or the prices of a competitor).



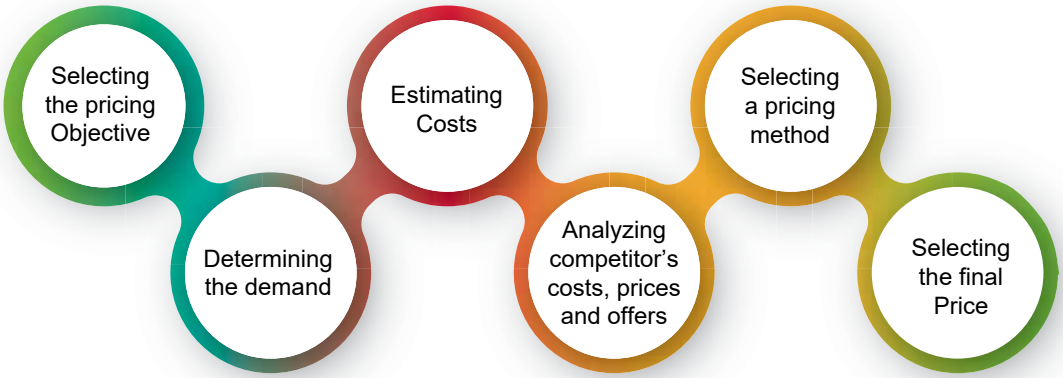
Pricing strategy should be an integral part of the market- positioning decision, which in turn depends, to a great extent, on your overall business development strategy and marketing plans. Companies usually do not set a single price, but rather a pricing structure that reflects variations in geographical demand' and costs, market-segment requirements, purchase timing, order levels, delivery frequency, guarantees, service contracts, and other factors. As a result of discounts, allowances, and promotional support, a company rarely realizes the same profit from each unit of a product that it sells.

Setting The Price

Let us now attempt to understand the process of how firms set prices. When does a firm set prices? A firm must set a price for the first time when it develops a new product, when it introduces its regular product into a new distribution channel or geographical area, and when it enter bids on new contract work. Is setting prices easy? It involves making a number of guesses about the future. You would want to know how, an organization should proceed:

1. Identify the target market segment for the product or service, and decide what share of it is desired and how quickly.
2. Establish the price range that would be acceptable to occupants of this segment. If this looks unpromising, it is still possible that consumers might be educated to accept higher price levels, though this may take time.
3. Examine the prices (and costs if possible) of potential or actual competitors.
4. Examine the range of possible prices within different combinations of the marketing mix (e.g. different levels of product quality or distribution methods).
5. Determine whether the product can be sold profitably at each price based upon anticipated sales levels (i.e. by calculating break-even point) and if so, whether these profits will meet strategic objectives for profitability.
6. If only a modest profit is expected it may be below the threshold figure demanded by an organization for all its activities. In these circumstances, it may be necessary to modify product specifications downwards until costs are reduced sufficiently to produce the desired profit.

An organization goes through the following steps in setting its pricing policy



SESSION - VII

FINANCIAL PLANNING FOR FPO BUSINESS

The last part of the business planning process is the preparation of the financial plan. It is based on the marketing plan. Here, we will try to understand the following:

A. Concepts of finance	B. Financial Analysis	C. Sensitivity Analysis
• Budget and its importance • Fixed and Variable costs • Working Capital	• Break-even sales and BE Analysis • Net Present Value • Internal Rate of Return • Cash Flow Statement	• Acid test ratio • Debt service coverage ratio

What is a 'Budget'?

For any entrepreneur or business, 'budget' is the ultimate tool with which to monitor and keep a control over the business. A budget is a forecast of all cash sources and expenditures. Budgets help to determine how much money you have, where to use it, and whether you can achieve your financial targets. It shows the flow of money into, through and out of the business. The three basic elements of a budget are:

- Sales revenue
- Costs, and
- Profits

- **Sales revenue**: Sales revenues are the key figures in any budget. One has to estimate the sales revenues that would accrue to the business as accurately as possible. These should be based upon the past sales records or the industry averages. Once the sales targets have been fixed (as accurately as possible), then the necessary costs can be estimated which would help in realizing the sales revenues.

- **Costs:** Estimating costs in any business is a complicated procedure. Small changes in the assumptions on which the costs are estimated can render the whole budgeting exercise futile. Costs are of two types – ones that change with volumes of sales and ones that do not change. These are called variable costs and fixed costs, respectively.
  - **Variable costs:** Variable costs are those that change directly with the sales volumes or with the size of the business. For example the cost of inventory or raw material is a variable cost. The more you sell, the more raw material you have to purchase and vice-versa. Suppose you are in the business of aggregating the agriculture produces and sell it in the bigger market. The more number of farmers you add to aggregate produce, the more you have to spend on procurement, grading, transportation, etc.
  - **Fixed costs**: Fixed costs are those which remain unaffected by the sales volumes. This means that you have to incur them, no matter how much is the sales volume. Rent or certain number of staff hired for the business are good example of fixed costs.
- **Profits:** For any business to be viable in the long run, the sales revenues must always be greater than the costs. This difference in the sales and the costs is called profit. Simply put,

  Sales – Costs = Profits or in other words:

  Sales = Costs + Profits

This means that one should target the sales to be of such a volume that it covers all the costs and also have a reasonable amount of profits which is at least equal to the benchmarked Return on Investment

What is working capital?

Working capital is the difference between a business' current assets and its current liabilities. In simple terms working capital is the amount of money required by a business to cover its short term liabilities. Working capital includes:

- Cash
- Marketable securities
- Accounts receivables
- Inventories
- Accounts payable, and
- Wages/ salaries and taxes

Since any firm or business has about 40% of its capital tied up in current assets, decisions regarding working capital greatly impact business success.

How to prepare a Budget?

To prepare a good budget, the following three questions should be answered:

- *How much net profit (i.e. sales minus costs) do I want the FPO business to make in the financial year?*
- *How much it will cost (both fixed and variable costs) to generate that profit?*
- *How much sales revenue is necessary to support both profit and costs?*

Based upon the answers of the above three questions, the budget can be prepared.

Breakeven analysis

The most commonly used budgeting statement is the "breakeven analysis". In simple terms, this means that one has to find out using the above three answers what should be the sales revenues so that all the costs incurred in the business are recovered. This volume of sales is called the breakeven sales or the breakeven point. The fixed costs that must be recovered from the sales revenues after the deduction of variable costs determines the sales volume required to breakeven. This also means that any amount of sales after this would result in profits for the business. At breakeven point, the total variable costs plus the fixed costs is equal to the total sales revenue. This can be expressed as:

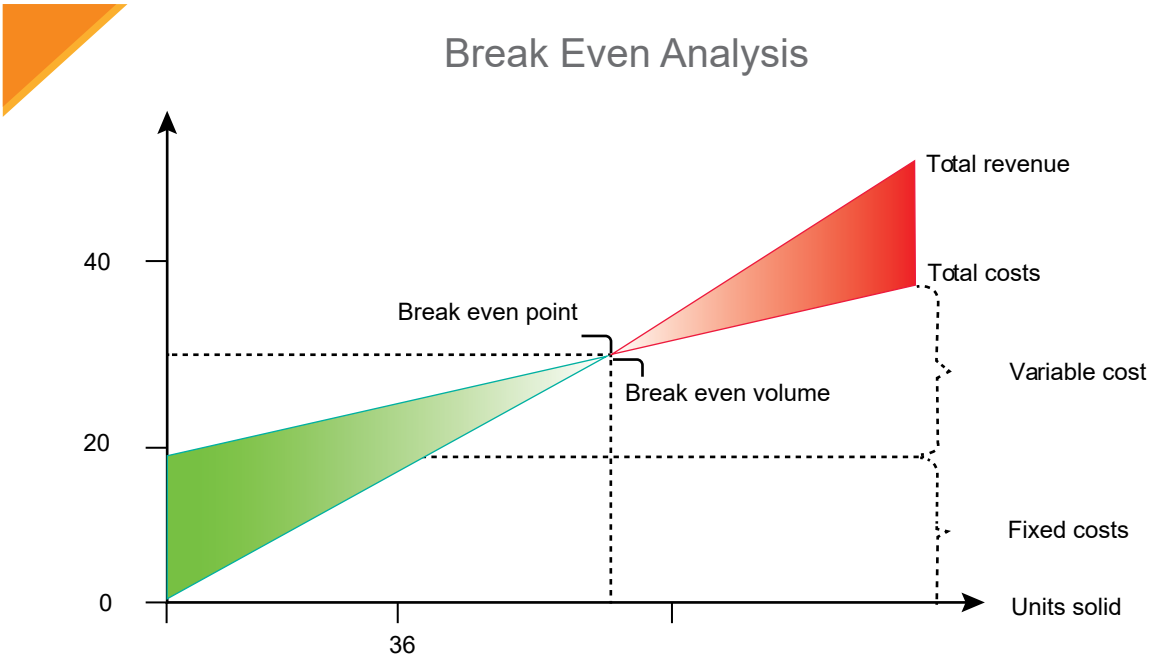
$$F + V(X) = P(X)$$

Where, F = Fixed costs,

V = Variable costs/ unit

X = Volume of output (in units)

P = Price per unit



Let us take a simple example to illustrate the above concepts.

- A FPO wants to sell agriculture produce (gram). The purchase price of gram from the farmers is Rs. 3000/- per quintal. Its overall fixed costs per annum is Rs. 1,00,000/- (which includes rentals, salaries, communication, promotion, etc.). Additional variable cost per quintal of produce works out to Rs. 250/- per quintal (which including transportation, waste, insurance, etc.). The sale price of gram in open market is Rs. 3,600/Qtl. How much volume of business the FPO is required to do to breakeven?

What would be the breakeven sales for FPO?

Assuming that the breakeven sales is Vb, the breakeven sales for FPO would be:

3600 x Vb – 100000 – (3000+250) x Vb = 0

350 Vb = 100000

Vb = 285.714

This means that FPO will have to sell more than 286 quintals of gram in one year to break even.

- Now if the FPO also wants to recover the depreciation cost of its machinery (grading plant, generators, etc.) which works out to Rs. 10,000 per month and targets a profit of Rs. 140,000/-during the year, then what quantity of gram he should sell?

Total sales – Total costs = (Rs.10,000 x 12) + Rs.140,000 =Rs 2,60,000

Applying the same formula:

3600 x Vb – 100000 – (3000+250) x Vb = 2,60,000

350 x Vb = 3,60,000

Vb = 1028.57

This indicates that in order to earn a profit and depreciation cost, the FPO has to sell more than 1029 quintals of gram during the year provided the assumption undertaken holds true during the entire year.

Sources of finance

In simple terms, ways and means to raise the capital or money required to be invested in a business is called 'financing'. There are four basic but different ways to raise capital or funds for investing in any business. These are:

- ✓ **Personal financing**: This is the money that FPO has ready access to and the FPO does not have to pay any interest on. It may be sourced from the reserve and surpluses from the previous years. This is the easiest (but not the best) way to finance the business. However, in case of a new FPO this opportunity will not be there.
- ✓ **Credit capital**: Credit capital can be obtained from credit institutions or from potential buyers who give a grace period before the amount is due or charge interest on it. The producers who sell their products to the FPO would not hesitate in giving credit period to the FPO, if convinced about the soundness of the business idea. On the other hand the FPO can get part payment in advance from prospective buyers of certain agriculture produce that FPO has made a deal to supply. It can get agriculture inputs from the Agro dealers on the conditions of payment after sales. But mostly this type of finance is not available for start-up businesses or a new venture.
- ✓ **Equity financing**: Equity financing does not require the business to directly repay the money lent or invested by the investors. In case of FPO the equity comes from the members and no external financier can participate in the equity investment. Being a small producer's organisation, the equity contribution is generally less and therefore it cannot contribute significantly to the total fund required of a FPO.
- ✓ **Debt financing**: This is the most preferred way of financing a new business. Here it is a direct obligation to pay the interest on the money lent by the financier. The biggest advantage is that the financier does not have control over the business as opposed to equity financing. The important point to be noted in this is the rate of interest is charged on the money lent. However, it is not easy to raise debt financing for a producer company without collateral.
- ✓ **Grant support**: The FPO being a small holder's organization may seek working capital support from the Government under certain government schemes and also from other development agencies.

Cash Budgeting Method

Cash budgeting is done for a year, with month to month cash flows being taken up for analysis. Information required (to be called for from the borrower) is as follows:

1. Balance sheet for the previous financial year (In case of existing FPO)
2. Projected balance sheet for the budget year
3. Projected profit and loss account for the budget year
4. Estimate of monthly sales and purchases
5. Estimate of monthly expenses and incomes other than from purchases and sales
6. Seasonality factors in the business, if any

From this information, the cash flow is computed as follows.

A	**Cash inflow**	Opening cash/bank balance (+) amount of receivables at the beginning of the month (+) sales (-) amount of receivables at the close of the month
B	**Cash Outflow**	Payments made for raw materials /consumables (opening trade credits (+) purchases (-) trade credits at the end of the month); payment made to fixed asset suppliers, payment of interest; Payment of tax; payment towards other expenses such as labour, utilities, etc.; closing cash balance
A - B	**Difference**	Indicate period when the business is short of cash and to what extent it requires funding

Cash Flow Statement

Cash flow statements show cash inflow and outflow over a period of time and are used for internal planning. If it is an established business, worksheets can be put together from the actual figures of income and expenses of previous years combined with projected changes for the next period. If it is a new venture, one will have to project the financial requirements and disbursements. The profit at the end of the year will depend on the proper balance between cash inflow and outflow. The cash flow statement identifies:

- ✓ When cash is expected to be received?
- ✓ How much cash will be received?
- ✓ When cash must be spent to pay bills and debts.
- ✓ How much cash will be needed to pay expenses?

It also allows the Manager to identify the source of necessary cash, i.e., will it come from sales and services rendered or should it be borrowed? One has to make sure that the projections take into account receivables and how long it will take the customers to pay. The cash flow statement deals only with actual cash transactions and not with depreciation or other non-cash expense items.

A cash flow statement can be prepared for any period of time. It should be prepared on a monthly basis for the next year and revised not less than quarterly to reflect actual performance in the preceding three months of operations.

Preparing Cash Flow Statement

The vertical columns of a cash flow statement represent the twelve months, preceded by a total column. Horizontal rows on the statement contain figures for the sources of cash and cash to be paid out copied from the two previous worksheets and from individual budgets.

The figures are projected for each month, reflecting the flow of cash in and out of the business for a one-year period. Begin with the first month of the business cycle and proceed as follows:

- ✓ Project the beginning cash balance. Enter under the first month of the business cycle.
- ✓ Project the cash receipts for the first month.
- ✓ Add beginning cash balance and cash receipts to determine total cash available.
- ✓ Project the direct, indirect and interest expenses for the first month.
- ✓ Project monies due on taxes, long-term assets and loan repayments. Also project any amounts to be drawn by owners.
- ✓ Total all expenses and draws. This is total cash paid out.
- ✓ Subtract total cash paid out from total cash available. Enter the result under cash balance/ deficiency. If the result is negative, be sure to bracket this figure.
- ✓ Project loans to be received and equity deposits to be made. Add to cash balance/ deficiency to get ending cash balance.
- ✓ Carry forward the ending cash balance for January as February's beginning cash balance.
- ✓ Repeat the process through the last month of the business cycle.

