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Role of Farmers Producer Organisation in improving Rural Livelihood

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Introduction

The instrument of Farmer Producer Company (FPC), registered under Companies Act, is emerging as the most effective means of Farmer Producer Organization (FPO) to cater to the needs of farmers at the grass root level. FPCs offer a wide range of benefits compared to other formats of aggregation of the farmers. FPC members are able to leverage collective strength and bargaining power to access financial and non-financial inputs and services and appropriate technologies leading to reduction in transaction costs. Members can also collectively tap high value markets and enter into partnerships with private entities on equitable terms. A producer company is basically a corporate body registered as a Producer Company under Companies Act, 1956, later amended in the year 2013 (As amended in 2002). Its main activities consist of production, harvesting, processing, procurement, grading, pooling, handling, marketing, selling, and export of primary produce of the members or import of goods or services for their benefit. It provides for sharing of profits/benefits among the members.

What is Producer Company?

An expert committee led by noted economist, Y. K. Alagh recommended, setting up of producer companies in 2002 by incorporating a new Part IXA into the Companies Act of 1956, an act meant for promotion of business in India. Hitherto, agricultural activities did not find a place in this Act. The objective of the committee was to frame a legislation that would enable incorporation of cooperatives in agriculture as producer companies and conversion of existing cooperatives into producer companies. The committee recommendation took care of ensuring the unique elements of cooperative business with a regulatory framework similar to that of companies. As per section 581A(i) of the Companies Act, a “Producer Company" means a body corporate having objects or activities specified in section 581B and registered as Producer Company under Companies Act, 2013 (previously under the companies act 1956).

Objectives of Farmer Producer Company

- Production, harvesting, procurement, grading, pooling, handling, marketing, selling, export of primary produce of members or import of goods or services for their benefit
- Processing including preserving, drying, distilling, brewing, venting, canning and packaging of produce of its members
- Rendering technical services, consultancy services, training, education, research and development and all other activities for the promotion of the interests of its Members
- Generation, transmission and distribution of power, revitalization of land and water resources, their use, conservation and communications relatable to primary produce
- Manufacture, sale or supply of machinery, equipment or consumables mainly to its members
- Promoting mutual assistance, welfare measures, financial services, insurance of producers or their primary produce
- Insurance of the primary produce and its producer
- Financing of procurement, marketing, processing or other activities such as extending of credit facilities or any other financial assistance to its producer members
- Any other activity (ancillary or incidental to the main objectives of the producer company) in order to promote the mutual assistance amongst the producer members and the lines of principles of mutuality

Loans and Investments

As mentioned above the Producer Company consists of individuals who are primary producers, and thus, are in need of financial support from time to time. Hence, a special provision under the company's acts 1956 was passed for giving loans to producer members. A Producer Company can provide financial assistance to its members through:

- **Credit facility:** This is available to any member for a period not exceeding six months (such facility must be in connection with the business of the Company).
- **Loans and advances:** These are provided to the producer member against security, repayable within a period not exceeding seven years from the date of disbursement of such loans or advances.

Benefits of incorporating a producer company

- Collective inputs purchase which reduces transaction cost
- Collective marketing for enhancing bargaining power and thus leading to scientific price discovery
- Benefit of vertical integration in the value chain
- Increasing productivity through better inputs
- Increasing knowledge of farmers

Characteristics of Farmer Producer Organization

- It is formed by a group of primary producers
- It is a registered body and a legal entity
- Producers are primary shareholders in the organization
- It deals with business activities related to the primary produce/product/ related inputs
- It works for the benefit of the member producers
- Portions of profit are shared amongst the producers and the balance goes to the share capital or reserves

Management of Producer Company

- Every Producer Company shall have a minimum of five directors and a maximum of 15 directors.
- The election for directors to be conducted within 90 days from registering the company.
- The Directors may be appointed or elected by the Members in the Annual General Meeting (AGM).
- Every designated Director shall hold office for a minimum of one year and a maximum of 5 years as specified in the relevant articles.
- AGM to be conducted once a year and shall be intimated through a notice specifying the meeting agenda, MoM (Minutes of Meeting), audited balance sheet, etc. The notice shall be sent not more than 15 months between the date of AGM and the next.
- The first AGM should be conducted within 90 days from the date of incorporation.

- The proceedings of every AGM along with the Director's Report audited balance sheet, P&L account and the annual returns shall be filed with the Registrar within 60 days of conducting the AGM.
- If the Producer Company is formed by producer institutions, such institutions shall be represented in the general body through the Chairman of the Chief Executive.
- Proper books of accounts to be maintained with respect to cash flow, expenditure, sales & purchase of goods, assets & liabilities, cost of labour, profit and loss statements, etc.
- Internal Audit must be conducted by the Chartered Accountant at a specific interval and manner as specified in the Company's articles and per the Institute of Chartered Accountants Act, 1949.

How to leverage FPOs to overcome risks in agriculture

1. **Financial Services:**
    - The FPO will provide loans for crops, purchase of tractors, pump sets, construction of wells and installation of pipelines.
2. **Input Supply Services:**
    - The FPO will provide low cost and quality inputs to member farmers.
    - It will supply fertilizers, pesticides, seeds, sprayers, pump sets, accessories, and pipelines.
3. **Procurement and Packaging Services:**
    - The FPO will procure agriculture produce from its member farmers; will do the storage, value addition and packaging.
4. **Marketing Services:**
    - The FPO will do the direct marketing after procurement of agricultural produce. This will enable members to save in terms of time, transaction costs, weight losses distress sales, price fluctuations, transportation, quality maintenance etc.
5. **Insurance Services:**
    - The FPO will provide various insurance like Crop Insurance, Electric Motors Insurance and Life Insurance.
6. **Technical Services:**

- FPO will promote best practices of farming, maintain marketing information system, diversifying and raising levels of knowledge and skills in agricultural production and post-harvest processing that adds value to products.

7. **Networking Services:**

- Making channels of information (e.g. about product specifications, market prices) and other business services accessible to rural producers.
- Facilitating linkages with financial institutions, building linkages of producers, processors, traders and consumers,
- Facilitating linkages with government programmes.