



**FORMATION AND PROMOTION OF  
10,000 FARMER PRODUCER ORGANIZATIONS  
(FPOs)**

**OPERATIONAL GUIDELINES**



Government of India  
Department of Agriculture, Co-operation & Farmers' Welfare  
Ministry of Agriculture & Farmers' Welfare



**E-SURVEY OF  
10000 FPOs OPERATIONAL GUIDELINES**

July 23, 2020

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# 1. Respondents Details

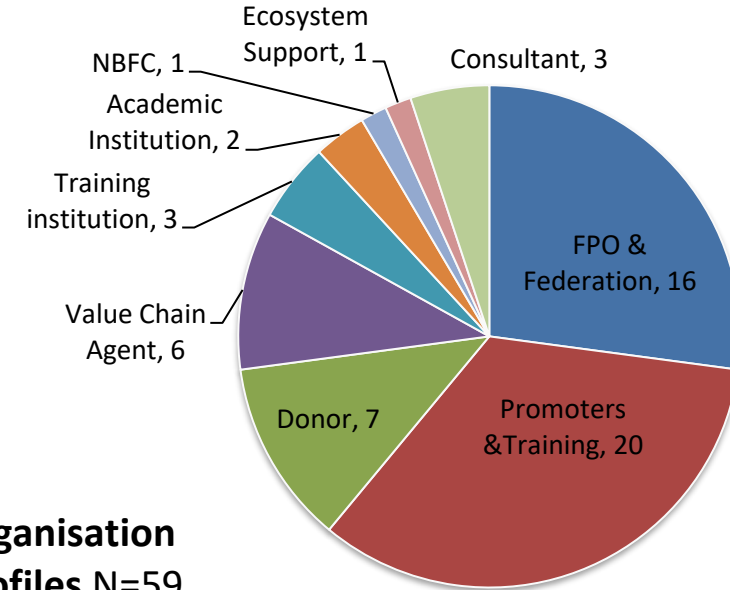
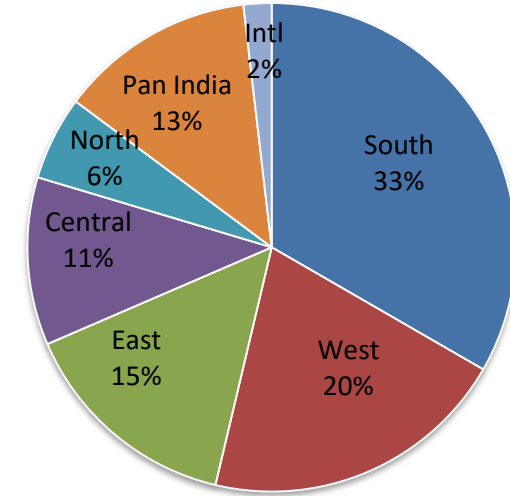
14 broad questions with 37 sub-parts,

1. Organisation details – FPOs worked with etc.
2. inclusion of coops and suggested bye-law changes
3. idea of CBBO revised membership criteria aspirational district ODOP focus;
4. on NPMA;
5. on CBBO;
6. financial provisions – HR and compliance;
- 7-9 equity grant & credit
10. training and institution building;
- 11 constitution of NPMA – SFC, SLCC and D-MC;
- 12-13 evaluation; convergence, E-NAM;
14. Over and above general comments

**54 responses** from July 8-19<sup>th</sup> (3 direct responses)

- Across India; diverse experience – promoters of FPOs, FPOs, Federation, ecosystem actors
- 39% with > 10 FPO experience

