

# Operational Excellence

A toolkit for accelerating growth of FPOs



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Dated : 29<sup>th</sup> November, 2024

## Message

I congratulate PRADAN for developing a FPO toolkit on the promotion & strengthening of Farmers Producer Organizations (FPOs). The FPOs immense potential in empowering rural farmers, enhancing their livelihoods, and fostering sustainable agricultural practices is well recorded.

The current status of FPOs in India reflects remarkable achievements and ongoing challenges. Since their inception, FPOs have emerged as a powerful tool for collective action, enabling farmers to pool resources, access markets, and negotiate better prices for their produce. This has not only improved their income but has also instilled a sense of community and solidarity among women farmers. However, the journey is far from complete. Many FPOs still face hurdles such as limited market access, inadequate infrastructure, and the need for enhanced governance structures. Therefore, such toolkit will support to capacitate the development practitioner in various aspects of FPO promotion across the lifecycle from formation to early growth and sustainable operations through— supply chain processes, financial and business modeling, marketing, HR processes, including recruitment and retention of staff, and compliance needs.

Looking ahead, the future prospects of FPOs are promising. With the growing recognition of the role of agriculture and horticulture in the national economy and food security, there is an increasing emphasis on strengthening FPOs as a means to achieve these goals.

I extend my heartfelt gratitude to the Better World Initiative of Genpact and PRADAN teams and other partners who have helped develop this toolkit for promoting vibrant and sustainable FPOs.

( Charanjit Singh )



स्वाति शर्मा, भा.प्र.से.  
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**Swati Sharma, IAS**  
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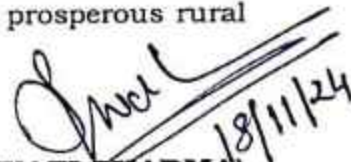
18<sup>th</sup> November, 2024

### MESSAGE

The Farmer Producer Organization (FPO) Toolkit is a pivotal resource crafted to empower Farmer Producer Organizations (FPOs) across the nation, aligning with the Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM). FPOs are central to our efforts in enhancing rural livelihoods and driving sustainable, equitable economic growth, enabling small and marginal farmers to attain better incomes, secure markets, and access critical resources. FPOs have emerged as an instrumental model for promoting inclusive growth in rural India in recent years. Through collective action and efficient management, they are a robust platform to enhance Women farmers bargaining power, facilitate access to advanced technologies, and reduce dependency on traditional value chains. This toolkit aims to strengthen the capabilities of FPOs by providing structured, actionable guidelines on governance, financial management, market linkages, and value chain development.

By promoting this FPO Toolkit, DAY-NRLM can ensure that FPOs become more sustainable, equitable, and effective. Stronger FPOs act as a backbone for income security, fostering a support system where rural women can thrive as entrepreneurs and producers. This initiative is a step towards creating an ecosystem in which women not only participate in agricultural value chains but lead and drive transformation at the grassroots. The FPO Toolkit thus embodies a vision of inclusive development, bringing together resources, knowledge, and capacity-building tools to support rural prosperity.

I congratulate PRADAN and Genpact for this effort. I am confident that the FPO Toolkit will serve as a cornerstone in building empowered, sustainable rural enterprises across India. This toolkit will be instrumental in enabling FPOs to achieve their full potential, creating a ripple effect that will enhance rural incomes, foster resilience, and contribute significantly to our mission of a more prosperous rural India.

  
(SWATI SHARMA) 18/11/24

शैलेश कुमार सिंह, आई.ए.एस.  
सचिव

**SHAILESH KUMAR SINGH IAS**  
Secretary



सत्यमेव जयते



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November 18, 2024

### MESSAGE

It is with great pride and enthusiasm that I present this FPO toolkit for the promotion & strengthening of Farmer Producer Organizations (FPOs). This toolkit is a practitioner manual that is a testament to the transformative potential of FPOs in enhancing rural livelihoods and strengthening the agricultural value chain.

In 2020, the Government of India launched the Central Sector Scheme for FPO (Farmer Producer Organization) promotion (under the Ministry of Agriculture and Farmer Welfare) to provide holistic and broad-based ecosystem support for forming 10,000 new FPOs. In recent years, FPOs have emerged as a powerful mechanism to address the challenges faced by small and marginal farmers. The FPOs will help farmers engage with large markets profitably, besides supporting them in accessing agri-inputs, providing better technology support, and providing value addition services (processing, packaging, etc.) to help realize better value for their produce.

The NRLM has been at the forefront of this movement, facilitating the formation and strengthening of FPOs, especially in underserved regions, to ensure inclusive growth.

The current status of FPOs promoted by NRLM showcases a significant achievement. Thousands of farmers, particularly women, have come together to form vibrant and resilient collectives that are not only improving their incomes but also enhancing their social and economic standing in their communities. These FPOs are successfully bridging the gap between rural producers and urban markets, fostering a spirit of entrepreneurship, and creating sustainable livelihoods.

As we look to the future, the prospects for FPOs are promising. With continued support and strategic interventions, these organizations have the potential to revolutionize the agricultural landscape in India. Key areas of focus will include capacity building, access to credit, digital integration, value addition, and Market linkage, which will enable FPOs to become self-sustaining and scalable entities. The collaboration between government, civil society, and private stakeholders will be crucial in realizing this vision.



This toolkit provides access to videos, templates, and relevant knowledge materials for FPO operations. This simple-to-understand toolkit will be a practical and handy process and steps guide for all Civil Society Organization (CSO)/Cluster Based Business Organization (CBBO) and other practitioners engaged with FPO promotion. Corporate and private philanthropies supporting FPOs will also find this a useful document for project review and monitoring. This toolkit is an asset for the ecosystem that will be accessible to all provided with customization options.

I congratulate the Better World Initiative of Genpact and PRADAN teams and other partners PRADAN, for their dedication and hard work in promoting FPOs and for bringing out this insightful book. I hope that this publication will serve as a valuable resource for practitioners, and all those committed to rural development and farmer empowerment. Let us continue to work together to build a prosperous and resilient rural India.



18/11/24  
[Shailesh Kumar Singh]

*"The FPO toolkit is truly the need of the hour, providing a much-needed single platform that addresses the operational needs of FPOs, especially for NGOs and CBBOs. Its practical applicability and comprehensive coverage of all aspects of FPO promotion and nurturing are highly commendable. At SRIJAN, we have already implemented some of these tools in our FPO operations in Madhya Pradesh with promising results. We are particularly impressed by the modules tailored for Women Producer Groups, addressing a critical gap given the current lack of focused literature on this topic. This resource will be invaluable in empowering agencies to build strong community bases through the formation of Women Producer Groups, effectively bridging a significant gap in the sector"*



**Prasanna Khemariya**  
Chief Executive Officer  
SRIJAN



*"The FPO Toolkit is a vital, all-in-one solution platform designed to significantly enhance the efficiency and sustainability of Farmer Producer Organizations (FPOs). This comprehensive toolkit offers practical, data-driven strategies for optimizing operations, strengthening market linkages, and improving governance. Transform Rural India (TRI) has partnered with Better World Initiative to implement these innovative solutions with FPOs in Madhya Pradesh and Jharkhand. The toolkit's user-friendly and adaptable nature empowers FPOs to make informed decisions, streamline their processes, and drive sustainable growth, ultimately positioning them for longterm success."*



**Anish Kumar**  
Managing Director





*"I am pleased to endorse the Farmer Producer Organization (FPO) toolkit developed by PRADAN in partnership with Genpact, Better World Initiative. This toolkit offers a comprehensive and practical approach to addressing the critical challenges faced by FPOs in India, particularly in improving operational efficiency and building sustainable business models. Its human-centric design makes it adaptable to the needs of small and marginalized farmers, empowering them to become self-reliant and resilient in today's evolving agricultural landscape. I am confident that this toolkit will be instrumental in advancing the growth and success of FPOs, contributing significantly to the livelihoods of farmers across the country."*

*For Action for Social Advancement*

ASHIS MONDAL

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MONDAL  
Date: 2024.09.27 17:47:47 +05'30'

**Ashis Mondal**  
Trustee



*Greetings from APMAS!*

*We are delighted that PRADAN, along with Better World Initiative (BWI) of Genpact, has taken on the responsibility of developing a comprehensive "FPO Toolkit" Operational Excellence - a toolkit for accelerating the growth of Farmer Producer Organisations (FPOs)! I am glad APMAS has played its role contributing to the development of the FPO Toolkit" We at APMAS had a chance to review the FPO Toolkit and found it be of high quality with practical & user-friendly tools that are necessary for accelerating the FPOs as viable business organisations.*

*PRADAN has long-years of experience in promoting people's organisations to realise their dreams and aspirations based on strong cooperative values & principles. In developing the FPO Toolkit, their years of experience and learning has been distilled and incorporated making the toolkit rich.*

*While India has over 50,000 FPOs already formed, their quality is highly variable and many of these FPOs struggling to emerge as thriving business organisations contributing to the incomes of their member-farmers. There is a massive need and demand for high quality training, capacity building with necessary tools and methodologies for the FPO CEOs and Board of Directors to steer their organisations to engage in agriculture value-chain development resulting in increased farmers' income. While there are a number of training modules, manuals and toolkits available, this FPO toolkit surely builds on the existing materials and most importantly is unique as it is based on almost three (3) years of practice using the toolkit with PRADAN promoted FPOs.*

*We sincerely hope that FPO promoters, FPO CEOs & Board of Directors and FPO Federations, and other stakeholders make optimum use of the FPO Toolkit to accelerate FPOs in India to significantly increase farmers' income. APMAS being a large promoter of FPOs and also a trainer of many of the FPO promoters, we will certainly make best use of this toolkit and will work in partnership with PRADAN for its wider use*

*Many Congratulations to all those who contributed to the FPO Toolkit!*

Best regards

CS Reddy  
Founder & CEO of APMAS





SAROJ KUMAR MAHAPATRA

Executive Director, PRADAN



### Message

PRADAN is on a mission to enable the most marginalized people, especially rural women, to earn a decent living and take charge of their own lives. We are active in nine states of India, adopting both direct and partnership-based approaches. Central to our engagement are women. We have promoted 93 Farmer Producer Organizations (FPOs) as catalysts for rural transformation.

We deeply believe in the transformative power of FPOs as a collective force for rural development. FPOs empower small and marginal farmers to overcome market challenges, access better technologies, and negotiate fairer prices for their produce. By organizing into FPOs, farmers build social and economic capital, enabling them to take ownership of their futures. PRADAN remains committed to working hand-in-hand with these organizations, offering capacity building, technical assistance, ecosystem building, and strategic guidance. Together, we are fostering resilient communities and creating sustainable livelihoods for farmers. The future of Indian agriculture lies in collective strength, and FPOs are the way forward.

The Government of India launched the Central Sector Scheme for FPO promotion under the Ministry of Agriculture and Farmers' Welfare to provide holistic and broad-based ecosystem support for forming 10,000 new FPOs. This is a commendable initiative by the Government to transform agriculture and enhance farmers' incomes. FPO promotion has now become a central approach to livelihood development, with many donors stepping forward to support civil society organizations (CSOs) in adopting this approach and benefitting farmers. It is especially heartening to see a focus on including women farmers in FPOs, which will help give them the rightful identity of being recognized as farmers.

While many agencies are engaged in FPO promotion, several operational challenges remain in establishing and strengthening FPOs. CSOs are at the forefront of organizing and registering FPOs. However, their staff often come from a development-oriented background and may require additional orientation in business systems and structures for effective FPO operations.

To address these challenges, the Better World Initiative of Genpact and Professional Assistance for Development Action (PRADAN) have jointly developed this FPO promotion toolkit. In its development, numerous organizations, including APMAS, ASA, TRI, SRIJAN, WOTR, NAFPO, and Trickle-Up, have participated and contributed significantly. This toolkit aims to equip development practitioners with the knowledge and skills needed for FPO promotion across its lifecycle—from formation to early growth and sustainable operations. It covers areas such as supply chain processes, financial and business modelling, marketing, HR processes (including recruitment and retention of staff), and compliance requirements.

This toolkit also provides access to videos, templates, and other relevant knowledge materials for FPO operations. Designed to be simple and user-friendly, it serves as a practical guide for CSOs, Cluster-Based Business Organizations (CBBOs), and other practitioners engaged in FPO promotion. Corporate and private philanthropies supporting FPOs will also find it a valuable resource for project review and monitoring. With its customizable options, this toolkit is a vital asset for the ecosystem.

We extend our heartfelt gratitude to everyone involved in the development of this toolkit for promoting vibrant and sustainable FPOs. I am hopeful that it will enable practitioners to better understand FPO promotion and address associated challenges effectively. I look forward to its widespread adoption.

S.K. Mahapatra

09/12/2024





*At BWI, our mission is to empower social organizations to maximize their impact within the communities they serve. Through this toolkit, we aim to drive systemic change by transforming the agricultural sector and supporting the growth of Farmer Producer Organizations (FPOs). Over the past four years, our collaboration with PRADAN and other livelihood partners has culminated in this valuable resource. We extend our sincere gratitude to all contributors who have supported this initiative.*

*This toolkit is designed to help FPOs navigate the complex challenges they face, including governance, financial sustainability, and decision-making. By providing actionable insights and practical resources, it supports FPOs in improving productivity, enhancing market access, and fostering sustainable growth. The toolkit combines industry best practices with case studies, step-by-step guides, and templates that simplify processes and encourage hands-on learning.*

*Our intention is clear: we want to empower FPOs at every stage of development, equipping them with the knowledge and tools needed to succeed in an increasingly competitive agricultural environment. This resource offers structured guidance, and solutions grounded in practical realities, designed to help FPOs thrive and contribute to the long-term well-being of India's agricultural ecosystem.*

*We believe this toolkit will serve as a valuable knowledge asset for the entire ecosystem, driving transformative change and sustainable growth. It is our hope that the impact of this toolkit will extend far beyond individual FPOs, creating a ripple effect across the sector.*

*With this toolkit, we are not just addressing immediate challenges but laying the foundation for a lasting systemic change. We have drawn upon our expertise in Lean Six Sigma and design thinking principles to create a resource that is adaptable, actionable, and impactful.*

*We are deeply grateful to all our partners for their unwavering support and commitment to this mission. Together, we are building a stronger, more resilient agricultural sector for India.*

**Sutanuka Ghosh**  
Sr. Director CSR (Strategic Programs), Genpact

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## Acknowledgement

Sincere gratitude to the individuals and organisations who have supported and contributed to the successful completion of the FPO Toolkit. Your assistance and encouragement have been invaluable throughout this three-year journey.

We extend our heartfelt appreciation to our partners Action for Social Advancement (ASA), Srijan, Watershed Organisation Trust (WOTR), Mahila Abhivruddhi Society, Andhra Pradesh (APMAS), Transform Rural India (TRI), National Association for Farmer Producer Organisation (NAFPO) to help BWI and PRADAN with their expertise, feedback, and support as a building block of toolkit.

We are deeply thankful to our partner FPOs Chirayu Women Farmer Producer Company Ltd, Sampurna Women FPCL, and Kharmer Narmada Women FPCL in Madhya Pradesh, Ghaghra Women FPCL and Torpa MKB SSS Ltd. in Jharkhand and Amon Mahila Chasi PCL in West Bengal. (Promoted by PRADAN) who collaborated tirelessly to test the solutions on the ground, sharing their insights and learning to further improve the business solutions. We are glad that the solutions tested by these FPOs are now live and currently being utilized for effective business operations by many other FPOs.

We are grateful and would like to acknowledge the countless research papers and knowledge documents published by NABARD, BIRD, MANAGE, SFAC, and many others. These have

enriched our learning and informed our research as we developed the solutions. We have utilized/ embedded relevant knowledge material to build this as a one-stop solution for civil societies and other promoting agencies.

The FPO toolkit would not have been possible without the collective efforts and support of our partners. Thank you all for your contributions, guidance, and encouragement.

This document represents a collaborative effort between the teams at Genpact, Better World Initiative and PRADAN.

We extend our sincere gratitude to Nilanjana Sharma, Deepti Ojha, Pavan Brundavanam, Smita Shah, and Sheetal Dave from Genpact, BWI, and Rajeev Ranjan, Rahul Singh, Debanjan Ghatak, Saheb Bhattacharjee, and Rabindra Nath from PRADAN for their invaluable contributions in developing the FPO toolkit, the operational guide for FPOs.

Sincerely,  
Genpact, Better World Initiative and PRADAN



## Executive Summary

Agriculture contributes 16% of Indian GDP and employs 43% of its workforce. However, most farmers in India (85%) are small and marginalized. To address this issue, the Indian government has launched the Central Sector Scheme, which enables the formation and promotion of 10,000 farmer producer organizations (FPOs) through 2028. An FPO is a producer company, agricultural cooperative, or legal entity enabling small farmers to work together to enhance their bargaining power, share resources, and maximize infrastructure investments. This model expects members to reduce the cost of procurement, production, and commission and decrease waste, which can result in increased income for small farmers. One aspect critical to the success of the FPO model is creating a sustainable supply chain.

A report published by the United Nations Food and Agriculture Organization reveals that India lost 40% of its food production due to faults in the supply chain. Similarly, a strategy paper published by the Small Farmers' Agri-Business Consortium, an autonomous body promoted by the Ministry of Agriculture, Cooperation, and Farmers' Welfare, cites fragmented supply chain planning as one of the underlying difficulties facing FPOs in India.

The present challenging and unpredictable environmental circumstances and volatile market conditions have resulted in the agricultural system coming under increasing pressure to enhance its operational efficiencies and resilience capabilities. This is particularly true in the context of sustainability and growth of producer companies in India.

There are more than 24000 FPCs in India. One report published by Azim Premji University in 2022 mentions that most producer companies (65%) were severely undercapitalized, hampering their ability to start operations. Those who managed to start their operations found it difficult to sustain and grow due to a lack of business acumen and

expertise and an underdeveloped business ecosystem. Further, most PCs failed to establish strong internal governance mechanisms and comply with regulatory requirements.

Unlike the manufacturing or retail industries, which have invested in and focused on increased efficiency in enterprise operations, the Indian agriculture supply chain and business processes are unorganized and ad hoc. Poor visibility and complexities in the processes increase the go-to-market timeline, impact produce quality, further adding to pilferage and inventory holding costs, and cause multiple losses across the value chain.

The FPO toolkit is a joint effort by Genpact, Better World Initiative (BWI), and Professional Assistance for Development Action (PRADAN). This toolkit compiles solutions and processes developed over the last three years. These solutions are designed based on the principles of Lean Six Sigma (LSS) and Design Thinking (DT) Methodology. LSS and DT are the scientific tools applied in manufacturing industries and service sector companies to improve efficiency and become cost-effective over the period. These solutions are designed with a human-centric approach, keeping FPO stakeholders (staff, BoDs & farmers) at the center while designing the processes. Each of these solutions is tested and implemented by PRADAN across various geographies. Feedback was captured from the team, FPO staff, and BoDs, and this learning has helped BWI and PRADAN refine and simplify the solutions so that they can be easily used by FPO staff for effective operations.

This toolkit has 13 modules that cater to the functions starting from FPO formation, business planning, and linkages with the market. Each of these processes embeds data-driven insights that will help FPOs make decisions as a business, be it market intelligence, price discovery, etc. In addition, the toolkit caters to the processes of support functions such as financial management,

HR process, and capacity building, which is at the core of any successful business operation. The processes in each module are designed to consider the range of the FPO maturity, from early growth to sustainable business. The toolkit has implementation guidelines and templates that implementing agencies can easily customize.

In the end, the focus is given to tracking business performance, which often is missed out by the FPOs; the business KPI tracking will help FPOs to continuously evaluate the health of their

organization and make informed decisions on scale-up, business diversification, lending requirements, etc. Teams at BWI and PRADAN hope this effort will create a pathway for FPOs in India towards sustainable growth, contributing towards the economic development of small and marginalized farmers.



# Introduction to Genpact, Better World Initiative

## About Genpact

Genpact (NYSE: G) is a global professional services and solutions firm delivering outcomes that shape the future. Powered by its purpose - the relentless pursuit of a world that works better for people - Genpact serves and transforms leading enterprises, including the Fortune Global 500, with deep business and industry knowledge, digital operations services, and expertise in data, technology, and AI. Today, it operates in 30+ countries with 125,000+ people driven by innate curiosity, entrepreneurial agility, and desire to create lasting value for clients.

## Genpact's Purpose

Genpact believes in making an impact far bigger than just the bottom line by amplifying the impact its clients make on the world while helping workers prosper, communities thrive, and industries run in harmony with the environment. Genpact harnesses the power of technology and humanity to help - the pioneers and visionaries - reimagine, reinvent, and create meaningful transformation that moves it forward.

## Better World Initiative, the Flagship Corporate Social Responsibility Program at Genpact

Better World Initiative (BWI) is Genpact's flagship Corporate Social Responsibility program in partnership with Piramal Foundation. It lends business digital capabilities and process skills to the social sector at no cost, to deliver strategic and long-term meaningful programs helping nonprofits reach more people and accelerate their impact.

Launched in 2016, Better World Initiative complements the development sector's efforts with the corporate sector's best practices to drive sustainable transformation. The program allows consultants to leverage Genpact's digital and process expertise to create innovative solutions for nonprofit organizations that serve as a model for many other organizations seeking to make a lasting difference in the social sector.

Till March 2024 program has impacted 22.29 million lives, thru 217 social transformation projects contributing towards SDGs in the areas of Gender Equality, Quality Education, Good Health and well-being, Decent Work and Economic Growth, & Sustainable Production & Consumption through partnerships with 130+ nonprofits like Piramal Swasthya, PRADAN, Mann Deshi, Peepul, Transform Rural India, End Poverty, Breakthrough and many more.



# Small Holder Farmers in India and the Constraints Faced by Them

According to the poverty estimates of 2011-12, about 80% of India's poor live in rural areas, and most of their livelihoods directly or indirectly depend on agriculture. According to the 2021-22 Periodic Labour Force Survey by the NSSO, agriculture and allied activities employed 59% of the total workforce in India. 90% of the farmers in this region are small and marginal, and less than 10% of the land is under irrigation.

The main barriers to improving small and marginal holders' agricultural productivity are inconsistent rainfall, insufficient irrigation, poor land development, refusal to embrace new production techniques, low-quality inputs that gradually raise cultivation costs, and a lack of capital. Additionally, the underdevelopment of market institutions limits the poor's capacity to engage with the market more equitably.

The problems of small and marginal farmers can be classified into the following categories-

- Production constraints - Most of these constraints involve using conventional farming methods with little understanding of production techniques, such as applying the proper amount of fertilizer and pesticide. Other issues include not having access to irrigation infrastructure, high-quality supplies and services, and a lack of support for mechanization, especially for women farmers.

- Marketing constraints are related to output marketing like primary and higher levels of processing, sorting -grading, storing, preservation, processing, lack of refrigerated vehicle, lack of warehouse cold storage facility, price discovery mechanism, less demand in a nearby market and distance to the large markets leading to high operating cost and poor price realization etc.
- Institutional support—Small and marginal farmers need collective support to bargain with the bigger forces, so they need an institution like producer group (PG) or farmer producer organization (FPO). This support also enables them to harness economies of scale.



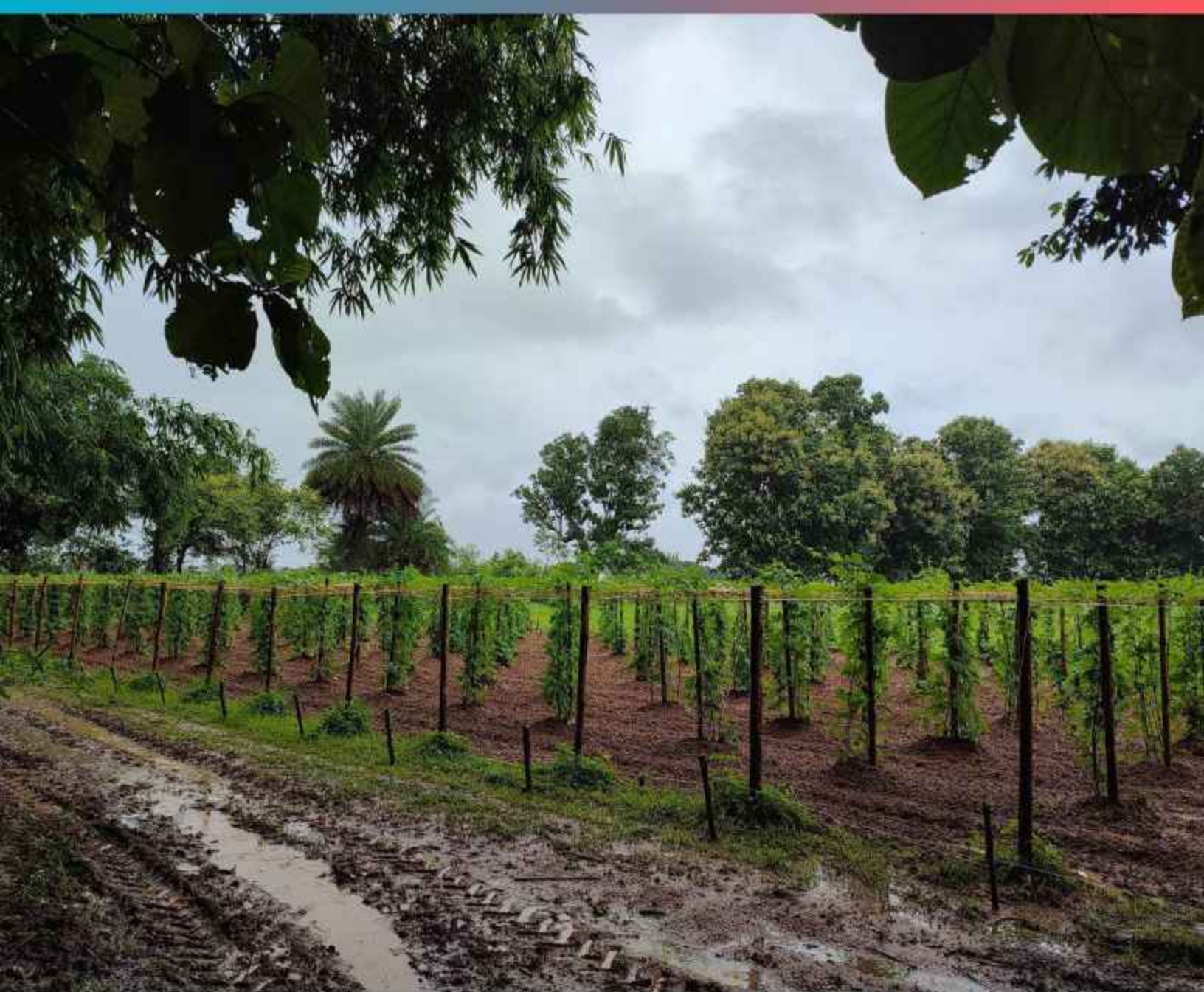


# Professional Assistance for Development Action (PRADAN)- The Experience in Rural Communities and FPO Promotion

PRADAN works in the poorest regions of India to help vulnerable communities organize collectives that help people, especially women, earn a decent living and support their families. Its primary focus is to help people in marginalized communities develop their own skills and initiatives instead of delivering services or solutions to them.