To complete the total column, proceed as follows:

- ✓ Enter the beginning cash balance for the first month in the first space of the total column.
- ✓ Add the monthly figures for each category horizontally and enter the result in the corresponding total category.
- ✓ Compute the total column in the same manner as each of the individual months. If you have been accurate in your computations, the December ending cash balance will be exactly the same as the total ending cash balance.

What is Net Present Value (or NPV)?

Present Value or PV is a method to calculate what would be the value of a future cash flow if it were to happen today. Here a discount rate (similar to interest rate) is used to calculate the PV. An interest rate looks forward in time. It represents what someone expects to earn in the future. A discount rate serves the same function, except that it works backwards in time, taking a future cash flow and giving it a value today. The Present value is calculated in the following manner:

$$PV = A / (1+D)T$$

Where A = Amount expected,

D = Discount rate, and

T = Time (in years)

If PC-A were to earn Rs. 10,000 in 1 year from today, its present value given a discount rate of 12% would be: PV = Rs. 8928.57. This means that if PC-A were to earn Rs 8928.57 today, it would be equivalent to getting (cash inflow) Rs 10000 in the next year. Please note that it would also mean that if PC-A were to give Rs. 10000 next year (cash outflow), it would be equivalent to giving Rs. 8928.57 today. Similarly, if PC-A were to give Rs1000 in two years' time from now, its present value would be Rs 7971.94.

The Net Present Value or NPV is the sum total of present values of such cash outflows or inflows over a period of time. This is used when calculating the present worth of future investments or cash inflows or instalment payments. The formula is as follows:

NPV = A1/(1+D/100)1 + A2/(1+D/100)2 + A3/(1+D/100)3 + …….. + An/(1+D/100)n

Where, A1, A2, A3, …., An are the cash flows expected in 1, 2, 3, and nth year respectively and D is the discount rate.

Theoretically, the net present value of a future stream of cash flows (outgoing and incoming) must be positive to justify an investment. In other words, if a project is worth more than it costs (outflows are less than the inflows), its NPV will be positive.

In the example below the NPV has been calculated on three different marketing strategies generating three different cash flow although total cash flow is the same. In such case, a net present value analysis would help the PC-A to compare among the three choices.

Cash flow-I

Year	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total	NPV (12%)
Strategy A	(300000)	10000	30000	45000	60000	50000	45000	60000	70000	50000	45000	165000	(9338)
Strategy B	(300000)	30000	45000	70000	60000	50000	45000	65000	35000	50000	15000	165000	13944
Strategy C	(300000)	20000	40000	65000	70000	60000	30000	50000	40000	60000	30000	16500	6467

Please note that the outgoing cash (in Year zero) is always shown as a negative, as it is an investment. Looking at these three choices, only two strategies (B & C) have a positive NPV at a 12% discount rate while the third (Strategy A) is negative. This means that even if the three strategies would cost the same (the sum total of all the three cash flows is Rs 1,65,000), the net present value of these is different and the Strategy with the best NPV (Strategy B in this case) should be normally selected over the other two.

Now if the discount rate changes, the NPV would also change. For example if the discount rate is lowered from 12% to 8%, the resulting NPV would be:

Cash flow-II

Year	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total	NPV (8%)
Strategy A	(300000)	10000	30000	45000	60000	50000	45000	60000	70000	50000	45000	165000	(61704)
Strategy B	(300000)	30000	45000	70000	60000	50000	45000	65000	35000	50000	15000	165000	(81460)
Strategy C	(300000)	20000	40000	65000	70000	60000	30000	50000	40000	60000	30000	16500	(75060)

Now all the three strategies yield positive net present values. Now if the discount rate changes to 16%, then NPV for the same streams of cash flow would yield the following result:

Cash flow-III

Year	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total	NPV (16%)
Strategy A	(300000)	10000	30000	45000	60000	50000	45000	60000	70000	50000	45000	165000	(57472)
Strategy B	(300000)	30000	45000	70000	60000	50000	45000	65000	35000	50000	15000	165000	(32732)
Strategy C	(300000)	20000	40000	65000	70000	60000	30000	50000	40000	60000	30000	16500	(40633)

In this case all of the three strategies yield negative NPV and hence do not appear attractive. This exercise demonstrates that in financial analysis, and especially in net present value (NPV) analysis, the choice of discount rate is crucial. However for investments, analysis only on the basis of NPV may lead to faulty outcome and decision as its result hinges crucially on the discount rate adopted. Calculation of discount rate is complicated and requires expert advice.

Is there another, easier and a surer method to compare different cash flow streams? Yes, another technique called the Internal Rate of Return or IRR – is used for project analysis or the comparison of cash flow alternatives without having a specific discount rate.

What is an Internal Rate of Return?

An internal rate of return calculation allows you to determine the interest rate that a business will earn on the original amount of capital invested and the expected future cash inflows. In other words it provides the discount rate that a business produces rather than applying a discount rate determined from outside the business. It is calculated by equating the present value of expected cash outflows with the present value of expected inflows. Mathematically it may be represented as:

A0 = A1/(1+R/100)1 + A2/(1+R/100)2 + A3/(1+R/100)3 + …….. + An/(1+R/100)n

Where A0 is the initial investment and A1, A2, A3, …., An are the cash flows expected in 1, 2, 3, and nth year respectively and R is the Rate or Internal Rate of Return. The Internal Rate of Return – IRR – Requires a computer for calculation.

- ✓ On computer MS Excel programme:
- ✓ Enter cash flows in cells
- ✓ Open f*
- ✓ Choose Financial
- ✓ Choose IRR
- ✓ “OK”
- ✓ Highlight values from Year 0 to Year n
- ✓ “OK”

In our example of PC-A’s expected cash inflows from the three strategies, the IRR as calculated with the help of computer is as follows:

Calculation of IRR

Strategy	IRR
Strategy A	7.74%
Strategy B	9.29%
Strategy C	8.73%

What do these values mean? Or what should be the acceptance criteria?

Here PC-A will have to compare the IRR from the three strategies with the required rate of return. If the IRR is more than the required rate of return, then the proposal would be accepted. For example, if the required rate of return is 12% then the IRR has to be equal to or more than 12% for consideration.

Sensitivity analysis: After having learnt all these concepts, how can we evaluate the performance of PC-A's business? One of the measurements of the financial condition and performance of a business venture is a ratio or index, which relates to pieces of financial data from the business. There are several indices which can be used, here we would be discussing only two of the most commonly used ones, namely, Acid Test Ratio and Debt Service Ratio.

- **Acid test ratio:** Acid Test Ratio or Quick Ratio is the measure of the ability of the firm to be able to meet short-term obligations. This is a ratio of the current assets of the firm to its current liabilities. The current assets include cash and bank balance, short-term marketable securities and debtors/ receivables. It may be noted that the inventories already lying with the firm are not included in the current assets. This ratio is the best available measures of the liquidity position of a firm. Usually an acid test ratio of 1:1 is considered satisfactory as a firm can quickly meet all its current or short-term liabilities.

- **Debt Service Coverage:** While acid test ratio is a measure of the ability of a firm to pay off its current liabilities, the Debt Service coverage ratio is a measure of the firm's ability to meet long-term obligations. This ratio is expressed as the amount a project pays (or proposes to pay) each year for principal and interest on the debt/loan; that is, the amount of debt service to be paid when compared with the funds available to pay that debt service.

If PC-A's income is Rs 100,000 and its operating expenses are Rs 50,000 it has Rs 50,000 available to pay principal and interest on loans (debt service). If the PC borrows Rs 1,50,000 for 10 years at 16% interest with equal payments every year, its obligation is Rs 31,035. When compared to the Rs 50,000 available for debt service the project has what is called a 1.6 times debt service coverage or debt service coverage ratio or DSCR (arrived at by dividing Rs 50,000 by Rs 31,035).

In real life however, the projects do not have such uniform debt service coverage calculations. For this reason we must look at what is called Average Debt Service Coverage (the sum of all the year's available amounts divided by the sum of all the debt service payments) and examine the coverage ratios of each year. We should then focus on the years when the debt service coverage is the lowest as well as the average DSCR.

Why is the debt service coverage ratio important and how are they used?

DSCR is important because they tell a lender what excess funds exists in the event revenues or expenses are less or greater than estimated in a project. Most lenders have a specific cut-off ratio that

must be met for both average and lowest year debt service coverage. If a business cannot meet these tests then the options with the borrower could be:

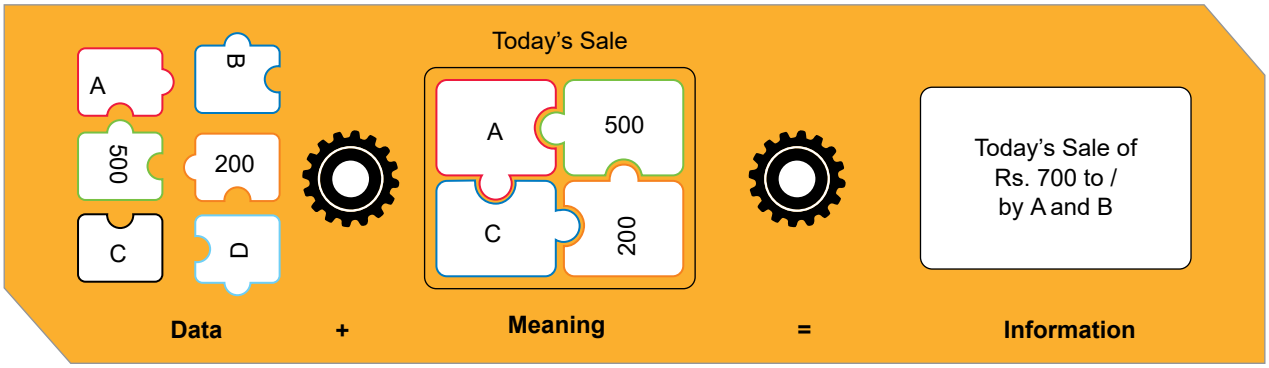
- ✓ Lowering the amount to be borrowed (and increasing the amount of equity that needs to be put in a project).
- ✓ Setting up reserves or credit agreements to pay the shortfall amount in the specific year.

Essentially Debt Service Coverage calculations determine how much debt a project can afford. Combined with IRR, these two tools assist the entrepreneur to determine the business viability.

SESSION - VIII

ROLE OF BODS – MANAGEMENT INFORMATION SYSTEM (MIS) & INTERNAL PERFORMANCE ASSESSMENT TOOL

Management Information System is the study of information system in business and management.



In the context of FPOs, data flows from various activities like sales & marketing, purchases/ procurement, human resources, manufacturing, etc. If meaningful information is to be extracted from these data for decision making, at first the data need to be generated, arranged and processed in a systematic manner.

An information system can be defined technically as a set of interrelated components that collects (or retrieve), process, store, and distribute information to support decision making and control in an organisation. In addition to support decision making, coordination and control also helps the CEO / Manager of FPO to analyse problems, visualize complex subjects and product development.

	XYZ FPO - Sales A/c - FY 2019-20								
	Date	**Name**	**Qty.**	**Rate**	**Gross Amount**	**Less**	**Net Amount**	**Pay Mode**	**O/s Sales**
	23-Sep	Abdul	15	22	330		330	Credit	330
	13-June	Abu	20	24	480	48	432	Cash	0
	14-Aug	Abu	22	28	616		616	Credit5	0
Credit Decision	2-SepP	eter	20	25	500	50	450	Cash	0
	30-SepP	eter	20	23	460		460	Credit	460
	14-Apr	Ram1	02	0	200	20	180	Cash	0
Context/Goal	03-JulyR	am	12	25	300		300	Credit0	
	21-SepR	am	15	23	345		345	Credit	300
	14-Apr	Shyam	15	20	300		300	Credit	50
Processing	**Total**		**149**	**23.33**	**3531**		**3413**		**1190**

In business, data represents the facts of transaction that occurs on daily basis. A transaction can be thought of as an event of consequence. Organizations attempt to capture the data (facts) associated with each transaction. For example in a sale transaction, we generally capture name of the party, quantity sold, unit rate, total cost, discount given (if any), net payable / paid etc. These data has no meaning until it is processed and interpreted.

Information is the interpretation of these data. An interpretation of data always has some goal and context. For example, for making a credit sales decision to Ram, the FPO would like to know quantity purchased earlier and credit history of Ram. Please note that data itself can be informative without any additional transformation, but other times we must do additional work to turn the data into information to answer important questions

Management information system uses information for collecting and communicating information an organisation uses to operate. Every function of the business produces its own data be it financial or operational and as a result, requires a separate information system of its own to keep a track of it all.

There are many types of information systems used to extract data, create reports and help managers in decision making. Uses of management information system differs based on requirement. Selecting the requited type of MIS is thus important.

MIS for Accounting and Finances:

Management information systems in accounting are designed to store and aggregate financial data. The resulting analyses are used both internally by managers and CFOs and externally by consultants, regulators, tax agencies and others. Reports generated by the accounting MIS include profit-and-loss statements, accounts receivable tracking and other financial statements. Because these reports enable management to analyse the company's financial health, it is imperative that the data input into to the system be complete, accurate and secure.

Financial MIS

- To know the position of cash and bank balances on a day-to-day basis and facilitate preparation of Bank reconciliation statements.
- Preparation of financial statements viz. P & L a/c, Balance Sheet and cash flow statement.
- To know profit earned or loss incurred by FPO. Book-keeping keeps complete records of business transactions. Thus, profit or loss of business transactions can be easily ascertained/ known.
- Knowledge of assets and liabilities belonging to FPO
- To facilitate audit of books of accounts.
- Compliance with legal requirements.

MIS for Human Resource Management

Human resource information systems handle employee data such as basic personnel information, attendance and hours, performance review ratings and payroll tracking. Because the data can include private information (names, addresses and social security numbers), protecting privacy and maintaining security is paramount.

Non-Financial MIS

- To know the socio-economic status of members after joining the FPO.
- To track record of the improvement in socio-economic condition of the members.
- To monitor the effectiveness of governance system of FPO.

To facilitate preparation of business plan with concrete steps in order to make the most optimal use of the available resources.

Thus, on a daily basis, one tries to find an answer to these financial, non-financial, operational, business and strategic questions. These details are essential for operating the business of FPO. One is required to take decisions and one's decision is based on certain information. Now some of the information required for decision making may have been available to you out of your own knowledge and experience. For others, you may have to collect data from various books/ registers maintained by FPO or get information from other sources like internet. What is important is to have access to data from which meaningful information can be derived for decision making and over a period of time you acquire the knowledge to distinguish between relevant from the irrelevant information for decision making.

Decision, on the other hand is a choice or judgement that you make after thinking about various possibilities. Decision making is the process of making choices by identifying a decisions and assessing alternative resolutions. A step-by-step decision making process can help you make more deliberate, thoughtful decisions by organizing relevant information and deliberate alternative. Like in this example, relevant information about the credit history of Ram would help you in taking credit decision.

In the organisational context, the FPO management need to take numerous decisions on a daily basis. Do you think, without a systematic arrangement for flow of data and interpretation, would you be able to get relevant information for decision making?

Probably, not; but with the help of MIS, Yes.

Monitoring

Monitoring can be defined as a systematic collection and analysis of information of an ongoing project or business activity. It is aimed at improving the **efficiency and effectiveness** of conducting the business so as to derive maximum benefits. Efficiency speaks about whether the output in terms of benefits exceed the expenditure. It is the ratio of output and input. Funding agency will monitor how efficient the CBBO and PO has been in implementing the project. Similarly, the PO will monitor itself in terms of its success in terms of the set targets. Certain parameters like the amount spent per farmer vis-a-vis the increase in income could be one indicator of efficiency. Higher the increase in income for the same amount spent, higher is the efficiency. Effectiveness on the other hand is a measure of the extent to which the project achieved the specific objectives it set. For example, if the objective of a project is to increase the income levels of all the farmers producers engaged with the PO, we have to measure the extent of increase in income. Similarly, if one of the objective is to increase the volume of the produce, we shall measure the extent of increase. These assessments will indicate how effective the program has been. Higher the increase in income levels and production levels higher would be the effectiveness of the project.

