Support for promotion and nurturing of FPOs

Apart from supporting existing POs towards accompanying measures for training, capacity building, market linkage facilitation and other eligible promotional interventions, the PODF grant will also be utilized for supporting promotion and nurturing of new FPOs and facilitating them for credit linkage and business development to achieve sustainability.

1. Role of Resource support agency

NABARD RO will identify State level Resource Support Agency (RSA) having adequate experience in successful promotion of POs. The services of RSA will be engaged only if the number of Producer Organization Promoting Institutes (POPIs) exceeds 5 in the state. Each Resource Support Agency (RSA) will supervise a group of 20 to 25 POPIs (involving around 100 POs) having regional contiguity in the state. Wherever, the number of POPIs are more, RO may consider engaging additional RSA/s by considering the ratio of 1 RSA for every 25 POPIs. POPIs under a RSA may, as far as possible, have regional contiguity. The major role of RSA would be as under:

- Organizing capacity building programmes for the Producer Organization Promoting Institutions (POPIs)
- Providing necessary handholding support to POPIs for undertaking the promotion of quality POs in the state/ region
- Achieving desired growth rate in membership mobilization (300 by end of 3rd year and 500 by end of 5th year in NE and Hilly States and LWE Districts; while 500 by the end of 3rd year and 1000 by end of 5th year in other areas)
- Ensuring credit and market linkages of POs
- Review of timely account keeping, audit, legal compliance of POs, etc. promoted by the concerned POPIs
- Facilitating resolution of operational issues of POs
- Facilitating convergence of various Schemes of Government and /or Corporate, etc. for improved ecosystem services.
Based on the role and responsibilities of RSA as defined above, each RSA will be required to submit to RO detailed proposal along with annual action plan with firm timelines, milestones to be achieved and other measurable deliverables / indicators.

2. Role of Producer Organization Promoting Institutions (POPIs)

The POPI could be Non-Governmental Organizations, Trusts, Cooperatives, Corporates, State Govt. Departments, NABARD promoted Subsidiaries, KVKs, Big Farmer Producers’ Companies, Farmer Federations, Commodity Boards, Co-operative Milk Unions and other experienced institutions meeting the eligibility criteria. The major role of the POPI would be as under:

- The POPI will identify potential pockets / cluster from Watershed Development Projects, Wadi Projects, existing farmers’ Clubs, Farmers’ Cooperatives, SHGs, JLGs, Farmer Interest Groups, specific commodity growing areas, etc. and conduct of baseline survey
- The POPI will focus on awareness creation among the farmers and motivate them to form POs
- To ensure regular monthly meetings of shareholder members
- After formation of the PO, POPI will start the process of registration under Companies Act or Cooperative Societies Act by obtaining necessary documents for registration.
- Preparation of business development plan for the PO
- POPI will undertake training need assessment (TNAs) of the producers and also assess infrastructure requirements, market interventions and other support facilities necessary for success of PO
- Organizing capacity building programs for CEOs and board members as per modules developed by the BIRD
- Facilitation in Credit and market linkage
- Overall POPIs will have to develop governance & management structure, business plan, nurture the PO and provide handholding support towards maturity for a period of 3 to 5 years
3. **Identification of Producer Organization Promoting Institutions (POPIs)**

The NABARD RO will identify POPIs in consultation with RSAs in the state based on the following minimum eligibility criteria:

i. Registered under the relevant Acts as legal entities

ii. Minimum 3 years audited balance sheets/ P & L accounts

iii. Good track record / relevant experience in the field of implementing NABARD programs

iv. It has requisite dedicated and professionally competent staff and adequate infrastructure facilities for carrying out the developmental works

v. It has not been black listed by any funding Agency/ Banks/ Govt./Other Agency

vi. It has no negative net worth and no default to any financial institution

vii. It has adequate expertise in organizing technical help to POs / farmers

viii. It has demonstrated facilitation of business or large scale livelihood activities with market linkage

ix. Qualify the rating criteria and exposure norms circulated by RMD, HO and FSDD, HO respectively