PRADAN works in the central belt of India, which has the most marginalized communities. These states are largely tribal-dominated, and the human development indicators are far lagging, have very little area under assured irrigation, and are largely mono-cropped. These areas are also isolated, remote, and poorly connected to the market. Given this context, PRADAN has adopted an agriculture production cluster to address the challenge. The agriculture production cluster is a market-linked approach and has 3 main pillars: name farmer collectivization, synchronized production, and market linkages. The crops selected are based on 3 important parameters: smallholder suitability, agroecological compatibility, and market attractiveness.

So far, PRADAN has promoted 115 FPOs primarily in agriculture, poultry, goat, fisheries, and tasar, whereas 73% of these are agriculture-based. These FPOs are promoted with the women farmers to address issues such as production, marketing, information, technologies, women's identity as farmers, etc. Approx. 70% of FPOs are already reporting profits leading to consistent and stable income for more than 1.36 lakh women farmers, mobilized in the FPO fold in the last 3 years.



## MODULE 1

### Prerequisite of FPO Promotion



One of the best ways to increase small producers' access to capital, technology, and markets is to group producers and farmers into collectives. An FPO is a producer company, agricultural cooperative, or legal entity enabling small farmers to work together to enhance their bargaining power, share resources, and maximize infrastructure investments. This model expects members to reduce the cost of procurement, production, and commission and decrease waste, which can result in increased income for small farmers.

To ensure a successful FPO model, it is essential to identify and establish the factors that influence its business viability. These factors help lay a strong

foundation, increasing the likelihood of turning producers' efforts into profitable businesses within a reasonable gestation period. Key elements include:

- Understanding market demand and linking it to available surplus.
- Assessing the community's preparedness.
- Addressing the need for forming an FPO.

The promoting agency's readiness is critical, especially regarding continuity and the ability to offer support after formation. The promoting agency must perform a study to ascertain the FPO viability and the effort needed for farmer collectivization. We now break these efforts down into four steps:

Figure 1



## Geography Selection

Determining the community's need for an FPO before creating one in any location is essential. This will assist the promoting agency in initially selecting the villages and setting priorities depending on the needs, interests, and state of the market that are driving the product's demand.

The community needs assistance in determining which villages are finalized so that producer groups can be formed. These groups can be formed provided that the members of the community practice farming, harvest similar crops, and are willing to work together to market their produce and share its benefits.

Before group formation, assessing each Village's potential is crucial to guarantee a sustainable and

viable collective. Farmers and producers willing to join a collective and produce common crops by participating in this exercise will be more readily accessible to the promoting agency. Also, this will assist the promoting agency in determining farmers' requirements and grow its capacity to support collectives, whether for market access or production techniques. As part of this diagnostic process, some key questions to be answered are:

- Which block/blocks of the district are to be undertaken?
- Identify villages that will be taken under the FPO fold.
- Do the farmers in identified villages have a marketable surplus?
- Does the identified geography have any village-level community organizations? Such as SHG, Farmers Group, etc.

Refer to the [evaluation rubric to identify geography potential](#), which helps you evaluate the geography potential.

Once the districts/ blocks are identified, the promoting agency needs to develop the village profile by collecting information on important dat

a points such as demography, crop practices, market accessibility, risks faced by farmers, etc.

Refer to the detailed data collection format for the village profile/ diagnostic study covering the below aspects for a village profile-

Figure 2



Refer the detailed [data collection format](#) for village profiles/diagnostic study



Evaluation rubric to  
identify geography  
potential



Data collection format for  
village profile/diagnostic  
study





## Community Preparation

Once the preparedness of geography based on community needs is assessed, it is necessary to see whether the community is prepared or not. Perhaps the survey indicates the need for FPO promotion considering the economic viability; however, some important aspects of the community also need to be understood. In the background of NRLM, almost all rural areas are covered by the SHG program.

In that case, a promoting agency can check the affiliation of individuals to their SHG or similar institutions, such as members of farmer field schools. The promoting agency should also check the maturity of such institutions on the internal process of conflict resolution, rotational leadership, responsibility sharing, participatory decision making, etc.

## Assessing the Promoting Agency Preparedness

The preparedness of promoting agency is the critical dimension and must be assessed before taking the FPO promotion work at hand. The essential nodes of any promoting agency are to be checked as follows-

- The promoting agency should have clear articulation behind the promotion of FPOs, such as why the agency needs to promote the FPO and what problems the farmers will solve in that area.
- Does the promoting agency have enough resources and capabilities such as funds, infrastructure, and skilled persons for the next 2 to 3 years until FPO stabilizes?
- Any promoting agency must measure the minimum time commitment before opting for the FPO promotion business.

## Market Opportunities

The diagnostic study needs to be coupled with market intelligence to match the demand with available supply in the village; the market survey would allow promoting agency to prioritize the commodity and variety and plan the revenue stream and scale of FPO business based on market consumption capacity and supply availability. Refer to [module 10](#) on conducting a survey, exploring buyers and platforms to assess the market opportunities in terms of consumption capacity, access, buyer quality requisites, etc.

The promoting agencies can make informed decisions by plotting the above data sets on the template for a [framework for identifying geography potential](#). The framework offers suggestive benchmarks; however, it is subjective and may vary. There is also a sample report that the promoting agency can compile based on the diagnostic conducted that can be a reference booklet for the promoting agencies for future business planning, etc. Here is a [sample diagnostic report](#) compiled by PRADAN for a study conducted in Bihar.



Framework for identifying geography potential



Sample diagnostic report





## MODULE 2

### Stages of FPO Promotion



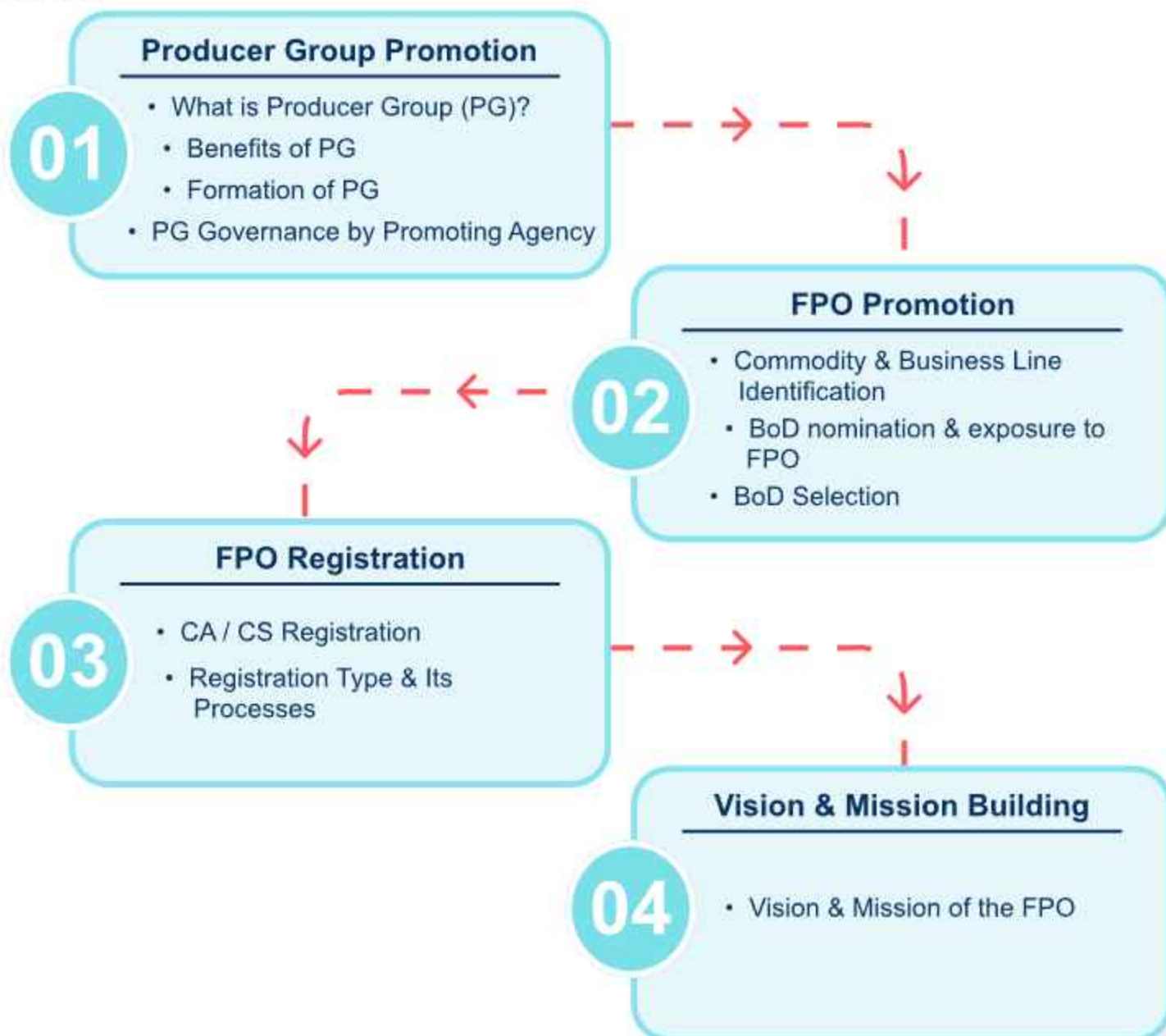
The farmers are the basic unit of the FPOs. But it is important to bring the farmers into some village level groups before mobilizing them into FPO. FPOs are the apex bodies of farmers, with Producer Groups acting as intermediaries between the FPO and its member farmers. The FPO communicates, organizes, or undertakes the business at the producer group level.

There is a possibility that a community has a collective in the form of SHGs or producer groups and it becomes a starting point for the promoting agencies. However, in some cases, the villages which are economically viable

and have great community participation, do not hold any producer group. In this case, setting up a producer group becomes the starting point for promoting agencies. The effort to form FPOs without any informal institution may lead to a lot of conflict and increase the gestation period for FPO formation.

In this module, we will explore what a producer group is, the steps involved in forming a Producer Group, and the subsequent journey towards the formation and registration of an FPO.

Figure 3







## Producer Group Promotion:

### Producer Group

A producer group is a self-managed, independent group of farmers with shared goals and interests. The members work together to achieve this goal by pooling their existing resources, gaining better access to other resources, and sharing them for resulting production and financial benefits. This is an informal village or hamlet level collective of primary producers consisting of 30-50 farmers, forming a subset of the Farmer Producer Organisation (FPO).

Mobilizing women's membership in Producer Groups (PGs) is crucial for inclusive and sustainable development within local area economy. Women play a central role in agriculture and rural livelihoods, yet they often face barriers to accessing resources, markets, and decision-making platforms. By actively engaging women in PGs, we can leverage their unique perspectives and skills to enhance productivity and group cohesion. This can be achieved through targeted outreach efforts, including awareness programs tailored to women's needs, and by working with existing women's networks, such as self-help groups.

It gives a platform where farmers generally meet, plan for agriculture, share their experiences, and place material or service orders collectively to FPOs or to any other entity (if required). In simpler language, it works as an informal nodal entity between member farmers (shareholders) and FPO, post its formation. However, in some cases, the PG also gets involved in financial transactions and in such cases, the PG keeps basic books of records

with them. (Refer to [module 8](#) on financial management; the same can be applied for PGs in the context of bookkeeping, etc.)

### Benefits of a Producer Group- a Building Block for FPO Promotion

The idea of forming a producer group is to create a platform for small producers that will enable them with reliable and affordable access to livelihood support service and market linkage at the village level. The producer groups are building blocks for the producer company; hence attention and care is needed in terms of institutional development of the producer groups.

PG formation is a continuing effort for the promoting agency at first and, after that, for the FPO. However, promoting at least 10-15 Producer Groups consisting of 30-50 members each is vital before forming the FPO. In the context of FPO promotion, the PGs have two significant roles to play- First, it will aid in the concept seeding of FPOs with farmers, as well as bring agreement among farmers on crucial decisions such as who will be the BoDs and promoters, the format of registration, and so on. Second, after the FPO is formed, the PG will act as a communication channel between the FPO and member farmers.

Post the FPO formation, the PG will serve as the FPO's sounding board. It will provide FPO with feedback on the quality of services. The BoDs can occasionally attend the PG meeting to receive feedback on FPO services.



## Formation of a Producer Group

The members of the PG belong to the same socio-economic background. They generally exist in one or two village boundaries. The process of PG promotion should start from at least three months before the registration of the FPOs. Community/

Village resource persons need to be identified and trained to form the groups.

The basic steps of PG promotion are mentioned below-

Figure 4



### Concept Seeding

The purpose of concept seeding is to generate the need of collectivization among the farmers. The promoting agencies cannot form a successful group if no one is interested. This can start with a reasonably informal meeting to educate farmers on the need and then after gauging interest, the promoting agency can determine whether it is worth trying to establish a group. The promoting agency must follow the below steps to initiate concept seeding-

- Prepare an initial meeting- Invite those people involved in developing the original idea such as the members of Gram Panchayat, Gram Pradhan and the influential community members and also issue a general invitation to other village members who may be interested.
- Choose a venue and a time convenient for most participants. A local communal building or a local person's house is best for hosting initial meetings.

The farmers of one or two villages must be invited to participate in the meeting. The promoting agency staff needs to conduct this meeting or identify trained village resource person for this. The major goal of this meeting is to pique farmer's interest in the FPO and related benefits. The meeting will conclude with the identification of primary members of the group and the dates for the next formal group formation meeting. The promoting agency may use Flex's, flyers, video clips as visual aids to bring more clarity to the farmers. One such video is available is with NABARAD -

[https://www.nabard.org/FPO/story\\_html5.html](https://www.nabard.org/FPO/story_html5.html)

The [sample flyer for PG promotion](#) can be downloaded here.

The formation of PG groups will eventually lead to the formation of FPOs by integrating PG members as shareholder of FPOs. Hence, farmers must comprehend the investment they are required to make as a member. Some farmers are hesitant to join the PG due mostly to lack of information and clarity on the advantages of PG. As a result, one meeting may not be enough, and two to three more meetings may be required before the formation of the PG to bring all the farmers on the same page.

### Group Forming and Norm Setting

When 20-30 farmers are ready to come together, the promoting agency can form a PG with the farmers. The farmers will jointly decide name of the group, meeting date and place, basic norms, account opening resolution (if required) etc.

Even though the idea of a PG is that everyone works together to address their common issue, the group will probably still need to elect a group leader and to assign responsibilities such as managing meetings, recording meeting notes, bookkeeping and record keeping.



Sample flyer for FPO concept seeding



group and the initial preparation, informal leadership is likely to form naturally. The people who come up with the idea for the group will automatically start the process. The activities in this process will likely include gauging interest, initiating discussion, preparing, and chairing the concept seeding meeting. During the group formation meeting, the leadership should be formalized by nominating and voting candidates into the required positions. The initial leaders do not necessarily have to be voted into the formal leadership positions later for the FPO.

Figure 5



Gradually, the ownership of the meeting must be transferred to the producer group; the group must be oriented on collectively deciding the venue of each meeting and discussion points and then documenting each meeting with follow-up action

### Regular PG Meetings

Producer Group, also known as Farmers Interest Group (FIG), is an integral part of FPO. To ensure PG is an agile group and caters to the needs of the member farmers, it must ensure regular meetings to discuss needs, provide support, etc. The promoting agency must facilitate the initial meetings. It is ideal to hold these meetings monthly; this will help farmers feel connected to the association and gradually transition into becoming members of an FPO.

The following is a list of activities that can be undertaken during the first meeting of PG:

points. Below are the suggested topics for PG meeting discussions that can be selected based on the agriculture cycle-



Sample of PG Meeting Resolution



Table 1

Phases	Suggested Discussion Topics for PG
<b>Crop Planning</b>	<ul style="list-style-type: none"> <li>• Discussing the potential crop for the season</li> <li>• Weather dependency on the crop</li> <li>• Credit requirement of farmers</li> <li>• Seed and other input availability for member farmers</li> <li>• Farmers knowledge and need of crop insurance</li> <li>• Various production techniques- PoP, facilitated by the promoting agency</li> </ul>
<b>Production</b>	<ul style="list-style-type: none"> <li>• Plant health- intensity of infestation</li> <li>• Availability of fertilizers, Equipment</li> </ul>
<b>Harvesting</b>	<ul style="list-style-type: none"> <li>• Produce handling, quality management facilitated by the promoting agency</li> <li>• Labour availability</li> <li>• Availability for equipment and harvesting machinery</li> <li>• Collective storage/warehouse for PG</li> </ul>
<b>Post Harvesting</b>	<ul style="list-style-type: none"> <li>• Discussion on prices and volume</li> <li>• Discussion on sorting grading techniques</li> </ul>
<b>Off season</b>	<ul style="list-style-type: none"> <li>• Review of amount of business done by each member</li> <li>• To generate feedback on FPO services</li> <li>• To discuss the best-practises in agriculture</li> <li>• Women role in agriculture.</li> </ul>

Below are the process steps for PG meetings that need to be followed by the PG, initially supported by the community resource person/promoting agency-

Table 2

Process	Community Field Resource Person	Promoting Agency
Finalize date & place for meeting	<ul style="list-style-type: none"> <li>• Discuss &amp; finalize dates of meeting with PG representatives across targeted villages</li> <li>• Communication will be done via home visit/ phone calls</li> </ul>	Need based monitoring by promoting agencies
Conduct meeting	<ul style="list-style-type: none"> <li>• Facilitate the meeting and prepare an agenda of discussion along with FIG/ PG members</li> </ul>	-do-

Process	Community Field Resource Person	Promoting Agency
Prepare minutes of meeting	<ul style="list-style-type: none"> <li>Facilitate the representatives in preparing minutes of meeting. In case members are illiterate, field resource person to write the minutes and share with members verbally and get signed by all members.</li> </ul>	NA

### PG orientation around FPO

The promoting agency needs to facilitate the discussion for PGs to identify the existing gaps and opportunities in the current farming practices. The farmers then will map the roles and responsibilities of PG and FPOs to address the gaps. For an example, FPO will support member farmers to provide timely and quality input at low/ reasonable cost and to ensure production on quality parameters will be the responsibility of the member farmers.

Farmers need to understand their role as a shareholder as well (Please refer [module 3 and 11](#) to know the members KRA and Rights) to refer shareholders/ members role in the FPO). The member farmers are not mere customer but the owner of the FPO comes in realisation. The basic governance and operational structure of the FPO will be shared in the meeting. The PG will identify two potential members as a promoter of the company based on the criteria as follows-

### Eligibility for being FPO promoter/BoD

- The member should be the active members of SHG or any community-based institution.
- The age of the member should be between 18-45 years.
- The members should be an active farmer.
- She/he should have functional literacy.
- It is preferable that S/He should not be leader of any other CBO such as VO, CLF, BLF FPO.
- Avoid PRI/ Government officials/ frontline functionaries such as schoolteacher, ICDS workers etc. as promoters.

- Motivated and ready to give time to learn and to extend the learning with fellow members.
- The marginalized sections such as backward, schedule tribe, schedule cast and especially abled people should be prioritized.

### PG Governance

Regular meeting of PG is critical for a continuous growing PG group, the promoting agency must ensure to facilitate the initial meetings, gradually this can be managed by the PG leaders. However, some of the important elements that would ensure the quality of PG meetings and the follow up actions done by the members. The promoting agency must review attendance of members in each meeting, the frequency of meetings, topic discussed and follow-up action taken by the PG. This will ensure the continuous engagement of PG, despite ownership transferred to the group members and leader of the PG.

Refer to the template for [PG meeting tracker](#) that can be maintained by PG/Promoting agency for ensuring continuous engagement with the producers through the PG platform. The tracker helps the promoting agency understand the growth in members count, how frequently and actively group is engaging to discussion on various topics, help each other with access to information on FPO activities and if there any challenges that the promoting agency must address. The template also helps to collate the topics that are frequently discussed within the group.



PG Meeting Tracker



## Template for PG Meeting Tracker

Table 3

Sr No.	Name of FIG/PG	Name of the village	Name of PG/FIG Representative	Total no. of members	Growth in % of members in FIG	Meeting Conducted	Date of meeting	No. of members attended	% of attendance	No. of member actively participated	% of Participation	Duration of meeting	Meeting minutes submitted to FPO
1				20		Yes		8	40%	8	40%	<30mins	Yes
2				24		Yes		15	63%	10	42%	<30mins	Yes
3				15		Yes			0%		0%		
4				13		Yes			0%		0%		
5						Yes			0%		0%		

### Farmer Producer Organization (FPO)

#### Formation

After the FPO catchment reaches a critical number of PGs (10–15), the parallel activity to form the FPO should begin. Prior to registering for the FPO, some crucial tasks must be completed, village resource

persons need to be identified and trained to form groups.

The basic steps of PG promotion are mentioned below-

Figure 6



#### Commodity Identification

There are varied commodities that exist in a geography. The new commodity can be brought and introduced to the community by the FPO. It is always advised, nevertheless, that the new FPO begins with the current product rather than a new one. Many factors influence the choice of a commodity.

on the following parameters:

- Area under the crop of all the farmer members
- Production of the crop
- No. of primary producers involved with the commodity
- Opportunities for reducing the cost of cultivation/production.
- Opportunities for increasing the yield

The FPO could identify 2-3 crops or products based

- Opportunities for marketability of the produce with better quality
- Opportunities to sell the produce in a manner or form to enhance the net earnings of the farmer member.
- Sustainability of the business activities related to such crops for the FPO
- Ease of obtaining the necessary licenses or approvals.
- Investment required - both as fixed capital and working capital and expected marginal incremental returns on the investment.

- Any others that may be relevant and specific to a given crop and in the area of operation of the FPO

The diagnostic study mentioned in [data collection format for village profile / diagnostic study](#) and market study tool will provide the data for the above questions. The FPO can use a decision rubric by assigning weightage to the above variables and score the commodities on the set benchmark. The [crop selection framework](#) can be downloaded and customized the rating criteria based on the crop. The below table is an example of maize

Table 4

Sr No.	Parameters	Rating	Weightage	Rating (sample)
1	Area under the crop	1 - Less than 100 acres 2 - 100-500 acres 3 - More than 500 acres	10	2
2	Yield	3 - Less than 20 Q acre 2 - 20-30 Q/acre 1 - More than 30 Q/acre	10	2
3	No. of primary producers	1 - Less than 100 members 2 - 100-200 members 3 - More than 200 members	10	2
4	Input availability	3 - Supplied by Govt. 2 - Available with farmer 1 - Available at market	10	2
5	Status of grading & processing for sales	3 - No processing & grading 2 - Minimal processing 1 - Advanced processing	10	2

Continued to the next page



Data Collection  
Format for village  
profile/diagnostic  
study



Crop Selection  
Framework



Sr No.	Parameters	Rating	Weightage	Rating (sample)
6	Avg. expenditure per acre	3 - Less than 10K 2 - 10K to 20 K 3 - 20 K to 30 K	10	2
7	Avg. income per acre	1 - Less than Rs.10,000/acre 2 - Rs.10,000-20,000/acre 3 - More than Rs. 20,000/acre	10	3
8	Source of marketing	1 - Sale in the village 2 - Govt procurement 3 - Established trader network	10	3
9	Availability of storage facilities / transport	1 - Available within 10 Km 2 - Available within 10 to 20 Km 3 - Available at more than 20 Km	10	3
10	Perishability	1 - Highly Perishable 2 - Mild Perishable 3 - Low Perishable	10	3
<b>Total</b>			<b>100</b>	<b>24</b>

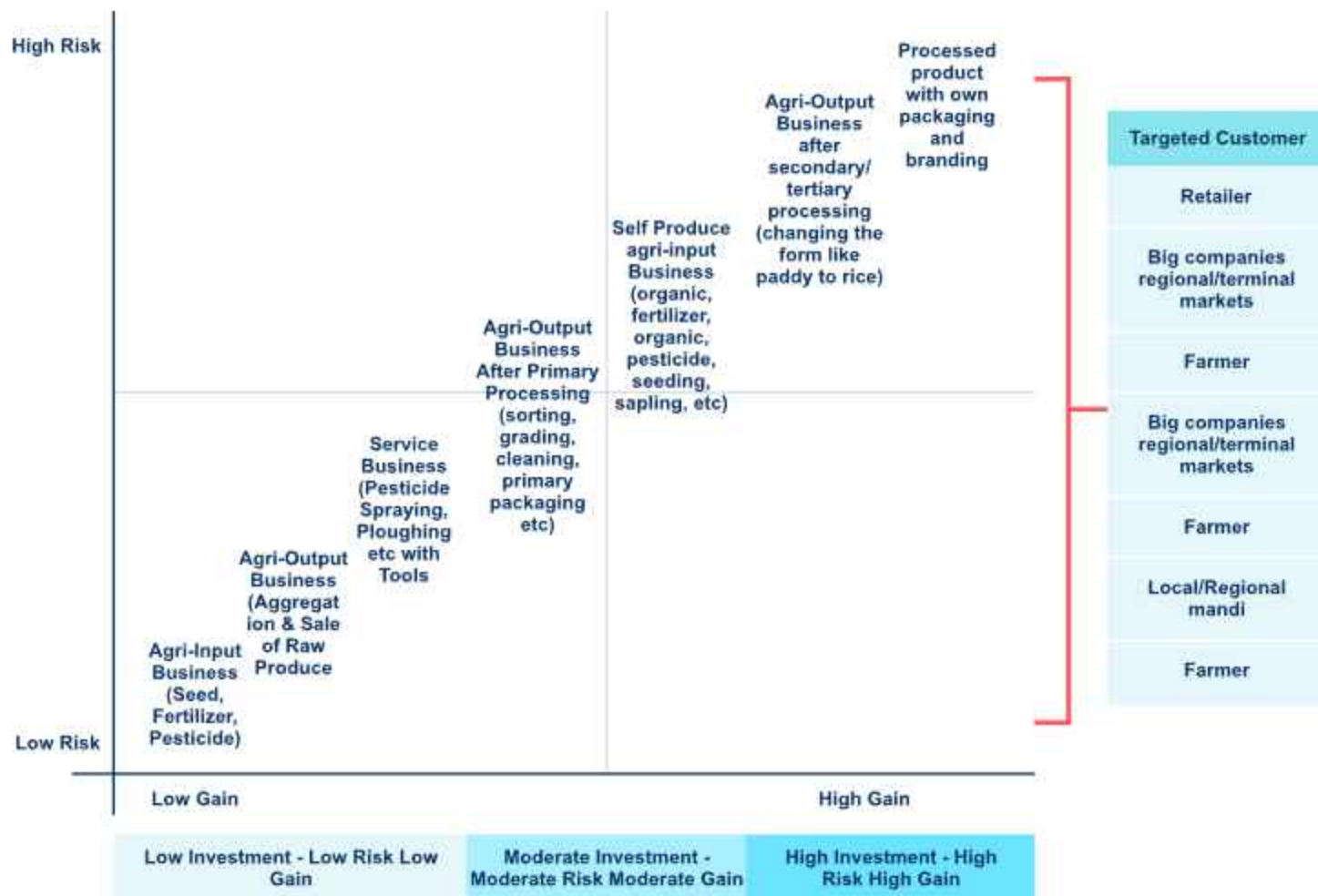
Source: [http://nirdpr.org.in/nird\\_docs/CAS/Practitioners%20Guide%20for%20Business%20Development%20 Planning%20in%20FPOs-n.pdf](http://nirdpr.org.in/nird_docs/CAS/Practitioners%20Guide%20for%20Business%20Development%20Planning%20in%20FPOs-n.pdf)

### Revenue/Business Stream Identification:

One commodity can have multiple revenue streams associated with it, including the sales of raw produce, services, primary processing, and agricultural inputs. Every revenue line has a different initial investment and a different risk and profit profile. The risk vs. gain associated with each line of business and target customer section is shown in the following illustration.