Use of IT in compliances of FPOs

In general, **compliance** means conforming to a rule, such as a specification, policy, standard or law. **Regulatory compliance** describes the goal that organisations aspire to achieve in their efforts to ensure that they are aware of and take steps to comply with relevant laws and regulations. In most cases, a law comes to light only after its contravention, resulting in severe penalties. *Compliances is a must in keeping you away from the long arm of the law!*

- **Classification of compliances**
  - a. One Time Compliance
  - b. Annual compliance
  - c. Event Based Compliance
- **Pre incorporation compliance**
  - (i) Apply for digital signatures
  - (ii) Apply for DIN
  - (iii) Apply for TAN
  - (iv) Approval of company name by MCA
  - (v) Apply for GST
  - (vi) Internet banking facility
- **Post incorporation compliance**

  First meeting of the board of directors of the company
  - a) Printing of Share Certificate
  - b) Issue of Share Certificates

Obtain certificate of registration under various acts to begin business

1) **Apply for a Permanent Account Number (PAN):** Allotment of new PAN https://www.tinnsdl.com/download/pan/form49a.pdf.
2) **Apply for Tax Deduction and Collection Account Number TAN:** TAN is applied through "Form No. 49B". A completed form can be submitted online at the NSDL website or at the "Tax Information Network Facilitation Centre" (TIN-FC). Application form: https://www.tinnsdl. com/download/tan/form49b.pdf
3) **Apply for Registration for Shop License:** Shop license is required to be obtained from state/municipal bodies. In most of the State, application process is online, for more details refer to the applicable law of the particular state.
4) **Apply for Registration under GST/VAT/CST:** Any entity engaged in trading of goods is required to register itself under the State VAT Tax Act. In most of the States, application process is online.
5) **Apply for Service Tax Registration:** Portal for tax registration: https://www.aces.gov.in/

Mandatory compliance / Annual compliance

1) **Filing of Annual Return (e-form MGT-7)** the audited balance sheet and the profit and loss account shall be filed with the Registrar within sixty days of the date on which the annual general meeting is held, with an annual return along with the filing fees as applicable under the Act.E-form MGT-7 can be downloade from the below link : http://www.mca.gov.in/MinistryV2/Download_eForm_choose.html.

Annual Return will be for the period of 1st April to 31st March.

2) **Filing of Financial statements (e- form AOC-4)** Every Company is required to file its Financial statements, Auditor report along with Director's report by uploading on MCA portal e-form AOC- 4 within 30 days of holding of Annual General Meeting. E- form AOC- 4 can be downloaded from the below link:

   http://www.mca.gov.in/MinistryV2/Download_eF orm_choose.html

3) **Filing Income Tax returns** Filing of Income Tax Returns is available online.

4) **Internal audit:** Every Producer Company shall have internal audit of its accounts carried out, at such interval and in such manner as may be specified in articles, by a Chartered Accountant

Event based compliance

Besides Annual Filings, there are various other compliances which need to be done as and when any event takes place in the Company. Instances of such events are:

1) Change in Authorised or Paid-up Capital of the Company
2) Allotment of new shares or transfer of shares
3) Giving Loans to other Companies
4) Giving Loans to Directors
5) Appointment of Managing or whole time Director and payment of remuneration
6) Loans to Directors
7) Opening or closing of bank accounts or change in signatories of Bank account

Management Audit for FPOs

A management audit is an analysis and assessment of the competencies and capabilities of an organisations management in carrying out corporate objectives. The purpose of a management audit is not to appraise individual executive performance but to evaluate the management team in its effectiveness to work in the interests of shareholders, maintain good relations with employees, and uphold reputational standards.

A management audit might address such questions as the following:

- What organizational structure has been set up by management? Are there clear lines of reporting, or is there confusion?
- What are the policies and procedures of the finance group, and is it always in compliance?
- How effective are current risk management measures?
- What is the state of relations among the employees of the organization?
- How does management put together its annual budget?
- Are the company's IT systems kept up-to-date?
- Is the management group responsive to shareholders?
- How effective is workforce recruitment and retention? Are there training programs to keep skills current among employees?
- Is management doing its job to ensure the company is a "good corporate citizen"?
- Is management strategically guiding the company toward its financial targets?

Example of some of the Performance Management Tools for FPOs

NABARD's FPO Performance Measurement (Grading) Tool

As on DD/MMMM/YYYY

Sr. No	Max Marks (Category wise)	Parameter	Max Marks	Obtained Marks
A	**5**	**Age profile FPO**		
i		> 5 Years	5	
ii		4-5 Years	4	
iii		2-3 Years	3	
iv		<1 Year	2	
B	**10**	**Governance**		
i		Composition of Board (no blood relatives /representation to women /SF/MF), Experience / professional qualifications of Board members / representative of Farmers' association, etc.) (Range 3 to 0)	3	
ii		Extent of strategic support from promoter or promoting organisation to FPO (Range 2 to 0)	2	
iii		Regular conduct of Board Meetings & quorum (Range 3 to 0)	3	
iv		Quality of agenda and discussion / decision making (Range 2 to 0)	2	
C	**10**	**Management**		
i		Availability of Full Time professional CEO -4 Marks , Part time CEO -3 marks, Non-professional, part time CEO from FPO Members -2 marks ; CEO below 10th std. - 1 mark.	4	
ii		Availability of paid staff -2 marks, If not - Zero marks	2	
iii		Training/Experience of staff (CEO & Staff trained -4 marks, only CEO or staff trained -2, No training -zero mark)	4	
D	**5**	**Infrastructure**		
i		Separate office Premises/own/rented (Range 3 to 1) - (0 marks for no office)	3	
ii		Other Infrastructure like computers, furniture, fixtures, etc. -2 marks; only furniture -1 mark, No infrastructure-0 mark)	2	
E	**10**	**Membership of FPO**		
i		More than 1000	10	
ii		Between 501 to 1000	8	
iii		Between 201 to 500	6	
iv		Between 101 to 200	4	
v		Between 50 to 100	2	
vi		Below 50	1	

Sr. No	Max Marks (Category wise)	Parameter	Max Marks	Obtained Marks
F	**5**	**% of total members contributing to Share Capital**		
i		> 90%	5	
ii		> 70%	4	
iii		>60%	3	
iv		>50%	2	
v		<50 %	1	
G	**5**	**Total Share capital collected (Rs lakh)**		
i		>5 lakh	5	
ii		3-5 lakh	3	
iii		< 3 lakh	1	
H	**10**	**Training of Board members**		
i		All Board members trained	10	
ii		> 80% of Board members trained	8	
iii		> 70% of Board members trained	6	
iv		> 50% of Board members trained	4	
v		<10% of Board members trained	2	
vi		< 10 % of Board members trained	0	
I	**4**	**Business Plan**		
i		Business plan including financial plan prepared for 3 years	4	
ii		Business plan including financial plan prepared for 1 year	2	
J	2	**Financial Aspects**		
i		Availed financial assistance from lending institutions - 2 Marks, If not zero mark	2	
K	**10**	**Turn over (Annual)(Rs lakh)**		
i		Above 50 lakh	10	
ii		Between 25 to 49 lakh	8	
iii		Between 10 to 24	6	
iv		Less than 10 lakh	3	
v		No business	0	
L	4	**Market linkage**		
i		Market linkage established with corporate buyers/ processors etc.	4	
ii		Dependent on local market/s	2	
M	**10**	**% of members availing services (Input supply/ Extension, other services to members)**		
i		Over 75 %	10	
ii		Over 50 %	8	

Sr. No	Max Marks (Category wise)	Parameter	Max Marks	Obtained Marks
iii		Over 25%	5	
iv		Over 10%	3	
v		Less than 10 %	0	
N	**5**	**Convergence with Govt. Schemes / corporates etc.**		
i		SFAC equity support provided and convergence with Govt / other agencies achieved	5	
ii		Either SFAC support or Govt. convergence achieved	3	
iii		No convergence	0	
O	**5**	**MIS/Compliance / recod keeping**		
i		Regular submission of Audited Balance sheet & other legal compliances	3	
ii		Only audited balance sheet regular & other compliances are irregular	2	
iii		Balance sheet not audited and compliances not done	1	
iv		No balance sheet, No compliance	0	
v		Maintained all required registers (Range 2 to 1)	2	
vi		Register not maintained	0	
	100	**Total Marks**		
	Grade	**Marks obtained**	**Remarks**	
	A	**>75%**		
	B	**60-75%**		
	C	**50-60%**		
	D	**<50%**		

Source: NABARD FPO grading tool.

Parameters for Management Audit

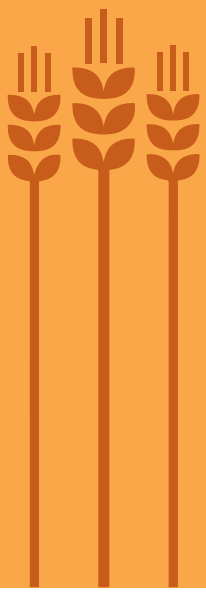
1	Preliminaries (Total marks 1.0)	Max. Marks	Marks Obtained
1.1	Profile of FPO		
1.2	Office of the FPO	1	
2	**Core Management Elements**		
2.1	**FPO Management (Total Marks: 35.0)**		
i	Memorandum of Articles & Articles of Association	3	
ii	Mandatory registers and common seal	5	
iii	Share allotment, transfers and transmission	3	
iv	Annual general meeting	3	
v	Board of directors meeting	5	
vi	Abstract of balance sheet & profit and loss statement	2	
vii	RoC compliances and filings	10	
viii	GST compliance	2	

2.2	**Finance management (Total marks 24)**		
i	Basics of bank accounts	2	
ii	Accounting systems	10	
iii	Loans and borrowings	3	
iv	Equity grant	5	
v	Credit guarantee find scheme	2	
vi	Venture capital assistance	2	
2.3	**Human resource management (Total marks 10)**		
i	Scheme benefits and services	5	
ii	Professional trainings to CEOs and BoDs	3	
iii	Exposure visits to BoDs and CEOs	2	
2.4	**Business management (Total marks 20)**		
i	Business activities	10	
ii	e-NAM linkage and web marketing initiatives	6	
iii	IE code and export status	2	
iv	Procurement for SFAC / department	1	
v	Contract seed production	1	
2.5	**General administration (Total marks 10)**		
i	Committees and function status	2	
ii	Office records and registers	2	
iii	Periodical technical reports	1	
iv	Linkage with FIG and joint ventures	2	
v	Process of fixed assets purchase for FPO	1	
vi	MoUs for any project	1	
vii	Court cases and legal issues	1	
	Ranking marks for FPO (Grand total of marks 100)		

Source: Tamilnadu consortium of farmer producer company ltd.

SESSION - IX

MANAGING REGULATORY AND STATUTORY COMPLIANCES – ROLE OF BOARD



Types of Compliances under Companies Act, 2013

Compliances under Companies Act, 2013 can be categorized in following types:

- After incorporation compliances under Companies Act, 2013
- Annual compliances under Companies Act, 2013
- Event based compliances under Companies Act, 2013

I) After Incorporation Compliances under Companies Act, 2013

There are certain Compliances under Companies Act, 2013 that are required to be done once company registration is successfully completed. After registration every company gains a separate legal entity and it becomes liable to comply with all the legal requirements mandated under the Act. Following is a list of all such required compliances under Companies Act, 2013.

1. **Verification of Registered Office**

   After successful incorporation every company is required to complete verification of its registered office with the registrar of companies. They have an option to communicate the same via SPICe Form at the time of incorporation. However, if that is not done, then it must be communicated through INC-22 within 30 days of incorporation.

2. **Display company information**

   Every registered company is required to display the following information outside its registered office and above its business letters, billheads and on all other official documents and publications:

   - Company's name
   - Corporate Identification Number
   - Registered office address
   - Official phone number
   - Website, email Id & Fax No.

3. **First Board Meeting**

   Every newly incorporated company is required to conduct its first board meeting within 30 days from the date of its incorporation.

4. **Appointment of auditor**

   Every company is required to appoint an Auditor within 30 days of incorporation in a board meeting who will either be confirmed or changed in the subsequent AGM.

5. **Share Certificate Issuance**

   Every company is required to issue share certificates to the shareholder named in the incorporation document. All the incorporation details along with share certificate numbers must be mentioned in the records maintained by the company.

6. **Disclosure of interest by Directors**

   Every director is required to disclose the details of interest in other registered companies through Form MBP-1 in the first board meeting held within 30 days after incorporation.

7. **Maintenance of Minutes**

   Every company is required to maintain minutes of every meeting held. These minutes must be prepared within 15 days of such meeting and are to be finalized within 30 days.

8. **Maintenance of Statutory Registers**

   As per Section 85 & 88 of Companies Act, 2013, every registered company is required to prepare and maintain certain statutory registers at its registered office. These statutory registers include Register of Members, Register of Shareholders, Register of Charges, Register of Employee Stock Option, etc. In case, any registered company fails to maintain such statutory registers then such company and directors will be prosecuted and fined under the Act.

II) Annual Compliances under Companies Act, 2013

Now that we have covered all the after incorporation compliances under Companies Act, 2013, let us discuss about the compliances under Companies Act, 2013 that are required to be completed on annual basis. Following is a list of all such yearly compliances under Companies Act, 2013.

1. **Board Meetings**

   Here we will discuss the yearly board meeting requirement. This is in addition to the first board meeting every registered company is required to conduct that we discussed in the after incorporation compliances. Every registered company is required to conduct minimum 4 board meeting every year. The maximum gap allowed between two consecutive board meetings is 120 days.

2. **Annual General Meeting**

   Apart from 4 board meetings, every company is required to conduct its annual general meeting of its members every year. First AGM is required to be conducted within 9 months from the end of financial year and in the subsequent years it is required to be conducted within 6 months from the end of financial year. Maximum gap allowed between two subsequent annual general meetings is 15 months.

3. **Receipt of Form MBP-1**

   Every director is required to submit a disclosure of his/her interest in every other registered entity in Form MBP-1. This disclosure is required to be done every year in the first Board Meeting by every existing director on a mandatory basis. Along with yearly disclosure every director must

also disclose any change in his/her interest in the subsequent board meeting after such change happened.

4. **Receipt of Form DIR-2**

   DIR-2 is used for submission of disclosure of non-disqualification by the directors of the company. The company must ensure receipt of this disclosure form every financial year.

5. **Preparation of Director's Report**

   As per Section 134 of the Companies Act, 2013 Board of Director of every registered company is required to prepare Director's report. This Director's report will be submitted with the Form AOC-4 at the time of annual filing. Director's report will include information including financials, state of affairs, any kind of changes in company's composition, declared dividends, loans etc.

6. **Preparation and circulation of Financial Statements**

   Every company is required to ensure maintenance of its financials and circulate the same along with Director's report and auditor's report along with the Notice of their annual general meeting.

7. **Appointment of Auditor**

   Every registered company is required to appoint an Auditor. Auditor can be appointed for a period of 5 years and information of their appointment is required to be submitted with the ROC in Form ADT-1. Earlier this appointment was required to be ratified every year in the AGM during the course of those 5 year. However, this requirement has been done away with.