**Regions of Respondents**

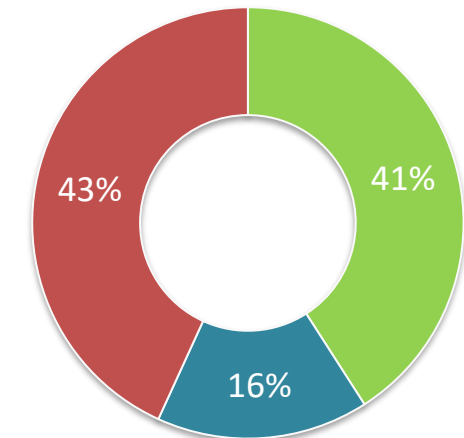


**Organisation Profiles N=59**

## 2. Inclusion of specific clause on Coops.

- Popularise amendments widely, more on how?
  - to avoid elite capture, getting states on board
- Legislative and other gaps
  - Elite capture and marginalization of small and marginal
  - 97<sup>th</sup> Amendment attempt towards uniformity. MACS repealed in MP, Odisha
  - State govt interference, needs more inputs to commissioner coops for enabling autonomy and independence
- Need to include categories a) "collectors" of forest produce or produce from the commons and b) farm-workers' into the definition of farmers.
- In small tribal villages Gram Sabhas (also WUA) could be facilitated to become FPO to avoid multiplicity of institutions

■ Yes, it is adequate   ■ Yes with suggestions  
■ No, it is inadequate



Broad yes with suggestions  
(23/42)

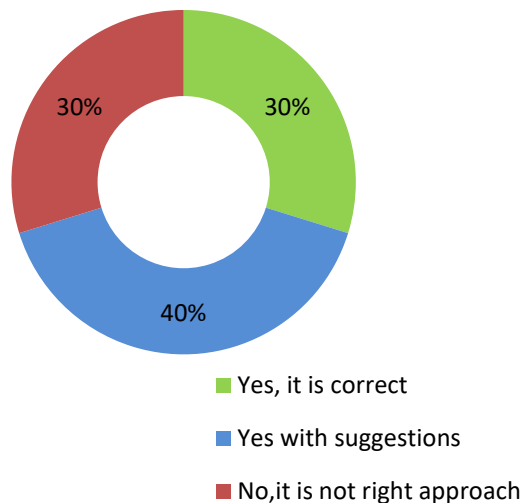
No, not enough (19/42)

# Additions to Broad Services & Activities undertaken by FPOs

- Promote entrepreneurship within FPO like production of bio inputs and provide certification / legitimisation so that members buy these.
- To provide services for enhancing livelihoods of members by aggregating requirements in accessing government schemes/ availing subsidies/ claiming entitlements for a fee
- To provide services for migrating members as appropriate like better terms to be negotiated with labor contractors, provision of makeshift hostel facilities for children of migrants
- To facilitate joint procurement of consumables like tarpaulin sheets, pipelines, consumer goods as appropriate .
- To explore opportunities for trade between members and between FPOs in nearby areas

# 3. 1 Cluster-Based Business Organization (CBBO) and ODOP approach

Yes/With suggestions- 33/47  
Will enable social sustainability in long term, social capital with support from other actors, value chain approach at early stage



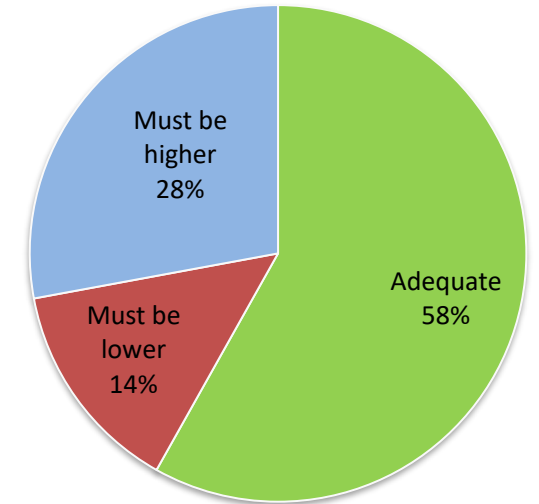
No and comments-

- CBBOs not clearly defined; ODOP not feasible, basket of products necessary
- District administration involvement in facilitation key
- Commodity based FPO does not work on ground as market dynamics keep changing – e.g. Nuzvid mango facing competition from other regions
- Will strengthen the lobby power of monoculture farming, detrimental to local economy due to loss of crop diversity, need to incentivize viable cropping patterns and agroecology
- KVKs and Ag universities favoured but poor business experience, broaden to include social enterprises and those with proven experience in running collective enterprises
- Key factor for selection of cluster is mutual cooperation, socio-cultural homogeneity, codependence on common natural resources