Depending on capital, resource availability, and willingness to take risks, the FPO can select the commodity(ies) for its business. The number of revenue streams will be closely correlated with the commodity that the FPO chooses from the prioritized crops. Using the commodity selection rubric can help the FPO ensure that its selection approach is logical and well-reasoned.

## Revenue/Business Stream Decision Making Visual Chart



### Board of Directors Nomination

A central-level meeting is done with the nominated PG members for the FPOs. With the nominated member, the discussion on the need of the FPO is done. The roles and responsibilities of the directors is well explained in the meeting. After listening to this complete discussion, they then nominate potential farmers as BoDs. The number of the potential farmers are subject to the type of incorporation. The number of BoDs for FPC ranges between 5-10 and in case of a cooperative, it is 11. It is advisable to keep the nomination of more members (with the margin of 3-4 extra members) to avoid any issue of dropout.

The members will be informed about the registration steps. It will include the details of the type of incorporation, necessary documents and estimates of expenses. The meeting will end after agreeing on the next date for the exposure visit within a week's span.

For a sample, refer to the template of [process of nomination meeting and the reference materials](#). Refer to the [module 2](#), eligibility criteria for the BoDs and refer to [module 3](#), setting up the FPO Governance for the role and responsibilities of BoDs.



Process of Nomination meeting and reference material for BoD



### **Exposure of Nominated Members:**

The promoting agency must set up an exposure visit that allows the nominated members to engage meaningfully with the BoDs of a functioning Producer Organization, allowing them to experience and comprehend the business. The nominated members can make a well-informed choice on whether to pursue the role of FPO board of directors

### **Selection of Board of Directors:**

There is a chance of dropouts after the exposure visit. In case there are more than the required number, the group of nominated BoDs can take consensus or election to finalize the BoDs. The selected BoD members will then be informed about the KYC documentation (Refer to the following section to find the checklist of KYC documents) and the final date of submission of the papers.

### **FPO Registration**

Once the BoDs are identified and the primary commodity and revenue stream are selected, the promoting agency must initiate the FPO registration process.

#### **CA or CS Identification**

The promoting agency must hire a company secretary to register the firm and respond to the due diligence queries. Additionally, chartered accountants are brought in to perform the company's statutory audit of the accounts and compliance with IT, FSSAI, GST, etc., at a later stage. Regarding registration costs, specific fees for each

step, based on registration type—such as obtaining a director identity number, name assignment, or digital signature certificate (DSC)—must be paid to the MCA; the CS will include this in his/her service charges.

Before employing the services, the promoting agency can obtain quotes from at least three CSs and compare them. Verifying the CS's experience in the FPO registration procedure is crucial and must be factored in while onboarding a CS. Inexperienced CSs frequently make things more difficult and can delay the process due to the back-and-forth of documents, during the registration process.

#### **Type of Registrations**

The preferable formats of the FPO registration are cooperative and the FPC Section 465(1) of the Companies Act, 2013. Institutions registered as cooperative societies and producer companies have legal provisions for sharing profits earned by the FPO through dividends. Other legal forms, such as trust and society, do not explicitly provide for profit sharing. However, the FPO can offer better prices for the produce it procures from the members, thus benefiting the latter. Similarly, it can procure inputs/raw materials in bulk and sell to members with low margins. Such activities are permissible for FPOs under all legal forms. A comparative chart of important features of Cooperative Society and Producer Company is given below:



## Differences between a co-operative and a PC in India

Table 5

Source: Kumar, et al, 2007; Mondal 2009; and NABCONS, 2011.

Feature	Co-operative	Producer Company
Registration under	Co-op Societies Act	Companies Act
Membership	Open to any individual or co-operative	Only to producer members and their agencies
Professionals on board	Not provided	Can be co-opted
Area of operation	Restricted	Throughout India
Relation with other entities	Only transaction based	Can form joint ventures and alliances
Shares	Not tradable	Tradable within membership only
Member stakes	No linkage with no. of shares held	Articles of Association can provide for linking shares and delivery rights
Voting rights	One person one vote but RoC and government have veto power	Only one member one vote and non-producer can't vote
Reserves	Can be created if made profit	Mandatory to create reserves
Profit sharing	Limited dividend on capital	Based on patronage but reserves must and limit on dividend
Role of government	Significant	Minimal

*Continued to the next page*



Feature	Co-operative	Producer Company
Disclosure and audit requirements	Annual report to regulator	Very strict as per the Companies Act
Administrative control	Excessive	None
External equity	No provision	No provision
Borrowing power	Restricted	Many options
Dispute settlement	Through co-op system	Through arbitration
Income tax rebate under Income Tax 1961	Section 80P of the Income Tax Act for providing exclusive tax rebate to cooperative societies	All income is taxable @0.302. The rate is subject to change as per IT guidelines
Relaxation from income tax	Income up to Rs.1 lakh is also free from tax if it is earned other than activities mentioned in point no. 1	Deduction of 100% business profit as per sec 80PA of Income tax act. But MAT are payable @15 %.
Provision for distribution of income	There are different provisions for distribution of income in different welfare heads which is non- taxable	Dividend can be distributed
Lease out of govt. land	Provision made at govt. revenue department for lease out govt. land at very low rates	None
Central seed subsidies for production & marketing	Eligible for all govt. seed production, distribution, and marketing subsidies under different schemes like ISOPAM, NFSM, RKVY etc.	PCs are not eligible for such subsidies

Contd to the next page

Feature	Co-operative	Producer Company
State support	State govt. is supporting several cooperatives support cells like Beej Maha Sangh providing all kinds of logistics, production, training, and marketing support to seed cooperatives, while MARKFED is another such federation supporting primary cooperatives	No such support is available for PC. In fact, membership of those federations is not open to PC even if they want.
Allotment of fertilizers	Cooperatives are eligible for fertilizer allocation through State Marketing Federation (MARKFED) which is the authorized body of state government to get allocation and distribution through member cooperatives	It is not available for PC. MARKFED is not open for membership to the PC
Allotment of breeder seeds which is regulated by govt.	Allotment of breeder seed is only made to central & state seed producer agencies like NSC, state seed corporations, and cooperatives like IFFCO & KRIBHCO and all state seeds cooperative through federations like Beej Maha Sangh	No such provision is available.
State govt. policy to support such initiatives	Number of policies are available at every state & central level	To some extent in M.P, no other states have any policy on PC.
Mandi (APMC) Tax	Cooperatives are exempted	No such provision

### FPO Registration Under Companies Act

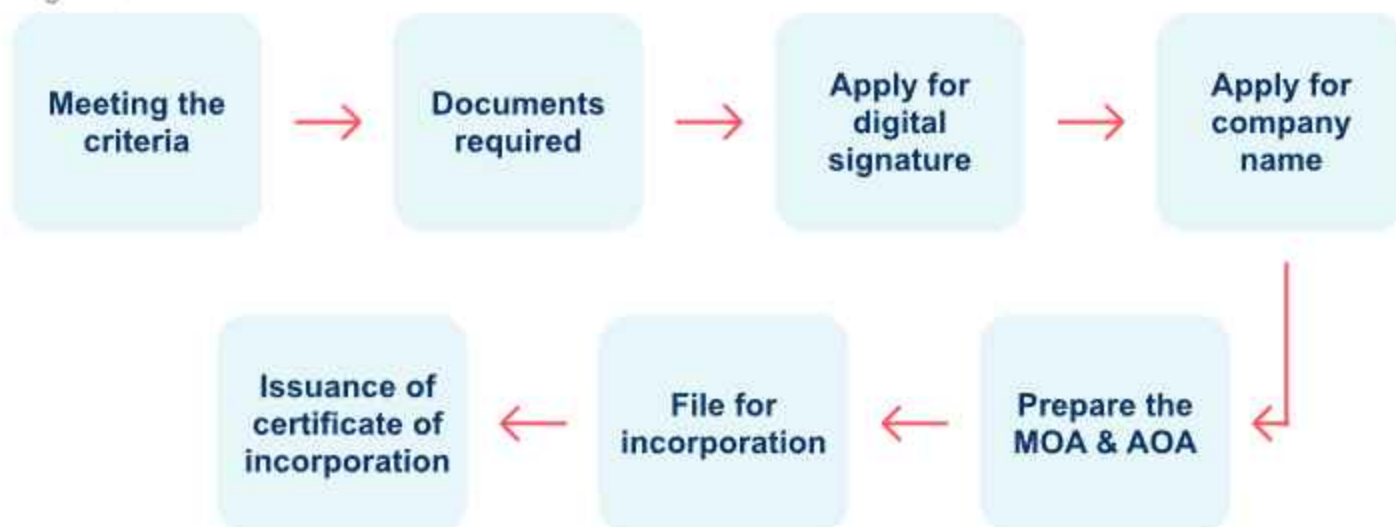
Section 465(1) of the Companies Act, 2013 mentions that "The provisions of Part IX A of the Companies Act, 1956 shall be applicable mutatis mutandis to a Producer Company in a manner as if the Companies Act, 1956 has not been repealed until a special Act is enacted for Producer Companies,"

The current Producer Company Act is a hybrid of

cooperatives and companies. While it retains all the essential features of a cooperative, it incorporates the prudence of company law and its transparent regulatory processes in a simplified way. The registration process under the Company Act has been described below. The company secretary/chartered accountant will help complete the registration process.



Figure 8



### Meeting the Criteria

- A minimum of **10 producers** are required to form the FPO.
- Or at least two producer institutions required.
- Out of 10 members, 5 are **Directors**
- Minimum capital of **5 lakh** rupees. (Better to registered with 15 lakh authorised capital to get the maximum benefit)

- The documentation is mentioned as per the MCA requirement. Check for any updates on [www.mca.gov.in](http://www.mca.gov.in) at the time of registration.

### Documents Required

- Valid PAN & photo required for each & every director and shareholder in FPC.
- ID proof- Voter card/AADHAR
- Address proof- bank statement, mobile bill, electricity bill
- Producer proof- Khasra khatauni/ sarpanch letter

### Apply for Digital Signature

Obtain the digital signatures of all the nominated directors and promoters, who will affix DSC on all the documents to be submitted to the Registrar of Companies (RoC) online on behalf of the company.

Here is the link to the MCA site that can help you with the process of digital signature application along with the list of certifying agencies- <https://www.mca.gov.in/MinistryV2/certifyingauthorities.html>

Figure 9



Please note that the digital signatures of all the BoDs and promoters must be obtained before starting the registration process.

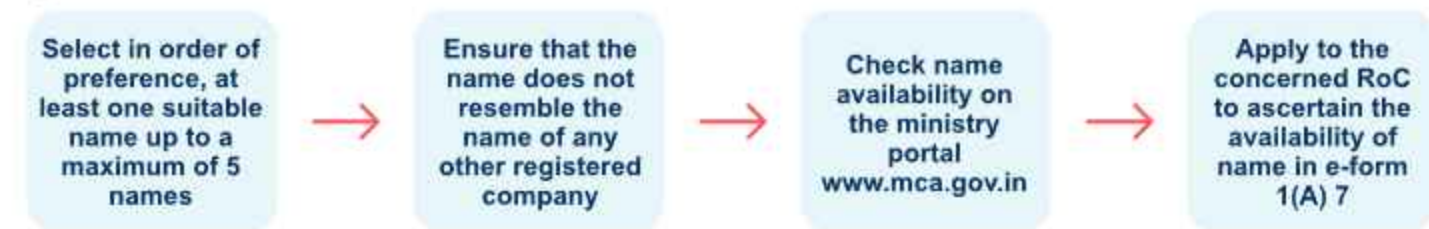
- It is necessary for a company to authorize a person to sign the registration application and documents.

- DSC has a one-year validity in general
- The fee for issuance per DSC is INR 1500/- and this can be paid online while applying.

## Apply for the Company Name

Choose a maximum of 5 names for the Producer Company in order of preference. The selected names should have "farmer producer companies" at the end as it is registered as a private company. Therefore, the name selected should reflect the company's business purpose, and therefore, farmer producer companies need to be suffixed with the selected name. The INC1 form needs to be filled online to apply for the FPO name. here is the link

Figure 10



## Preparation of MoA & AoA

Once the name is approved, the documents required are the MoA & AoA. The purpose and the structure of the documents are given below-

### Memorandum of Association (MoA)

A Memorandum of Association (MoA) represents the charter of the company. It is a legal document prepared during a company's formation and registration process. It defines the company's relationship with shareholders and specifies the objectives for which the company has been formed. The company can undertake only those activities mentioned in the Memorandum of Association.

As such, the MoA lays down the boundary beyond which the company's actions cannot go. It is a foundation upon which the company is established. The MoA details the company's entire structure. Refer to the [sample copy of MoA](#).

### Article of Association (AoA)

The company's Articles of Association (AOA) contains its rules or bylaws and regulations that control or govern the conduct of its business and manage its internal affairs. The AOA is subordinate to the MOA of a company and is governed by the MOA. Every company must have an AOA as it plays a vital role in defining its internal rights, workings, management, and duties. The contents of the AOA should be in sync with the MoA and the Companies

MCA portal for accessing forms-

[https://www.mca.gov.in/mca/html/mcav2\\_en/home/mcaservice/efiling/companyformsdownload/companyformsdownload.html](https://www.mca.gov.in/mca/html/mcav2_en/home/mcaservice/efiling/companyformsdownload/companyformsdownload.html)

In order to check the name availability, one can visit the MCA website to find the available names, under the MCA services tab. Once the name is available, a letter is received from RoC.

Act of 2013.

### Contents of AOA

- Details regarding the share capital
- Details of the director's qualifications, appointment, powers, remuneration, duties, etc.
- Rules regarding company dividends and reserves
- Details regarding company accounts and audit
- Provisions relating to the company's borrowing powers.
- Provisions relating to conducting meetings.
- Process of winding up of the company

The [sample copy of AoA](#) can be used for reference

### File for Incorporation (INC32)

Once the name is approved, details concerning the company's registration must be drafted in the INC-32. It is a simplified proforma for incorporating a company electronically. The details in the form are as follows

- Details of the company
- Details of members
- Application for DIN
- Application for PAN and TAN
- Declaration by Directors



Sample copy of MoA



Sample copy of AoA



The form can be filled in online through [www.mca.gov.in](http://www.mca.gov.in) by an existing registered user. This can be done with the help of a registered CA/CS. A new user can also create a new account to fill in the information. If the FPC doesn't have an email ID, they need to create a valid email ID before creating an account.

#### **Filing of e-MoA (INC33) and e-AOA (INC34)**

The MoA and AoA drafted during the application process need to be filed on the MCA website along with the above documents.

If a BoD member has signed the MoA and AoA in Hindi, then an INC 7 affidavit must be submitted. The affidavit can be simply typed/written on a paper with the reason for signing it in Hindi along with the subscriber's signature for the verification process. The same is submitted to the CS/CA for filing purposes.

- Power of attorney favors a consultant to authorize him to make necessary changes in MoA and AoA as required by the RoC.

The MCA portal also provides a video guide for the online registration process- <https://www.mca.gov.in/content/mca/global/en/about-us/video-gallery.html>

#### **Issuance of Certificate of Incorporation**

Post approval of the documents mentioned above from the Ministry of Corporate Affairs, the PAN, TAN & certificate of incorporation will be issued. Now, the FPO must open a current account using these documents. Obtain the certificate of commencement in INC-21. After completing the course, you can check with the MCA portal for a certificate of commencement after 15 - 20 days. You can download the certificate if it's available under the registered ID. One can also contact the company secretary to obtain the certificate of commencement after completing all the due processes.

Figure 11

#### **Timeline & Fee**



The total cost of producer company registration, including government and professional fees starts at 25000k and it may vary from one state to

another. The below table is an indication around the fee incurred during the registration process.

Table 6

Particulars	Item of Expenditure	Total Amount (Rs)
Application for name of the PC	Fees	Rs 1000
Digital signature of 10 BoDs	Fees	Rs 15000
Registration/Filing fees (preparation)	MoA, AoA, Form-1, Form-18, Form-32	NA
Fees of chartered accountant or company secretary	Consultancy Charge	Rs 10000
CA certification		Rs 1500
Affidavit expenses	Fees of Notary	Rs 500
RoC fees for incorporation		Rs 304
Stamp duty of the respective state* (MP)		Rs 6500
Share transfer fees and processing		NA
Miscellaneous		Rs 2000
GST		Rs 1800 (18% of the consultancy fees)
<b>Total</b>		<b>Rs 38,604</b>



## Documents Required



Scanned Copy of Pan Card

 A scanned copy of a bank statement from the State Bank of India. It shows a table with columns for Date, Particulars, and Balance. The statement is dated 1 Jan 2013 to 31 Dec 2013.

Scanned Copy of Lastest Bank Statement/Telephone or Mobile Bill/Electricity or Gas Bill



Specimen signature (blank document with signature [directors only])

Passport Size Photo



Scanned Copy of Voter ID/ Aadhar Card

*Note: Any one of the directors must self attest the first three documents*

### Documentation Checklist

- PAN & photo - PAN card and photo are required for every director and shareholder in India
- ID proof - Anyone of the following: Aadhar card, voter id, driving license & passport
- Address proof - Anyone of the following: Bank statement, mobile bill, electricity bill, landline bill
- Produce proof - Land record (khasra/khatauni)/ ITS/ with agriculture income/sarpanch letter/any other proof that can be provided person as producer
- Mobile number - Must be linked with Aadhar card
- Email Id - Must have email ids for all subscribers

### FPO Registration Under Co-operative Societies Act

To be a legal entity, under cooperative FPO must be registered under any cooperative societies act,

including mutually aided or self-reliant cooperative societies act, by whatever name it may be called of the state/UT concerned or under the multi-state cooperative societies act of Government of India. Each state has its regulations regarding registration under the Cooperative Act.

There are seven principals that every cooperative FPO must follow-

#### • Voluntary and open membership

Cooperatives are voluntary organizations open to all persons capable of using their services and willing to accept the responsibilities of membership without discrimination based on gender, social inequality, racial, political ideologies, or religious considerations.

- **Democratic member control**

Cooperatives are democratic organizations controlled by their members, who actively participate in decision-making and setting up policies. Elected representatives of these co-operatives are responsible and accountable to their members.

- **Member's economic participation**

Members contribute equitably and democratically to control the capital of their cooperative. At least a part of the surplus arising from the economic results would be the common property of the cooperatives. Members usually receive limited compensation, if any, on the capital subscribed. The remaining surplus could be utilized to develop their cooperative, possibly by setting up reserves, part of which would at least be inseparable, and supporting other activities approved by the membership.

- **Autonomy and independence**

Cooperatives are autonomous, self-help organizations controlled by their members. If cooperatives enter into an agreement with other organizations, including the government, or raise capital from external sources, they do so on terms that ensure their democratic control by their own members and the maintenance of cooperative autonomy.

- **Education, training, and information**

Co-operatives provide education and training to their members, elected representatives, and employees so that they can contribute effectively to the development of their cooperatives. They also make public, distribution, young people, and leaders aware of the nature and benefits of co-operation.

- **Cooperation among cooperatives**

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through available local, regional, national, and international structures.

- **Concern for community**

While focusing on the needs of their members, cooperatives work for the sustainable development of communities through policies accepted by their members.

Below are the steps for registering an FPO under a cooperative in the state of Jharkhand. The procedure and structure may differ in other states, so verifying is necessary.

### **Procedure to Register FPO Under Co-operative Societies Act:**

#### **General steps**

- Requirement of a minimum number of members as the Cooperative Society Act of relevant state permits, may apply for registration of Cooperative FPO
- - Forming a Provisional Committee and electing a chief Promoter amongst them- A provisional committee is a group of farmers who come together to establish and organize the FPO. This committee is responsible for laying the groundwork for the formation of the FPO and ensuring that it meets the requirements for registration and operation.

The provisional committee typically performs several key functions, including:

- **Formation:** The committee works to bring together interested farmers and stakeholders in the local community to form the FPO. They may organize meetings, discussions, and awareness programs to garner support and participation.
- **Documentation:** The provisional committee is tasked with preparing the necessary documentation for the registration of the FPO. This includes drafting the bylaws, articles of association, and other legal documents required for incorporation.



**Registration:** Once the documentation is prepared, the provisional committee facilitates the registration process with the appropriate authorities, such as the Registrar of Companies or the relevant agricultural department at the state or national level.

- **Interim Management:** During the initial stages of formation, the provisional committee may also serve as the interim management team of the FPO until formal elections are held for permanent officer.
- **Capacity Building:** The committee may organize training programs and capacity-building initiatives for members to enhance their skills in agricultural practices, marketing, financial management, and governance.
- **Networking:** The provisional committee establishes connections with government agencies, financial institutions, input suppliers, buyers, and other stakeholders to facilitate support and collaboration for the FPO's activities.

Once the FPO is formally established and registered, the provisional committee may transition into the governing body or Board of Directors, or it may be dissolved depending on the organizational structure outlined in the FPO's bylaws.

- A name for the society must be selected. After that, an application must be made to the Registration Authority for name reservation, and a letter to that effect must be obtained confirming the name reservation. The name, once reserved, is valid for three months.
- Preparation and adoption of bylaws to regulate the internal affairs of the FPO. The bylaws contain the following information:
  - The rules and regulations that govern and maintain the day-to-day activities of the proposed FPO.
  - Objectives of the FPO and services to be rendered to members.
  - Value of share and authorized capital of FPO.
  - Conditions of membership of FPO.
  - Rights and duties of members and officer.

- The details about the meetings that will be held in the future.
- Constitution of the managing committee
- Extent of liability of the FPO
- Ways for the dissolution of the FPO.

- Collection of entrance fees and shared capital from all the prospective members of the FPO
- Opening a bank account in the name of the cooperative FPO, depositing the collected entrance fees, and sharing money in that account. Also, procuring a certificate to this effect from the Bank.
- The application for registration of the society should be submitted to the Registrar of Cooperative Societies for the relevant district/area.

**The documents to be submitted for registration are as follows:**

- Form No. A quadruplicate signed by 90% of the promoter members.
- List of promoter members with their PAN card and address proof
- FPO office address proof
- Bank Certificate
- The cover letter clearly mentions the objectives and purpose of the FPO and is duly signed by every promoter member.
- 4 copies of proposed bylaws of the society.
- MoA
- Proof of payment of registration charges.
  - Other documents like affidavits, indemnity bonds, and any documents specified by the Registrar also must be submitted.



- The Registrar will enter the particulars in the application register maintained in Form "B," give the serial number, and issue a receipt in acknowledgment of the same.
- On registration, the Registrar will notify the society's registration in the Official Gazette and issue a Registration Certificate.

#### Timeline and Fee for the Cooperative Registration-

The fee to register a Farmer Producer Organization (FPO) under the cooperative structure in India can vary depending on various factors, including the state in which the FPO is being registered and the specific requirements of the registering authority. However, to provide a general idea, here are some potential fees involved in the registration process:

- **Registration Fee:** This fee is charged to register the FPO as a cooperative society. The amount can vary from state to state but typically ranges from a few thousand rupees to several tens of thousands of rupees.
- **Stamp Duty:** Stamp duty may be applicable on the documents required for registration, such as the memorandum of association. The stamp duty rates vary by state and are typically based on the value of the documents.
- **Legal and Professional Fees:** You may also need to pay legal and professional fees for services such as drafting the necessary documents, filing paperwork, and obtaining legal advice.
- **Other Charges:** There may be other miscellaneous charges involved in the registration process, such as notary fees, publication charges for publishing notices, and charges for obtaining various certificates.

It's essential to consult the relevant cooperative department or registrar of cooperative societies in your state to get accurate information about the specific fees and requirements for registering an FPO as a cooperative society. Additionally, seeking guidance from legal or financial professionals familiar with cooperative registration processes can help ensure compliance and smooth registration.

#### Timeline

Since Cooperative Society registration is a state

matter, the timeline may vary. However, it may take 45-60 days to complete the formalities and receive the certification.

#### Online Registration for Cooperatives

Every state offers online registration as well; below are the examples from Jharkhand, Chhattisgarh, and Gujarat -

<https://cooperative.jharkhand.gov.in>

<https://rco.gujarat.gov.in/how-to-register-a-co-operative-society.htm>

[https://khadya.cg.nic.in/paddyonline/socregistration/User\\_login.aspx](https://khadya.cg.nic.in/paddyonline/socregistration/User_login.aspx)

#### Vision and Mission Building

A well-articulated vision and mission statement are critical to the success and longevity of Farmer Producer Organizations because they inspire stakeholders, provide strategic direction, and establish credibility and confidence among stakeholders.

A vision statement looks forward and creates a mental image of the ideal state that the organization wishes to achieve. It is inspirational and aspirational; FPO must envision the impact they want to have on farmers' lives, agriculture practices, and communities. FPO must engage key stakeholders, including members and community members, to gather their insight and perspective to ensure inclusivity and alignment. The vision statement must be clear, concise, and easy to understand. Questions to consider when drafting vision statements might include:

- What problem are we seeking to solve?
- Where are we headed?
- How do we balance our aspirations with practical considerations

Writing a mission statement- it is a concise explanation of the organization's reason for existence. It describes the organization's purpose and its overall intention. The mission statement supports the vision and communicates purpose and direction to members, buyers, the community,



and other stakeholders. Questions to consider when drafting mission statements could include:

- What is our organization's purpose?
- Why does our organization exist?

Below are the examples of a Vision and Mission statement for an FPO-

"Our **vision** is to empower farmers and transform agricultural communities through sustainable practices, innovation, and collective action. We envision thriving rural economies, where farmers can access resources, markets, and knowledge to enhance their livelihoods and build a resilient future for generations to come."

"Our **mission** is to empower smallholder farmers by providing access to markets, inputs, and knowledge, enabling them to improve their livelihoods, adopt sustainable farming practices, and contribute to developing resilient rural communities. Through collective action and inclusive partnerships, we strive to create a more equitable and prosperous agricultural sector that benefits all stakeholders."