8. **Filing of E-Form MGT-7**

   Section 92 of Companies Act, 2013 specifies that annual return of every company is required to be submitted in e-Form MGT-7. It must be filed within 6 days from the date of its annual general meeting. For every company with paid up capital more than 10 crore rupees along with listed companies the annual return is required to be certified by practicing company secretary.

9. **Filing of E-Form AOC-4**

   Along with annual return you are also required to submit company's financials are required to be filed with ROC within 30 days from the date of its annual general meeting in e-Form AOC-4. Following documents are submitted as attachments with this form:

   - Copy of Balance sheet
   - Copy of Profit and Loss A/c
   - Notice of AGM
   - Director's Report
   - Auditors' Report

III) Event based Compliances under Companies Act, 2013

Apart from above mentioned regular compliances there are several even based compliances under Companies Act, 2013 that are required to be adhered to. Such compliances under Companies Act, 2013 are non-negotiable and are to be adhered to without any lapse. If there is any delay in filing such forms after due date then it attracts penalties and punishments.

Following are examples of few such event based compliances:

1. **Change in Directorship**

   Whenever there is any change in board of directors including appointment and cessation or change in designation it must be communicated to the registrar through filing of DIR-12 within 30 days of such change.

2. Change in Registered Office Address

Any company can change its registered office due to various reasons. However, it is obligated to intimate such change to the Registrar Of Company. Following are different scenarios for change in registered office:

- If such change is within the local limits of the city then only INC-22 is required to be filed for intimation.
- If such change is outside the boundaries of city but within the state then special resolution is passed. E-Form MGT-14 along with INC-22 is required to be filed.
- On the other hand if registered office is shifted to another state or outside the jurisdiction of one ROC to another there are some additional compliance. Furthermore, along with MGT-14 and INC-22 company is required to file for Central Government approval in INC-23 and its confirmation is filed in INC-28.

3. Increase in Authorized Capital

In case you are planning to increase the authorized capital of any company first step is to pass a special resolution for changing the MOA in the EGM. File MGT-14 for registering such special resolution. Finally, the next step is to file SH-4 with the ROC.

4. Change in Company Name

If the members decide to change the name of a registered company then following steps are required to be followed:

- Check for name availability and reserve it through RUN service.
- Pass special resolution and file MGT-14.
- File INC-24 for central government approval.

5. Registration/Amendment/ Settlement of Charge

These are the compliances under Companies Act, 2013 in case the company creates any charge i.e. a security given for securing any amount of loan. In case of creation of a fresh charge or any modification of existing charge e-Form CHG-1 is required to be submitted. On the other hand in case of settlement of charge e-Form CHG-4 is to be filed.

It is important to consider that these compliances under Companies Act, 2013 are tedious and repetitive process. Such compliances under Companies Act, 2013 is an on-going process and not a onetime thing. Only event based compliances under Companies Act, 2013 are dependent on any incident.

Rules and Regulation for Producer Company Registration and compliance

S. No.	Particulars	Section	Provisions
1	Name of the company	Section 581F(a)	The company name must be ended as “Producer Company
2	Number of the Directors	Section 581P	Minimum- 5 Directors
			Maximum- 15 Directors
			In case of an inter-State co-operative society incorporated as a Producer Company registration, such company may have more than 15 directors for a period of 1 year from the date of its incorporation as a Producer Company.

S. No.	Particulars	Section	Provisions
3	Election of the Directors	Section 581P(2)	1st Directors of the company must be re-elected within 90 days from the date of incorporation. "Inter-State co-operative society incorporated as Producer Company can avail privileges of 365 days instead of 90 days.
4	Additional Directors and Expert Directors	Section 581P(6)	Every Director or an additional director of the company may be co-opted but the number of such directors shall not be exceeding 1/5th of the total number of directors.
			But such expert directors shall not be having the right to vote in the election of the Chairman but are eligible to be elected as a Chairman.
5	Private Company	Section 581C(5)	On registration, the Producer Company shall become a body corporate as if it is a private limited company.
			It cannot become or deemed to become a public limited company
6	Share Capital and transfer of the shares of Producer Company	Section 581ZB	The share capital of the Producer Company can consist of equity shares only.
		Section 581ZC	The active members may have special rights if provided in the Articles.
		Section 581ZD	The shares will be non -transferable. The shares having special rights may be transferred to another active member with the approval of the Board.
			On becoming the member of the company the member shall nominate a nominee within 3 months of becoming the member. After the death of the member, the nominee shall get all the benefits. In case the nominee is not a producer, the board shall direct the nominee to surrender his shares.
7	Alteration of Memorandum of association and Articles of Association	Section 58111- MoA	Memorandum or Articles of the company can be altered by passing the special resolution, but such alteration shall be inconsistent with the section 581B.
		Section 5811- AoA	In case of alteration of Articles- It has to be proposed by; • not less than 2/3rd of the elected directors or; • not less than 1/3rd of the Members and adopted by special resolution. Copy of the altered MoA or AOA along with the copy of the special resolution has to be filed with the Registrar within 30 days of adoption of such alteration.
8	Annual General Meeting	Section- 581ZA	1. First AGM shall be conducted within 90 days from the date of incorporation. 2. The Registrar may permit extension of the time for holding Annual General Meeting (not being the first annual general meeting), but such extension shall not be more than 3 months.

S. No.	Particulars	Section	Provisions
			3. Every year Producer Company shall hold Annual General Meeting and not more than 15 months shall elapse between the dates of one Annual General Meeting to the next.
			4. The Notice for AGM shall be issued at least 14 days' before the meeting.
			5. The proceedings of every AGM along with Directors' Report, the audited Balance Sheet and Profit & Loss Account shall be filed with the Registrar within 60 days of conducting the AGM.
		Section 581 S	The shareholders shall have exclusive rights to be exercised in the Annual General Meeting such as:
			a. Approval of budget,
			b. Adoption of annual accounts,
			c. The issue of bonus shares,
			d. Approval of patronage bonus,
			e. Declaration of limited return and decision on the distribution of patronage,
			f. Specify the conditions and limits of loans that may be given by the Board to any director; and
			g. Approval of any transaction of nature as is to be reserved in the articles for approval by the Members.
		Section-581Y	Quorum: – 1/4th of the total number of members.
9	Meetings of the Board Quorum.	Section 581V	The board shall meet at least once in every three months and at least four such meetings shall be convened in every year.
			The Chief Executive shall give notice for the board meeting at least 7 days in advance of the meeting. The meeting can be called with shorter notice but the reasons thereof shall be recorded by the Board.
			Quorum: – 1/3rd of the total strength of Directors subject to a minimum – 3
			Penalty: If the Chief Executive fails to comply with the provisions of sending notice, he shall be punishable with a maximum fine of Rs. 1,000/,
10	Chief Executive	Section 581W	Producer Company shall appoint a Full-time Chief Executive who shall be amongst person other than the member of the company.
11	Company Secretary	Section 581X	Every Producer Company, having an average annual turnover exceeding Rs. 5.00 crores in each of three consecutive financial years shall have a whole time Company Secretary.
			The penalty for not appointing Company Secretary:
			Every Officer and the company which is in default shall be punishable with a fine. The fine shall be Rs. 500/- for every day during which the default continues.

S. No.	Particulars	Section	Provisions
12	Internal Audit	Section 581ZF	Every Producer Company shall have an internal audit of its accounts carried out in such intervals and in such manner as specified by its articles, by a Chartered Accountant.
13	General Reserve and other reserves	Section 5S1ZI	Every Producer Company shall maintain a general reserve in every year in addition to the Reserves as may be specified in the Articles.
			If the company does not have sufficient funds in any financial year for transfer to maintain the reserves as may be specified in articles, the contribution to the reserve shall be shared amongst the Members in proportion to their patronage in the business of that company in that year

Statutory Registers and Compliances

S. No.	Name of Statuary Register	Form No.	Who fill	Periodicity
1	Register of members	MGT-1		
2	Register of Directors and shareholdings			
3	Register of Renewed and Duplicate Share Certificates	SH-2		
4	Register of charges	CHG-7		
5	Register of Loans and investments made by the Company	MBP-2		
6	Register of Related Party Transactions	MBP-4		

Major statutory forms to be filed with ROC under the Companies Act

S. No.	Form No.	Purpose for which it filled under Indian Company Act, updated year	Who fill	Periodicity
1	INC-12	Intimation of change of registered office		
2	INC-24	Application for change of name		
3	PAS-3	Return of allotment of shares		
4	SH-7	Notice of increase or change in share capital		
5	CHG-1	Registration of creation/Modification of Charge on property to secure repayment of borrowed funds from banks etc		
6	CHG-4	Registration of satisfaction of charge on repayment of loan for releasing the charge		
7	MGT-14	Registration of satisfaction of charge on repayment of loan for releasing the charge		
8	DIR-3	Application for Director Identification No		
9	DIR-11	Notice of resignation of director to be filed by the director		

10	DIR-12	Particulars of appointment and changes of directors to be filed by the company		
11	AOC-4	Form for filing of annual accounts annually every financial year		
12	MGT-7	Form for filing of annual return of shareholders every financial year		

Offences and penalties prescribed for producer companies

S. No.	Name of offence	Quantum of punishment
1	Any member acquires business interest in conflict with the business of the producer company	Ceases to be a member and shall be removed as per AOA
2	Any director votes, approves or acts in contravention of the provisions of this Act or any other Law	Director/s should make good the loss, damage or profit to the company, on account of such voting or action
3	Failure to appoint a qualified company secretary in a producer company whose average turnover in the last 3 years exceeded Rs. 5 crores	Company and defaulting officer shall be liable to fine up to Rs.500 per each day of default
4	Failure by a director to furnish information relating to the affairs of the Company to a member or authorized person	Imprisonment up to a term of 6 months and fine up to 5% of the turnover of the company in the preceding year
5	Failure to hand over the custody of books of account, documents or property to the producer company	Punishable with fine up to Rs.1 lakh and additional Rs. 10,000/- for each day of continuing default
6	Failure to convene AGM or General meetings	Punishable with fine up to Rs.1 lakh and additional Rs. 10,000/- for each day of continuing default
7	Producer Company's Failure to commence business within one year of its incorporation	Striking off the name of the company by the ROC after making inquiry in to the facts and giving directors a reasonable opportunity of being heard; Appeal can be made to National Company Law Tribunal (NCLT) by director or member against the order of ROC
8	Producer Company ceases to transact business with the members	
9	Producer Company is not carrying on the objects specified under the act	
10	Producer Company is not maintaining any of the Mutual Assistance Principles	
11	Disputes amongst members/former members/nominees of deceased members/producer company/ directors/ office bearers/liquidators/ past or present (relating to formation, management or business of a producer company)	Shall be settled by conciliation or arbitration under Arbitration and Conciliation Act, 1996 (whether the dispute is relating to formation/ management/business or not, decision of the arbitrator shall be final.

KEY POINTS FOR PRODUCER COMPANY	
i.	The members have necessarily to be primary producers
ii.	Name of the company shall end with the words "**Producer Company Limited**".
iii.	The limit of maximum number of members is not applicable to these Companies
iv.	On registration, the producer company shall become as if it is a **Private Limited Company** for the purpose of application of law and administration of the company
v.	Minimum No. of 10 member (individual).
vi.	Share capital of a Producer Company shall consist of **equity shares only**
vii.	Minimum **5** and not more than **15** directors
viii.	Producer Company can carry only activity prescribed under the Act.
ix.	Only of individuals, then voting rights shall be based on a single vote for every member.
x.	A full time chief executive should (CEO) be appointed by the board.

General Legalities

Factories Act, 1948: This is applicable to enterprises where the number of employees is ten or more and where power is used; or twenty or more and power is not used. The enterprises covered under the Act are required to keep certain records: muster roll; workers register; overtime register; advance register; register for fine; register for deductions; register of wages; register of accidents and dangerous occurrences; bond inspection book; register of cleaning and white washing; record of examination of parts of machinery.

Employees Provident Fund and Miscellaneous Provisions Act, 1952: The Act applies to every factory or establishment employing 20 or more employees. It, however, exempts a factory or establishment for an initial period of 3 years from commencement of business if the number of employees is more than 50 and for an initial period of 5 years if the number of employees is less than 50. The minimum contribution pay able by the employer is 12% of the basic salary contribution and Dearness Allowance. The employee also makes an equal contribution. The Act, however, does not specify a maximum contribution.

Employees' State Insurance Act: It provides benefits to employees in case of sickness, maternity and employment injury and for certain other matters in relation there to. The Act also provides for payment of contributions by employers and employees at the rates specified in the First Schedule of the Act. The existing rates of employee's contribution vary according to wages and the employer's contribution is exactly double the employee's contribution. It shall apply to factories employing 20 or more people.

Payment of Wages Act, 1936: This Act is applicable to factories and establishments, which come under The factories Act.

Minimum Wages Act, 1948: The employer has to pay minimum wages to employees in certain scheduled industries. At present, the minimum wages act is applicable in 44 scheduled industries.

The Indian Partnership Act, 1932: The Indian Partnership Act, which was amended in 1932, provides for rules relating to foundation of legal partnership. It states the rights and duties of the partners

amongst themselves and outside and lays down rules regarding the dissolution of partnership.

The Income Tax Act, 1911: The Act governs the levy of income tax in India. It defines various terms and expressions and states the liability of a person to pay income tax. The rates and pattern of taxation, however, are changed from time to time.

Pollution Control Act: The State Air and Water Pollution Control Board is the body responsible for implementing this Act. The act is applicable to all kinds of industry.

Further, units need to secure GST registration also.

Specific Legalities (Food Processing):

In addition to the general legal requirements, there are a few legal requirements that are specific to Food Processing Industries. A food processing enterprise has to comply with several compulsory legal requirements. Implementation of these norms with regard to Small and Medium Enterprises is relatively stringent while cottage and household level units sometimes tend to compromise on such stipulations. These laws include:

- Prevention of Food Adulteration Act (1954): It is the basic statute to protect consumers against supply of adulterated food. The Central Committee for Food Standards under the Directorate General and Health Services Ministry of Health and Family Welfare has specified the standards.
- Milk and Milk Products Order (MMPO): It regulates milk and milk products production in the country. The order requires no permission for units handling less than 10,000 litres of liquid milk per day or milk solids up to 500 TPA.
- Fruit Products Order (1955): It regulates manufacture and distribution of all fruit and vegetable products, sweetened aerated waters, vinegar and synthetic syrups. The license is issued by Regional Director of MoFPI located at Mumbai, Delhi, Kolkata, Chennai and Guwahati based on the satisfaction of the concerned officer with regard to quality of production, sanitation and hygiene, machinery and equipment and work area standards.
- Standard of Weights and Measures (Packaged Commodities) Rules (1977): It lays down certain obligations for all commodities in packed form with respect to their quality declaration. The Directorate of Weights and Measures under the Ministry of Food and Civil Supplies operates these rules.
- Export (Quality Control and Inspection) Act (1963): It is operated by the Export Inspection Council and under this act many exportable commodities have been notified for compulsory pre-shipment inspection unless specifically requested by the importer not to do so.
- Voluntary Standards: They are regulated by organizations involved with voluntary standardization and certificates systems concerning quality parameters in food. They are the Bureau of Indian Standards (BIS) and Directorate of Marketing and Inspection (DMI). The food processing industries sector as a whole involves other legislations.
- Oils, Deoiled Meal and edible Flour Control Order (19€L)and Vegetables Products Control Order(19L€): It controls the production and distribution of solvent extracted oils, de-oiled meals, edible oil seed flours and hydrogenated vegetable oils (Vanaspati).
- Meat Food Products Control Order (1973): It regulates manufacture, quality, and sale of all meat products and is operated by the Directorate of Marketing and Inspection.