## 3.2 FPO membership – 300 and 100, 500/200

### Suggestions

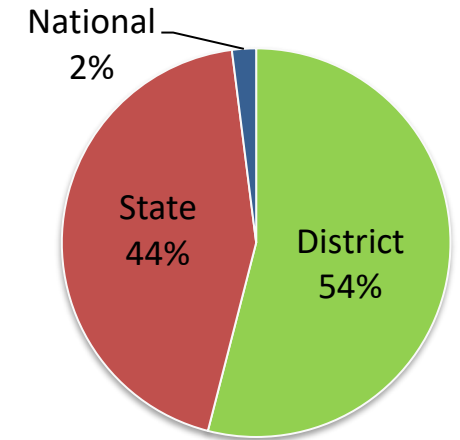
- Inadequate for business viability. Minimum 1000 and 500, each FPO to serve 4-5000 in area
- Even in the hilly terrain minimum membership of 500 critical to hedge against climate impacts and other socio-cultural factors
- Definition of "hilly areas of 1000 meters MSL" will exclude most of the eastern ghats and central Indian tribal areas
  - should be between 50-100 - also for reason of easy management and paperwork in hills
- Keep some flexibility, two FPOs/ block also possible
- Work around the business plan that emerges with community instead of specific numbers
- Strong CIG/ FIG of 20-30 members at village level is important



**Adequate - 25/43**  
**Must be Higher-12**  
**Must be Lower-6**

## 3.3-4 Aspirational Districts & Federating FPO

- Today many S&M farmers not part of any FPO because of the distance, subject to market exploitation
- Has potential to motivate village leaders to organise themselves
- Yes, as long as value-chain key driver
- it will provide special attention and support from different departments
- One FPO per block will not be helpful, we have tried this and operational and legal compliance was very difficult. 1 coop for 5-10 villages fine.
- Difficult to cover all area under a block here may need 4 to 5 FPO
- Should depend on feasibility & facilitation capacities of the CBBOs
- Another 10 percent may be allotted for women FPOs
- Federated FPOs budget will need to be higher
- FPOs in rainfed areas should not focus on one product

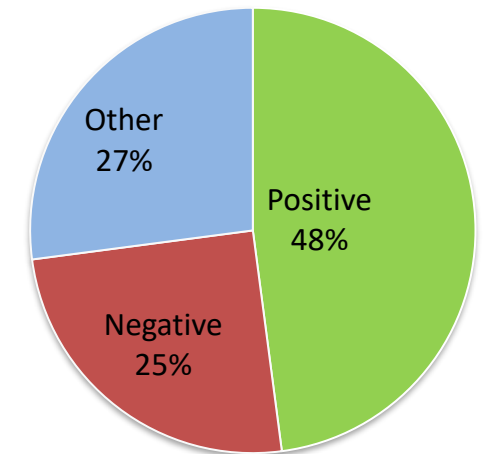


At which level should FPOs be federated if one FPO per block? N=50

15% in aspirational districts – 31/49 Yes

## 3.5 & 4 NPMA - Registered FPOs can avail CGS with advisory from NPMA...

- Clear mandate and resources for support to existing FPOs, struggling for credit access
  - Those received less grant viz. NABARD programme, only Rs.10 lakh given, dovetailed for support
- Due to Covid old FPOs faced huge financial losses. can avail some loss funding
- Adding a separate section which allows on-boarding of existing FPOs and corresponding support for expansion, technical upgradation etc.
- All banks should sensitised and considered as priority sector institutions like SHGs.
- How will NPMA be any different, what advisory, needs to be thought through
- Are the advisory services free? Many FPOs need customized support to grow not available now, need HR and handholding need support not merely (theoretical) advisory