## MODULE 3

### Setting up FPO Governance and Management



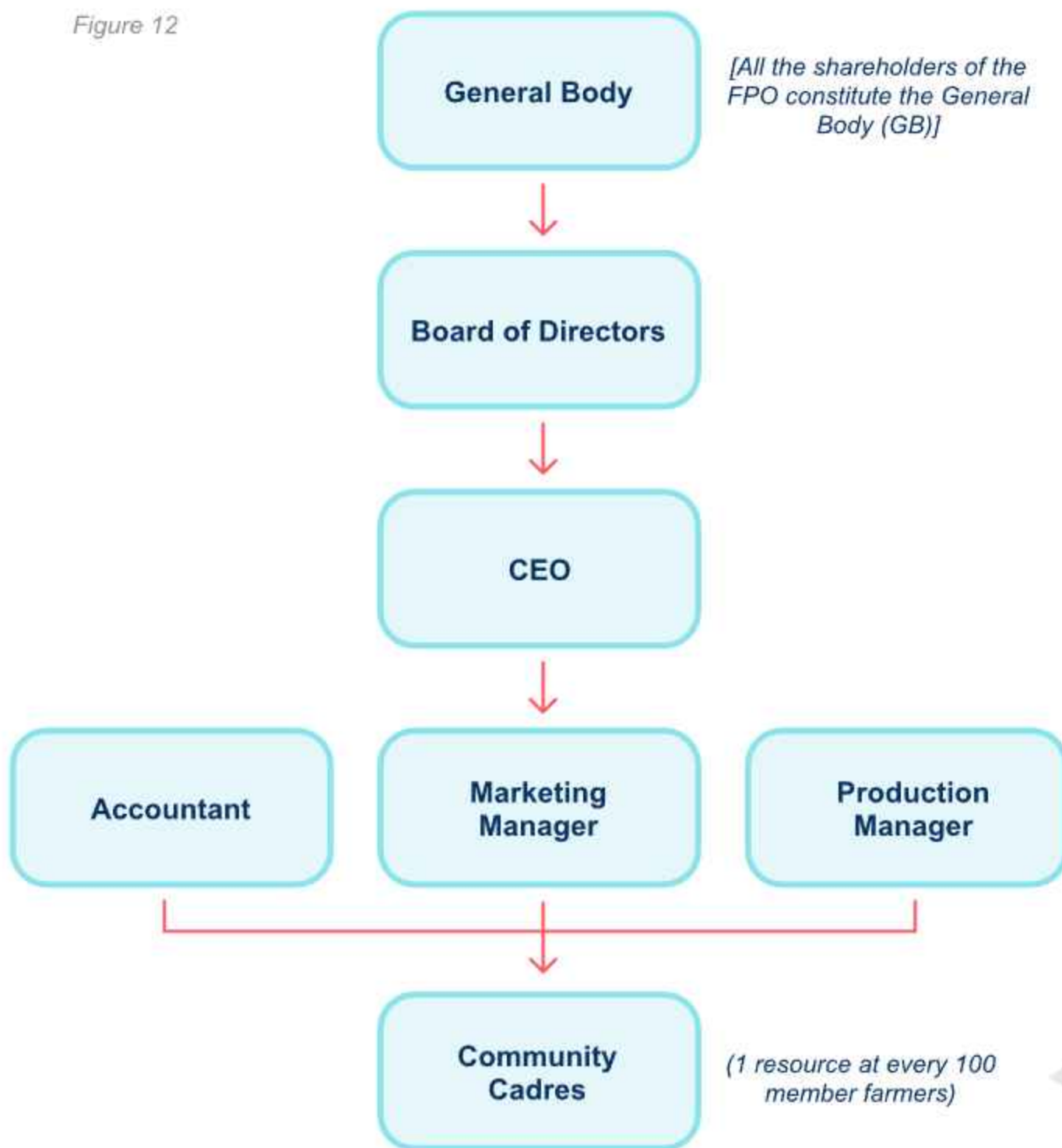
The three key stakeholders in an FPO are the members, the Board of Directors, and Officers, including the CEO.

**Member or shareholder:** A producer organization can act only through its members. The members create and can also wound up the FPO, and they act through the general body.

**Board of Directors:** The Directors are elected by members for a specified period.

**Officers:** are hired professionals who manage the day-to-day affairs of the FPO and include the CEO, accountant, etc.

Figure 12





### **Members or Shareholders:**

Shareholders are the primary owners of the company. Once a producer becomes a shareholder, he/she starts holding his/her rights. Membership is voluntary and available to all eligible producers (the criteria of membership are defined in the AoA/bylaws of an FPO) who can participate and avail themselves of the FPO's facilities or services.

### **Rights of the Members:**

Effectively, once a person becomes a member, he or she is entitled to exercise all the rights of a member until he or she ceases to be a member by the provisions of the relevant Act.

- The rights of a member are:
- To transfer his/her shares.
- To vote on resolutions at meetings of the FPO.
- To request an extraordinary general meeting of the FPO or to be a part of a joint requisition.
- To receive notice of a general body meeting so that I can attend and speak in a general body meeting.
- To move amendments to resolutions proposed in meetings.
- If the member is a corporate body, appoint a representative.
- To attend and vote at general meetings on its behalf.
- Request that the FPO 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 the cooperative act at the state level for relief in case of oppression or mismanagement
- To apply to the court for winding up of the FPO.
- To get a share in the surplus on winding up of the FPO.
- 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/bylaws provided that during the first year of registration of a Producer Organization, 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, voting rights shall be computed based on a single vote for every member.
- The articles of any Producer Company/bylaws of FPO are registered under the Cooperatives Act, which may provide for the conditions under 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 that conflicts with the business of the FPO shall become a member of that FPO.
- A member who acquires any business interest that conflicts with the business of the FPO shall cease to be a member of that FPO and shall be removed as a member in accordance with the articles/ bylaws.



### 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 then, under Central Sector Scheme on Promotion & formation of 10000 FPOs shares are transmitted, his or her stake will be valid for any money due on the shares, by the FPO selling his shares in the exercise of its right under its Articles of Association/bylaws, 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 the recession of contract of membership, on the grounds of misrepresentation or mistake.

The process of adding a member as a shareholder is explained in [module 8](#).

### Board of Directors-

Every FPO should have a Board of Directors of at least five and at most fifteen in the case of Farmer Producer Companies and FPOs registered with the State Cooperative Act, as per the stipulations under it.

### Functions of the Board

The Board is responsible for formulating, supervising, and monitoring the performance of the FPO concerning the following matters:

- Determination of the dividend payable.

- Determination of the quantum of withheld price and recommended patronage to be approved at the general body meeting.
- Admission of new members.
- Pursue and formulate organizational policy and 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/bylaws
- Exercise superintendence, direction, and control over the 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 are maintained.
- Ensure that the annual accounts with the auditor's report are placed before the AGM.
- The Board may make recommendations in the case of those matters reserved for the 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 using a resolution passed in its meeting, and a decision can be made or a resolution adopted by circulation.





### Appointment of Directors-

The members who sign the memorandum and articles/bylaws may designate therein the first Board of Directors, who shall govern the affairs of the FPO until the members elect the directors 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 at least one year and at most five years in the 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 over a period of five years. The retirement of Directors shall take place at the Annual General Meeting, where the re-election will also take place. However, every director who retires 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, at most one-fifth of the total number of directors, or appoint any other person as an additional director for a period that the Board may deem fit.

### Required Skills and Qualities to be an Effective Board Member

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

- **Passion** - a deep interest in the mission of the

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 the organization, as well as the interests of the public and the organization's intended beneficiaries.
- **Knowledge** – Knowledge of constituents, its operations, and organizational & managerial acumen. Diligence – Dedication and commitment to fulfilling the 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.

### 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 an 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 can only be removed by the FPO if otherwise stipulated in the terms of their appointment.

- A director appointed by the Central Government under Section 408 in the 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 the central government—The central government may remove a director by making a case against the person and referring the same to the Tribunal, requesting that the Tribunal investigate the case and record the decision as to whether 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 thinks 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/bylaws. Suppose the same contains no provision regarding the resignation of a director. In that case, he may resign his office at any time by giving reasonable notice to the FPO, no matter whether the FPO accepts it or not. However, a Chief Executive or Managing or Whole Time Director cannot resign merely by giving notice. His

resignation is governed by the terms and conditions of his appointment. In this case, formally accepting the resignation is essential to make it effective, for he has to be relieved of his duties and obligations.

### Meeting of Board Members-

The FPO board plays a critical role in providing leadership, direction, oversight, and accountability to ensure the success and sustainability of the organization in serving the interests of its members and stakeholders.

- There should be a Board Meeting once every three months, and four such meetings should be held yearly.
- The CEO should give one week's written notice for holding a Board Meeting for all the directors.
- The quorum for a Board Meeting is 1/3rd of the total strength or three, whichever is higher.
- The Board of Directors shall be paid fees for attending each meeting subject to AOA and approved by the general meeting
- Minutes of the proceedings of the Board Meetings shall be prepared and entered into Minutes Books
- Minutes pages shall be consecutively numbered, each page shall be initialed, and the last page signed and dated by the Chairman of the same or the next meeting.
- The minutes register shall be kept at the Company's Registered Office and maintained permanently under the custody of the Company Secretary or authorized director. Refer to the template for documenting the [BoDs minutes of meeting](#).



**BOD minutes of  
meeting template**



- Resolutions passed by the majority take decisions, and circulation can pass routine resolutions.
- Resolution by circulation involves sending the resolution by post or through electronic means to be signed by a majority of directors. This resolution will form part of the minutes at the next Board Meeting.

- Amend MoA and AoA/bylaws
- Specify the conditions and limits of loans that the BoD may give.
- Approve and act on any other matters specifically reserved in the AoA/bylaws for members to make decisions.

### Officers

Officers are the individuals appointed to look after the day-to-day affairs of the company, such as the CEO, accountant, storekeeper, etc. They are salaried people of the company. Fair representation should be given to women members as officers.

Refer to [module 12](#), for the hiring, roles and responsibilities and performance management processes for the CEO, accountant, and field resource person.

### General Body and Annual General Meeting (AGM)

All the shareholders (including board members) form the general body of the FPO. According to the Act, the general body meets at the AGM. The AGM provides an opportunity for a company's shareholders to gather with its BoD to discuss the company's current performance, long-term plans, and strategies and analyze financial data.

#### Why is AGM necessary?

When producers purchase shares of a company, he/she become part owners of the company. In that sense, it is essential to know what the company is currently doing and what it plans to do in the future. Therefore, any company must conduct an AGM.

AGM primarily allows individual shareholders to raise questions directly to the Board. The members act through the general body, and the body alone can:

- Approve the budget and adopt the FPO's annual accounts.
- Approve patronage bonus.
- Authorize the issues of bonus shares.
- Appoint auditors.
- Declare dividend and decide on the distribution of patronage.

#### Chairing the AGM:

The company's Chairperson chairs the annual general meeting, which includes all other directors. The Chairperson is also on the company's Board of directors. This was mutually decided at the company's first board meeting. The company secretary also attends the AGM and takes written notes. The main actions and decisions are recorded in the notes as minutes.

#### Timing of AGM:

An AGM can be held on any day of the week between 9:00 AM and 6:00 PM, excluding government holidays and holidays announced by the central government.

#### Notice for AGM:

To convene an Annual General Meeting, the company must provide written notice to all members and auditors at least 14 days in advance (15 days under the Cooperative Law). The notice for convening the annual general meeting of the FPO shall be accompanied by the documents such as,

- The agenda of the meeting
- The minutes of the previous AGM or the extraordinary general meeting.
- The names of candidates for election, if any, to the office of director, including a statement of qualifications in respect of each candidate
- 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 about.
- The state of affairs of the FPO.
- The amount proposed to be carried to reserve.
- The amount to be paid as a limited return on share capital.
- The amount proposed to be disbursed as a patronage bonus.
- The material changes and commitments, if any, affecting the financial position of the company and



its subsidiary, which have occurred between the date of the report of the Board.

- Any other matter of importance relating to energy conservation, environmental protection, expenditure, or earnings in foreign exchanges.
- Any other matter required to be, or maybe be, specified by the Board.
- The text of the draft resolution for the appointment of auditors.
- The text of any draft resolution proposing an amendment to the memorandum or articles to be considered at the general meeting, along with the Board's recommendations.

The FPO can download and use the [sample notice to call the AGM](#)

#### **Quorum for AGM:**

After convening the Annual General Meeting, it cannot proceed until sufficient shareholder representation achieves the expected quorum, as determined by the company's charter. The quorum requirement is 1/5th for a cooperative and 1/4th for a company, based on the total number of members at the time of notification.

#### **Deadline for Conducting AGM:**

According to Company/Cooperative Law, the AGM must be held within six months of the end of the financial year. There should be a gap of at most 15 months between the two AGMs.

#### **Submitting Annual Report to the Government:**

After the AGM, it is necessary to submit an annual report to the government, which provides written information about the major decisions passed during the AGM.

Important points to consider on the day of the AGM:

- Start the meeting only when the required quorum for the AGM is fulfilled.
- Director's Report - Presentation of the annual report and the next year's work plan.
- Audit Report - Presentation of the previous year's income, expenditure, and asset-liability account.
- Discuss all the agendas sent for the AGM, such as the election of board members, the appointment of auditors for the next year, increasing authorized capital, profit distribution, etc.
- If any matters are not included in the agenda, they can be discussed and passed with a two-thirds majority.
- Record the minutes of the AGM in the AGM register and obtain signatures from all attending members.
- Special considerations for cooperatives:
- In the first year, the cooperative's Board should form a committee consisting of one board member to oversee the AGM and conduct elections for all board members for the next five years.
- Please note that the information provided here is based on general practices and may vary depending on the specific laws and regulations governing a particular organization.



Sample notice to call  
AGM





## Finance Committee

The Finance Committee is indispensable for effectively operating a Farmer Producer Organization. Tasked with financial oversight, budgeting, and planning, it ensures prudent resource management and strategic allocation of funds to support the organization's objectives. Additionally, the committee is crucial in identifying and mitigating financial risks, establishing internal controls to safeguard assets, and ensuring compliance with regulatory standards and auditing requirements. The committee provides stakeholders with accurate insights into the FPO's financial health through careful financial reporting and transparent communication.

## Establishment of Finance Committee

The Board shall form a Finance Committee comprising five members: three officers (President, Secretary, and Treasurer), one board member with knowledge of finance, and a CEO to guide the committee in time of need. The Head/Chairman of this committee will be either the President or, in his/her absence, the Secretary. The CEO will not have voting power in situations where the finance committee members have differing opinions or views on a particular decision.

To form any committee, there are certain criteria or sets of principles that should be common among the members to successfully fulfill the purpose of the committee. Below are the criteria for becoming a member of the Finance Committee-

- Must be articulate- it means expressing ideas, thoughts, and information clearly and effectively.
- Must know how to read and write.
- Must be ready to dedicate time to the process.
- Must be confident to interact and engage with diverse stakeholders.
- Must be interested in the company's business.
- Must be available at short notice of 48 hours.

Figure 13





Figure 14

## Process of Member's Nomination



### Roles and Responsibilities of the Finance Committee Members:

The Finance Committee shall look after all the company's financial matters, including the responsibilities to be followed. The following are the probable roles and responsibilities of the FC members:

- To develop and manage the company's operating budget.
- To establish the financial goals and objectives of the company.
- To ensure that the government's updated financial norms are incorporated into the company's financial processes.
- To develop strategies to utilize the available budget optimally with the company.
- To update all the board members on the company's financial goals and achievements.
- To ensure the company's funds availability to ensure smooth operations.
- To ensure convergence and partnership to enhance the finances of the company.

### What if a Seat Falls Vacant in the Committee?

If the position in the finance committee becomes vacant for any reason, the selection process will be repeated with a member willing to join the committee. The existing FC members will ensure their onboarding and training.

### Recruitment Committee

The recruitment committee oversees the hiring process, streamlines recruitment efforts, promotes diversity and inclusion, and fosters a positive work environment. Focusing on selecting candidates who possess the necessary skills and commitment to the FPO's values, the committee contributes to employee engagement, retention, and overall organizational success. Refer to [module 12](#) for detailed processes on the recruitment committee.



## MODULE 4

### Business Planning



A business plan is a comprehensive document that outlines various aspects of a company's operations. It provides a detailed description of the business, including its nature, objectives, and target market. Additionally, the business plan delves into the management structure and how the company will be governed, highlighting the key individuals responsible for decision-making and daily operations.

Moreover, a business plan addresses the resource requirements necessary for successful implementation. These resources include personnel, materials, and capital. By identifying the specific needs in each area, the plan provides a roadmap for acquiring and managing the resources efficiently.

In addition to these operational considerations, a well-developed business plan also takes into account strategic considerations. For instance, it may emphasize the inclusion and empowerment

of women members or prioritize catering to smallholder farmers. By incorporating these strategic factors, the plan demonstrates a commitment to specific goals and values, reflecting a broader social or developmental agenda.

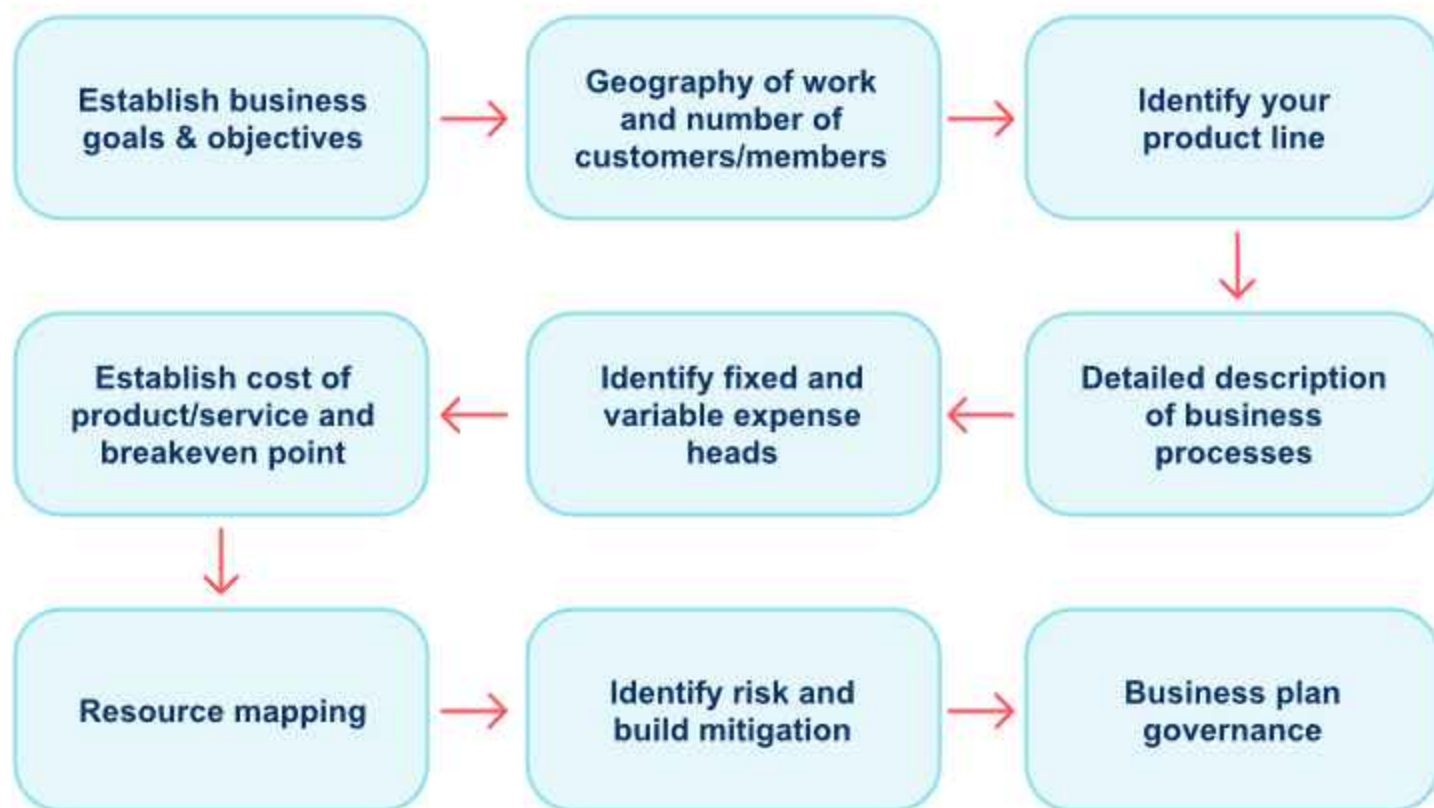
Ultimately, the business plan serves as a comprehensive guide for the company's future actions. It outlines not only the operational and financial aspects but also strategic considerations, ensuring that the plan is implementable and aligned with the organization's objectives.

#### **Establish Business Goals and Objectives:**

The FPO aims to enhance farmer incomes by INR 100,000 per annum within five years through year-long engagement in farm and non-farm activities. This objective sets a clear target, providing a measurable outcome to work towards and improving the financial well-being of the farming community.

### **Outline of the Business plan | Key Steps to be Followed to Develop a Practical Business Plan**

Figure 15



## Geography of Work and Number of Customers/ Members

The FPO intends to operate primarily in [specify the geographical area], serving many customers/ members. By focusing on a specific geographic region, the FPO can effectively target its resources and tailor its services to the specific needs of the local farming community.

## Identify Product Lines (Including Services) of Business:

The FPO must mention the business line specifically. Some examples of the business lines are as follows-

- Input supply for producing tomatoes, brinjal, and bitter gourd.
- Crop management services.
- Marketing of the produce and any other commodities (to be specified)
- Equipment hiring services.

## Detailed Description of Business Process (Product/ Service Lines):

The FPO must comprehensively attend to and elaborate on each of the business lines. The details

will address who and how. Clear and detailed articulation of business processes helps ascertain costs, workforce needs, skill requirements, and several other organizational matters such as vendor development and asset requirements

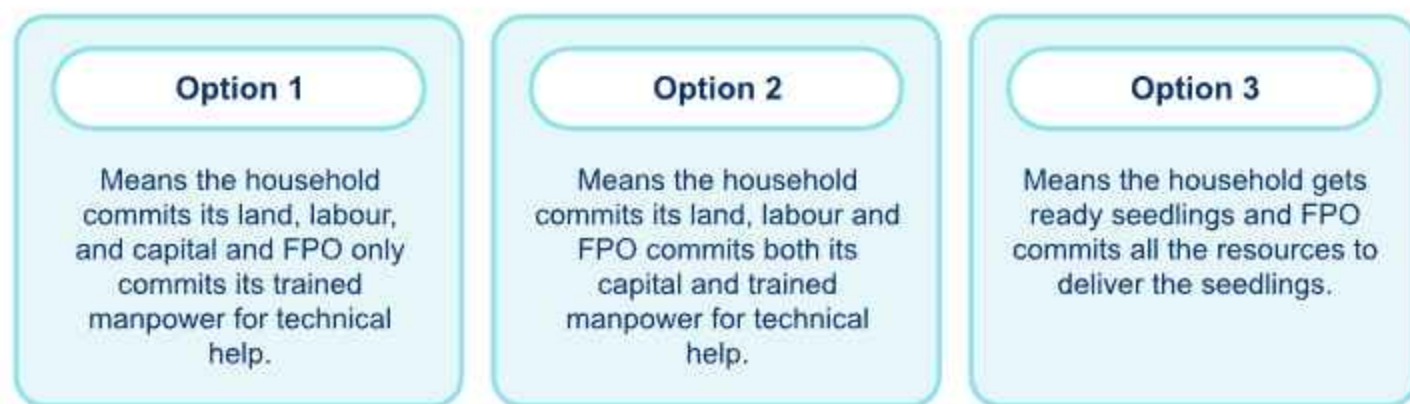
Here is an example of a business line -Nursery for vegetables and understand how the process nuanance will concretize the assumptions-

### Business Line - Nursery for Vegetables-

- Process option 1 - Every household grows its own nursery and buys inputs, and FPO provides technical help.
- Process option 2 - Every household grows its own nursery, and FPO provides inputs and technical help.
- Process option 3 - FPO provides seedlings.

The below tables has the comparison of all the options -

Figure 16



Each product/service line requires a detailed business process encompassing input procurement, marketing, and cash recovery. These processes are guided by considerations such as business context, risk appetite, capital and resource mobilization, and the pursuit of implementable business plans. To define and articulate these processes effectively, meticulous attention to detail

and a deep understanding of the business's reality are essential. Furthermore, continuous review and adaptations are necessary to adapt to the ever-changing business environment. In summary, business processes are critical for developing and executing actionable business plans to drive success.



## Identification of Variable and Fixed Expense Heads

### Variable Expense:

In business operations, variable expenses refer to costs that fluctuate in direct proportion to the level of activity or production volume. These expenses vary based on the quantity or scale of goods or services produced or sold.

Taking the example of vegetable nursery produce sold by an FPO to its shareholders, variable expenses would include costs directly related to the production and sale of the vegetables. These expenses would increase or decrease based on the quantity of vegetables grown, the number of nursery plants cultivated, and the volume of produce sold.

Variable expenses in this scenario may include items such as:

- **Cost of seeds and seedlings:** The expense incurred to purchase the seeds or seedlings needed for growing the vegetable nursery plants.
- **Fertilizers and pesticides:** The cost of fertilizers and pesticides used to nourish and protect the plants during their growth.
- **Labor costs:** Expenses related to hiring labor for tasks such as planting, watering, weeding, and harvesting the vegetables.
- **Packaging materials:** The cost of packaging materials used to pack and present the vegetables for sale.
- **Transportation expenses:** Costs associated with transporting the produce from the nursery to the shareholders or marketplaces.
- **Sales commission:** If the FPO pays a commission to individuals or agents involved in the sales process, such as distributors or sales representatives, those commissions would be considered variable expenses.

These expenses can vary depending on the level of production and the quantity of vegetables sold. As the FPO produces and sells more vegetable nursery produce, the variable costs associated with these activities would typically increase in proportion to the level of output or sales.

### Fixed Expense:

Fixed expenses, also known as overhead expenses or fixed costs, are costs that remain constant regardless of the level of production or sales volume. These expenses are incurred regularly and are not directly tied to the quantity of goods or services produced.

In the context of the FPO's vegetable nursery business, examples of fixed expenses would include:

- **Rent or lease payments:** If the FPO has a dedicated facility or land for its vegetable nursery operations, the regular rent or lease payments for that space would be considered a fixed expense. This expense remains constant irrespective of the quantity of vegetables grown or sold.
- **Salaries and wages:** If the FPO has permanent employees or staff members involved in nursery management, administration, or other fixed roles, their salaries or wages would be classified as fixed expenses. These costs remain the same regardless of the level of vegetable production or sales.
- **Utility bills:** Expenses such as electricity, water, and gas for general facility operations, lighting, irrigation systems, and other utilities would typically be fixed expenses. The costs for these utilities remain constant over a specific period and are not directly influenced by the volume of produce sold.





- **Insurance premiums:** If the FPO maintains insurance coverage for its nursery operations, the regular premiums paid for insurance policies would be considered fixed expenses. These premiums remain the same regardless of the quantity of vegetables produced or sold.
- **Depreciation:** The depreciation expense accounts for the gradual wear and tear or obsolescence of fixed assets used in the nursery, such as buildings, equipment, and vehicles. It represents a portion of the cost of these assets allocated over their helpful lifespan and remains constant over time.