Regulatory Compliances: Food Safety and Standards activity of India

The Food Safety and Standards Act, 2006 seeks to consolidate the laws relating to food and to establish the Food Safety and Standards Authority of India for laying down science based standards for articles of food and to regulate their manufacture, storage distribution, sale and import, to ensure availability of safe and whole some food for human consumption and for matters connected there with or incidental there to.

Salient Features of the Act

- Enforcement of legislation by the State Governments
- UTs through the State Commissioner for Food Safety, his officers and Panchayati Raj or Municipal bodies
- Emphasis on gradual shift from regulatory regime to self
- Compliance through food safety management system
- Consistency between domestic and international food policy measures without reducing safeguards to public health and consumer protection
- Adequate information dissemination on food to enable consumer to make informed choices.
- Compounding and Adjudication of cases – to reduce Court's workload and expedite the disposal of cases
- Graded penalty depending upon the gravity of offences

SESSION - X

IMPORTANCE OF NETWORKING & CONVERGENCE FOR FPO BUSINESS

Given the importance of agriculture sector, Government of India has taken several steps for its sustainable development. Steps have been taken for:

- Facilitation in enhancing the production & productivity of different agriculture crops & Agri-allied activities through development & dissemination of improved technologies
- Improving the access to irrigation & enhanced water-use efficiency
- Improvement of health of production systems like soils
- Strengthening marketing systems

Support for above has been/is being provided through implementation of different schemes. Broadly the schemes can be categorised in two categories viz. the Central Sector Schemes and Centrally Sponsored Schemes. Centrally Sponsored Schemes are different from Central Sector Schemes in the sense that Central Sector Schemes are implemented by Centre directly while Centrally Sponsored Schemes are implemented through States. Though, the schemes are implemented by States but are largely funded by Central Government with a defined State Government share. This is done to provide flexibility to States to mould the schemes according to the local requirements, flow of funds, accountability, enforceability, implementation, etc.

Similarly, other than government, there are schemes of other organisations viz. developmental institutions, banks, corporates, etc. which have direct or indirect linkage with farmers of farmers' oriented organisation like FPOs.

FPOs needs to link up with Institutions:

a) To mobilise essential resources like finance, agricultural inputs, information, marketing & liaison, value addition and other services required for the activities of FPO and its members

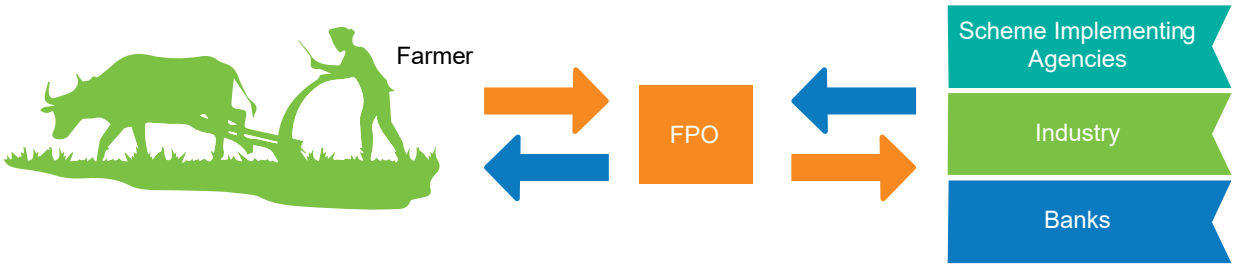
b) To have access to new technologies from private and government institutions, academic institutions, etc.

Literally, convergence happens when two or more things come together to form a new whole. The other synonym for convergence could be *confluence, conjunction, meeting, etc. Here under convergence, we talk about linkage of the beneficiaries (farmers) to the support available (cash/kind) under the various ongoing schemes of the government and other agencies.*

The lack of linkage or convergence can generally be on two counts:

- Awareness about the scheme & incentives
- Knowledge gap on the process part of it i.e. fulfilling the modalities under the program for linkage in order to avail the benefits

The critical gaps viz. time & knowledge constraint existing at individual level in accessing benefits under such programs can be circumvented through an aggregation model and here FPOs can play a very important role.



Convergence efforts can result in the following advantages:

(i) Help the farmer to taking advantage of ongoing programs where FPOs will act as facilitators

(ii) Help in creating opportunities for FPOs for business diversification (setting up of storage facilities, custom hiring centre, soil testing lab, processing units, etc.)

(iii) Help in facilitate implementers in identification of right beneficiaries with ease

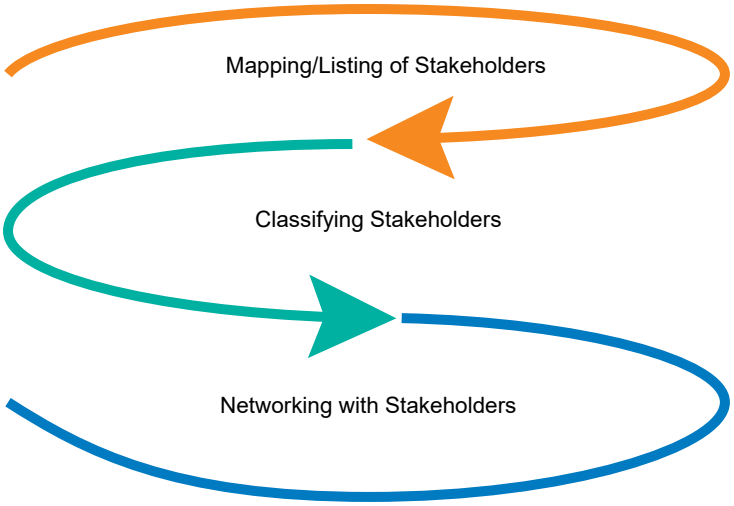
Let us understand it through this example:

An FPO was involved in doing input business. Most of the farmers in the FPO were growing vegetable growers and they wanted to get into the business of aggregation and selling the produce. They decided to approach the office of Horticulture department to seek their opinion. After going there, they came to know about the Departments scheme under National Horticulture Mission. It was informed by the Horticulture Development Officer (HDO) that he still has a budget for distribution of high quality vegetable seeds, if they are interested. He also informed that a capital subsidy can also be availed of for setting up of a low cost cold storage. They came back and discussed among themselves and studied the feasibility aspect. After deciding to go ahead, they invited the official to their next board meetings for further discussion. Six months down the line, the department not only provided them with improved seeds but was also able to connect them to online buyer group for marketing of their produce. The FPO was also helped by HDO in drafting the agreement with the buyer. Subsequently, the department also facilitated set up of a grading and sorting facility with financial support under MIDH. Using the good quality seed, the farmers were also able to improve their productivity and the FPO was able to create a requisite infrastructure for grading and sorting.

Thus, from the above, we can visualise the importance of convergence. But, for convergence to happen, networking and stakeholder engagement is very important.

Stakeholder: An individual, group or organisation who is impacted by the outcome of a project and also have an interest in the success of the project

The simplified step-wise approach for stakeholder analysis & networking could as under:



1. **Mapping/Listing of Stakeholders**: Preparation of list of people or institutions, FPOs interact/likely to come across in conduct of FPO business. FPO Stakeholders are individuals, institutions that are directly or indirectly engaged or who can influence the FPO positively or negatively.

Stakeholder Examples		
Primary	**Secondary**	**Tertiary**
■ Users/ Beneficiaries	■ Local Authority ■ Direction of Municipality Technical Services ■ Traditional Authorities ■ NGOs ■ Development Agencies ■ Businesses and Suppliers ■ Govt. Line Departments ■ Research Institutions ■ School and University ■ Services Providers	■ Financial Institutions ■ Donors ■ National Authorities (at all levels) ■ Opinion Leaders ■ Civil Society ■ Foreign Cooperation Agencies ■ Media

2. **Classifying Stakeholders**: Stakeholders can be placed in 3 categories (very important, somewhat important and not so important)

3. **Networking with Stakeholders**: Engaging with important and somewhat important on a regular basis through networking

- **Methods of Stakeholder Engagement**

- **How to create a stakeholder engagement and prepare a networking plan**

Name of stakeholder (if institution, name of contact person with designation and role)	Reasons for Linking	How to engage with them	Name of person responsible for initiating link	By when	Constraints (in linking)	Ways to overcome constraints? Whose support?

Market Network

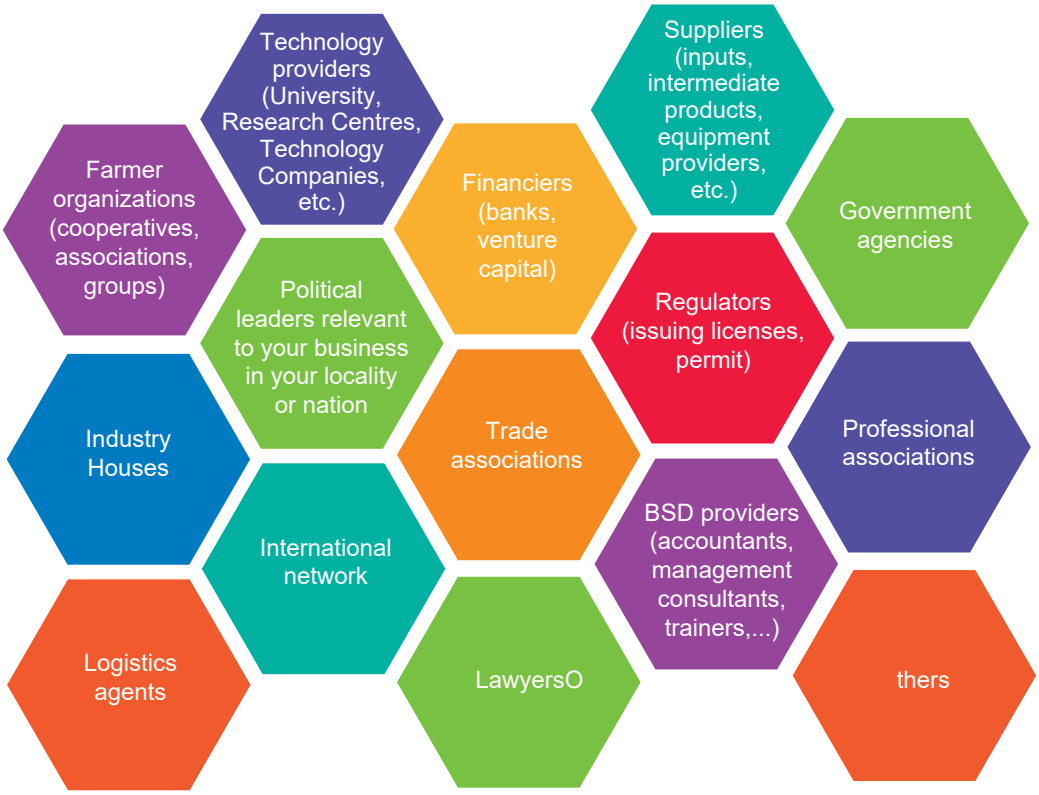
Farmers in India have traditionally been selling their produce via government operated wholesale marketplaces called APMC (Agriculture Produce Marketing Committee) Yards or Mandis. These marketplaces operate on a structure of licensed commission agents who act as traders in the marketplace, buying from farmers and middlemen and selling to wholesale buyers. One of the biggest challenges with this model has been cartelization by commission agents to manipulate prices which results in farmers receiving unfair value for their produce. In addition, farmers are prone to facing malpractices like incorrect produce weighing & grading which further affects the money they receive for their produce. Any sale which the farmer does at the mandi is also subject to marketing charges and fees which increases the farmer's cost of sales, adding to already existing costs like transportation of farm produce to the mandi, and other production related costs. Till recently, APMC Yards or government mandis had monopoly status in most states which further led to lack of alternatives for farmers to market their crops.

A Market Network is a hybrid business model comprising of a marketplace, a social network and SaaS (software as a service) tools. In the agri-value chain a digital market network would allow all the players in the value chain to discover each other via profile pages, connect and exchange information in real time to negotiate deals and manage the transactions and workflows to complete their business. Agri Market Network allows all agri-value chain participants to discover, connect and transact with each other in a real-time, transparent and fair trade driven environment.

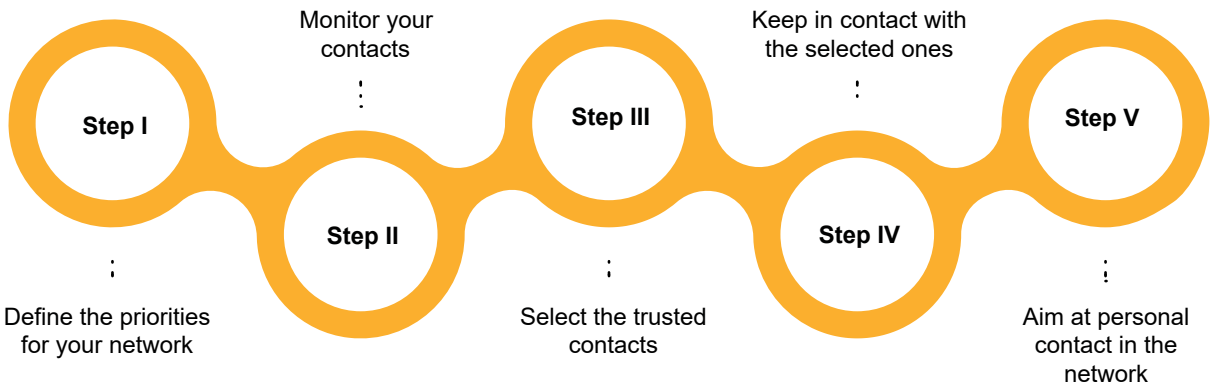
Farmers should act as shareholders, suppliers and also customers of the ecosystem thereby gaining from long term wealth creation as the ecosystem grows. By leveraging block-chain technology, aim should be to make all network transactions transparent for all participants and allow full origin traceability of farm inputs and produce across the supply chain. Combining this with fair trade business principles, one can ensure to deliver the deserved share of value for each player across the value chain.

FPOs can facilitate in making an eco-system to enable any local service enabler (eg. logistics providers, food processors, financial institutions, etc.) to participate in the Market Network and connect with the rest of the network participants to derive and share value across the ecosystem. Once a Market Network participant sign-in, they can manage their profiles, market their services, connect and communicate with other network participants and initiate or complete transactions in a transparent and secure manner.