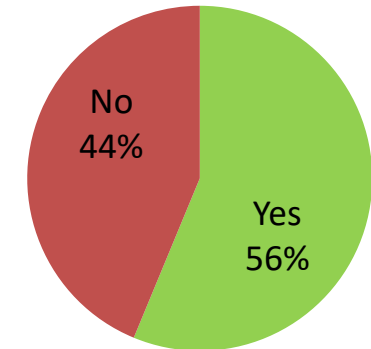
N =48



## 4.2, 4.3 NPMA Roles and Clustering criteria

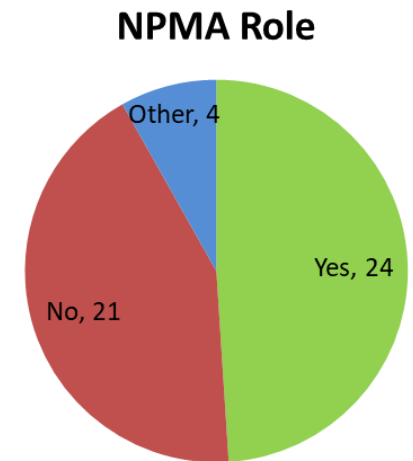
- Too big a role for one agency
  - There should be a regional office for NPMA-SFAC at Bangalore/ Hyderabad, Nashik / Pune, Bhopal/ Lucknow for effective management of FPOs in the longrun.
- Centralization of authority in highly de-centralized operation (with powers to determine farm activity support, institutional structure) dangerous.
- NPMA should be promoted as a separate institution like NDDDB run by professionals with autonomy
  - No HR is ready for this sector. Need for management and training institutes.
- CBBO's should be extended some of these responsibilities, being closer to the operating field areas
- no clarity as to who will enforce compliance, the relationship between NPMA and IAs?
- Look at NRLM and SRLM hierarchies – why some work and some do not?

**NPMA Criteria**



## 4.5 NPMA roles

- Representation from member CBBO/State level authority reqd
- Needed to organize trade fairs, manage federations etc.
- A multi-stakeholder body/network of FPOs, for FPOs, like NAFPO - not one of the Big5
- Needs a Mission mode approach (like NRLM) and to bring & build capacity, it will take at least 1-2 years
- NPMA is too distant to the field, must ONLY have policy, M&E and assisting state and central govts in administering the scheme and should not intervene into implementation roles
- Who will make the appointments at NPMA (SFAC?), will these people be hired from the government/civil society/corporate/others. to extend pan-India support, state chapters with experts must



## 5. Implementing Agency proposal – Adequacy

- Need to play an enabling role in sorting out the issues faced by the CBBOs; main issues faced by FPOs and CBBOs is the marketing of the produce, value addition and price realization
- Develop CBBO capacities before they start helping FPOs
- Look at SRLMs seriously, go beyond targets; involve private players too; consortium can include NDDDB/IRMA...
- Agricultural extension required
- Processed tedious, no Ease Of Doing Business for RIs, POPIs and CBBOs
- Thriving CSO network exists needs to be leveraged as IAs;
  - KPIs can be strengthened to improve quality, involve leading NGOs working with FPOs for more than 7 years
- Special focus on engaging women farmers as shareholders needs to be outlined
- Risk Sharing Mechanism for FPO Lending with sizeable corpus, there in concept paper to NITI
- Coordination amongst three key agencies not very clear
- Promote independent civil society monitoring platform for policy discussion like "social audit", public discourse
- Possibly SFAC could focus on secondary FPOs (market facing) while NABARD/ State govts/ NCDC could promote primary FPOs



## 5.2 Duties and Responsibilities of IAs

- IAs must work with FPOs to facilitate Ease of Doing Business – licenses, FSSAI, MSP, timely payments
  - Give FPOs the choice of selecting the better implementing partner, avoid state level monopolies
- Entities registered as Societies or Public Charitable Trusts or Section 8 Companies should be mentioned in the eligibility criteria. Para 7.2 g) only mentions State and Central Govt Agri universities and KVKs
- More problem solving than tasking CBOs.
- Start an FPO cell with dedicated trained staff at these centres
- Aspirational districts, along with FPO promotion, some infrastructure development reqd, enable convergence with state departments
- Realistic business planning not happening currently, ensure now
- How to enable the IAs to be more facilitating rather than extending their age-old bureaucracies/practices to this program? Ombudsman required
- FPO members from successful FPOs across regions/capacities as members of the IAs across all 3 levels, currently only at district;