These fixed expenses contribute to the overall cost structure of the FPO's vegetable nursery business and are incurred regularly regardless of the specific production or sales activity level.

#### **Cost and Price of FPO Product/Service:**

The cost of a product refers to the expenses incurred in its production. This includes the costs of raw materials, labor, overhead expenses, and other factors involved in the manufacturing process. On the other hand, the price of a product represents the amount that customers are willing to pay for it. These two aspects, cost and price, may not always have a direct logical relationship.

However, a desirable situation arises when a product's selling price exceeds its production cost. This scenario presents an opportunity for businesses to generate profits. When a product can be sold at a higher price than its production cost, the more units are sold, the more money the company makes. This creates a favorable

environment for growth and financial success.

Conversely, if the price set for a product is lower than its cost of production, selling more units will lead to financial losses. Businesses aim to avoid this undesirable state of affairs. Hence, it's important to establish the production cost and know when the business will reach breakeven and profitability will hit.

This will prepare the FPOs to invest in streamlining production processes, negotiating better deals with suppliers, implementing cost-saving technologies, and optimizing resource allocation. By doing so, FPOs can improve their competitiveness in the market and increase their chances of selling products at prices that exceed their production costs.

Calculating the cost of a product involves accounting for all the expenses incurred in its production. Here's a step-by-step guide to help you estimate the cost of a product-

#### **Direct Materials Cost**

Start by determining the cost of all the materials directly used in the production of the product, including raw materials, components, and any other supplies. Add up the purchase costs of these materials.





**Direct Labor Cost:**

Calculate the cost of labor directly involved in producing the product. This includes wages paid to resources who directly handle or assemble the produce. Multiply the hours worked by the labor rate to determine the total direct labor cost.

**Overhead:**

Account for indirect costs associated with manufacturing the product, such as utilities, rent for the manufacturing facility, equipment depreciation, and maintenance expenses. Allocate these overhead costs to the product based on a predetermined allocation method, such as direct labor or machine hours.

**Other Direct Costs:**

Consider any other direct costs directly attributable to the production of the product, such as subcontracting costs, packaging materials, or transportation costs.

**Marketing and Selling Costs:**

Factor in marketing and selling expenses incurred to promote and distribute the product. This includes sales commissions, Licenses, and distribution costs.

**Administrative Costs:**

Account for administrative expenses related to managing the production process, such as administrative staff salaries, office supplies, insurance, and utilities for administrative facilities.

**Depreciation and Amortization:**

Include depreciation or amortization expenses for any capital assets used in the production process, such as machinery, equipment, or software. Divide

the total depreciation or amortization expense by the asset's expected useful life to determine the annual cost.

We can understand this from the following example from a nursery selling business of an FPO with assumptions illustrated-

**Assumptions:**

- **Nursery Production Capacity:** The FPO can produce 1,000,000 vegetable nursery plants.
- **Selling Price per Plant:** The selling price of each vegetable nursery plant is INR 1.
- **Variable Cost per Plant:** The variable cost incurred for each vegetable nursery plant is INR 0.60 (60 paise). To calculate the variable cost per product, you must identify and sum up all the costs that vary directly with the production volume. These costs are typically associated with the materials and labor directly producing each unit.
- **Fixed Cost:** Costs that do not vary with the production volume, at least in a given range. The monthly fixed expenses for the FPO operations amount to INR 45,000. The FPO allocates 10% of the fixed payments to the nursery business. There is no rule to allocate fixed costs, and let's further assume that the allocated fund (INR 45000) is sufficient to support nursery saplings up to 10,00,000. It is desirable to use a logical and relevant basis for allocating fixed costs, such as time used, space used, capacity utilized, production volume, and sales volume. There are no rules for the basis of allocation. The basic needs to be relevant and logical, and the basis and logic documentation should be kept in the business plan.



Table 7

Calculation Table

Volume (Number of Plants)	Total Revenue (Selling Price x Sales Volume)	Variable Costs (Variable Cost per Plant x Sales Volume)	Fixed Cost (FPO allocate 10% of Total Fixed Expenses)	Production Cost (Variable Cost + Fixed Cost)	Net Income (Total Revenue - Variable Costs - Fixed Expenses)
Low (100,000 plants)	INR 100,000	INR 60,000	INR 4,500	64,500	INR 35,500
Medium (500,000 plants)	INR 500,000	INR 300,000	INR 4,500	3,04,500	INR 195,500
High (1,000,000 plants)	INR 1,000,000	INR 600,000	INR 4,500	6,04,500	INR 395,500

Please note that these figures are for illustrative purposes based on the assumptions. In an actual business scenario, the numbers may vary, and it's essential to consider other factors such as market demand, seasonality, and additional costs specific to the FPO's operations.

In the above calculation table, the volume represents the number of vegetable nursery plants sold. The total revenue is calculated by multiplying the selling price per plant with the total volume. The total variable costs are determined by multiplying the variable cost per plant with the volume. The fixed expenses are calculated as 10% of the original fixed expenses, i.e., INR 45,000. The net income is calculated by subtracting the variable costs and fixed payments from the total revenue.

In summary, the relationship between a product's cost and its selling price is crucial for a business's financial success. While price may not always be directly related to production cost, the ability to sell a product at a higher price than its cost is desirable. To achieve this, FPOs should focus on controlling costs and improving productivity, as these factors enable them to generate profits and thrive in the marketplace.

### Breakeven

Breakeven is where total revenue equals total costs, resulting in neither profit nor loss. Calculating the breakeven point is crucial as it helps FPOs determine the minimum level of sales or activity needed to cover all costs. It provides insights into the viability of a business idea, guides pricing decisions, and assists in financial planning. By knowing the breakeven point, FPOs can set realistic sales targets, evaluate profitability, and make informed decisions about resource allocation. Calculating breakeven allows FPO business to gauge their financial stability and make strategic choices to drive growth and profitability.



We can use the following formula to calculate the breakeven point:

**Breakeven Point (in terms of volume)  $TFC/M$**   
**Total Fixed cost \* / (Selling Price per Plant - Variable Cost per Plant)**

**Note:** The total fixed cost in the case of nursery production is assumed

The difference between net sales price per unit and total variable cost per unit is called margin per unit.

$M = S - V$ .

Let's calculate the breakeven point for the nursery sales business. We need to determine the volume at which the total revenue equals the total costs (fixed costs + variable costs). This is the point at which the business neither makes a profit nor incurs a loss.

There were the following assumptions:

- Selling Price per Plant: INR 1
- Variable Cost per Plant: INR 0.60 (60 paise)
- Fixed Expenses: INR 4,500 per month
- Allocation of Fixed Expenses to Nursery Business: 10%

Breakeven Point =  $INR\ 4,500 / (1 - 0.60) = INR\ 4,500 / 0.40 = 11,250$

Therefore, the breakeven point for the nursery sales business is 11,250 plants.

This means that the FPO needs to sell at least 11,250 vegetable nursery plants to cover all the

costs (fixed and variable) and reach the breakeven point. Any sales volume above this point will generate a profit, while sales volume below this point will result in a loss.

### Resource Mapping

The resource mapping of a business plan is a crucial component that provides a comprehensive overview of the resources required for the successful operation of the business. It outlines critical information about the major skills necessary, market dynamics, inventory management, transportation services, and other important stakeholders such as banks. This mapping serves as a valuable guide, helping businesses effectively identify and allocate the necessary resources to achieve their goals and objectives.

### Identify Risks and Build Mitigation:

A business plan is inherently built on assumptions, making acknowledging the possibility of failure crucial. It is important to articulate and document the associated risks at each plan stage to address this. This includes assessing the probability of failure occurrence in terms of high, medium, and low and outlining the appropriate responses. The table below provides a format to record and track risks effectively:

Table 8

Risk	Probability	Response
Risk A	High	Mitigate by implementing backup systems.
Risk B	Medium	Transfer risk through insurance coverage.
Risk C	Low	Monitor closely and address promptly if needed.

By systematically identifying, quantifying, and addressing risks in a business plan, entrepreneurs can enhance their preparedness and develop contingency strategies to mitigate potential challenges, ultimately increasing the chances of success.

#### **Business Plan Governance- the Concluding Note-**

In the conclusion of the business plan document, the Final Plan Owner can include important details regarding the review process, frequency, and individuals responsible for reviewing the plan. Additionally, the FPO can outline strategies to improve the assumptions based on experience gained. Expressing gratitude and acknowledging the contributions of relevant individuals in developing the business plan is also a courteous gesture. Here's an example:

*The business plan will undergo regular reviews to ensure its relevance and adaptability. The FPO will lead the review process, which will occur every quarter, to assess the plan's performance and make necessary adjustments. The review will involve key stakeholders, including department heads, financial analysts, and marketing executives, who will provide valuable insights and perspectives.*

Based on the experience generated, the final plan owner will actively seek ways to improve the accuracy of assumptions. This includes collecting and analyzing market data, conducting customer surveys, and maintaining open communication channels with team members and industry experts. The business plan will be continuously refined and optimized by incorporating feedback and learning from real-world outcomes.

The business plan document concludes on a proactive and appreciative note by emphasizing the importance of review, improvement, and expressing gratitude, encouraging a collaborative and forward-thinking approach.

## **Preparation and Approval of Financial Plan**

The Business Planning exercise is a yearly exercise that starts at the beginning of the financial year. It entails following sequential steps to complete the Planning and present it to management.

### **Key Elements of Financial Planning**

#### **Assumptions**

Business Planning and forecasting for FPO businesses require assumptions such as the number of farmers who will be doing business with the organization, the cost of inputs and outputs that would be prevailing in the market, and certain other costs the organization has to incur. In the absence of historical data, the diagnostic study (data collection format for village profile/ diagnostic study) and the market survey/ study should be used to set the assumption.

#### **Inputs Consolidation**

Data on the number of shareholder farmers, land holdings, and prior year price estimates need to be collected. The data source of this information is [production planning and management tool](#).

#### **Financial Inputs**

Fixed Assets purchased, Depreciation rates, Cost of capital, etc, are required.

#### **Business Financial Projection**

The model will generate the financial year's monthly sales and profitability projection.

The sections below detail the tasks required and provide timelines for completing the process.



Production planning  
and management tool



Figure 17

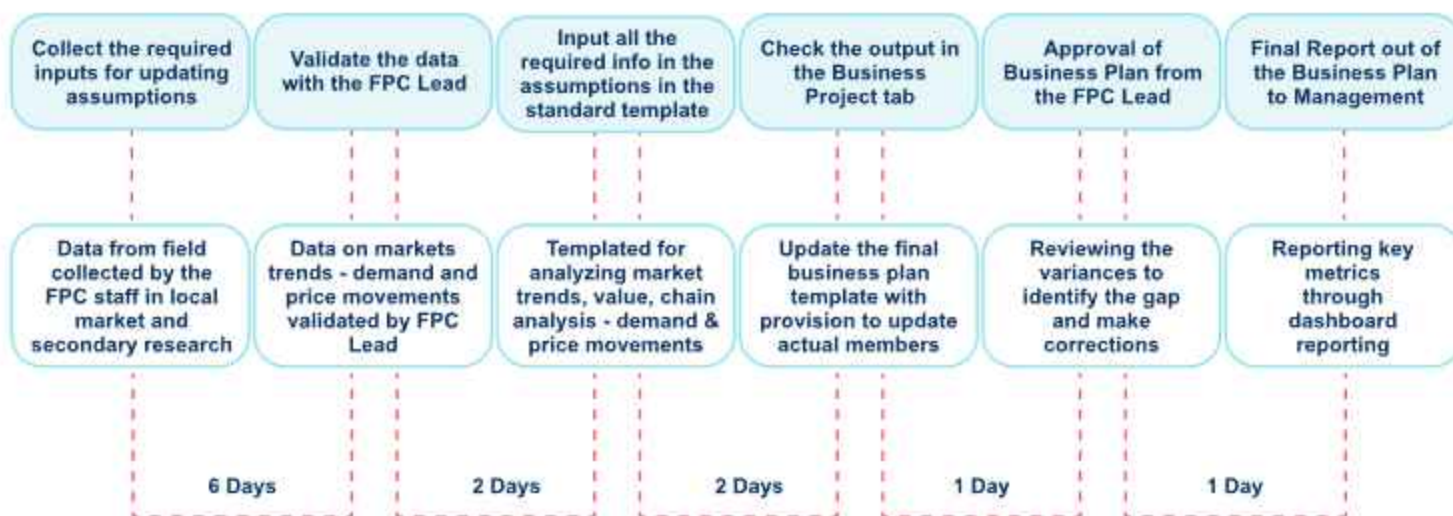


Table 9

Sr No.	Activity / Process	Owner	Timeline
1	Identify the Operations team for Business Planning Exercise	FPO Manager	Latest by 1st week of Feb
2	Allocate SME internal / external – For estimating demand, productivity, monthly requirements, and Prices of Materials for Inputs/Outputs/Services/Processing Business	FPO Manager	Latest by 2nd week of Feb
3	Collect the Required Inputs for updating the Assumptions in the Standard Planning template	FPO Manager	2nd and 3rd week of Feb
4	Review and Validation of the data with the promoting agency FPO Lead	FPO Manager	1st week of March
5	Input all the required information in the Assumptions tab in the Standard Planning template	FPO Manager	2nd week of March
6	Check out that the output in the Business Projections tab and Dashboard to ensure that the everything is proper	FPO Manager	2nd week of March
7	Approval of the Business Plan by the FPO Lead	FPO Manager	2nd -3rd week of March
8	Final Report out of the Business Plan to the Management of FPO and Pradan	FPO Manager	3rd week of March

The [business financial planning tool](#) can be downloaded and customized. It's an Excel template, and formulas are applied for auto calculation.

### Quarterly Reporting for Variance Analysis

Quarterly reporting is required to measure the FPC's performance, analyze risks and gaps, and make course corrections during the financial year. Variance Analysis – Actual vs. Planned on key numbers in the financial statement is done to

compare the actual results with the planned numbers. It needs to be done at the end of each quarter – Jun, Sep, Dec, and Mar of every financial year. The following metrics are analyzed for this exercise.

- Variance in Sales
- Variance in Cost of Goods Sold
- Variance in Transport Cost
- Variance in Transit Loss
- Variance in Storage Cost
- Variance in Labor Cost
- Variance in Processing Cost

## Steps in Quarterly Reporting of Actual Vs Planned Numbers

**Step 1.** Input of Actual numbers for Sales, Purchases, Other direct cost, and Indirect expenses in the "Actual P&L Statement" Tab.

		Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
<b>Revenue ₹</b>											
<b>Gross Profit ₹</b>											
<b>Net Profit ₹</b>											
<b>Description</b>											
<b>Sales Products</b>											
Inputs		17,53,242	13,63,730	19,10,065	16,55,647	17,49,736	18,24,923	16,54,412	16,36,803	8,98,396	
Output		2,03,28,661	2,23,97,009	2,19,97,602	2,23,97,261	3,29,02,212	3,79,44,419	2,99,19,286	3,02,30,671	1,22,99,256	
Services		-	2,97,530	6,75,060	-	4,70,457	8,40,914	4,78,045	6,56,090	-	
Processing		-	-	10,26,105	4,95,600	19,65,426	25,90,526	12,52,609	8,97,534	85,730	
Others		-	-	-	-	-	-	-	-	-	
<b>Total Sales</b>			2,26,82,192	2,39,88,295	2,48,51,650	2,45,48,769	3,76,67,893	4,22,60,793	3,33,64,352	3,34,26,978	1,33,89,424
<b>Margin %</b>			85%	85%	85%	85%	85%	85%	85%	85%	85%
<b>Cost of Sales</b>			2,04,14,000	2,20,91,000	2,23,56,000	2,23,91,000	3,29,02,212	3,79,44,419	2,99,19,286	3,02,30,671	1,22,99,256

**Step 2.** "Dashboard-Actual Vs Planned" tab gets automatically updated with all the cost variance tables.



Business financial  
planning tool







## MODULE 5

### Production Management



FPOs play a vital role in production management, enhancing agricultural productivity, conserving natural resources, and streamlining production to reduce wastage. This, in turn, contributes to the well-being of farmers and increases predictability for the FPO's input and output businesses.

Production management deals with the seed-to-seed process. It ensures the quantity, quality, and timeliness of member farmers' production. Production planning, providing technical assistance and extension services through a package of practice (PoP)/intervention, and tracking proper harvesting are the key components of production management.

### Production Planning

Crop production planning is a critical and often overlooked part of the promoting agency. A crop production plan, developed before the season starts, helps growers/producers calculate how much of each crop to plant in the estimated cultivated land areas in each week/month when they will be transplanted in the field, timing, and quantity of harvest every week through the growing season (to plan for village level producer group deliveries and farmers markets for example) and succession planting or cover cropping to make maximum use of limited acreage.

FPOs aggregate the production plans of individual farmers within their membership base to create collective production plans for specific crops or commodities. By consolidating farmers' production intentions, FPOs can better estimate the overall supply of agricultural products, and with coordinated planting schedules, FPOs can avoid market gluts or shortages.

The community resource person/ field worker performs the farmer production plan aggregation. The planning process takes place at PG/FIG. CRPs visit the PGs and prepare a farmer-wise plan, and eventually, this data collection is consolidated at the FPO level.

At the end of this section a [production planning and management tool](#) covers the formats from planning to harvesting data capturing and decision making. The promoting agency can avoid using paper-based forms and open-source survey tools such as the KOBO toolbox and survey CTO.

In planning, the promoting agency must use the insights of the market survey/study to establish demand for various products, variety preferences, and price dynamics. Referring to [module 10](#), this information helps FPOs advise farmers on suitable crop selection, production volumes, and timing to align with market demand and maximize profitability. Otherwise, farmers may express the need for various crops, and some may be insignificant or of a low return from the market point of view. It will be difficult for the FPOs to handle more than three crops in one season. Therefore, it is advised that a maximum of three crops be planned and field-level technical support be provided to track the production intervention intensively.

### Field Level Support During Production

Predicted production is the key to the output business line. FPOs must provide farmers with training, extension services, and technical assistance to improve their production practices. After the crop selection, FPOs must guide planting techniques, irrigation methods, pest and disease management, and soil fertility management in a timely intervention. By disseminating best practices and promoting sustainable farming methods, FPOs support in enhancing farmers' productivity.

The promoting agency should help FPOs to articulate the intervention point. It is suggested that a maximum of five precise intervention points be kept for a particular crop. In this case, FPO members want to grow a specific variety of organic paddy, which may be the particular intervention point.



Production Planning  
and Management  
Tool



- Making timely seed availability to the farmers.
- Timely transplantation- with in the 10-12 days from nursery
- Application of nutrient-
- Application pesticide
- Threshing

The FPO must track each of the intervention stages and provide support to farmers through a community resource person (CRP) in case member farmers face any obstacles. The CRP must share a regular update on the intervention stages with the FPO to prevent losses and waste of produce. Numerous premium application services enable the promoting agency or FPO to monitor the intervention stages with the help of CRPs, stay updated with the crop's growth, and forecast the projected output, which will be crucial during the buyer outreach process.

### Production Planning and Management Tool

The production planning and management tool consists of formats for crop planning, intervention tracking, production data capture, and aggregation planning. This module includes an Excel-based management tool.

The tool strategizes the season-wise crop production plan by involving the producer group and analyzing their requirement for input supplies (Seeds/pesticides/ fertilizers & PoP) for the expected cultivated land areas. The tool has been developed with the significant grain commodities (paddy/maize/grain/wheat) kept in mind. The tool can be customized per the FPOs' requirements in any geography or commodities they engage with.

### The purpose & objective: How this tool will help FPO output and input businesses-

- Helping the FPOs to forecast the production pool of produce products in operational areas/villages covered (production capacity vs expected production & expected production vs production committed to FPO for sale)
- To keep track of farmer-level engagement with FPO from pre-, during & post-production, and procurement of Produce.

### The solution is designed in 3 major categories

- **Farmer/Producer details:** Collect a detailed database of each farmer/producer.

FPO Code	FPO Name	District	Name of the Shareholder / Producer	Contact Details (Mobile No.)	Year of Association with FPO	Duration of Association with FPO (In years)	Name of the SHG/FIG	Name of the Village	Name of the Gram Panchayat	Details of Land	Owner of the Land	Household Size	Shareholder/ Member of PACS	Registration Year

*Note: There is a dropdown list component for columns 'Owner of the Land' and 'Household Size' in the template*



- **Season wise production plan:** An estimated plan for input supplies for each farmer according to land size and supplies of estimated produced product to FPOs. This information will help FPO forecast

production and accordingly plan the market outreach and aggregation logistics based on farmers' volume and geographical spread. Data To be collected season wise - (rabi/kharif/zaid)

FPO Code	FPO Name	Name of the Shareholder/ Producer	What to cultivate? (Crop 1)	What is the area to cultivate?	What to cultivate? (Crop 2)	What is the area to cultivate?	What to cultivate? (Crop 3)	What is the area to cultivate?	Credit Requirement (Amount)	Volume of Produce committed to FPO (In Quintal)

*Note: FPO code is required in case of the promoting agency supporting more than one FPO. In case there is only one FPO the code and name of the FPO and code can be omitted from the templet above.*

- **On-field monitoring:** A detailed tracking of the cultivation of agri-produce from the date of sowing to handholding support/monitoring is required for each crop growth stage. Assumed production details

per farmer will also feature as data attributes along with the production of produce. Data to be collected season-wise-

Month of sowing	Area under different Crops (Acres)				Whether Sale the Produce immediately After Harvest	In Which Month of Year do you Sale your Produce?	Approximate Total Volume of Production (Qt)	Are You Interested to Sale Produce to This FPC	Committed Volume to FPO (Qt)
	Chana	Wheat	Other	Total					
NOV					YES	NOV	80	YES	50
						MAR			10
						APR			40
						FEB			30

Table 10

## Data Attributes and Alignment with KPI's

Template	Data Attributes	KPI's
Farmer/Producer Details	<ul style="list-style-type: none"> <li>• FPO Code</li> <li>• FPO Name</li> <li>• District</li> <li>• Name of the shareholder/producer</li> <li>• Contact Details</li> <li>• Year of association</li> <li>• Duration of association</li> <li>• Name of the SHG/FIG</li> <li>• Name of the Village/Gram Panchayat</li> <li>• Details of Land (Drop down)</li> <li>• Owner of the land (drop down)</li> <li>• Household size</li> <li>• Registration in Cooperative Society</li> <li>• (PACS/LAMPS)</li> <li>• Registration year</li> </ul>	<ul style="list-style-type: none"> <li>– No. of shareholders/ Producers</li> <li>– Total land coverage area of farmers (In acre)               <ul style="list-style-type: none"> <li>• &lt; 1 acre/No of farmers</li> <li>• 1 acre/No of farmers</li> <li>• 1.5 acre/No. of farmers</li> <li>• 2 acres/No. of farmers</li> </ul> </li> </ul>
Production Plan	<ul style="list-style-type: none"> <li>• FPO Code</li> <li>• FPO Name</li> <li>• Name of the shareholder/producer</li> <li>• What to cultivate &amp; area to cultivate (crop wise)?</li> <li>• Credit requirement.</li> <li>• Volume of produce committed to FPO- Crop wise</li> </ul>	<ul style="list-style-type: none"> <li>• % of farmers have credit requirement for Crop production</li> <li>• Key Crops for production (Paddy/ Hybrid Paddy, Maize, Hybrid Maize, Wheat, Gram)</li> <li>• Total coverage area for production by producers</li> <li>• Total area of land intervened by FPO's.</li> <li>• Total volume of Produce committed to FPO (Paddy/Hybrid Paddy, Maize, Hybrid Maize, Wheat, Gram)</li> </ul>
On Field Monitoring	<ul style="list-style-type: none"> <li>• FPO Code</li> <li>• FPO Name</li> <li>• Name of the shareholder/producer</li> <li>• Name of the village</li> <li>• Crop Variety</li> <li>• Crop Registration in MSP</li> <li>• Season (Drop down)</li> <li>• Date of sowing</li> <li>• Crop Production practice followed - Intervention wise.</li> <li>• Duration</li> <li>• Assessment of crop growth stages - Observation (drop down) - Date.</li> <li>• Assumed Production (In quintal)</li> <li>• Final production (In quintal)</li> </ul>	<ul style="list-style-type: none"> <li>• % Of farmers registered with FPO for availing MSP</li> <li>• Total assumed production in quintal (Paddy/Hybrid Paddy, Maize, Hybrid Maize, Wheat, Gram)</li> <li>• Total Final Production in quintal (Paddy/Hybrid Paddy, Maize, Hybrid Maize, Wheat, Gram)</li> </ul>



The KPIs above give predictability to FPO businesses and help with better and more reliable business estimates. The embedded tool consolidates farmer-wise information in a dashboard for FPOs to make data-based decisions on business estimates, market outreach, and aggregation planning.

Table 11

Sr No.	Categorise of template	Attributes/ data fields	Measurement criteria (what)	Frequency-reporting (when)	Frequency-data collection	Source	How	Owner
1	Farmer details	Refer data attributes table	Refer data attributes table	Yearly once	As & when new shareholder joins. If delayed by AM's within 7days FPO Manager will ensure data entry of details of new shareholder	FIG / PG meeting	Manual data collection using standard template (Excel format)/ERP offline mode	Field Resource person/ CRPs
2	Production Plan	Refer data attributes table	Refer data attributes table	Season wise (Rabi/Kharif/ Zaid)	Season wise (Rabi/Kharif/ Zaid)	FIG / PG meeting		
3	On- field Monitoring	Refer data attributes table	Refer data attributes table	Season wise (Rabi/Kharif/ Zaid)	Season wise (Rabi/Kharif/ Zaid)	FIG / PG meeting		

### Governance Plan for Effective Tool Implementation and Utilization-

There are 3 high level processes to implement the solutions at operational level. The process is Data collection, Data Validation & Analysis and Data reporting. While consolidating the data, the implementation partner PRADAN analyzed probable risks in these processes, such as incomplete data and errors. Hence, it is important

### Data Collection Plan

For production management, the data needs to be collected on a regular interval starting from the planning stage; the table below summarizes the data collection frequency and process for each of the formats under this tool-

to implement robust governance to receive trusted data.

The process will help the promoting agency make data-based decisions about initiating input supplies (how much to buy and how much to store in inventory) for farmers, reducing inventory wastage and capital loss.