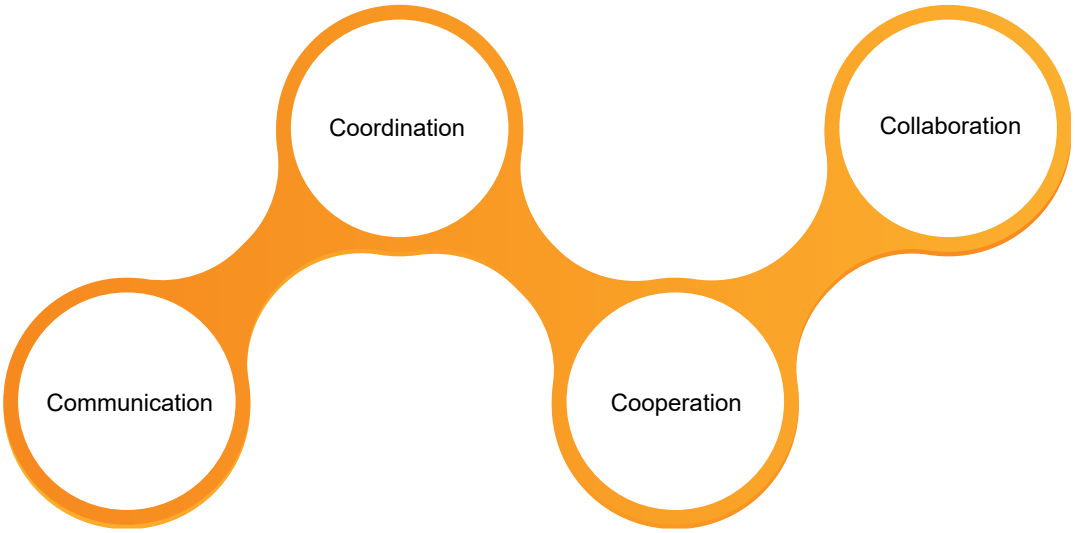
As an agribusiness leader, with whom you would want to network?



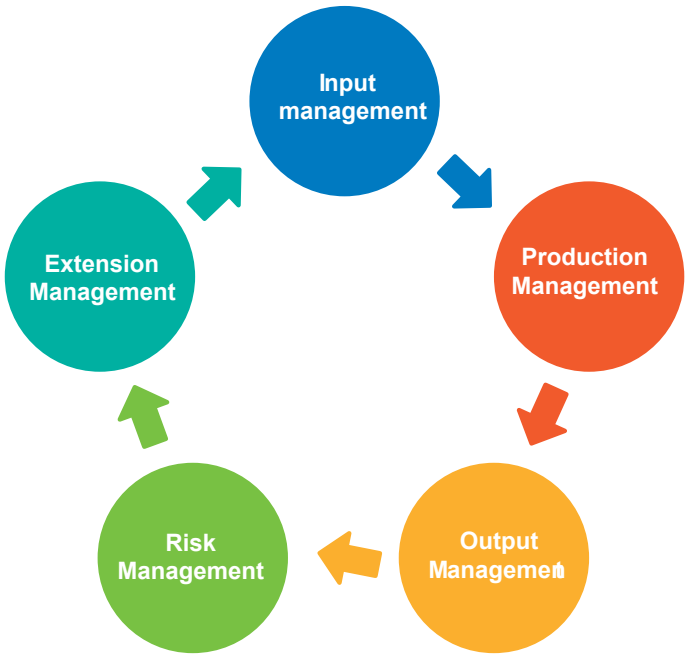
Methodology



Four "C" in networking



Schemes/programs (Indicative) relevant to agriculture and allied activities can be broadly categorised as under:



A) Input management Schemes/Programmes

S. No.	Name of Scheme	Particulars
1	Soil Health Card Scheme (SHC)	State Governments to issue soil health cards to all farmers in the country. The objective is to provide information to farmers on soil nutrient status of their soil and recommendation on appropriate dosage of nutrients to be applied for improving soil health and its fertility. The soil status will be assessed regularly every 2 years and soil health card issued for all land holdings in the country so as to promote balanced and integrated use of plant nutrients
2	Sub-mission on Seed and Planting material (SmSP)	A Centrally Sponsored Scheme for increasing production and SRR; Up-gradation of farm saved seed; Strengthening multiplication chain, promoting new technologies/methodologies, strengthening and modernizing seed production infrastructure, facilitating movement, ensuring availability, facilitating dissemination and effective system for protection of seed /plant varieties
3	Protection of Plant varieties and Farmers' Rights Authority	In order to provide for the establishment of an effective system for protection of plant varieties, the rights of farmers and plant breeders and to encourage the development of new varieties of plants and protection of plant varieties and farmers' rights, authority has been establishment and is located at NASC Complex, Pusa. PPV&FR Authority has established branch offices at different locations
4	Pradhan Mantri Krishi Sinchayee Yojana (PmkSY)	The scheme is operational since 2015 with the motto of *'Har Khet Ko Paani'* for providing end-to-end solutions in irrigation supply chain, viz. water sources, distribution network and farm level applications
5	Watershed Development Component of Pradhan Mantri Krishi Sinchayee Yojana (WDC-PmkSY) (erstwhile IWMP)	Programme for harnessing, conserving and developing degraded natural sources such as soil, vegetative cover and ground water table; prevention of soil run-off; rain water harvesting and recharging of ground water table; increasing the productivity of crops; introduction of multi-cropping and diverse agro-based activities; promoting sustainable livelihoods and increasing the household incomes
6	Sub-mission on Agricultural Mechanization (SMAM)	The financial assistance as cost subsidy to the tune of 25-50% is being provided for the individual ownership of the farm machinery which is also applicable for farm machinery component under RKVY, NFSM, NHM & NMOOP schemes for different categories of Machinery & Equipment. The financial assistance @40% is provided for establishment of farm machinery banks to provide the custom hiring services for the benefits of small and marginal farmers. To promote the mechanization in selected village with low level of farm mechanization, financial assistance @80% of the project cost for farm machinery banks is given to the group of minimum 8 farmers. Hiring assistance for various farm operations carried out through the farm machinery banks set up under financial assistance is also provided @ 50% of the cost of operation/ha limited to Rs. 2000/ha to farmers

S. No.	Name of Scheme	Particulars
7	Sub mission on Plant Protection and Plant Quarantine (SMPPQ)	It is one of the scheme under Green Revolution (Krishonnati Yojana). The primary aim of this Sub Mission is to minimize loss to quality and yield of agricultural crops from the ravages of insect pests, diseases, weeds, nematodes, rodents, etc. and to shield our agricultural bio-security from the incursions and spread of alien species

B) Agriculture Credit

S. No.	Name of Scheme	Particulars
1	Kisan Credit Card (KCC) Scheme	All eligible farmers are provided with hassle free and timely credit for their agricultural operation. Marginal farmers, share croppers, oral lessee and tenant farmers are eligible to be covered under the scheme. The broad objectives of the scheme is too meet the short term credit requirements for cultivation of crops, post-harvest expenses, produce marketing loan, consumption requirements of farmer household, working capital for maintenance of farm assets and activities allied to agriculture (like dairy animals, inland fishery etc.), investment credit requirement for agriculture and allied activities (like pump sets, sprayers, dairy animals etc.)
2	Interest Subvention (IS) Scheme	Government of India has been implementing Interest Subvention Scheme since 2006-07. The incentives under the scheme are as under: a. Interest subvention of 2% per annum is provided to banks on their own funds used for short term crop loans up to Rs.3.00 lakh per farmer provided the lending institutions make available short term credit at the ground level at 7% per annum to farmers. b. Farmers are provided with 3% additional interest subvention for the short term crop loan of up to Rs. 3.00 lakh for a maximum period of one year for prompt repayment on or before the due date. Thus, farmers, who promptly repay their crop loans as per the repayment schedule fixed by the banks, are extended loans at an effective interest rate of 4% per annum. c. Government of India has extended the facility of Kisan Credit Card (KCC) to fisheries and animal husbandry farmers to help them meet their working capital needs. The KCC facility will help fisheries and animal husbandry farmers to meet their short term credit requirements of rearing of animals, poultry birds, fish, shrimp, other aquatic organisms and capture of fish. Under Kisan Credit Card (KCC) facility, for the existing KCC holders the credit limit is Rs. 3 lakh including animal husbandry and fisheries activities whereas the KCC holders for animal husbandry and fisheries have the credit limit of Rs. 2 lakh to meet their working capital requirements for animal husbandry and fisheries activities. Under KCC facility, Interest subvention is available for animal husbandry and fisheries farmers @ 2% per annum at the time of disbursal of loan and additional interest subvention @ 3% per annum in case of prompt repayment as Prompt Repayment Incentive.

S. No.	Name of Scheme	Particulars
		d. In order to meet the working Capital needs of the Cooperatives and Farmer owned milk producer companies, Interest subvention on working capital loan taken from scheduled Commercial Banks / RRBs / Cooperative Banks / Financial Institutions between 1st April 2020 and 31st March 2021 by Cooperatives/FPOs for conversion of milk into conserved commodities and other milk products. The scheme has made provisions for providing interest subvention of 2% per annum, with an additional incentive of 2% per annum interest subvention to be given in case of prompt and timely repayment/interest servicing
3	Agriculture Infrastructure Fund (AIF): Announced on 15.05.2020 with an objective of mobilizing medium-long term debt financing facility for investment in viable projects for post-harvest management infrastructure and community farming assets through incentives and financial support in order to improve agriculture infrastructure in the country. Farmers (including FPOs, PACS, Marketing Cooperative Societies, Multipurpose cooperative societies) can undertake setting-up and modernization of key elements of the value chain including post-harvest management projects like: The scheme will be operational from 2020-21 to 2029-30 with a targeted sanctions in four years viz. sanction of Rs. 10,000 crore in the 1st Yr and Rs. 30,000 crore each in next three financial years. Moratorium for repayment under this financing facility may vary subject to minimum of 6 months and maximum of 2 years. The incentives under the scheme are as under: **Post Harvest Management** • Supply chain services including e-marketing platforms • Warehouses • Silos • Pack Houses • Assaying Units • Sorting & Grading units • Cold Chains • Logistics Facilities • Primary Processing Centres • Ripening Chambers **Building Community Farming Assets** • Organic inputs production • Bio stimulant production units • Infrastructure for smart & precision agriculture • Projects identified for providing supply chain infrastructure for clusters of crops including export clusters • Projects promoted by Central/State/Local Governments or their agencies under PPP for building community farming assets or post harvest management projects	
		1. All loans under this financing facility will have interest subvention of 3% per annum up to a limit of Rs. 2 crore. 2. Subvention will be available for a maximum period of 7 years. 3. In case of loans beyond Rs.2 crore, then interest subvention will be limited up to 2 crore.

S. No.	Name of Scheme	Particulars
	Credit Guarantee Cost	■ Credit guarantee coverage will be available for eligible borrowers from this financing facility under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme for a loan up to Rs. 2 crore ■ Fee for this coverage will be paid by the Government. ■ In case of FPOs the credit guarantee may be availed from the facility created under Credit Guarantee Fund proposed to be created under CSS on Formation & promotion of 10000 FPOs of DACFW
	Cap on lending rate	■ Lending rate to be decided after due consultation with lending entities & circulated to all stake holders ■ 06 Monthly / Annual MCLR + 100 basis point (Floating) subject to max. 9% up to 2 crores ■ Banks can decide market driven rates above 2 crore
	Top-Up Scheme	■ Any grant/subsidy available under any present/future scheme of Central/ State government can be availed for projects under this financing facility ■ In cases of capital subsidy such amount shall be considered as promoter's contribution ■ However, a minimum of 10% of the project cost shall be mandatory as promoter's contribution
4.	Joint Liability Group (JLG) Scheme: JLG is an informal group comprising 4 to 10 individuals coming together for the purpose of availing bank loan on individual basis or through group mechanism against mutual guarantee. The JLG mode of financing serves as collateral substitute for loans to be provided to the target group i.e. small, marginal, tenant farmers, oral lessees, share croppers, etc.	

C) Production management schemes for higher productivity

S. No.	Name of Scheme	Particulars
1	National Food Security Mission (NFSM)	National Food Security Mission was launched in 2007-08 to increase the production of rice, wheat and pulses through area expansion and productivity enhancement; restoring soil fertility and productivity; creating employment opportunities; and enhancing farm level economy
2	Bringing Green Revolution to Eastern India (BGREI)	The scheme targeted at increasing production & productivity of rice and wheat by adopting latest crop production technologies, promoting cultivation in rice fallow areas to increase cropping intensity and income of the farmers, creating water harvesting structures and efficient utilization of water potential and promoting post-harvest technology and marketing support.

S. No.	Name of Scheme	Particulars
3	National Mission on Oilseeds and Oil Palm (NMOOP	The strategy of the Mission includes increasing Seed Replacement Ratio (SRR) with focus on varietal replacement; increasing irrigation coverage under oilseeds, diversification of area from low yielding cereals crops to oilseeds crops; inter-cropping of oilseeds with cereals/pulses/sugarcane; use of fallow land after paddy/potato cultivation; expansion of cultivation of Oil Palm, increasing availability of quality planting materials of Oil Palm & TPBs, maintenance cost and Intercropping during gestation period of oil palm and TBOs
4	Mission for Integrated Development of Horticulture (MIDH)	A Centrally Sponsored Scheme for the holistic growth of the horticulture sector covering fruits, vegetables, root & tuber crops, mushrooms, spices, flowers, aromatic plants, coconut, cashew, cocoa and bamboo.
5	Horticulture Mission for North East and Himalayan States (HMNEH)	The Mission covers entire spectrum of horticulture, right from planting to consumption, with backward & forward linkages. With effect from 2014-15, HMNEH scheme has been subsumed under the Mission for Integrated Development of Horticulture (MIDH).
6	National Livestock Mission (NLM)	Sub-Mission on Fodder and Feed Development: Addressing the problems of scarcity of animal feed resources in order to give a push to the livestock sector making it a competitive enterprise for India and also to harness its export potential. The major objective is to reduce the deficit to nil.
		Sub-Mission on Livestock Development: Productivity enhancement, entrepreneurship development and employment generation (bankable projects), strengthening of infrastructure of state farms with respect to modernization, automation and biosecurity, conservation of threatened breeds, minor livestock development, rural slaughter houses, fallen animals and livestock insurance. It is further envisaged to expand the scope of innovative projects by formulating new initiatives for small ruminants and poultry Sub-Mission on Pig Development in NER: There has been persistent demand from the North Eastern States seeking support for all round development of piggery in the region. GoI would be supporting the State Piggery Farms and import of germplasm so that eventually the masses get the benefit as it is linked to livelihood and contributes in providing protein-rich food in 8 States of the NER Sub-Mission on Skill Development, Technology Transfer and Extension: The extension machinery at field level for livestock activities is very weak. As a result, farmers are not able to adopt the technologies developed by research institutions. The emergence of new technologies and practices require linkages between stakeholders and this sub-mission will enable a wider outreach to the farmers

S. No.	Name of Scheme	Particulars
7	Fishery (Blue revolution)	Central Sector components on Blue Revolution for integrated development and management of fisheries was formulated with a Central outlay of Rs. 3000 crore for five years with following components: a) National Fisheries Development Board (NFDB) and its activities. b) Development of Inland Fisheries and Aquaculture c) Development of Marine Fisheries, Infrastructure and Post-Harvest Operations d) Strengthening of Database & GIS of the Fisheries Sector e) Institutional Arrangement for Fisheries Sector f) Monitoring, Control and Surveillance (MCS) and other need-based Interventions g) National Scheme of Welfare of Fishers

D) Output Management Schemes – Post Production

S. No.	Name of Scheme	Particulars
1	Agricultural Marketing: Under the AMI sub-scheme	i. To develop agricultural marketing infrastructure for effectively managing marketable surplus of agriculture including horticulture and of allied sectors including dairy, poultry, fishery, livestock and minor forest produce. ii. Promoting innovative and latest technologies and competitive alternative agricultural marketing infrastructure by encouraging private and cooperative sector investments, direct marketing, creation of scientific storage capacity, Integrated value chains (confined up to primary processing stage only) iii. To provide Infrastructure facilities for grading, standardization and quality certification of agricultural produce. iv. To create general awareness and provide training to farmers, entrepreneurs, market functionaries and other stakeholders on various aspects of agricultural marketing including grading, standardization and quality certification v. Promoting innovative and latest technologies and competitive alternative agricultural marketing infrastructure by encouraging private and cooperative sector investments, direct marketing, creation of scientific storage capacity, Integrated value chains (confined up to primary processing stage only) vi. To provide Infrastructure facilities for grading, standardization and quality certification of agricultural produce vii. To create general awareness and provide training to farmers, entrepreneurs, market functionaries and other stakeholders on various aspects of agricultural marketing including grading, standardization and quality certification

