Support to Farmers Producers Organisations (FPOs)

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

- **Role of Resource Support Agency (RSA)**

(a) Regional Offices may identify State level Resource Support Agency/ies (RSAs) having good experience in successful promotion of POs. The services of RSA will be engaged only if the number of POPIs exceeds 5 in a state. Each 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 / FPOs are more, RO may consider engaging additional RSA/s by considering one RSA for 20-25 POPIs or 80-100 FPOs, depending on the clusterisation of FPOs. Accordingly, POPIs under one RSA may, as far as possible, have regional contiguity. The major roles of RSA are as under:

i. Organizing capacity building programmes for the POPIs
ii. Providing necessary handholding support to POPIs for undertaking the promotion of quality POs in the state/ region
iii. Achieving desired growth rate in mobilization of shareholders / members having voting rights viz. 200 by end of 3rd year and 350 by end of 5th year in Difficult Areas’ (comprising of North Eastern Region (NER), Hilly States / Hilly UTs, Islands and Left Wing Extremist (LWE) Districts); while 400 and 700 by the end of 3rd and 5th year, respectively, in ‘Other Areas’ (all other States & UTs and Non-LWE districts).
iv. Facilitating and ensuring POPIs in preparation of appropriate Business Plans of FPOs, based on the products / output of the FPOs, preparation of Detailed Project Reports for securing institutional credit and development of credit and market linkages of POs.
v. Review of timely account keeping, audit, legal compliance of POs, etc. promoted by the concerned POPIs and facilitate them in their compliance.
vi. Facilitating resolution of operational issues of POs, if any.
vii. Facilitating convergence of various Schemes of Government and /or Corporate, etc. for improved ecosystem services
viii. Guiding and facilitating the POPIs in obtaining the required statutory permissions / approvals for holding / storing and distribution / supply of inputs to the farmers and in marketing of the produce in notified markets/ mandis.

(b) Based on the roles and responsibilities of RSAs as defined above, each RSA is required to submit to RO a detailed proposal along with annual action plan with firm timelines, milestones to be achieved and other measurable deliverables / indicators for a specified number of POPIs and the FPOs nurtured by those POPIs. The proposal will be examined by the RO as per the requirements of the State and accord sanction of grant to RSA under PODF-ID Account.
(c) The proposal of the RSA for financial assistance shall be considered by the RO based on the training programmes proposed to be provided to the POPI personnel and the nature / type of handholding services to be provided to the FPOs promoted and being nurtured by such POPIs. The total eligible grant shall be assessed for various training programmes and the facilitation services on unit cost basis for one year period only, and, subsequently, if required, again for another year and so on. Thus, the sanction of grant assistance to RSAs by the RO shall be year-on-year basis. Details of unit costs that may be considered for various training programmes and facilitation services are furnished in Annexure –III.

(d) The services considered in the model are based on the general activities / interventions taken up by a PO. However, specific interventions / activities may differ depending on the nature of the PO, its product(s), its business plan, etc. Sanction may be accorded by the RO accordingly. If any specific intervention/ activity not indicated in the indicative budget (Appendix-2) is required to be considered, as per the local / field conditions, the same may be considered by the RO with a maximum incentive provision/ unit cost up to Rs. 500 per FPO.

- **Role of Producer Organization Promoting Institutions (POPIs)**

The identified / selected POPI shall execute an Agreement with Regional Office, NABARD as per Annexure-IV. The major roles of the POPI are as under:

1. To identify potential pockets / cluster from Watershed Development Projects, Wadi Projects, existing Farmers’ Club clusters, Farmers’ Cooperatives, SHGs, JLGs, Farmer Interest Groups, specific commodity growing areas, etc.
2. To conduct diagnostic and feasibility studies and undertake baseline survey in the selected project area. Diagnostic study is conducted to find out produce and socio-cultural similarity, existing gap and potential activity, interventions in terms of infrastructure, services etc. required in the value chain of agricultural and horticultural produce including post-harvest management and marketing; (ii) Feasibility study is conducted in order to establish a fit case for formation of an economically sustainable FPO; and feasibility study should broadly cover the aspect such as financial, technical, legal, political, socio-cultural, environmental, economic and resource; and baseline assessment to generate data related to the current prevailing situation of farming and potential farmers, including small/marginal and landless farmers, for aggregation; and baseline assessment will cover a variety of factors to identify the minimum geographical area for potential interventions, to plan development and business plans and to estimate future outcome through measurable indicators to understand the change contribution.
3. To focus on awareness creation among the primary producers and motivate them to form / join a PO.
4. To ensure regular monthly meetings of shareholder members
5. After formation of the PO, POPI shall start the process of registration under Companies Act or Cooperative Societies Act by obtaining necessary documents for registration. FPOs promoted under other forms / statues are not eligible for financial assistance from NABARD.
vi. To organise capacity building programmes for CEO and Board Members / Management of the PO.