Table 12

Process	CSP/CRP/AM/Field supervisor	CEO/FPO Manager	Promoting Agency
<b>Data Collection</b>	Records information on the Data collection templates: <ul style="list-style-type: none"> <li>Farmer details</li> <li>Production Pool</li> <li>On field monitoring</li> </ul>	Checking of data collection sheets on fortnightly by FPO manager	Ensures the solutions are implemented at operational level.  Random checking of data collection templates once in 15 days
<b>Data validation &amp; analysis</b>	FPO Manager cross check with AMs/ field supervisor the data & data entry related errors on fortnightly basis	Verification/validation of input sheets by FPO Manager on fortnightly basis	Review of data collection sheets (Input/output) by the promoting agency on monthly basis
<b>Data reporting</b>	Review of input/output sheets by CEO/FPO Manager on fortnightly basis	Review of input/output sheets by FPO Manager on fortnightly basis  Monthly meeting with staffs & shares the details of the data collection (Target Vs. Achieved)	Review along with FPO manger & Team members by the promoting agency to mitigate the discrepancies in the tracker

### Tech Integration for Increased Efficiency

PRADAN has integrated a production planning tool and management tool into the ERP system and tested them with their FPOs in Madhya Pradesh. The template can be customized to fit the needs and the types of products (perishable and non-perishable) handled by the FPOs.

Tech integration will support the FPOs in reducing manual entry by CRPs/field supervisors and reducing the cycle time of the data entry process.

This will also help provide handholding support to farmers as required during crop growth stages. Many such tech-based platforms are available in the market based on industry standards that can be applied/implemented by FPOs. Data visualizations can be developed in the dashboard for regular tracking and monitoring of progress based on the priority KPIs of FPOs.





## MODULE 6

### Inventory Management and Quality Control



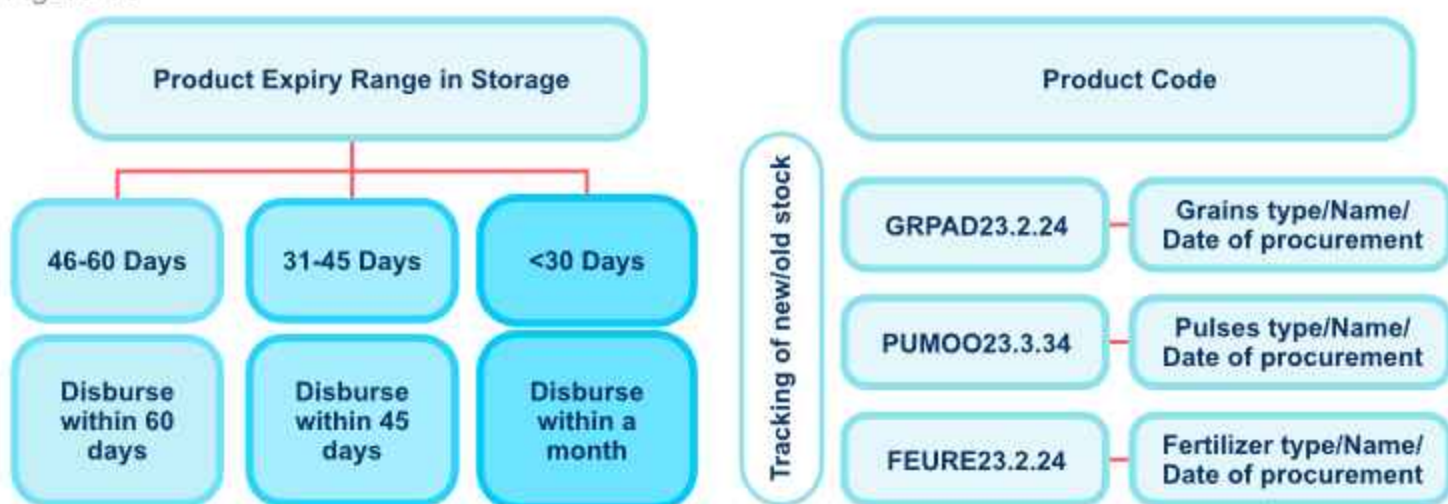
## Inventory Management

FPOs in India are mostly in the agri-farm business. They are involved in input business activities by providing supplies to farmers/producers in terms of seeds, fertilizer, pesticides, weedicides, etc. In order to satisfy the needs of their members and reduce carrying costs and the possibility of stockouts, FPOs should maintain optimal stock levels of agricultural inputs. They need to balance the need for adequate inventory levels with the cost of holding excess inventory.

The majority of FPOs have distant operations and inadequate inventory management practices. These include overstocking, poor storage systems that can cause obsolescence, and the risk of spoilage or expiration for old inventory, ultimately leading to financial loss. Overstocking also leads to cash accumulation that could have been utilized for other tasks.

To address this challenge, a standard inventory management tool has been designed based on the principles of the FIFO model (First In – First Out), which will help FPOs keep track of inventory. The FIFO model is an inventory management method used to value and track inventory. Under the FIFO model, the oldest inventory items are assumed to be sold or used first, while newer items remain in inventory.

Figure 18



## Inventory Management Tool-

What is an inventory management tool and how it will help FPOs-

- Visibility on real-time data on the status of products in FPO inventory
- Data-based decision-making on reduction of wastages & procurement of stocks.
- Reduction in monetary loss (potential loss)
- Monitoring viability and profitability of the business

This is an excel based tool, ([inventory management tool](#)) that is easy for any FPO to customize and implement. The tool demands a definition of the product expiration range, which will provide clear visibility of the product's shelf life.

Once basic information, manufacturing/ procurement date, and other data attributes are entered, the tool auto-populates the product within a different range of expiry. For example, for produce that expires in the next 30 days, FPO can plan to promote aggressive sales or liquidate the product at a reasonable price with the supplier before it expires.

Product codes have been created in simple Excel-based formulas to keep track of the inventory stock. The formula is curated based on commodity/ product type, commodity/ product name, and date of purchase.



Inventory management tool



The color coding is provided to highlight the inventory status. For example, the product marked

in red needs to be sold/liquidated within a month before it expires.

Figure 19



Purchase date	Transition period from date of purchase (in days)	Storage date-FPO	Sold Volume/Quantity	Unit	Left over in Storage (In Kg/Packets)	Product will expire in next mentioned days	days to expire seg	Potential loss in next 30-60 days	Loss incurred due to expiry	Unit price(dummy data used for calculation)
24-Jun-21	0	24-Jun-21	2.25	Litre	197.75	<30	<30	0	₹ 1,977.50	₹ 10.00
25-Jun-21	0	25-Jun-21	69	Litre	131	<30	<30	0	₹ 1,310.00	₹ 10.00
26-Jun-21	0	26-Jun-21	0	Litre	12.5	<30	<30	0	₹ 125.00	₹ 10.00
27-Jun-21	0	27-Jun-21	0	Litre	172.5	<30	<30	0	₹ 1,725.00	₹ 10.00
20-Feb-22	0	20-Feb-22	1	Packets	0	<30	<30	0	₹ -	₹ 10.00
26-Nov-21	0	26-Nov-21	0	Packets	15	<30	<30	0	₹ 150.00	₹ 10.00
22-Feb-22	0	22-Feb-22	0	Packets	4	<30	<30	0	₹ 40.00	₹ 10.00
23-Feb-22	0	23-Feb-22	0	Packets	2	<30	<30	0	₹ 20.00	₹ 10.00
24-Feb-22	0	24-Feb-22	0	Packets	6	<30	<30	0	₹ 60.00	₹ 10.00
23-Nov-21	0	23-Nov-21	16	Packets	34	<30	<30	0	₹ 340.00	₹ 10.00
26-Mar-22	0	26-Mar-22	0	Packets	61	<30	<30	0	₹ 610.00	₹ 10.00

Below are the data points that must be punched to ensure regular inventory tracking. The data points highlighted in green are automatically populated

- Commodity type (dropdown list)
- Commodity name (dropdown list)
- Variety (In case of fertilizer/pesticide-not applicable)
- Product code- Excel based formula automated.
- Season (Rabi, Kharif, Zaid)
- Stored volume in quantity
- Unit (In quantity/packets)
- Manufacturing date
- Expiry date
- Expiry tenure (in days)- Excel based formula automated.
- Vendor name/details
- Purchase date.
- Transition period from date of purchase (in days)

- Storage date-FPO
- Sold volume/quantity.
- Sold unit (In quantity/packets)
- Left over in storage (In Kg/Packets)- Excel based formula automated.
- Product will expire in next mentioned days- Excel based formula automated.
- Days to expire segment.
- Potential loss in next 30-60 days
- Loss incurred due to expiry.
- Unit price
- Left over product value (INR)
- Returnable product (Yes/No)
- If yes, return date.
- Product return in mentioned days excel based formula automated.
- Days to return range excel based formula automated.
- Current stock excel based formula automated.

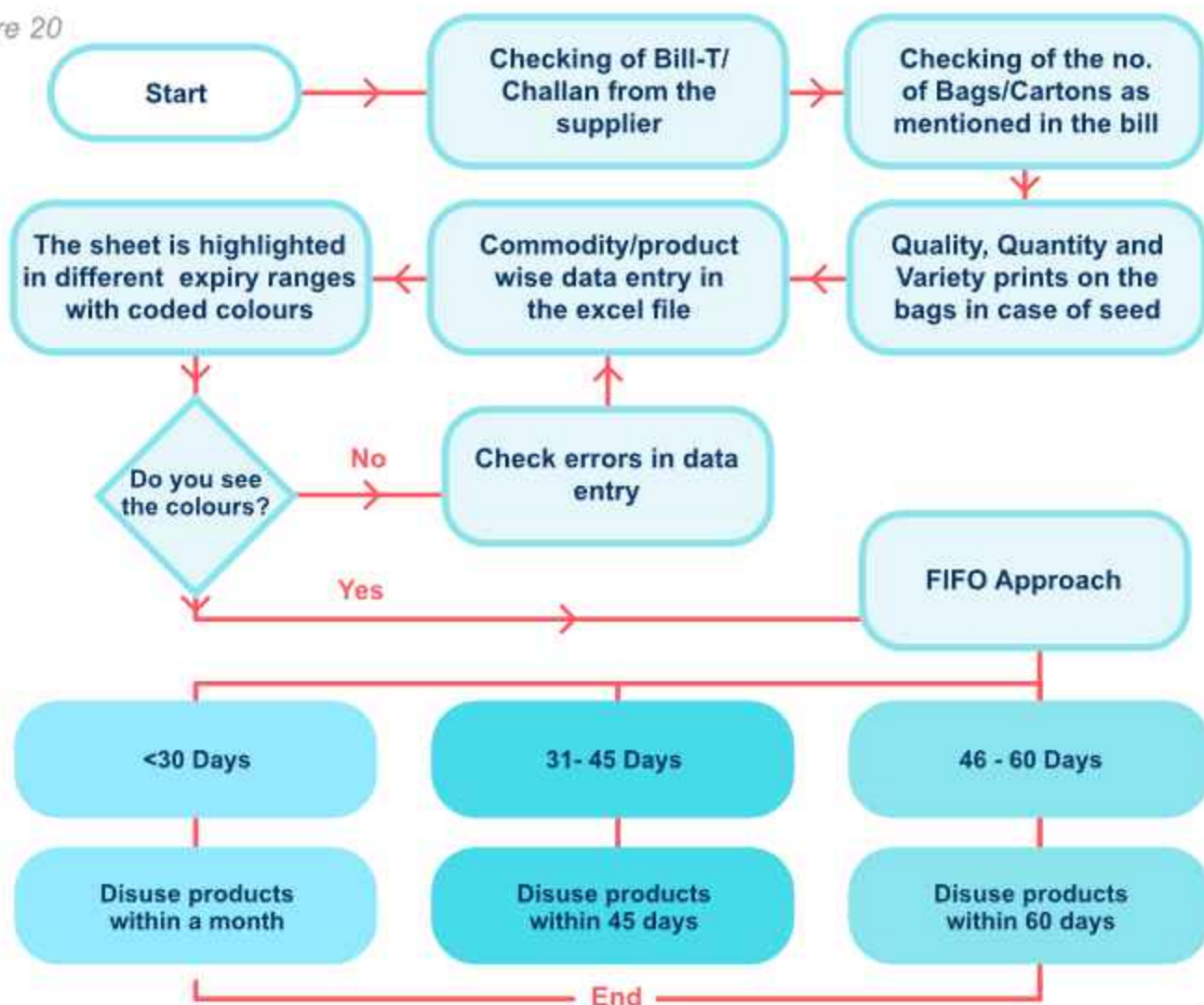
Table 13

Data Field	Indicators	Frequency of data collection	Source	Timeline	How	Owner
Refer above data attributes	% reduction in inventory wastages  % reduction in unsold inventory	Season Wise (Rabi/ Kharif/ Zaid) immediately after the input supplies procurement	Bill-T/Challan from the supplier  Receipt copies submitted by CSP/AM  Sales record  Number of Bags/Carton as mentioned in the bill	Kharif- Mid May Rabi- Mid November Zaid- Starting of March  For Vegetables: Whole year	Manual data entry using <a href="#">inventory management tool</a> template	CEO/ Store Manager

This is a guiding process flow for implementing and executing Inventory Management tool at the FPO level. Orientation and training for the store Manager/CEO on the process of handling the tools

will be helpful in operationalizing it. There may be changes in sub-steps where promoting agencies and FPOs work together to ease the process for better implementation of the designed solution.

Figure 20





This tool is effective when the data is entered promptly and correctly. Promoting agencies must have a proper governance mechanism in place to mitigate risk areas and ensure correct data collection from the operational areas. The process

will help the FPO make data-based decisions to initiate input supply procurement (how much to buy and how much to store in inventory) for farmers, reducing inventory wastage and capital loss.

Table 14

Process	CEO/Store Manager	Promoting Agency
Data entry	Record information on the inventory management tool	Checking of data collection sheets on monthly basis by team lead (location wise)
Data validation & analysis	Verification/validation of input sheets by FPO Manager on weekly basis	Review of data collection sheets (input/output) by promoting agency on monthly basis
Review & reporting	Review of input/output sheets by FPO Manager on weekly basis to check the errors	Review along with FPO manger & Team members on the status of inventory

## Visual Management for Placement of Materials in the Storage

The FPO must organize its storage to allow easy access to the material. This may involve using shelves or racks to place the differently labeled materials, using visual management by color-coding the shelves/floor. Some examples of visual management are color-coded pipes and tapes and painted floor areas for new/old or good/trash. This quickly helps the store/ inventory keeper locate and manage the inventory well with minimum wastage.

The newly arrived material should be placed at the back of the storage, while the older stock should be moved to the front. The racks / designated area can be color-coded to identify the stock based on the expiration timeline. For example, the material will expire in the red zone in the next 30 days. Similarly, blue/green zones can be created in sync with the inventory management tool. The FPO staff must check the material regularly to change the placement basis and the expiry range. For example,

the produce in the green zone should be moved to the blue zone as it approaches 45 days to expiration. Similarly, material may be moved from the blue zone to the red zone as needed. This information will be available in the inventory management tool, and staff must move the material based on the status shown in the tool.

## Quality Control During Storage

FPOs generally store input supplies (Seeds/fertilizer/pesticides) for longer and sell them over some time to members and non-members. FPOs must consider quality checks and follow the quality parameters to keep the material safe and secure in the inventory. This process will help the FPOs reduce wastages in inventory, assisting in procuring supplies as per the requirement of FPOs and the producers they deal with. Below are the standard parameters for outdoor & indoor storage and liquid fertilizers. A checklist is also provided to review and maintain the standard parameters.

the checklist can be customized basis the type of supplies in the inventory. Download the [quality control checklist template](#) and customize according to your need

#### Outdoor Storage Parameter for Fertilizer:

- Both organic fertilizer storage and compound fertilizer storage outdoors should be in a short period
- Store fertilizer in the shade, free of direct sunlight and rain.
- Store fertilizer on a clear, smooth, well-drained surface.
- Put some bags on pallets under fertilizer to prevent dumping on rainy days.
- Store fertilizer in a stable structure for up to 7 days.
- Toxic organic or compound fertilizer storage should be far from other fertilizers.
- Keep fertilizers far away from flammable materials or products, such as straws, wood, grains, fuel, bags, etc.
- Use some other pallets on the top of fertilizer stock.

#### Indoor Storage Parameter for Fertilizer

- Avoid reaction; store easily volatile fertilizers separately.
- Store fertilizer in a clean environment, and keep air

ventilating constantly.

- Protect bulk fertilizers from dust and dump.
- Store fertilizer on shelves or pallets off the ground to avoid moisture.
- Keep away from flammable materials. Make sure you have a distance of at least 5 meters.
- Do not contact with acid and alkaline substances such as quicklime or cement. These are harmful to the skin.
- Install a fire extinguisher in the storage room.
- Fertilizer stock should be stable, up to a maximum of 1.5 meters high (may use wooden racks)

#### Checklist: Liquid Fertilizer Storage

- Check the tanks and storeroom are in good condition (there is no leakage in the tank, the storeroom is clean, and the floor is in dry condition)
- Lock all tank fittings when tanks are not in use.
- Store different types of fertilizers in different tanks.
- Check tanks and Storeroom on a regular interval (twice a week)

Table 15

### Minimum Standard - Moisture Control

Items	Minimum Standard
Moisture level for agri-products	For best storage performance <ul style="list-style-type: none"> <li>• The produce must be thoroughly cleaned and graded,</li> <li>• Dried to the safe storage moisture level of 10-12 % for food grains and 7-9% for oil seeds (on wet basis) for a safe storage period of 6-12 months.</li> </ul>
Moisture level for fertilizer/ pesticides	<ul style="list-style-type: none"> <li>• Ensure fertilizer bags are sealed and in good condition (Not torn, leakage)</li> <li>• Choose a well-ventilated watertight room.</li> <li>• Clear room to store fertilizer.</li> <li>• Use some bags on pallets or linoleum on the dry ground to Prevent fertilizer from damping.</li> <li>• 5. keep storage room well-ventilated and relative humidity less than 70%</li> </ul>



Quality control  
checklist



## Supervisory Checklist: Inventory Management (Put tick mark)

Sr No.	Date of Inspection/Visit						
	Name & Signature						
<b>1</b>	<b>Safety</b>	<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>No</b>
1.1	Storage room locked.						
1.2	Storage area signs posted with emergency contact information						
1.3	"No Smoking" signs posted.						
1.4	Personal protective equipment stored nearby.						
1.5	Clean up supplies stored nearby.						
1.6	Inventory is up to date and stored separately.						
1.7	Labels and SDS on file						
1.8	Fire extinguisher in good working order						
<b>2</b>	<b>Storage Area</b>	<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>No</b>
2.1	Ventilation system is working.						
2.2	Area is clean with no debris or combustibles						
2.3	Floor is clear of spills or leaks.						
2.4	Pesticides stored off floor						
2.5	Storage area contains pesticides only—no feed, fertilizer, or other materials.						

3	Container Inspection	Yes	No	Yes	No	Yes	No
3.1	Labels readable and attached to containers.						
3.2	Containers marked with purchase date.						
3.3	Dry formulations stored above liquids.						
3.4	Container caps are tightly closed.						
3.5	Used containers are rinsed and punctured.						

*Table 17* **Inbound Checklist: Inventory Management (Put tick mark)**

Date of Inspection/Visit				
Name & Signature				
Sr No.	Particulars/Items	Yes	No	Remarks
1	Availability of Moisture machine			
2	Availability of Weighting machine			
3	Checked Expiry date of the packages			
4	Product Packets checked (Package is torn/leakage etc.)			
5	Pest control done			
6	Storeroom cleaned (Pre/during)			
7	Ventilation			
8	Rain proofing			
9	Fire extinguisher in place			





## MODULE 7

### Revenue Streams of FPO



Farmer Producer Organization generates revenue through various streams that include input sales-supplies of agricultural input such as seeds, fertilizers, machinery, and other farm supplies to their member farmers. FPOs also generate revenue from output sales from the collective marketing of produce grown by member farmers. Some FPOs also engage in value-generation activities, such as processing, by adding value to the raw materials. This can command a high price in the market and add an additional revenue stream for the FPO. In addition, FPOs generate revenue from membership fees and grants, which has been explained in [module 8](#).

### Input Sales Business

FPO (Farmers Producer Organization) input sales business refers to the process of selling agricultural inputs such as seeds, fertilizers, pesticides, and other supplies to farmers. This also includes the FPO-produced input nursery.

#### Input Sales of Seed, Fertilizers, Pesticides-

The commodity identification exercise (explained in [module 2](#)) helps identify the input products that the members will require; however, more information is needed for FPOs to plan or forecast the procurement volume of the input supplies. FPO must collect the individual requirements from farmers, which can then be consolidated at the FPO level. This process will help FPO identify the input item and the variation in demand due to the type/variant and supplier. This will help FPOs plan their input procurement wisely and avoid blocking capital with overstocking.

#### Input Demand Planning and Sales Tool-

At the operational level, FPOs encounter losses stemming from inaccurate forecasts regarding input supplies and then large procurements from multiple vendors, leading to capital blockage and high inventory carrying costs and exacerbating the FPO's cash flow.

The input demand planning and sales tool focuses on farmers' demand for input supplies (seeds/

fertilizers/pesticides) and the sale of input supplies to farmers. The solution will help to bring clear visibility on variance in sales against the demand raised by the farmers and eventually provide data insight that can help FPOs improve the input sales business-

- Visibility of member vs. non-member's demand collection & inputs sale
- What is the rejection rate by farmers after placing demand, and the reason behind the rejection?
- Repeated defaulter farmers and the specific location (cluster/PGs) where the rejection rate is very high.
- Provide direction for concentrated efforts by FPO to improve engagement with farmers, by identifying the clusters/ PG where demand has been low or rejection is high
- Build historical data and provide visibility on product-wise requirements by farmers.
- Reduction in variance - demand v/s actual sale.

This is an excel-based tool that consolidates information from two templates ([input demand collection & sales forms](#)) that collect demand/requirements from the farmers at the PG level. Field-level community resource persons can gather demand during one of the PG meetings well in advance of the cropping season. The template can be customized based on the commodity dealt by the FPO.

Once the demand is collected (digitally/ offline), it needs to be entered in the Excel template that summarizes the market, helping FPO to plan the input procurement. The forecasting tool provides a dashboard where FPO can identify the low-selling regions based on the collected sales data. Refer to the [input demand planning and sales tool](#) the excel-based forecasting tool. The dashboard in the tool is linked with the input sheet; once data is populated, it will publish the summary report for cumulative demand, and post-sales, it will publish the variance report.



Input demand  
planning and sales  
tool



Input demand  
collection and sales  
forms



**FPC Name:**  
**Dashboard: Demand collection Vs Input sales**

Membership status		Financial status of purchase			
CSP Name	Membership status		Advance amount received	Revolving amount paid by farmers	Total amount paid
	Yes	No			
	0	0	₹ -	₹ -	₹ -
	0	0	₹ -	₹ -	₹ -
	0	0	₹ -	₹ -	₹ -
	0	0	₹ -	₹ -	₹ -
Total no. of farmers	0	0	₹ -	₹ -	₹ -

Demand collection & inputs purchase status of farmers and variation in order placed						
CSP Name	Placed order		Purchase status		% of farmers purchased inputs	Variation WRT order placed
	Yes	No	Yes	No		
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
Total no. of farmers	0	0	0	0	0	0

Reason for NO PURCHASE from FPC (No. of farmers denied)							
CSP Name	Lack of funds/Credit support	Free distribution from Govt	High Cost	Bought from other vendor	Previous year experience was not good	Demand was not collected from farmer	Not Applicable/bought from FPC
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0

Reason for NO DEMAND from Farmers					
CSP Name	Not willing to purchase from FPC	High Price	Previous year experience was not good	Not decided about the crop	Not Applicable
0	0	0	0	0	0
0	0	0	0	0	0

Note: The tool has been designed in simple word format. It can be digitized with the help of tools like KOBO, Google Form etc. The solution has been tested in offline and online mode, however some of the CSP's/CRP's/AMs are more comfortable in collecting data in hardcopy and later data consolidation has been done in excel file.

Table 18

Template	Data Attributes
Input demand collection	<ul style="list-style-type: none"> <li>FPO name</li> <li>CSP/CRP name</li> <li>Farmer/Producer name</li> <li>Farmer's contact no</li> <li>Status of farmer (Shareholder/Non-shareholder)</li> <li>Village name</li> <li>PG/FIG/SHG name</li> <li>Whether farmer has put any input supplies demand (Yes/No)</li> <li>If no, mention reason (Dropdown list: Not willing to purchase from FPO; Price is high; Previous years' experience is not good, Not decided the crop to cultivate)</li> <li>If yes, advance amount details deposit to CSP/CRP/AM (Mention amount)</li> <li>Details of input supplies- Table below highlighting crop name, land area in acre/decimal, Quantity (Gram/KG/Package), Expected production in quantity (KG/Quintal), Volume of produce committed to FPO for sale (KG/Quintal)</li> <li>If paddy selected, harvesting time.</li> <li>Inputs required for cultivation (Fertilizer, pesticide, weedicide etc). table below highlighting Product name, Type of product, Quantity (Litre/Millilitre/ KG/Package)</li> <li>Date</li> <li>Signature/Thumb impression of farmer</li> </ul>
Sales	<ul style="list-style-type: none"> <li>Input sales form is in continuation with first form post selling of input supplies to same farmers, who have placed the demand.               <ul style="list-style-type: none"> <li>Whether farmer has bought the input supplies? (Yes/No)</li> <li>If no, mention reason (Dropdown list: Lack of credit support, High price, Previous years' experience is not good, farmer has not placed demand, Free supplies from Govt., Bought from another vendor)</li> <li>Details of purchase in table format (Crop name, put tick mark against the crop name, Quantity purchased (KG/Package)</li> <li>Final amount deposited to CSP/CRP/AM (Mention amount)</li> <li>Date</li> <li>Signature/Thumb impression of farmer</li> </ul> </li> </ul>

## Governance Plan

The tool effectively guides FPOs to make input sales decisions grounded in data rather than intuition. Nonetheless, its administration requires careful attention to ensure reliable and timely data availability. Drawing from experiences in deploying this tool with FPOs promoted by PRADAN, several factors emerged as crucial considerations during implementation-

- The FPO must strictly adhere to timelines, as any delay in collecting demand or incomplete data will hinder the procurement process. Timely data collection is crucial for the FPO to make informed decisions and take advantage of potential discounts offered by suppliers for bulk and early orders. Failure to collect data promptly may result in missed opportunities for cost savings and efficient procurement
- Staff members at the FPO responsible for consolidating data should receive training in Excel, ideally possessing intermediate-level proficiency in Excel skills. They should be capable of editing the tool according to the specific requirements of the FPO or addressing any errors or bugs that may arise within the tool as needed.
- It is recommended that the data collection process be streamlined by integrating templates into tools such as Kobo or Google Forms rather than using Word documents. This approach eliminates manual data entry and consolidation, saving staff time and reducing rework. Furthermore, reports generated from these tools can be easily downloaded in Excel format and seamlessly linked to forecasting tools for efficient data analysis and decision making.

## License to Sell Input Supplies

The FPO's involvement in the trade of agricultural inputs necessitates a license, ensuring adherence to predetermined criteria, standards, and regulations that oversee the sale of various inputs, including seeds, fertilizers, pesticides, and machinery. Obtaining a license for seeds and fertilizer is available in [module 9](#).