# 6.1 Is the criteria for identifying CBBOs adequate?

19/ 45 Yes

- CBBOs overloaded with too much responsibilities with very little funds
- Are fulcrum, criteria not specified - committee comprising of SFAC, NABARD and NCDC not enough
- The space of CSOs not clear, reputed experienced CSOs need to be identified as CBBOs. CSOs not just advisory.
- Give opportunities to financial institutions, Agri Startups as well
- Turn over of an NGO (RI/PoPI/ CBBO) is immaterial but what is required is assessment of business expertise of CBBO.
  - Insufficient focus on business performance of FPOs and most importantly benefit to member
- There is ambiguity as to which 'legal entities' are eligible to be empaneled as CBBOs. also who empanels?
  - KVKs/ ICAR/ SAU institutions should NOT be nominated - they must pass through the criteria laid out as anyone else. they lack the capacity of understanding the communities.
- More role clarification needed; execution must not be hierarchical instead must be facilitative

## 6.2 Duties and responsibilities for CBBOs- adequacy, sufficiency

### 20/ 43 Adequate

- Regional support system required for CBBOs and FPOs.
- Contractors rather than partners; Loosely laid out, need specificity in deliverables and linkages to payment triggers clearly articulated
  - Task breakup between FPOs and CBBOs should be earmarked to avoid redundancy of operation.
- CBBO's need to be made responsible for institution building and transfer of processes to FPO by the end of the project, focus should be hand holding FPOs in the cluster
- Are there sufficient organizations across India with capacity to do all this successfully?
  - Threshold high, may lead to limited implementation.
- Burdened or overloaded with duties and responsibilities, needs to be simplified.
  - Do we have enough skilled and trained and well-equipped workforce/organisations to qualify as CBBOs?
- Role of CBBO cannot be completed in 5-7 years, an illusion that a community institution/enterprise becomes self sustaining.
- Identification of FPO formation demand is critical: Appoint individual Mentor for each FPO
- Emphasis on Social Cohesion 'acquiring land' by a business entity seems to be a backdoor entry in name of markets.
- Need to include HR and Skill development, Agriculture extension etc.
- There appears to be a conflict between IA and CBBO as far as trainings are concerned.
- Development of local resource persons for training and empanelment of National Resource Persons(NRP) for availing services

## 6.3 Payment to CBBOs

- **26/43 Clear, 5 No.**
- Need for Innovation Fund at Implementing Agency level Seed money important at the start
- TOO LESS. Second, it needs initial investment and advance release, only established ones with deep pockets can survive
- FPOs should have the experience of a start-up.
- Many activities need permissions and sanctions from agencies beyond the control of the CBBO, yet only CBBO accountable both CBBO and IA should be.
- at least 50% of payments were made in stages and some in advance for each level of work
- CBBO-FPO ratio is also not indicated. @Rs.5 lakh per year per FPO how many such FPOs one CBBO can facilitate with 5 member staff? viability assessment need to be made.

## 6.4 Timeline for Implementation

28/44 ok

- Entrust to independent agencies of high standard professionals & not government machinery
- Mismatch between the expectation of services and the cost norms for CBBOs, might need 30-40 lakhs/ year (to keep a dedicated team) for a set of FPOs
- Make CBBOs accountable, fine up to 2<sup>nd</sup> year; outputs/outcomes-based indicators from FPO balance sheet thereafter. It will take 3 years for new FPCs for business activities to stabilise.
- 100% implementation of B plan is infeasible and undesirable
  - Utopian for businesses to follow 5 yr plans. Be guided by academic case studies and empirical work
- Conducting 50% of planned business activities in Year 2 would require soft loans for working capital needs.
- At the end of 1<sup>st</sup> year CBBO should come up with appropriate market interventions and other services to support 12-month livelihood of members.
- Very ambitious. Depends on infrastructure (hard and soft) available - realistically will take more than 5 years
- EG is available only after submitting Balance sheet for one year of business? Needs at least 2.
- Concept of Spear Head Team with required skill sets recruited by NPMA and deputed to various states & districts for speedy implementation
- More flexibility in timeline.
  - Region, agro-ecology, local political economy, proximity to market and availability of infrastructure.