S. No.	Name of Scheme	Particulars
2	National Agriculture Market (e-NAM)	e-NAM *(Electronic National Agriculture Market)* by Central Government in 2016. Under the scheme, a pan India electronic trading portal (e-NAM) is deployed in selected regulated wholesale markets in States across the country and it is a reformed linked scheme wherein States are required to carry out pre-requisite reforms to enable: a. A Single licence to be valid across the State b. Single point levy of market fee c. Provision for electronic auction as a mode of price discovery ■ FPOs/FPCs can register on e-NAM Portal via website (www.enam.gov.in) or mobile app or providing following details at nearest eNAM mandi: - Name of FPOs/ FPCs - Name, address, email Id and contact no. of authorized person (MD/CEO /Manager) - Bank account Details (Name of Bank, Branch, Account No., IFSC Code) ■ FPOs can act as an aggregator for its member and sell through e-trading as one/ multiple lot depending upon requirement FPOs. In case of unsold lots, logistics arrangement are to be made by FPOs ■ FPOs can contact vehicle providers for transporting agricultural produce, using "KISAN RATH" mobile app launched by Government of India. To download and install the app please search for "KISAN RATH" on Google Play Store for Android app and App Store for iOS app. ■ There is a provision for personalised dashboard and real time information on arrival, quality and price of commodities. ■ The entire payment will be credited to bank account of FPO/FPC. ■ Post credit of payment disbursal of amount to Individual members farmers has to be done by FPOs ■ FPOs/FPCs will be provided access to e-NAM Dashboard to see MIS and Reports related to the Trade executed by FPOs/FPCs ■ Union budget 2017-18 made provision to install collection/ sorting/ grading/ packing facilities at their premises
3	Schemes of Small Farmers Agribusiness Consortium (SFAC	■ Equity Grant Scheme (EGS): For Farmer Producer Companies (FPCs), SFAC extends support to the equity base by providing matching equity grants to their shareholder members subject to a maximum of Rs. 15 lakh per FPC in two tranche. ■ Credit Guarantee Fund (CGF) Scheme: Credit Guarantee Fund has been set up with the primary objective of providing a credit guarantee cover to Eligible Lending Institutions (ELI's) which are providing collateral free loans to FPCs thereby minimising their lending risks. The Credit Guarantee Fund offers a cover of 85% to loans extended by banks to FPCs without collateral, up to a maximum of Rs. 1 crore.

S. No.	Name of Scheme	Particulars
		■ Venture Capital Assistance (VCA) Scheme: Provide financial support to Agribusiness entrepreneurs who are generally first generation entrepreneurs having business skills but their financial resources are limited for setting up units. SFAC would provide venture capital to agribusiness projects by way of soft loan to supplement the financial gap worked out by the sanctioning authority of term loan under Means of Finance with respect to cost of project. ■ Delhi Kisan Mandi (KM): SFAC launched Kisan Mandi at Delhi in October 2014, with the objective of linking farmers and FPOs to wholesale and retail buyers in the Fruits and Vegetables (F&V) segment. The Delhi Kisan Mandi has already begun its operations and provides a platform for direct sale of fruits and vegetables to wholesale and retail buyers in Delhi/NCR. ■ Procurements: SFAC was nominated as a Central Procurement Agency for pulses and oilseeds in November, 2012. SFAC's unique procurement model utilizes registered Farmer Producer Companies (FPCs) as the field level agency to physically conduct the procurement operations, with technical and logistic support as well as funding provided by SFAC
4	Minimum Support Price (MSP)	MSP is a form of market intervention by the GoI to insure agricultural producers against any sharp fall in farm prices and are announced at the beginning of the sowing season for certain crops on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP)
5	Price Support Scheme (PSS)	Implemented for procurement of oil seeds, pulses and cotton through Central Nodal Agencies at the MSP declared by the Government. The basic objectives of PSS are to provide remunerative prices to the growers for their produce with a view to encourage higher investment and production and to safeguard the interest of consumers by making available supplies at reasonable prices with low cost of intermediation
6	Market intervention Scheme (MIS)	Market Intervention Scheme is for procurement of agricultural and horticultural commodities which are perishable in nature and are not covered under the Price Support Scheme (PSS). The scheme is implemented at the request of a State/UT government which is ready to bear 50% of the loss (25% in case of North-Eastern States), if any, incurred on its implementation
7	Pradhan Mantri Kisan SamPada Yojana	The following schemes are being implemented under PM Kisan SAMPADA Yojana: • Mega Food Parks • Integrated Cold Chain • Value Addition Infrastructure • Creation / Expansion of Food Processing & Preservation Capacities • Infrastructure for Agro-processing Clusters • Creation of Backward and Forward Linkages • Food Safety and Quality Assurance Infrastructure • Human Resources and Institutions

E) Risk Management Schemes for agriculture

S. No.	Name of Scheme	Particulars
1	Pradhan Mantri Fasal Bima Yojna (PMFBY)	• Covers all food grains, oilseeds and annual commercial/horticultural crops • One season one rate – a uniform maximum premium of 2% for kharif, 1.5% for rabi, food & oil seed crops and 5% for annual commercial/ horticultural crops • Covers all risks of crop cycle (preventive sowing; risk to standing crops and post-harvest losses) • For losses due to hailstorm, landslide and inundation assessment of yield losses at individual field level • Post-harvest losses for cut & spread crops on field up to 14 days due to cyclone/cyclonic rains and unseasonal rains. • On account payment up to 25% of sum insured due to prevented sowing or mid-season adversity
2	Drought Management Scheme	DAC&FW is mandated to coordinate relief measures necessitated by drought, hailstorm, pest attack, frost/cold wave. Spatial distribution and quantum of rainfall during South-West Monsoon (June- September) mainly determines the incidence of drought in the country, as South West Monsoon accounts for more than 70% of annual rainfall
3	Risk management & insurance in animal husbandry and dairying	Providing protection mechanism to the farmers/BPL/SC/ST/ landless livestock rearers against any eventual loss of their indigenous / crossbred milch animals, pack animals and other livestock (Goat, Sheep, Pigs, Rabbit, yak and Mithun) animals due to death

F) Extension Management in Agriculture

S. No.	Name of Scheme	Particulars
1	State Extension Programmes for Extension Reforms Scheme (ATMA Scheme)	The erstwhile Scheme *'Support to State Extension Programmes for Extension Reforms (ATMA)'* being implemented since 2005 has now been included as a component of the Sub-Mission on Agriculture Extension (SMAE) under umbrella scheme "Green Revolution Krishonnati Yojana" with some cost revisions. It is now under implementation in 676 districts of 29 states & 3 UTs of the country. The scheme promotes decentralized farmer driven and farmer accountable extension system through an institutional arrangement for technology dissemination in the form of an Agricultural Technology Management Agency (ATMA) at district level
2	Mass media support to agricultural extension	• Telecast of Krishi Darshan programmes on Doordarshan • Broadcast of Kisan Vani Programme on All India Radio (AIR) • Telecast/Broadcast of spots/jingles advisories under 'Free Commercial Time (FCT)' on AIR & DD

S. No.	Name of Scheme	Particulars
		• Kisan Call Centers (KCC): Providing answer to farmers' queries on agriculture & allied sectors through toll free telephone lines. A country wide common eleven digit number '1800-180- 1551' has been allocated for KCC • Extension Education Institutes (EEI): Four Extension Education Institutes namely, Nilokeri (Haryana), Rajendranagar, Hyderabad (Telangana), Anand (Gujarat), Jorhat (Assam) are functioning at the Regional Level • Model Training Courses (MTC): Model Training Courses of 8 days duration on thrust areas of Agriculture, Horticulture, Animal Husbandry, Fisheries Extension are supported by the Directorate of Extension (DOE) with the objective of improving the professional competence and upgrading the knowledge and developing technical skills of Subject Matter Specialists/ Extension workers of Agriculture and allied departments of the State Governments • Diploma in Agricultural Extension Services for Input Dealers (DAESI): DAESI is of one year (expanded to 48 weeks) regular course launched in 2003 with an objective to impart education in agriculture and other allied areas to the input dealers so that they can establish linkage to their business with extension services, besides discharging regulatory responsibilities enjoined on them • Mera Gaon Mera Gaurav (ICAR): This programme has been initiated to effectively promote direct interface of scientists of ICAR Institutes and State Agricultural Universities with the farmers to hasten the lab to land process • Mkisan-use of basic mobile telephony: DOA&FW has developed a portal mkisan (mkisan.gov.in), where around 2.5 crore farmers are registered and experts/scientists of different departments like IMD, ICAR, State Government, SAUs send information to farmers in local languages. Weather information about likelihood of rainfall, temperature, etc. enables farmers to make informed decision in choice of seed varieties, decide on timing of sowing and harvesting. With market information, farmers are better informed about markets to sell produce, prevailing market prices and quantity demanded in the market. Thus, they can make informed decisions to sell produce at the right price and right time. This helps reducing distress sales by farmers due to market supply fluctuations • Farmers' portal (www.farmer.gov.in): Farmers' Portal is a one stop shop for farmers where a farmer can get relevant information on range of topics including seeds, fertilizer, pesticides, credit, good practices, dealer network, availability of inputs, agromet advisory, etc.

S. No.	Name of Scheme	Particulars

		• Development of mobile apps
		  • **Kisan Suvidha App**
		  • **Pusa Krishi App**
		  • **Crop Insurance App**
		  • **AgriMarket App**
		  • **CCE agri App**
		• Crop Insurance Portal: A portal for all stakeholders including Farmers, States, Insurance Companies, Banks covering both the insurance schemes viz. PMFBY and WBCIS. Provides information to farmers on premium, cut-off dates & company contacts for their crop & location along with insurance premium calculator and creation of database of notified/allotted dynamically

3	Agri-Clinics and Agri-Business Centres (ACABC)	• A Central Sector Scheme, "Establishment of Agri-Clinics and Agri-Business Centres (AC&ABC)" has been under implementation since April, 2002 to supplement the efforts of public extension, support agricultural development and create gainful self-employment opportunities to unemployed youths with qualification in agriculture and allied sectors. • The National Institute of Agricultural Extension Management (MANAGE), Hyderabad is the implementing agency for training component and NABARD is the implementing agency for subsidy component of ACABC scheme. • Credit linked back-ended upfront composite subsidy @ 44% for women, SC/ST and all categories of candidates from North-Eastern and Hill States and 36% in respect of other categories • The subsidy is admissible for loans up to Rs.20 lakh in case of individual and Rs.100 lakh in case of Group Projects (for ventures set up by a group of 5 trained candidates) • The scheme promotes involvement of agri-preneurs trained under the ACABC scheme in providing advisory and extension services to the farmers in agriculture and allied areas through agri-ventures established with financial supports.

G) Programme / Schemes supporting Agri-Allied Activities

S. No.	Name of Scheme	Particulars
1	Rashtriya Krishi Vikas Yojana - Remunerative Approaches for Agriculture and Allied Sector Rejuvenation (RKVY-RAFTAAR)	• RKVY scheme was initiated in 2007 as an umbrella scheme for ensuring holistic development of agriculture and allied sectors by allowing states to choose their own agriculture and allied sector development activities as per the district/state agriculture plan.

S. No.	Name of Scheme	Particulars
		• Till 2013-14, the scheme was implemented as an Additional Central Assistance (ACA) to State Plan Scheme with 100% central assistance. • It was converted into a Centrally Sponsored Scheme in 2014-15 also with 100% central assistance. • Since 2015-16, the funding pattern of the scheme has been altered in the ratio of 60:40 between Centre and States (90:10 for North Eastern States and Himalayan States). For Union Territories the funding pattern is 100 % central grant. • RKVY scheme incentivizes States to increase public investment in Agriculture & allied sectors. Under RKVY, States have been provided flexibility and autonomy for selection, planning approval and execution of projects/programs under the scheme as per their need, priorities and agro-climate requirements. The funds are released to the State Governments/UTs on the basis of projects approved in the State Level Sanctioning Committee Meeting (SLSC) headed by the Chief Secretary of the concerned State, which is the empowered body to approve projects under the scheme. It is for the State Govt. to further implement the scheme in the State as per its requirement in areas which requires focused attention for increasing production and productivity in the State. • The Cabinet approved (as on 1st November 2017) for continuation of the ongoing Centrally Sponsored Scheme (State Plans) - Rashtriya Krishi Vikas Yojana (RKVY) as **Rashtriya Krishi Vikas Yojana- Remunerative Approaches for Agriculture and Allied Sector Rejuvenation (RKVY-RAFTAAR)** for three years i.e. 2017-18 to 2019-20 with broad objectives of making farming a remunerative economic activity through strengthening the farmer's effort, risk mitigation and promoting agri-business entrepreneurship. • Under RKVY-RAFTAAR, major focus is on pre & post-harvest infrastructure, besides promoting agri-entrepreneurship and innovations. Funds under RKVY-RAFTAAR would be provided to the States as grant by the Central Government in the following streams. I. **Regular RKVY-RAFTAAR -70% of annual outlay will be allocated among States as per criteria under following heads.** a. Infrastructure and assets- **50% (of 70%) of regular RKVY-RAFTAAR** **Outlay** - pre-harvest infrastructure (20%), post-harvest infrastructure (30%) b. Value addition linked production projects (agribusiness models) that provide assured/ additional income to farmers including Public Private Partnership for Integrated Agriculture Development (PPPIAD) projects - **30% (of 70%) of regular RKVY outlay.** c. Flexi funds- **20% (of 70%) of regular RKVY-RAFTAAR** **Outlay -** States can use this fund for supporting any projects as per their local needs preferably for innovative activities in agriculture and allied sectors. II. **RKVY-RAFTAAR special sub-schemes (20% of total annual outlay) -** Based on national priorities as notified by GoI from time to time for development of region and problem specific areas.