## Vendor/Supplier for Input Procurement-

The vendor suppliers are the primary sources or businesses from which the FPO procures various agricultural inputs, such as seeds, fertilizers,

pesticides, and machinery, destined for distribution among its member farmers. These suppliers are indispensable for furnishing high-quality inputs at competitive prices, thus facilitating the FPO's support of its members in quality production and augmenting the FPO's revenue streams.

Therefore, it's imperative for FPOs to meticulously choose input supplies vendors, considering factors like input quality, flexible payment terms, transportation arrangements for supplies delivery to the FPO office, and provisions for returning unsold inventory. For detailed guidance on input suppliers' selection and onboarding process and procurement process, refer to [module 8](#).

## FPO Grown Input Selling - Centralized Nursery Raising and Biomaterials

FPO can sell input supplies with value addition. It's like evaluating the members' needs and adjusting the product to better align with the demands of the member farmers. The value addition, like converting seeds into seedlings or cow dung into vermicompost, will help FPOs realize higher prices and increase the shelf life of the supplies.

FPOs can have two models of input demand management for value-added products, ensuring low infra investment and achieving scale-



Figure 21



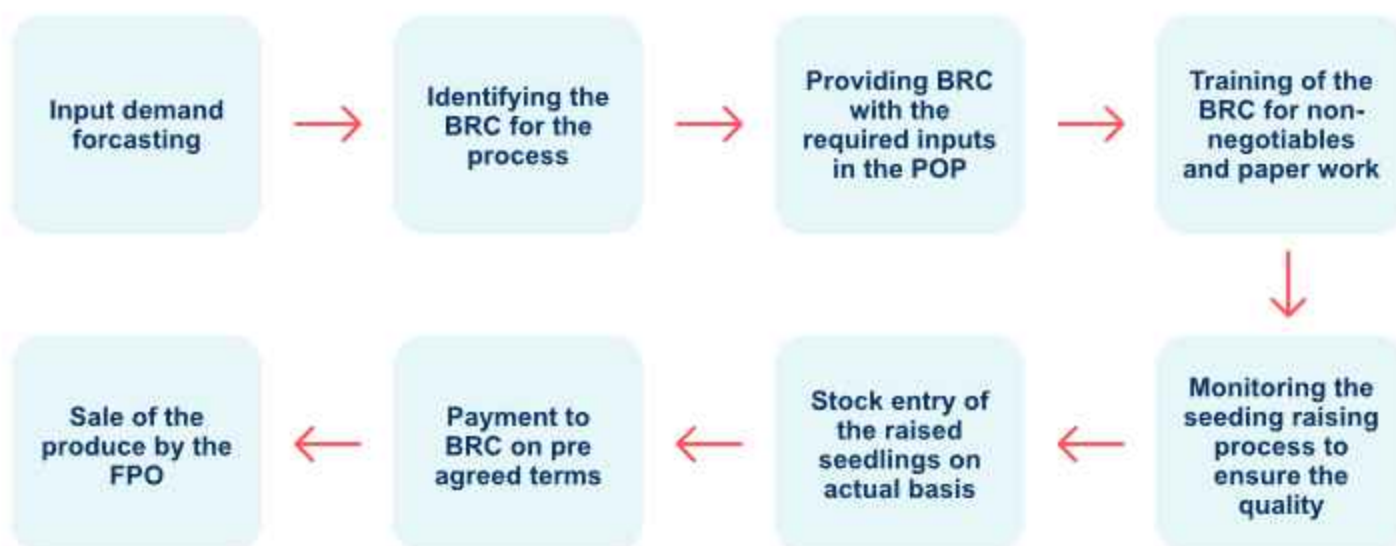
#### Business Resource Center - (BRC)

BRC is a unit where farmers with the required machinery or tools are engaged with pre-decided terms and conditions to convert the input into a more valuable product with a longer shelf life. Under this model, the value-added products are

the responsibility of FPOs to resell as per their input demand forecasting. While raising the nursery, the FPO monitors it to ensure its quality.

Under this BRC model, the process is as follows-

Figure 22



From an accounting perspective, the lessor operates as a stock center, allowing the FPO to utilize their property in exchange for agreed-upon financial benefits. Consequently, the raw input provided to the BRC for value addition is transferred from the central stock center (FPO) to the sub-stock center (BRC) without any conversion. Once the nursery is prepared, it is registered in the company's stock as a converted entry, yet it remains a stock item.

The BRC provides the predetermined percentage or quantity of seedlings per the order. If the actual number of seedlings falls within the agreed amount, it results in a loss for the company. Conversely, if the number exceeds the predefined percentage, it becomes a liability for the FPO, requiring them to sell the excess in the open market. The benefits can be derived in two ways: by selling the seedling directly to the farmers where it gets 10-20 paisa per seedling; or by giving a monthly fixed sum of 20-30 days of its work.

#### **Agriculture Entrepreneur (AE) Model-**

An Agriculture Entrepreneur (AE) is an individual trained in agriculture and certified by organizations such as promoting agencies or other CSOs. Under the AE model, the AE collaborates with the FPO, which is responsible for purchasing all necessary inputs in the form of a Package of Practices (POP) to cultivate seedlings. Afterward, the AE is tasked with selling these inputs.

The AE procures inputs like seeds, fertilizers, coco pit, pesticides, and others from the FPO. The POP is tailored to the number or quantity of nurseries required for any commodity the AE purchases in one go, with the FPO retaining a margin. Upon cultivation, the AE sells the produce directly to farmers, independently determining their profit margin without the FPO's intervention. In both scenarios, the profit margin planning ensures that the company breaks even or operates profitably.

#### **Equipment Service Business -**

Along with selling seeds, fertilizer, organic products, pesticides, etc., farm implement services can also be a revenue stream for the FPOs. The FPO operates a custom hiring service business, providing farmers with access to specialized agricultural equipment on a rental basis. This includes equipment such as a sprayer, weeder, thrasher, etc.

This service allows farmers to utilize modern machinery and technology without needing to invest upfront in equipment purchases. Through the custom hiring service, farmers can hire equipment for specific agricultural tasks such as land preparation, planting, harvesting, and post-harvest activities. The FPO manages a fleet of equipment and facilitates the rental process, ensuring farmers can access the tools they need to enhance their productivity and efficiency in farming operations. Additionally, the custom hiring service contributes to reducing the financial burden on farmers and promoting the adoption of mechanization in agriculture.

#### **Revenue from Equipment Service Selling/ Custom Hiring-**

Calculating equipment rental costs involves considering several factors to ensure that the rental rate covers the expenses associated with owning, maintaining, and operating the equipment, while also generating a reasonable profit margin. The FPO needs to calculate equipment rental cost based on its purchase price, depreciation rate, operating cost, maintenance cost, etc.



Figure 23



Below is an example of how to calculate a tractor rental cost. To access this Excel template with

prefixed formulas, download the tool for [calculating equipment rental](#).

Table 19

Description	Cost (in ₹)
<b>Ownership Costs</b>	
Purchase cost of the tractor	7,00,000
Annual depreciation expense (Purchase cost/useful life of the tractor- 10 Years)	70,000
Annual financing costs (if financed)	17,000
Insurance costs	8,500
Taxes and registration fees	10,000
Storage costs	15,000
<b>Operating Costs</b>	
Fuel costs	20,000
Maintenance and repair costs	10,000
Cleaning and servicing costs	20,000
Transportation costs	5,000
<b>Administrative Costs</b>	
Staff salaries (1 staff)	80,000
Rental facility costs	1,00,000
Marketing and advertising costs	5,000
<b>Total Costs</b>	
Total Ownership Costs	1,20,500
Total Ownership Costs	55,000

Contd to the next page



Total Administrative Costs	1,85,000
<b>Total Annual Costs including Profit Margin</b>	
Total Annual Costs	3,60,500
Profit Margin (20%)	72,100
Total Annual Costs including Profit Margin	<b>4,32,600</b>
<b>Rental Rate</b>	
Rental Rate per Hour (600 hours/year) total annual cost including profit margin/ annual usage hours	<b>721</b>

A commission agent, AE, or supplier must be engaged to ensure the smooth operation of machinery. This allows the FPO to avoid the expense of hiring permanent staff and reduces their operating costs. Below is the process of implementing the equipment services to farmers-

- **Booking of services by farmers**

Farmers will request the service during their annual planning process. They will place their orders at the onset of crop planning, and the cost of spraying will be included in the initial order along with the seedling or any other input material purchased.

- **Equipment delivery and operation**

If the FPO does not employ permanent staff, it will assign dedicated Agriculture Entrepreneurs (AEs) to handle the task. Upon receiving the order, the FPO will allocate AEs based on specific areas and dates. AEs will receive the necessary implements from the FPO and be compensated with a commission based on their tasks. FPO/Promoting agency must train the AE to operate the equipment or perform basic troubleshooting in case there is any while operating the equipment.

- **Equipment returns and inspection**

After completing the rental period, the farmer/ AE returns the equipment to the FPO. The FPO conducts a thorough inspection to assess any damages or issues with the equipment.

### Governance Plan

If the service is outsourced through an AE, it's crucial to establish a clear mandate to prevent conflicts in the equipment service offered by the FPO. Factors to consider include:

- **Agreement on commission:** The FPO must negotiate and agree upon the percentage of commission the AE will earn for their services.
- **Handling operating costs:** The possibility of changes in rental rates due to increased operating costs must be communicated to AEs and preferably documented. Any variance in commission as a result should also be discussed.
- **Equipment handling and damage:** AEs operating the equipment must receive training on proper handling procedures to prevent damage. In the event of equipment damage due to mishandling, the FPO needs to specify whether the FPO will bear the repair cost or if the AE is liable to compensate.
- **Timely equipment return:** A delay in returning equipment by the AE may disrupt equipment availability for other farmers. The FPO should clearly explain the implications of non-compliance, such as delays in equipment return or implementation on farmer lands, to AEs.



Calculating  
equipment rental



Addressing these considerations and ensuring mutual understanding between the FPO and AEs can effectively mitigate potential conflicts and issues in the equipment service business..

## Output Sales Business

FPOs facilitate the collective marketing of agricultural produce grown by their members. On behalf of the farmers, FPOs may negotiate better prices with buyers, wholesalers, retailers, or processors, earning revenue through profit margins on sales.

The production management tool available in [module 5](#) aids the FPO in evaluating the seasonal production volume accessible to the organization. Utilizing this information, the FPO can strategically plan its market outreach efforts, facilitating informed decisions regarding procurement volume. This section will specifically concentrate on procurement planning and sales.

## Procurement Planning

The FPO organizes its production clusters for aggregation, exemplified through a micro-production arrangement (MPA). We will take a scenario to understand this better- the FPO distributes its 2000 member farmers into smaller clusters, each comprising 150-200 farmers cultivating similar crops, with harvests anticipated to co-occur. The FPO must designate an aggregation point within each MPA based on specific conditions outlined below-

- The condition of road connectivity.
- The area should accommodate 150-200 farmers with their produce.
- A stock room close to the aggregation point is advised.

The aggregation point of MPA keeps the following equipment at their end.

## Equipment at the Centre Level

- Digital weighing machine. Capacity 100 kg
- Moisture meter
- 100 60kg Sack/gunny bag/crerts.
- Calculators

- Tri pal
- 1 Table 2 chairs
- Banner with FPO name
- Sewing tools
- Display board.
- Register to maintain farmer wise procurement data.

In each MPA, a designated harvesting day is established. A day before harvesting, the FPO's marketing manager, or the CEO, communicates the grade-wise rates of the commodity to the aggregation point. At the aggregation point, an assigned person or aggregator is stationed to oversee the collection of produce based on variety and grades. The role of these aggregators is outlined as follows-

- Data collection and estimation of tradable produce.
- Share the production estimation with the CEO.
- Identify and engage labor for loading and unloading.
- Record maintenance; Weighing, receipt generation, register maintenance, credit confirmation.
- Batching and marking on a jute bag/ sack/crate.
- Return the jute bags/sack to the farmer after receiving the sack from the market.

The procurement process at the FPO aggregation point must be transparent to farmers. It is essential for maintaining quality, safety, and transparency throughout the supply chain. Here are some strategies to achieve traceability:

## Procurement Process

### • Unique identification

Assign a unique identifier to each batch or lot of produce obtained from farmers. This could be a barcode, QR code, RFID tag, or serial number that can be traced back to the specific farm or farmer. Without any tech solution, FPO can use a simple Excel formula that can auto generate the farmer code. For example- it could be a combination of the village's 1st two initials/the Block's 1st two initials/ the first three initials of the member's name/the last four digits of Aadhar. If Aadhar is not possible, it could be the last four digits of a member's phone number.



- **Quality check at the procurement centre**

The production management tool aids in conducting farm-level quality checks at regular intervals to monitor pesticide usage, seed quality, and other factors crucial for maintaining consistency in produce quality. However, quality checks at the time of procurement are also essential to drive price negotiation based on quality and grade. The segregation of produce based on quality parameters and grade is vital to comply with assured buyers' requirements regarding quality and grade, as it ensures that commitments to buyers are met, ultimately contributing to buyer retention.

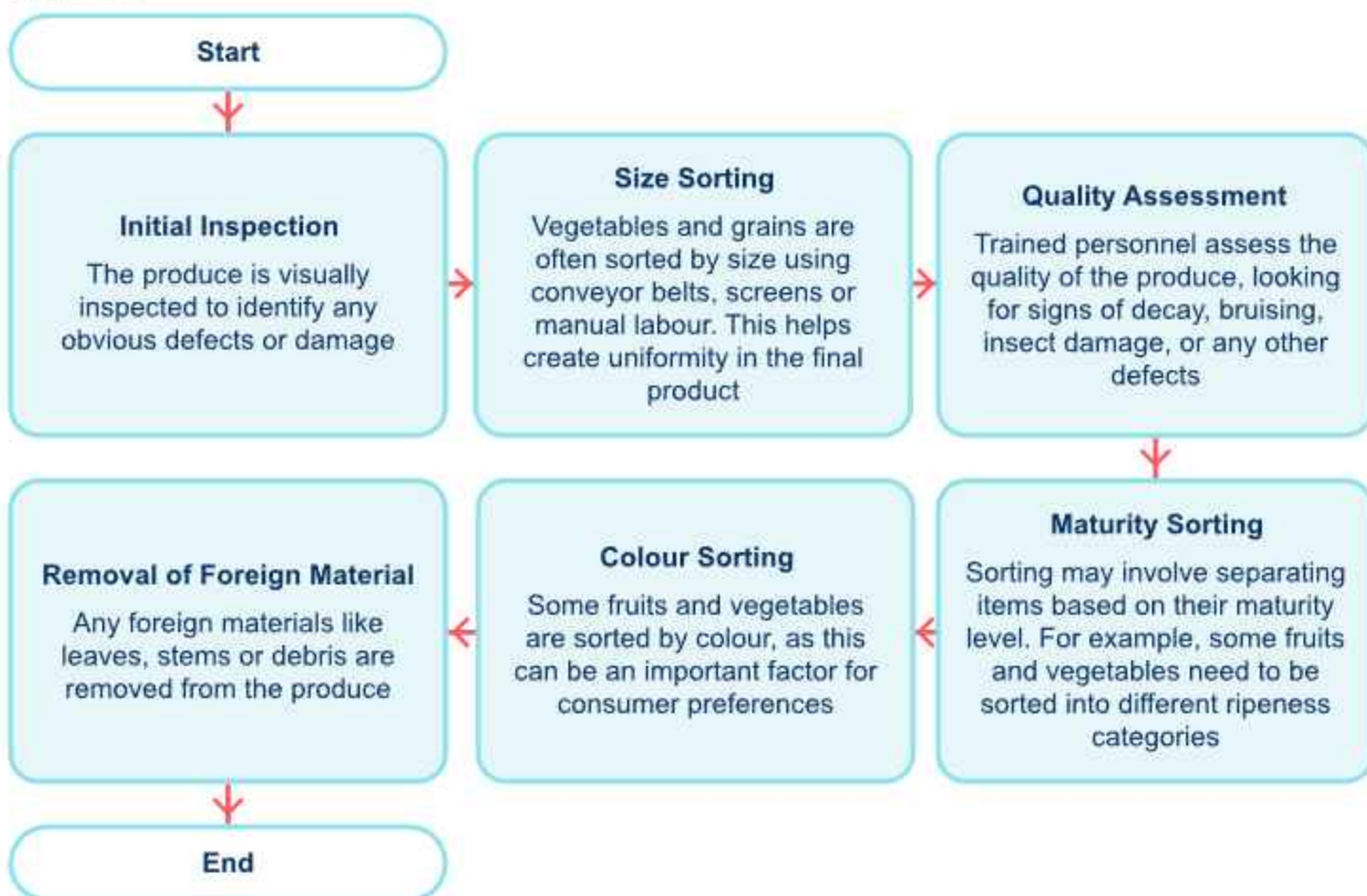
- **Sorting and grading**

At the time of procurement, FPO must run the quality checks, buy the produce from the farmer based on quality and grade, and then ensure the produce storage is similar.

- **Sorting**

Sorting involves the separation of produce based on various criteria such as size, shape, color, maturity, and quality. The goal is to remove damaged, diseased, or inferior items to ensure that only high-quality produce reaches the market. Here are the typical steps involved in sorting:

Figure 24



- **Grading**

It involves assigning a specific quality grade to each produced batch based on established standards. The grading process is typically carried out after sorting and can vary depending on the type of

produce. Grading helps buyers and consumers make informed choices and sets pricing standards. Here are the steps involved in grading:

Figure 25

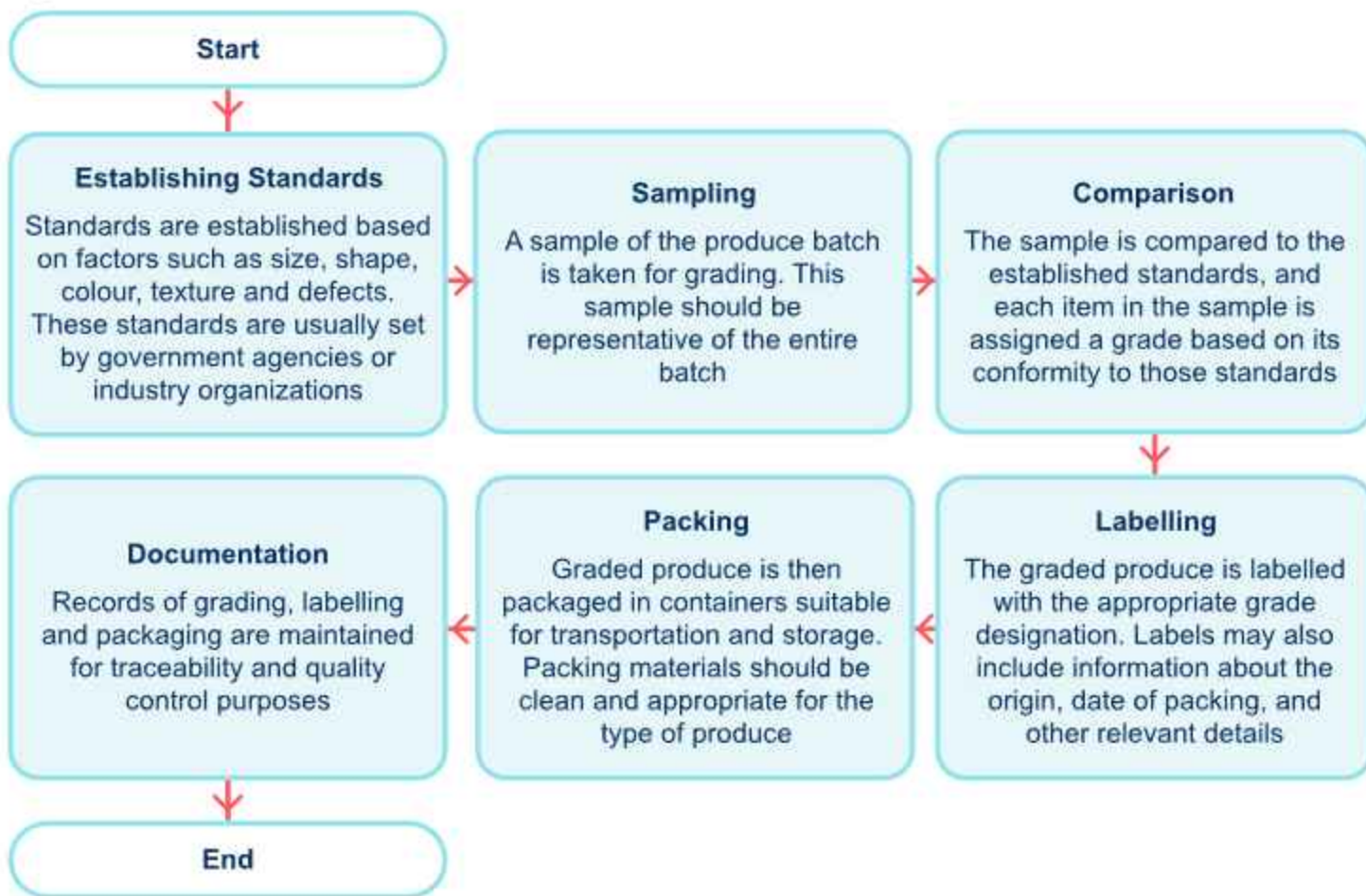


Table 20

QC at procurement for sorting the produce based on quality and grade	
Quality Checkpoint	Description
Visual Inspection	Conduct visual inspection for external defects like bruises, cuts, discoloration, mould, or signs of pests or diseases. Must reject produce not meeting visual quality standards.
Size and Uniformity	Check size and uniformity for consistency. Sort produce based on size categories or grading standards. Must reject outliers deviating significantly from desired size range.



Quality Checkpoint	Description
Freshness and Ripeness	Assess freshness and ripeness based on colour, texture, firmness, and aroma. Accept only fresh, ripe produce (in case of vegetable/ fruits) suitable for consumption or processing.
Weight and Quantity	Weigh produce and verify quantity against expected quantity specified in procurement agreement. Ensure accurate measurement to prevent under- or over-supply.
Temperature and Storage	Monitor temperature and storage conditions to prevent spoilage or quality loss. Reject produce exposed to improper conditions.
Packaging Integrity	Inspect packaging for integrity and cleanliness. Reject produce with damaged, torn, or contaminated packaging.
Quality Testing	Conduct quality testing or sampling to assess parameters such as sweetness, acidity, moisture content, or nutrient levels. Use appropriate methods and equipment for accurate results, the list is provided in the procurement planning section.

**QC at storage at aggregation point MPA to maintain the quality and segregation and avoid wastages/losses**

Quality Checkpoint	Description
Lots of Different Produce & Varieties	The stock procured by FPO is needed to store for longer time ranging from 2 - 8 months at FPO godwon. The Produce must be stacked in lots according to the type of produce, variety, and quality of produce
Flooring of Storage Space	The flooring of storage needs to avoid any collapse of the stake as well as any contamination from humidity or wet flooring
Staking Platform	Staking must be done on pallets to avoid direct contact with flooring.
Staking of Bags	The stacking of bags done based on the moisture content. The LXBXH of stake is so maintained to be easy for fumigation, handling, and safe storage. Staking must be done away from walls, pillars, doors.
Packaging and labelling	Ensure that each batch of produce is properly labelled with information such as- produce name, variety, grade, harvest date and farmer code to ensure traceability
Storage Bags	The gunny bags are preferred over plastic bags for storage. For long term storage, cocoon bags can be used for storing the grains.
Pest Control In storage of Produce	Insect pest and rodents cause spoilage as well as waste of produce in storage. The fumigation and pest control schedule need to be prepared based on the type of crop produce to avoid store grain pest and other contaminations.

Record Keeping	Record of the stored produce with respect to the type of crop produce, variety, date of produce, volume of lot, etc details are recorded. Inward and outward entries must be maintained to keep a track of stock procured v/s sold. Download <a href="#">template for stock register</a> .
Insurance of the Stored Produce	It is always better to protect the stock of produce in storage by insurance cover. This will be helpful to avoid loss due to theft, fire, natural calamities, etc.
<b>QC at the time of transportation to maintain the quality &amp; segregation and avoid wastages and losses</b>	
Quality Checkpoint	Description
Heat control	During transportation, there should be proper arrangement of sufficient aeration and insulation to reduce the heat
Stacking	Stacking height should be kept up to 6 to 10 tiers.
Bag Handling	The bags used should be new as old / teared bag may lead to pilferage of produce during transport. While handling and lifting of bags during transportation, too much use of hooks by labourers should be avoided, which may cause spoilage losses from the bags
Insurance	Transit insurance must be issued to protect any potential loss due to accidents, theft, fire, etc during transit

### Documentation

The FPO must maintain comprehensive records of procurement transactions. This must include a source of produce, variety, grade, quantity, date of procurement, the input used, etc. This documentation needs to be maintained throughout the supply chain journey until the product reaches the buyer. FPO can always trace the batch and identify the farmer/s with the defective batch in case of any rejection due to quality issues. Refer to the [template for procurement documentation](#) at the MPA aggregation point.

### Transaction Record and Payment to Farmers

**Module 8** explains the process of managing transactions and record keeping while procuring the produce from the farmers.

### Processing Business

Processing Business includes processes under which any raw product of agriculture, dairy, animal husbandry, meat, poultry, or fishing is transformed through a process (involving employees, power, machines, or money) in such a way that its original physical properties undergo a change. The transformed product has commercial value and is suitable for human and animal consumption.

It also includes the process of adding value to produce products through methods such as preservation, addition of food additives, drying, etc., with a view to preserving food substances effectively and enhancing their shelf life and quality.



Template for stock register



Procurement documentation



## Food processing industry in India can be segmented as follows

Figure 26



### Processing Model/Type of Processing

**Primary processing** is the conversion of raw materials to food commodities. Milling is an example of primary processing.

**Secondary processing** is the conversion of ingredients into edible products. It involves combining foods in a particular way to change their properties. Making flour from wheat is an example of secondary processing.

**Tertiary processing** involves refining or transforming raw materials or semi-finished goods

into final products ready for consumption or distribution. Unlike primary processing (basic cleaning, sorting, and initial processing) and secondary processing (intermediate processing such as cooking, cutting, or packaging), tertiary processing adds significant value to the product and often involves more complex manufacturing processes.



Table 21

Products	Primary Processing	Secondary Processing	Tertiary Processing
Fruits and vegetables	Cleaning, sorting and cutting	Slices, pulps and paste	Ketchups, jams, juices and pickles
Milk	Grading and refrigerating	Cottage cheese, cream simmered and dried milk	Processed milk, spreadable fats, yogurt
Meat and poultry	Sorting and refrigerating	Cut, fried, frozen and chilled	Ready to eat meals
Marine products	Chilling and freezing	Cut, fried, frozen and chilled	Ready to eat meals
Grain and seeds	Seeding and grading	Flour, malt and milling	Biscuits, noodles, flakes, cakes and savory
Beverages	Sorting, bleaching and grading	Leaf, dust, powder	Tea bags, flavoured coffee, soft drinks, alcoholic beverages

### Steps for Establishing a Processing Business-

Typically, an FPO initiates its operations with output sales, followed by input sales. It is recommended that these businesses be allowed to stabilize and generate profits for the FPO. Subsequently, the FPO may consider venturing into the processing business. However, establishing

a processing unit must be carefully evaluated based on several factors. These factors include market demand, the FPO's resources and financial capabilities, technical expertise to operate a processing business, and a thorough assessment of potential risks.