## 7.1, 7.2, 7.3 FPO Finances: Formation & Incubation (25lakh/yr) management cost is Rs 18 lakh/ FPO for 3 years

- Possible if 5-8 FPOs/CBBO;
- Formation-incubation money needs to be higher for avoiding unstable FPOs
  - 35 lakhs may be considered, some 75 – 1 cr might be reqd
- Management cadre available for executing this is wafer thin, higher allocation in formative years and tapered off subsequently
- If management includes only administrative tasks OK, more emphasis on capacity building required though
- Capacity building and training key; in comparison to GoI skilling norms /person low; work costs based on FPOs as start-ups and MSMEs
  - A Start up grant of Rs.5.00 lakhs in addition to Rs.18.00 Lakhs.
- Provision for working capital for FPOs for initial 5 years needed.
- Rs 20 - 45 lakhs can be provided linked to business turnover and factoring area of operation (remoteness etc.)
- Provision for purchasing computer/laptop for FPOs very essential to maintain the data of members, accounts etc.
- Getting quality manpower at this range of salary is tough
  - CEO 35-50k/Month and Accountant 20K/Month minimum is basic requirement
- Appointing plus 2 candidate by virtue of being local will not serve any purpose. CEO must be a degree holder.
- Give flexibility of total (senior professionals can also handle accounts), One Accountant can manage 3-5 FPOs

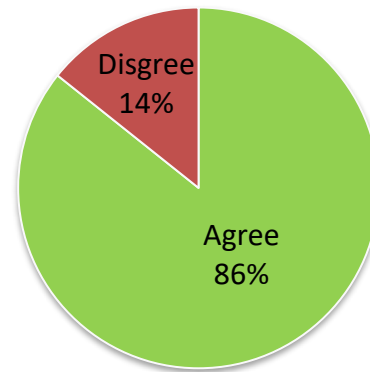
## 7.4 & 8.1 : A one-time registration cost of Rs 40,000; Rs 2000/ farmer member envisaged as equity grant (EG) /FPO

- Yes for coops no for PC; increase to Rs 50-70k (30,000 for ROC expenses+10,000 for CS charges+ Rs,10,000 towards expenses for obtaining statutory licenses )
- Yes EG, when tied with matching member contribution
- A critical element because in the area most of the farmer below the poverty line how can they pay Rs 2000
- No, it becomes a target can be structured better
- Should be graded on YoY basis.
  - Rs 500/1st Yr - Rs 750/ 2nd Yr & 1000 limited for 3 Yr and limited thereafter.

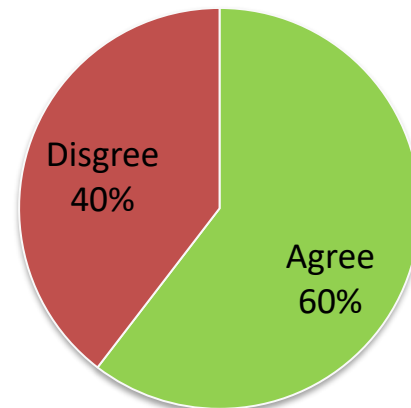
## 8.2 and 8.3 Implementability & tranches of equity grant

- SFAC past data should be analyzed to give better guidance
- These should be set to preferable and not mandatory. Final decision should be left to CBBO-FPO to take without interference
- clause that minimum paid up capital of Rs.30.00lakhs is to be removed in as much as additional capital investment is to be supported.
- clause 11.3(ix) is not clearly defined; significant overhead costs
- Tranches – even single tranche is fine upto a certain amount. If the grant is more than that amount, it can be paid in 2 or 3 tranches
- Very few FPO's become eligible to receive the grant even today. 4 tranches is not a practical one