vii. To undertake training need assessment (TNA) of the producers and also assess infrastructure requirements, market interventions and other support facilities necessary for financial sustainability of the PO.

viii. To facilitate preparation of long term business plan of the PO.

ix. To facilitate the PO in obtaining necessary approvals / permissions, etc., in dealing with procurement and sale of inputs and in marketing of produce of the members.

x. To facilitate the PO in credit linkages, as per the business plan, including guidance on preparation of loan application / detailed project report (DPR) for securing institutional credit.

xi. To facilitate the PO in market linkages, including online commodity exchanges, exports, etc., depending on the nature of the producers’ output / quality, etc.

xii. To guide and facilitate the PO to have convergence with various Government interventions pertaining to POs, members’ activities, etc.

Overall, POPIs shall have to develop governance & management structure, nurture the PO by ensuring preparation of a sound business plan, facilitate credit and market linkages and provide handholding support for attaining financial sustainability during the period of 5 years.

- Identification of POPIs

Regional Offices may identify POPIs, in consultation with RSAs where applicable, in the state, based on the following minimum eligibility criteria:

i. Shall be registered as a legal entity under the relevant Act.

ii. Shall have minimum 3 years’ audited financial statements.

iii. Good track record and 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 was not blacklisted by any funding Agency/ Bank/ Govt./Other Agency

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

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

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

ix. It shall qualify the rating criteria and exposure norms devised by RMD, HO and FSDD, HO respectively

- Eligible Activities & Quantum of Grant Support for Promotion & Nurturing of new POs

Need-based grant assistance for promotion, nurturing and handholding of new POs will be considered for sanction. The following activities are eligible for support:

i. Mobilization of Primary Producers
Based on the diagnostic & feasibility studies and the baseline survey conducted by POPI, the producers around a particular cluster, commodity, market, processing/ storage units, etc. may be mobilized and adequate awareness created for organizing into POs. Existing Farmers’ Clubs, SHGs, JLGs, Village Watershed Committees, Village Planning Committees of TDF projects, Dairy Co-operative Societies, inactive PACS, other interest groups, etc. could be considered for organizing them into a PO. Monthly meeting of the primary producers of the selected area/crop cluster/ identified activity would be organized by POPI to create awareness on concept & functioning of PO and to induce transparency in the functioning of the PO. To cover the initial expenses on such awareness / mobilization activities, a maximum grant support of Rs. 30000/- per PO shall be provided. Deliverables to POPI in terms of FPO progress for shareholder membership are as under:

<table>
<thead>
<tr>
<th>End of year</th>
<th>“Difficult” Areas</th>
<th>“Other” Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>3rd</td>
<td>200</td>
<td>400</td>
</tr>
<tr>
<td>5th</td>
<td>350</td>
<td>700</td>
</tr>
</tbody>
</table>

However, in respect of POs promoted for single commodity producers (such as FPO of cotton growers, FPO of Basmati Rice Growers, FPO of mango or grape or any single fruit growers), or dealing with a single activity (such as PO of dairy farmers, poultry growers, fish farmers, bee-keepers, lac cultivators, silkworm rearers, etc.), where the existing production clusters have less than the above stipulated number of primary producers / farmers, but their collectivization into a PO is expected to create perceptible impact in the cluster, the minimum shareholder / membership size in such PO, which may not impact its operations and/or financial sustainability, may be deliberated and approved by the PSC of the RO, while considering the proposal of the POPI. However, it may be ensured by the RO that the minimum membership size shall be 100 in “Difficult Area” and 200 in “Other Areas”. The same shall be specified in the Sanction communication to the POPI.

(a) The eligible grant assistance for such small FPOs is Rs.13.08 lakh in “Other Areas” (Annexure - V A) and Rs.10.405 lakh in “Difficult Areas” (Annexure V - B), excluding a maximum grant assistance of Rs. 3.00 lakh towards Business Development Assistance for the FPOs promoted, irrespective of the category of the area, which may be sanctioned separately.