4. **Eligible Activities**

The following activities are eligible for support:

i. **Mobilization of Farmers**

   Based on the base line survey undertaken by POPI, the farmers around a particular cluster, commodity, market, processing/ storage units, etc. may be mobilized and adequate awareness created for organizing into POs. Existing Farmer Clubs, SHGs JLGs, Village Watershed Committees, Wadi clusters, Dairy co-operative Societies, inactive PACS, other interest groups, etc. could be considered for organizing them into PO. Monthly meeting of farmers of the selected area would be organized by POPIs to create awareness on concept & functioning of POs and to induce transparency in the functioning of POs.
ii. Establishment & Registration

The POs formed in the potential clusters are required to be registered under the Indian Companies Act, 2013 or Cooperative Societies Act of the respective State. POs registered under Trust Act or any other Act are not eligible for coverage under the scheme. The cost of establishing appropriate management as per preferred legal structure/ statute, registration charges, including statutory/ non-statutory compliances, etc., will be eligible for support. Minimum Shareholder members should be 100 at the time of registration. The shareholder membership will have to be increased to 500 at the end of 3rd year and 1000 by end of 5th year. However, for POs formed in North Eastern and Hilly States and LWE districts, the shareholder membership will be 100 at the time of registration and it will have to be further increased to 300 at the end of 3rd year and 500 by end of 5th year.

iii. Training to Board of Directors

Only Non-defaulters of banking institutions shall be nominated or elected as Board members of the FPOs. The Board members of FPO are required to be trained regularly, with a focus on areas like functioning of FPOs, organizational structure, business operations and management, market linkages, legal aspects of PO, regulatory compliances, good governance practices, transparency & accountability, vision building, leadership development, communication skills, etc. A grant assistance will be provided to POPI for organising training in a group mode with the help of designated Resource Support Agency / BIRD or any other reputed agency in consultation with RO of NABARD.

iv. Administrative Expenses of PO

The Board of Directors of PO shall appoint a professional CEO (preferably agri-graduate/ agri-business expert) to manage day to day activities, undertake business planning including mobilisation of financial resources, HR management, book keeping, compliances, etc. A grant support to partially cover monthly remuneration during initial three years period will be provided on a tapering basis, which can be extended for another two years period, based on the performance review / need.
v. Preparation of Business Plan

For ensuring the sustainability of PO, a robust business plan including the sources of finance for minimum 3 years shall be prepared by the PO in consultation with the POPI. A grant assistance will be provided to cover expenses towards preparation of the business plan.

vi. Training to Chief Executive Officer of POs

Day to day operations and management of the business of PO is the responsibility of its Chief Executive Officer under the guidance of the Board of Directors. The Chief Executive Officer will be trained by POPI through the reputed training institutions /RSA, other professional agency in consultation with RO of NABARD based on the standard modules developed by BIRD. A grant support will be provided for organising such training in group mode.

vii. Support to POPIs for handholding/ nurturing of POs

POPIs will be responsible for promoting, nurturing and handholding to POs. Performance based grant support will be provided to POPIs.

5. Business Development Assistance

Initially, POs generally undertake bulk purchase and distribution of agri inputs like seeds, fertilisers, pesticides, etc., to members followed by farm advisory services to members, produce aggregation, value addition/ processing and marketing for the purpose of realizing improved prices of agriculture commodities. However, the financial resources needed to initiate business activities are inadequate due to poor equity contribution by the shareholders and lack of access to credit for want of collateral security. To address this limitation, a one-time grant support will be extended towards taking up business activities, subject to certain eligibility criteria. The assistance could be utilised directly as working capital or for purchase of small infrastructure (processing, grading, packaging, custom hiring, accounting software, etc.) or along with loan to be leveraged from the lending institutions. This could be availed by POs subject to the following eligibility criteria: -
a. PO should be a registered entity

b. Business Development assistance would be available on matching basis

c. PO has 3 years’ business plan, necessary business licenses and other pre-requisites and logistics for running the business

d. PO with minimum shareholder membership not less than 200 farmers and elected/nominated Board of Directors. However, the share contribution should not exceed Rs. 1000/- per member, i.e. for the purpose of matching contribution, maximum contribution of Rs. 1000 per member would be reckoned even if some members have contributed more than Rs.1000 towards share capital.

- The PO would indicate the receipt of grant for under ‘Reserves’ in its balance sheet.