S. No.	Name of Scheme	Particulars
		III. **Innovation and agri-entrepreneur development (10% of annual outlay) -** For encouraging innovation and agri-entrepreneurs through skill development and financial support. It will support incubatees, incubation centers, KVKs, awards, etc. These funds will be with Central Govt. (DAC&FW) including 2% of administrative costs at the Centre. **In case the funds not utilized, it will be diverted to regular RKVY & sub-schemes.** • Till date 16,633 projects have been sanctioned under RKVY out of which 8232 projects have been projects completed by the states of which large number pertain to creation of infrastructure and assets. Geo-tagging initiative is also being taken up using an android app to precisely locate RKVY assets through **Bhuvan Geoportal** by the government **For more details visit https://rkvy.nic.in**
2	Entrepreneurship Development and Employment Generatio	• To encourage entrepreneurship in various poultry, sheep, goat and piggery activities and provide capacity building for employment opportunities. Farmers, individual entrepreneurs, NGOs, Self Help Groups (SHGs), Joint Liability Groups (JLGs) etc. are provided credit linked back ended capital subsidy under the scheme. • NABARD is the subsidy channelizing agency under Entrepreneurship Development & Employment Generation (EDEG) component of National Livestock Mission. This includes: ▪ Poultry Venture Capital Fund (PVCF) ▪ Integrated Development of Small Ruminants and Rabbit (IDSRR) ▪ Pig Development (PD) ▪ Salvaging and Rearing of Male Buffalo Calves (SRMBC) **For more details visit www.dahd.nic.in**
3	Attracting and Retaining Youth in Agriculture (ARYA)	The ARYA project was implemented to empower the Youth in Rural Areas to take up various Agri-enterprises in Agriculture, allied and service sector for sustainable income and gainful employment. The project is running in 25 districts of 25 States through KVKs. **For more details visit https://dfr.icar.gov.in/Extension/ARYA**

H) Sustainable Agriculture Management

S. No.	Name of Scheme	Particulars
1	Paramparagat Krishi Vikas Yojana (PKVY)	PKVY is one of the schemes under National Mission for Sustainable Agriculture (NMSA) to promote certified organic cultivation in 2 lakh ha covering 10,000 clusters. Financial assistance of Rs 50,000 per ha per farmer is provided in 3 years to develop the organic cluster of 20 hectares. The scheme objectives are as under:

	■ To promote eco-friendly concept of cultivation reducing the dependency on agro-chemicals and fertilizers ■ To optimally utilize the locally available natural resources for input production ■ To promote use of local indigenous traditional techniques for management of plant nutrition and plant protection ■ To develop potential markets for organic products target ■ Realizing yield potentials in rainfed/hilly areas ■ Improving and sustaining soil health ■ Reducing cost of cultivation ■ Cluster based approach ■ Decentralized and participatory approach **For details visit https://pgsindia-ncof.gov.in/pkvy**
2	Mission Organic Value Chain Development for North Eastern Region (MOVCDNER) Realizing the potential of organic farming in the North Eastern Region of the country, Ministry of Agriculture and Farmers Welfare launched a Central Sector Scheme entitled "Mission Organic Value Chain Development for North Eastern Region" for implementation in the states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura during 2015-16 to 2017-18. The scheme aims at development of certified organic production in a value chain mode to link growers with consumers and to support the development of entire value chain starting from inputs, seeds, certification, to the creation of facilities for collection, aggregation, processing marketing and brand building initiative. The scheme was approved with an outlay of Rs. 400 crore for three year. The scheme is being implemented in NER states through State Lead Agencies (SLA). **For details visit http://agricoop.nic.in**
3	National Mission for Sustainable Agriculture (NMSA) NSMA is one of the eight Missions outlined under National Action Plan on Climate Change (NAPCC). NMSA as a programmatic intervention made operational from the year 2014-15 aims at making agriculture more productive, sustainable, and remunerative and climate resilient by promoting location specific integrated/composite farming systems; soil and moisture conservation measures; comprehensive soil health management; efficient water management practices and mainstreaming rainfed technologies **For details visit https://nmsa.dac.gov.in**
4	Sub-mission on agroforestry (SMAF) The Sub-Mission on Agroforestry (SMAF) has been made operational from 2016-17 to promote "Har Medh Par Ped" ("Trees on Farm Bund"). The Sub-Mission on Agroforestry is to be operated with funding pattern 60:40 (GoI : State Govts) basis for all States excepting for 8 States of North-Eastern Region & the Hilly States of Himachal Pradesh, Uttarakhand and Jammu & Kashmir where it would be 90:10 fund sharing. For UTs, the assistance will be 100% from GoI. Farmers would be supported financial assistance to the extent of 50% of the actual cost of the interventions (limited to 50% of the estimated cost). The estimated costs are as under:

S.N	Activity	Est. Costs	Remarks
A	Nursery		
i	Small Nursery (0.5 ha)	10	Min. capacity - 25,000 plants/year
ii	Big Nursery (1.0 ha)	16	Min. capacity - 50,000 plants/year
iii	Hi-tech Nursery(2.0 ha)	40	Min. capacity - 100,000 propagules/year
B	Peripheral/Boundary Plantation	Rs. 70/ plant	On actual no. of plants planted
C	Low Density Block Plantation		Going for plantation without sacrificing the yield of existing crops/cropping systems
i	Upto 100 trees/ha	Rs. 70/ plant	
ii	101 -500 trees/ha	Max. 28000/-	Actual of planting Intensity
C	High Density Block Plantation		Intermediate blocks /strip plantations / shelterbelt/wind breaks in waste and degraded land not suitable for growing crops
i	501 – 1000 plants/ha (spacing norm 3.5 m x 3.5 m)	Max. Rs. 30,000	
ii	1001 – 1200 plants/ha (spacing norm 3 m x 3 m)	Max. Rs. 35,000	
iii	1201 – 1500 plants/ha (spacing norm 2.5 m x 2.5 m)	Max. Rs. 45,000	
iv	>1500 plants/ha (spacing norm less than 2.5 m)	Max. Rs. 50,000	

For more details visit https://nmsa.dac.gov.in/pdfdoc/Agroforestory_Guidelines

5 Agri-market infrastructure Fund (AMIF)

AMIF with a corpus of Rs. 2,000 crores. There are about 22,000 rural huts in the country which are reported to be not having adequate market infrastructure. These rural huts are mostly under the panchayats at village level. For development of these rural huts into grameen agricultural markets, NABARD proposed to create Agri-market Infrastructure Fund of Rs. 2,000 crores by mobilizing funds from the market and give to state governments as loan at subsidized interest rate. Since these proposed grameen agriculture market will come up near the farm gate/villages, the farmers will have easy access to the market and the aggregated agricultural produce can be moved to nearest APMCs or institutional buyers can also purchase the produce from these grameen huts.

MGNREGA under their rural infrastructure scheme have provision to set up village haat at the village or block level. Development of such permanent market centres will help rural farmers to promote marketing of their produce and boost socio-economic development. The basic infrastructure/facilities provided by MGNREGA include:

	■ open raised platforms & covered platform ■ toilets (separate for women and men) ■ drinking water facility ■ drains ■ brick/stone soling in the moving space ■ garbage pits at corner ■ office block ■ storage (small size) ■ boundary wall/fence with two gates one for incoming and second for outgoing ■ parking space ■ drinking water facilities for cattle ■ In addition to the above basic facilities, small assaying lab/ equipment, weighing scale, IT facilities can also be provided. These grameen agricultural markets can also be integrated with e-NAM platform. Provision for value addition can also be made. Setting up of grameen agricultural market near farm gate may also reduce the loss and benefit both the farmers and buyers. **For more details visit https://dmi.gov.in/Documents/SchemeGuidelines**
6	Long Term Irrigation Fund (LTIF) In Union Budget for 2016-17, a path breaking announcement made in the irrigation sector for setting up of Long Term Irrigation Fund (LTIF) in NABARD with an initial corpus of Rs 20,000 crore for funding of irrigation projects which were languishing incomplete for want of funds for many years. Accordingly, 99 projects were identified under LTIF. **For details visit https://www.nabard.org**
7	Micro irrigation Fund In Union Budget of 2017-18, with a view to provide impetus to micro irrigation in the country, the government announced creation of a dedicated Micro Irrigation Fund to be instituted with NABARD with an initial corpus of Rs. 5000 crore for encouraging public and private investments in modern irrigation methods such as sprinkler and drip irrigation and offering support for expanding coverage of Micro Irrigation by encouraging the States to avail this credit at a lower interest rate. The Scheme also aims to encourage water use enhancing practices to realize the objective of 'Per Drop More Crop' interventions. The corpus fund can be utilized by the States in any of the following manner so as to achieve the objective of the PMKSY Mission: ■ To provide extra budgetary support to the states for meeting state share, top up subsidy if any, innovative projects, area expansion and project mode implementation in irrigation commands. ■ The states were supposed to access the loan at about 8% interest rate (interest rate for raising fund from market and NABARD margin/service charges. The loan is to be repaid in 7 years with an initial grace of 3 years. **For more details visit: https://pmksy.gov.in/MicroIrrigation/Archive/Guideline_MIF**

8	Fisheries and Aquaculture Infrastructure Development Fund (FIDF) The Union Government in its Budget 2018 has set aside Rs.8000 crore for setting up of a dedicated Fisheries and Aquaculture Infrastructure Development Fund (FIDF). FIDF will provide concessional finance to the State Governments/Union Territories, State entities, cooperatives, individual entrepreneurs, etc. for development of fisheries infrastructure facilities both in marine and inland fisheries sector. The infrastructure facilities to be funded under the FIDF will broadly cover development of fishing harbours/ fish landing centres, fish seed farms, fish feed mills/plants, cage culture in reservoirs, mari-culture activities, introduction of deep sea fishing vessels, setting up of disease diagnostic and aquatic quarantine facilities, creation of cold chain infrastructure facilities such as ice plants, cold storage, fish transport facilities, fish processing units, fish markets etc. The fund has the potential to benefit over 4 million marine and inland fishers especially women, SHGs, weaker sections, due to availability of modern infrastructure and added value of produce. The fund is expected to: ■ fill the large infrastructure gaps in fisheries sector ■ create employment opportunity to the rural population in fishing and allied activities ■ contributes towards enhancement of fish production and productivity ■ offers manifold benefits ■ fulfil the requirements of tapping the full fisheries potential in the country The fund would be created in collaboration with NABARD, NCDC and Specified commercial banks. National Fisheries Development Board (NFDB) will be the Nodal Implementing Agency for overall coordination of the FIDF activities. **For more details visit http://mmd.nfdb.gov.in/FIDF-Guidelines**
9	Dairy Processing & Infrastructure Development Fund (DIDF) Consequent to the Union Budget 2017-18 announcement, Dairy Processing & Infrastructure Development Fund has been set up as a corpus of Rs 8004 crore with NABARD. Out of Rs 10881 crore of financial outlay for project components of DIDF, Rs 8004 crore shall be loan from NABARD to NDDB/NCDC, Rs 2001 crore shall be end borrowers contribution, Rs 12 crore would be NDDB's share and Rs 864 crore shall be contributed by DADF towards interest subvention. NABARD shall disburse Rs 2004 Cr, Rs 3006 Cr and Rs 2994 Cr during the year 2017-18, 2018-19 and 2019-20 respectively. Allocation of Rs 864 Crore for meeting interest subvention will be made over a period of 12 years from 2017-18 to 2028-29. The project will focus on building an efficient milk procurement system by setting up of processing and chilling infrastructure & installation of electronic milk adulteration testing equipment at village level. With this investment, 95,00,000 farmers in about 50,000 villages would be benefitted. Additional Milk processing capacity of 126 lakh litre per day, milk drying capacity of 210 MT per day, milk chilling capacity of 140 lakh litre per day, installation of 28000 Bulk Milk Coolers (BMCs) along with electronic milk adulteration testing equipment and value added products manufacturing capacity of 59.78 lakh litre per day of milk equivalent shall be created. **For details visit https://nabard.org**

10	Animal Husbandry Infrastructure Development Fund (AHIDF) AHIDF with a corpus of Rs. 15,000 crore was setup for incentivizing investments by individual entrepreneurs, private companies, farmer producer organizations (FPOs) and Section-8 companies under the Atma Nirbhar Bharat Abhiyaan to establish: ■ Dairy processing and product diversification infrastructure ■ Meat processing and product diversification infrastructure ■ Animal feed plant
	a) Dairy Processing: Eligible entities (EEs) can establish new units and strengthen existing dairy processing units with quality and hygienic milk processing facilities, packaging facilities or any other activities related to dairy processing. b) Value added product manufacturing: EEs can also avail loan for establishment of new units and strengthening on existing manufacturing units for value addition of the milk products viz. Ice Cream unit, Cheese manufacturing unit, Ultra High Temperature (UHT) Milk processing unit with tetra packaging facilities, Flavoured Milk manufacturing unit, Milk Powder manufacturing unit, Whey powder manufacturing unit, c) Meat processing and Value addition of facilities: ■ Establishment of new meat processing unit and strengthening of existing rural meat processing facilities for sheep/goat/ poultry can be processed. ■ Establishment of new meat processing unit and strengthening of existing meat processing unit in semi urban areas for sheep/goat/ poultry can be processed. ■ Establishment of new meat processing unit and strengthening of existing meat processing unit in urban areas for sheep/goat/ poultry can be processed. ■ Large scale integrated meat processing facilities/ plant/ unit. ■ Export oriented integrated buffalo meat processing facilities/ plant/ unit ■ Integrated Poultry meat processing facilities/unit ■ Pork processing facilities/unit ■ Value Added Products: Meat products like Sausage, nuggets, ham, salami, bacon making or any other value addition unit can also be established as an integral part of the meat processing unit. Standalone proposals for setting up of meat value addition unit can also be proposed under AHIDF in the existing unit or new units. ■ The project cost of each meat processing plant should compulsorily include Effluent Treatment Plant (ETP), Meat Microbiological Testing Laboratory, Residue Testing laboratory, Cold storage for holding the offals, skin/ hide processing areas and their preservation and refrigeration facilities for holding the chilled products and value added products for minimum of 24 hours.

d) EE can also avail benefit for establishment of Animal Feed manufacturing and strengthening of existing units/ plant of the following categories:

- Establishment of Mini, Medium and Large Animal Feed Plant
- Total Mixed Ration Block Making Unit
- By pass protein unit
- Mineral Mixture Plant
- Enrich Silage making unit
- Animal Feed Testing Laboratory to be attached with the Medium to Large feed plant or the EE can avail benefit for establishment of Animal Feed Testing Laboratory in the existing Feed Plant to ensure quality feed.

Benefits under the scheme:

- The beneficiaries are to contribute a minimum of 10% margin money as investment. The balance 90% would be the loan component to be made available by scheduled banks.
- Government of India will provide 3% interest subvention to eligible beneficiaries.
- There will be 2 years moratorium period for principal loan amount and 6 years repayment period thereafter.
- From the Credit Guarantee Fund, Credit guarantee would be provided to those sanctioned projects which are covered under MSME defined ceilings. Guarantee Coverage would be up to 25% of Credit facility of borrower.

The beneficiaries intending to invest for establishing dairy and meat processing and value addition infrastructure or strengthening of the existing infrastructure can apply for loan in the scheduled bank through *"Udyami Mitra"* portal of SIDBI.

For more details visit www.dahd.nic.in

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Notes

Bankers Institute of Rural Development (BIRD), Lucknow is an autonomous institute promoted by National Bank for Agriculture and Rural Development, the Development Bank of the country. It is a premier institute for providing training research and consultancy services in the field of agriculture and rural development banking in India and abroad. The Institute was established in 1983, for addressing the capacity building needs of stakeholders. BIRD, Lucknow is an ISO 9001: 2015 certified training Institute.

Clients

All Banks, Government agencies, MFIs, NBFCs, Financial Sector, NGOS and Civil Societies.

Coverage (Training, Consultancy, Research)

Project Lending-Agriculture and MSME, Climate Finance, Rural Banking, Farmer Producer Organization, Micro Finance, Human Resource, Financial Inclusion, Training of Trainers, Executive Development, Management Development Programme, IT based Banking, Green Finance, Responsible CSR, Group approach to Development, Women Empowerment, Organizational Development, Investment & Treasury Management, Risk Management.

Faculty

Faculty are drawn from NABARD, banks and scholars of respective fields and have pan-India level field experience. The faculty have specialization in Banking Finance, Financial Inclusion, Agriculture & Allied sector, Fisheries, Forestry and Human Resources, etc.

Infrastructure

43 acre green campus has world class infrastructure in terms of class rooms, simulation and AV Rooms, Board Room, Conference Hall, Auditorium, Library, Gym, Air-conditioned Hostel Rooms, Local and International cuisine.