**9.2 The credit facilities eligible under the scheme includes NBFCs apart from banks. Do you think this would increase access to finance to FPOs?**



**10.1 Is the focus on transfer of technology and technical knowledge sufficient to empower CEOs and enable greater ownership of the institutes in the longer run?**



## 9.3 Are criteria for credit facility to the ELI (Eligible Lending Institute) clear

- Coverage amount low and there should be provision to increase credit cover year on year
- Project based credit facility should be advocated. Maximum of Rs 2 Cr can be flexible
- FPOs require loans at interest rates less than 5% which no bank or NBFC is willing to offer. It has to be made clear in the scheme or structured as interest subsidy
- Interest rate should be capped in initial years to 10%.
- For better management of Fund form a Trust with membership of NABARD, NCDC, SFAC, SIDBI, Banks in line with what has been done for MSME.
- A Triple A for NBFC may be a difficult barrier

## 10.2 What other dimensions of training do you think is necessary for CEOs and BODs

- A centralized, one size fits all approach to trainings in a classroom not enough (At least 15 days on-job training, attaching with successful FPOs regionwise)
- Doorstep handholding, customized trainings and exposure visits would be more helpful. (virtual trainings also)
- A pool of professional consultant which Federated FPOs at state level can hire in a pool and distribute on a rotation basis to CBBO-FPOs which are falling short. IRMA and other management institutes can provide such a pool annually
- Should be exposed to some start ups which are doing well,
- Master business process than B plan
- Building capacities of local youth as professionals to manage these FPOs - a sense of ownership and risk-taking capacities

### Elements to add

How to improve the relationship and ownership of members for FPOs Vision building, organization development , business management , conflict management , financial and inventory management , team building and legal compliances etc

Cost benefit ratio training, Community Mobilization; Mainly business orientation and administration; -IT and communication skills

More on networking, social capital, stakeholder identification and management, integration of divergent ideas etc. CEO need to be trained in local political economy, local ideas of self governance, entrepreneurship etc

FPO funds development and Management, Roles and Responsibilities of CEO and BOD. Transparency accountability

Corporate Governance, Management Accounting, Sales Process Excellence, Supply Chain Management & IT Enterprise Technologies

Achievement motivation training, Communication training-----Agriculture extension, financial management, documentation, by laws etc.; - Liaising, market linkages, understanding ground truths

Income tax return filing, GST uploading in the portal by themselves, legal compliances and logging on web portal

# 11 National level Project Management Advisory and Fund Sanctioning Committee (N-PMAFSC) constitution (CSO reps?)

## National

- Experienced CSO participation is a must as they are closer to ground reality, focused on purpose, inclusion (including gender balance),
- co-option is too lazy, have active participation of practitioners
- should be broad based with having representation of NDDDB, IRMA and other civil society organisations of national repute.

## State

- aligning various line departments requires a more effective mechanism than bureaucrats
- All committees must relent in favour of CSOs, Professionals and let the system run. As it is government departments are short staffed
- mandatory to have nominations from existing (good performing) FPOs in the state; farmers and FPO professionals
- farmer/FPO representative at SLCC is to be nominated by Gol (replace with chairperson of state committee)

## District

- Instead of CEO of ZP, Joint Collector of district better to avoid political pressure
- Chairpersons of all the FPOs in the district must be part of the district monitoring body. Gender focus should not be compromised.
- Dairy Cooperatives functioning well can also be included

## 12. Evaluation of scheme by 3<sup>rd</sup> party, parameters

- Governance and institution building aspects are important but missing
- Should be concurrent and on rolling basis - PME should be annual event at district and state levels
- Annual evaluation may be introduced. Management Audit is to be made mandatory
- Farmer engagement, number of buyer linkages, adoption of renewable energy and value addition, issue of dividends, no of active FIGs could be other key parameters
- Conceptualizing a Theory of Change (ToC) with in Support of IRMA
- Yes and should also include farmer empowerment in terms of running the FPOs
- Ownership of members, farmer leadership established, increase in income of farmers due to FPOs, Increased access to information, knowledge, input, finance, market to farmers.
- Centrality of members, governance and financial self sufficiency
- a separate budget item for baseline survey, study of different value chains and opportunities for supporting yearlong livelihoods of members . This **intervention plan** should be completed by 1<sup>st</sup> year or 18 months. CBBO payment should depend upon implementation of these plans