(b) The eligible grant assistance for normal FPOs with a minimum membership of 350 and 700 in “Difficult Areas” and “Other Areas”, respectively, to be attained remains unchanged as Rs.16.60 lakh (excluding a maximum grant assistance of Rs. 5.00 lakh towards Business Development Assistance, which may be sanctioned separately) for the FPOs promoted irrespective of the category of the area. The eligible grant assistance towards FPO administrative expenses involves towards CEO Remuneration and towards CA/CS/ Audit charges (Annexure-V C). It is necessary by the POPI to ensure continuous growth in the shareholder membership of the PO promoted and being nurtured by it over the period of 5
years. The achievement of minimum membership norm is as under:

<table>
<thead>
<tr>
<th>End of the year</th>
<th>Difficult Areas</th>
<th>Other Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>50</td>
<td>100</td>
</tr>
<tr>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>125</td>
<td>250</td>
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<tr>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>200</td>
<td>400</td>
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<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
<td>275</td>
<td>550</td>
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<tr>
<td>5&lt;sup&gt;th&lt;/sup&gt;</td>
<td>350</td>
<td>700</td>
</tr>
</tbody>
</table>

If the minimum membership in a PO is not achieved as above, only a part of the incentive to the POPI for that year shall be considered.

**ii. Establishment & Registration**

The PO formed in the potential cluster is required to be registered either under the Indian Companies Act, 2013 or under the Cooperative Societies Acts of the respective State. PO registered under Trust Act or any other Act is not eligible for coverage from PODF-ID. Only the new FPO proposals sanctioned by NABARD (RO) and the actual formation and registration of FPO occurred thereafter are eligible under PODF-ID. FPOs promoted earlier under any scheme of State / Central Government or of any agency and / or already registered are not eligible under PODF-ID. 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 as per actual expenses, subject to a maximum of Rs. 40000/-per PO. Minimum number of shareholders / shareholder members having voting rights in the PO shall be 50 in ‘Difficult Areas’ and 100 in ‘Other Areas’ at the time of registration.

**iii. Training to Board of Directors (BoDs) / Governing Body of FPOs**

Only non-defaulters of banking institutions shall be nominated or elected as Governing Body / Board Members / directors of the FPO. The Board Directors / Governing Body Members shall be trained periodically, with focus on areas like functioning of the FPO, its organizational structure depending on its legal statute, business operations and management (including online platforms, exports, quality standards, value addition and processing, etc.) market linkages, credit linkages, legal aspects of functioning of the PO as per its legal statute, regulatory compliances, good governance practices, transparency & accountability, vision building, leadership development, communication skills, etc. These training programmes are organised at appropriate times, depending on the stage of growth of the FPO, potential for marketing of the produce, nature / diversity of operations proposed to be handled by the PO, etc. The grant assistance will be provided to POPI for organising training in a group mode with the help of designated Resource Support Agency / Bankers’ Institute of Rural Development (BIRD) or any other reputed agency, in consultation with RO of NABARD.
iv. **Grant Support towards Remuneration of CEO**
The Board / Governing Body of PO shall appoint a professional CEO (preferably, a graduate in agriculture or subject related to the nature of product or operations of the PO/ agri-business expert) to manage day to day activities, undertake business planning, including mobilisation of financial resources, HR management, book keeping, statutory compliances, etc. Grant support to partially cover monthly remuneration of the CEO during initial three years period will be provided on a tapering basis, which may be extended for another two years period, based on the performance review / need.

v. **Preparation of Business Plan**
For ensuring the sustainability of a PO, a robust “Business Plan”, identifying the sources of finance / funding, for a minimum period of 5 years shall be prepared by the PO in consultation with the POPI. The Business Plan of PO should be vetted by ROs within one year from date of sanction of proposal and a copy of the same may be kept at RO. A grant assistance of Rs.0.20 lakh per PO has been provided to cover expenses towards preparation of the business plan.

vi. **Training to Chief Executive Officer (CEO) of POs**
Day to day operations and management of the business of PO is the responsibility of its Chief Executive Officer (CEO) under the guidance of the BoDs / Governing Body of the PO. The CEO shall be trained by the POPI through the reputed training institutions /RSA/ other professional agencies, in consultation with RO of NABARD, based on the standard modules developed by BIRD on various aspects of PO functioning.

vii. **Support to POPI for handholding/ nurturing of POs**
POPI shall be responsible for promoting, nurturing and handholding of POs. Performance-based grant support shall be provided to the POPI for the same, with an annual cap of Rs. 1.00 lakh per PO.