## 13. Convergence, E-NAM etc. Sufficiency?

- Greater engagement with market is needed
- Post-covid focus more on local markets
- Convergence of govt schemes not promising.
- Create a separate provision for women FPOs /FPCs on the e NAM platform.
- Focus should be creating enabling environment for FPOs to make easy access to market for them.
- FPOs given preference in supplying fruits, vegetables, grains to different govt. owned/operated agencies such as canteens of hospitals, ashram schools, Jawahar Navoday Vidyalaya etc.
- Atmanirbhar districts in food production - PDS goods from FPOs.
  - Introduce locally grown cereals in PDS so that production, procurement and consumption ( for rural poor) is managed within the district as far as possible. This can lead to.
- Include FPOs for at least on farm enterprises such NTFP, poultry, animal husbandry that small and marginal farmers, women and tribal households depend upon.

## 14. General Observations Beyond the listed questions

- Provision for State/National level Annual Sharing learning Workshops
  - Creating a knowledge repository of value chain players in different commodities and provide web based facilities for peer review
- States would play key role in promotion of FPOs, important to consider State level nodal agency for implementation
- Donor can complement further resources to strengthen FPOs, especially on institutional building
- Focus on institution building, Engage market players, universities in PPP mode
- Can fulfil major SDGs. mapping with SDG goals and targets can easily be done
- Employ suitable leaders including social entrepreneurs to guide the process especially regarding the inclusion of women farmers at various levels.
- FPO meaning: the core aspects of FPO like an autonomous and independent business enterprise owned and controlled by their members could have been mentioned (as in 2013)

## 14. General Observations Beyond the listed questions

- FPOs should be eligible to take working capital loans from banks under the priority sector quota.
- Need to distinguish between primary FPOs and secondary FPOs .
  - Primary will work from input procurement, production, equipment management for production, harvesting, primary processing including quality control, weighing, packaging , grading till the FPO gate; typically in B2B mode for distant and B2C local markets.
  - Secondary FPO (market facing), a federation of many primary FPOs, when forward linkages from FPO gate not well developed. Secondary processing requiring high value capital equipment, sophisticated manufacturing processes. May engage in B2C for distant markets.
- Good governance not emphasised and needs facilitation, so too strong FIGs at village level.
- The process of including existing FPOs is not clear.
- Capacity building seems too standardized and centralized
- For training of FPOs, it is advisable to select state level resource support agencies, 2.2 lakh is too large for a few agencies; implementation should be decentralized and more power at state
- A single commodity cluster approach does not support sustainable agriculture movement
- Avoid exotic and migrant agencies as a NPMA who have no track record for demonstrating any good results on ground

## 14. General Observations

- Continued mis-placed faith in the structures of market against all factual reports, focus on local supply chains
- Policies around FPOs should also address the various business models that collective businesses should experiment with
- No transparency and conflict redressal mechanisms defined
- Policy assumes that it is starting off a clean canvas - territorial issues, overlap of existing and new FPOs, conflicts across organisations (CBBOs and local POPIs) – how are they going to be addressed?
- More thinking needed to make it as farmers friendly. Enable demand driven approaches too
- Tax issues not clarified, despite exemption in budget getting notices from IT department
- The absence of any mention of 8000 odd FPOs already existing in the country is worrying.
- Need for legislation on FPCs which has to be different from the Company's act and RoC compliance requirements need to be relaxed for FPCs.
- Coming close to the 2 main roles govt should be playing for FPOs - being a coach and investor, but its not doing it wholeheartedly.

# Thank You

Suggestions/ comments @  
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