Figure 27





## Market Assessment

The market study needs to cover the demand for processed products in local markets and district centers and the demand at the national level across different states. Based on the processing FPO intends to involve, market assessment should constitute the following key elements:

- **Industry Drivers** - Demand drivers can be the health benefits of the products, the convenience of especially ready-to-eat products, and different forms of the products that are consumed in different markets. Example: Millets processing may be targeted at health conscious consumers.
- **Market Segmentation** - Target customers must be segregated based on geographical (Urban/Rural), Age (Children, Young Adults, Old), Gender, and Usage of products (Domestic usage or Industry usage for further processing). Example: Ready-to-eat products are targeted at urban customers. Usage of products - Processed Pulse may be used for home consumption or by industry for further processing to make snacks and other ready-to-eat products.
- **Demand Estimation** - Market Surveys, Studies of historical trends for similar products in the market, etc., can be undertaken to assess the Market potential for the products identified for processing.
- **Competitive Landscape** - Study the significant players in the market producing similar products. Their historic sales trends, product basket, and key features of the product offering are important to assess the market need for a new product. Also, understand the current/ past challenges faced by the other players in the market.

## Assessing FPO Readiness-

**Technical Expertise:** Ensure that the FPO has access to technical expertise or partnerships with professionals knowledgeable in food processing techniques, quality standards, regulatory compliance, and product development. This expertise is essential for ensuring the success and safety of the processing operations.

**Value addition potential-** Evaluate the potential value addition that processing can bring to the FPO's products. Processing can significantly increase the value of agricultural commodities by transforming them into higher-margin products with longer shelf life, enhanced quality, and greater market appeal.

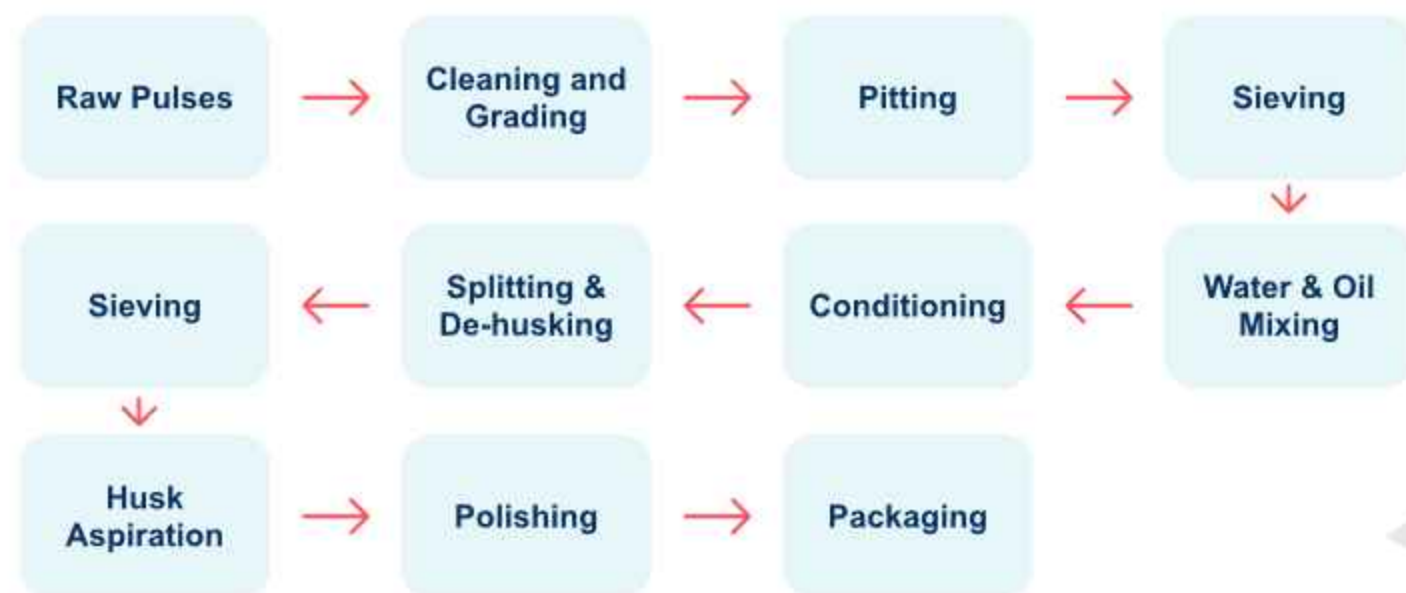
**Risk management:** Evaluate potential risks and challenges associated with starting a processing business, such as market volatility, regulatory compliance, quality control, supply chain disruptions, and competition.

## Infrastructure Set Up-

Here, an example of pulse processing unit setup is shared to understand the various stages of setting up the processing business post the initial planning exercise-

## Process Flow for a Pulse Processing Unit-

Figure 28





### Land and Land Development-

The processing unit needs to be set up in an ideal location free from water logging and with good road and other infrastructure facilities connectivity. A pulse mill requires a factory shed of approximately 1000 sq.mt. Therefore, sheds should be constructed to house machinery, utilities, and other miscellaneous fixed assets with a scope for future expansion. The land should have the load-bearing capacity to withstand the load.

### Building and Civil Works-

The shed should have proper ventilation, and windows should be provided with standard wire mesh to restrict insect entry. Assuming the construction cost is Rs. 6000 per sq. meter, the total construction cost for the built-up area is Rs.60.00 Lakh. Another 300 sq. meter area is required for the office, boundary wall, parking area, etc., for which Rs. 10.00 Lakh may be necessary to take care of miscellaneous civil work.

Table 22

### Plant and Machinery

Sr No.	Name of Machinery
1	Combined grain cleaner with motor
2	Modern mini pulse mill with screw press, roller machine, air blower, pneumatic arrangement & all other standard accessories but without the electric motor
3	Grain polisher machine complete set with blower and electric motor, including all the standard accessories
4	All required elevators & accessories set
5	15 H.P electric motor of 'CROMPTION' make, TEFC model, complete with starters and main switch
6	Platform digital weighing machine with weighing capacity upto 100kg, the complete set





**Miscellaneous Fixed Assets:** Miscellaneous fixed assets will cost approximately Rs. 5.00 Lakhs. This includes the cost of office furniture and other infrastructure, telephone installation, electrical infrastructure, etc.

**Preliminary Preoperative Expenses:** There will be different preoperative expenses, such as registration, establishment, traveling, market survey, administrative, interest during the construction period, trial run expenses, etc. Rs 17.00 Lakhs is required to pay these expenses.

**Contingency:** These charges are 2% of the project's cost, excluding the preoperative expenses.

**Margin Money for Working Capital:** Margin money for working capital is considered for one cycle in the project cost while calculating the project component.

**Procurement of Raw Material-** The primary operational cost is the purchase price of the raw materials. Since the units are processing different types of pulses, their cost/purchase price will be different. Apart from that, the price differs from time to time, depending upon the raw material availability. The price immediately after the harvesting is lower than that after a considerable time gap. Further, the units sometimes procure

pulses from outside their respective districts to make them available at a lower rate. The stock of local pulses may be sufficient for a certain period of processing activity, after which the units had to depend on the pulses from outside the district or the state. For example, the average purchase price of the pulses is estimated to be Rs. 50000/- per MT, even though the actual purchase price varies from Rs. 40000/- to Rs. 50000/-, depending on market demand. The raw materials account for around 90 percent of the cost of operation of the units.

#### Person Power Planning

There is a need for both skilled and unskilled workers to operate the processing unit, requiring technical, administrative, supervisory, and unskilled staff for handling and packaging.

**Unskilled Workers-**Ten labours are required for unskilled work like handling, packing etc. Wages per person per months Rs. 5000/-. This would be cost for Rs. 6.00 Lakhs per annum.

**Skilled Workers -** Technical and administrative tasks

Machine Operator, Storekeeper, Supervisor, Factory Manager etc. are skilled workers.

Figure 29



## Financial Planning

Financial Planning for setting up the processing unit involves understanding various elements related to cost and revenue estimation and long-term sales projections to arrive at the long-run

profitability and viability of the business. It will use costing, management accounting, and project evaluation methods such as discounted cash flows and internal rate of return (IRR). The Financial Planning steps are stated below.

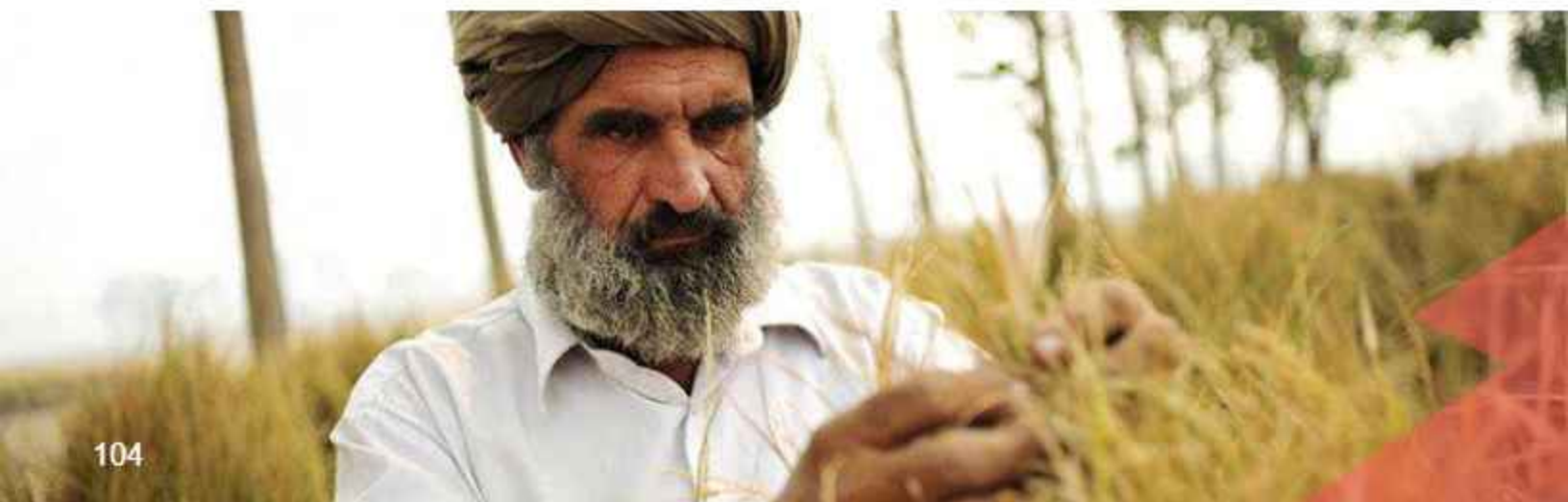
Figure 30



- Build a template to capture various cost components involved in processing business and compute the cost of products based on MHR, etc.
- Template to capture variable, fixed overheads, total cost, and contribution to compute breakeven point.
- Year wise projected revenue based on capacity of the unit established and expected price realization.
- Project Internal rate of Return and payback period based on the projected revenues and capital invested.
- Build the template to capture all required assumptions on price, demand, and expenses and project the revenues and monthly cash flow for the financial year.

**Product Costing** - Product costing involves assimilating various parameters related to the processes involved in the entire processing unit and arriving at the cost per unit of the final products and the cost per unit of output at the intermediate stages of the processing.

Input parameters required for the costing in processing unit- (sample from planning template)





Monthly Assumptions							
Description	Unit	Cost Type	Overhead Cost	Process 1	Process 2	Process 3	Process 4
Floor Area Occupied	Sq Ft			150	50	75	125
Cost of Machines	Rs			1000000	200000	300000	500000
Life of Machine	Years			10	10	10	10
Scrap Value %	%			5%	5%	5%	5%
Electricity Units by Ma	KW			20	20	10	10
Hourly processing cap	Kg			100	100	100	100
Hrs of operation/day	Hours			5	6	6	5
Number of production	Days			25	25	25	25
Labour Required	Count			2	2	2	2
Labour Daily Rate	Rs			300	300	300	300
Procurement price of	Rs/kg			55	0	0	0
Processing efficiency	%			80%	100%	100%	100%
By Product Sale Price	Rs/Kg			5	10	0	0
Raw Material Transpo	Rs			5000	0	0	0
Number of Trips for Ra	Count			2	0	0	0
By product 1	%			10%	15%	0%	0%
By product 2	%			0%	0%	0%	0%
Packaging Size	Kg			5	5	5	5
Rent of Premises per	Rs	Fixed	20000				
Supervisor Cost Per	MRs	Fixed	15000				
Other Support Staff -	Rs	Fixed	30000				
Power Cost	Rs	Variable	20000				
Water	Rs	Variable	2000				
Repairs and Maintana	Rs	Fixed	10000				
Marketing Cost	Rs	Fixed	7000	1000	1000	0	5000
Selling Price of Main	Rs		120				

Project Finance	
Description	Proportion
Equity and Grants	65%
Loan from Banks	35%
Interest - Long term	6%
Working Capital Finance	
Cash	65%
Working Capital finance from banks	35%
Interest - Short term	9%

Project Establishment Cost		
Sno.	Description	Amount
1	Land Development	1000000
2	Civil Works	2000000
3	Plant and Machinery	2000000
4	Miscellaneous Fixed Assets	500000
6	Preliminary and Pre-operative Expenses	500000

**Breakeven Analysis** - Breakeven analysis entails calculating and examining the margin of safety for an entity based on the revenues collected and associated costs. In other words, the study shows how many sales it takes to pay for the cost of doing business. Analyzing different price levels relating to various demand levels, the breakeven analysis determines what level of sales is necessary to cover the company's total fixed costs. A demand-side analysis would give a seller significant insight into selling capabilities. It will help determine the capacity at which the processing unit must operate to cover the fixed cost of production.

**IRR** - The internal rate of return (IRR) is a metric used in financial analysis to estimate the profitability of potential investments. IRR is a discount rate that makes the net present value (NPV) of all future cash flows equal to zero in a discounted cash flow analysis. The higher the internal rate of return, the more desirable an investment is. IRR is uniform for investments of varying types and, as such, can be used to rank multiple prospective investments or projects on a relatively even basis. In general, when comparing investment options with similar characteristics, the investment with the highest IRR would probably be considered the best.

Table 23

Breakeven Analysis based on monthly sales volumes and cost		
Description	Cost Type	Total Amount
Rent of premises per month	Fixed	20000
Supervisor cost per month	Fixed	15000
Other support staff - accountant, store keeper, security and cleaner	Fixed	30000
Power cost	Variable	20000
Water	Variable	2000
Repair and maintenance	Fixed	10000
Material cost	Variable	687500
Labour cost	Variable	60000
Raw material transportation cost	Variable	10000
Packaging costs	Variable	5100
Depreciation of fixed assets	Fixed	15833.33
Interest on project finance	Fixed	10500
Interest on working capital finance	Variable	2274.89
Marketing cost	Fixed	7000



Description	Unit	Amount
Total fixed cost	Rs	108333.33
Total variable cost	Rs	786874.83
Total output	Kg	10000
Variable cost per unit	Rs/Kg	78.69
Selling price per unit	Rs/Kg	120
Contribution	Rs/Kg	41.31
Breakeven point	Kg	2622.29

### Financial Analysis Tools

Financial Analysis Tools help determine the cost of the products in a processing unit going through multiple processes, the breakeven capacity of the processing unit, and Business viability through future cash flow projections. Two scenarios apply to processing units.

#### Setting up Processing Business with Own Processing Unit

The infrastructure required for processing business - Land and Buildings, Plant and Machinery is set up by FPC. Template for [financial analysis for processing business- own processing unit](#) can be downloaded, and the formulas are prefixed.

#### Setting up Processing Business with Outsourcing Processing

In this type of unit, FPC doesn't need to invest in Land and Buildings, plants, and Machinery, and the processing of raw material is done through a third-

party milling unit at a specific agreed cost per unit. FPC resources are focused on marketing and distribution of products to generate revenue. Download the [financial analysis for processing business- outsourced processing unit](#)

### Legal Requirement

To operate any processing business and sell it in the B2B or D2C market requires permission from the state government under the trade license and FSSAI license to sell any processed food item. To know the process of application and documentation requirements, refer to the process for trade license FSSAI license under [module 9](#).



Financial analysis for  
processing business-  
own processing unit



Financial analysis for  
processing business-  
third party unit



## MODULE 8

### Financial Management

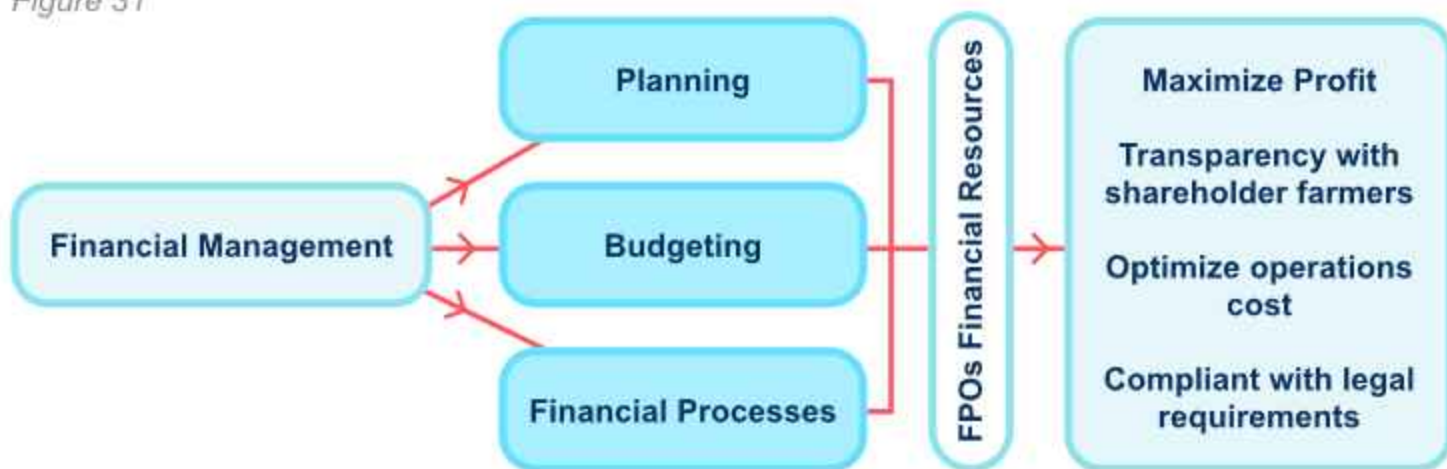


FPOs, being legal business entities, are required to submit a balance sheet (Form 23AC), profit and loss statement, and annual return to comply with the business's legal obligation. Furthermore, the operational performance of FPOs needs to be examined to ensure transparency and efficiency in FPO financial transactions and to understand the benefits that farmers have received as a result of their involvement.

Financial Management is a process that allows a business to plan, execute, and track. It provides data to support and make informed liquidity, cash flow, profitability, and more decisions. The scope of

Financial Management has two core aspects: : **Planning and Budgeting** -such as how much money company will need to keep positive cash flow, plan new revenue streams, allocate/ arrange budget to meet the cost, and second is **Financial Processes** - how to process and manage financial data- like invoices, payments, inventory, the benchmarks for any transactions, transparency and accuracy in transactions for a clean and consistent data. The processes also outline the decision makers in the business such as who will sign what and roles and responsibility of FPO CEO, Board and Accountant including CRPs/CSPs who are authorized for participating in financial processes.

Figure 31



**Module 4** of this toolkit covers the planning process, and this section will focus on the key process that guides FPOs in managing day-to-day financial processes at FPOs for smooth operations, reliable data to guide cash flow planning and forecasting, and timely reporting.

### Financial Processes of FPOs

In this document, the financial processes of FPOs are structured into two categories. The core operations, such as dealings with farmers, vendors, input and output sales, and compliance etc., are defined as Core Financial Processes. Additionally, there is a strong emphasis on thorough documentation and maintaining specific benchmarks for cash handling, categorized as General Processes.

#### Category 1. General Processes

It is an overarching financial process connected to all activities involved in core processes. The details of each category is outlined below

#### Category 2. Core Processes

It involves all the major business heads booked directly under the books of accounts. It includes rights from membership fees, sales, and others, as explained in the below illustration.

Figure 32

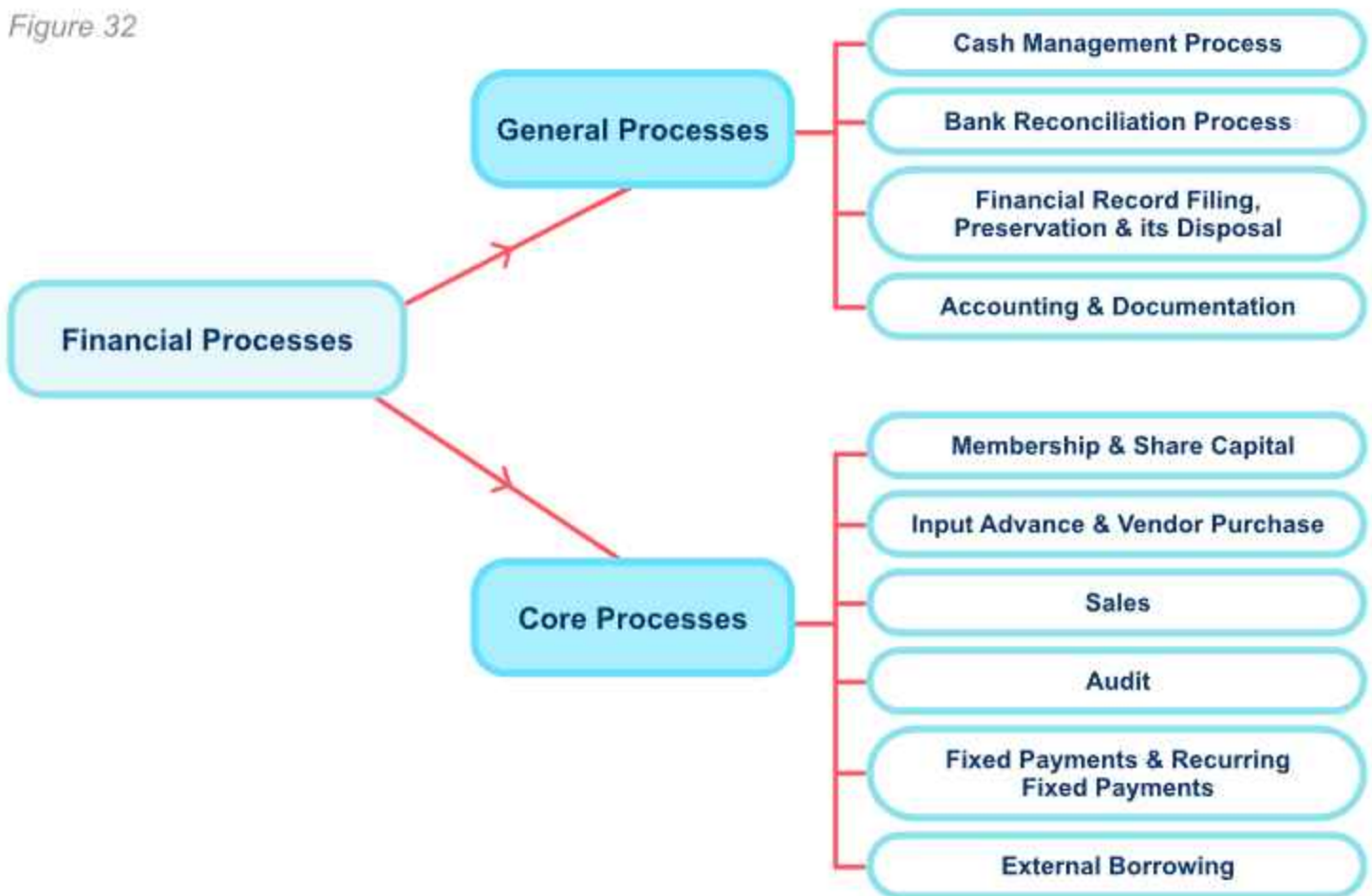


Figure 33

### General Processes



#### Cash Management

Cash management involves the collection, handling, and use of cash. It encompasses all activities aimed at efficiently managing cash inflow and outflow to ensure sufficient liquidity for the entity's needs. This process optimizes cash utilization to maximize both liquidity and profitability. To effectively control the collection, disbursement, and management of cash within the company, a well-defined cash management process

is essential. The procedures and techniques employed in cash management are designed to ensure the most economical and effective cash flow methods are used to finance FPO activities

The cash management process for FPOs involves four key processes; below are the detailed activities for each process:



## Cash Payments

Cash payments can be limited to petty cash expenses and up to a limit decided by the board. The maximum permitted cash transaction suggestive limit is INR 5,000.

- Payments over the permitted cash transaction limit to vendors/ consultants/ staff advances can be made by account payee cheque/ bank transfer.
- In exceptional cases, cash advances exceeding the permitted cash transaction limit or INR 5,000 can be provided to staff after obtaining documented prior approval from the BoD/CEO.
- The accountant shall ensure that a revenue stamp of INR 1 shall be affixed and crossed on all payment vouchers above INR 5,000.




## Cash Depositing Process

The cash depositing process with FPO is a common process across the 6 categories wherever the amount is received by the accountant/FPO. This cash depositing process is for small amounts received from buyers and farmers. Any transaction exceeding the permitted cash transaction limit will be made by cheque or bank transfer.

The steps involved in the cash depositing process are as follows:

Table 24

Policy	Process	Procedure	Timeline	Formats
<ul style="list-style-type: none"> <li>- Amount to be accepted only with the summary sheet for cash deposition and its supporting document</li> <li>- Payment collected must be submitted to the accountant within 7 days of collection.</li> <li>- CRP/CSP must be given the carbon copy of their summary sheet with the signature of the receiver.</li> </ul>	Summary sheet with amount received	<ul style="list-style-type: none"> <li>- Authorized person (CRP/ CSPs) must <b>weekly deposit</b> the collected amount either with the accountant or directly in the company's bank account.</li> <li>- In case, the amount is deposited in the bank then s/he must submit the deposit slip with the FPO within 7 days cycle.</li> <li>- In case it exceeds 7 days, Accountant shall communicate the delay from any Authorized person (CRP/CSPs) to CEO in writing.</li> <li>- Authorized person (CRP/ CSPs) should give the reason for it to the CEO in writing.</li> <li>- No summary sheet without supporting will be accepted.</li> </ul>	Day of weekly deposit (T)	<a href="#">Summary sheet for cash deposition</a> 

Policy	Process	Procedure	Timeline	Formats
- Amount above then the retention limit in the cash box must be immediately deposited in the bank account				
	Amount calculated and counter signature done, and carbon copy of the summary sheet provided to the CRP/CSP	<ul style="list-style-type: none"> <li>- If Accountant is absent, the CEO will collect the amount following the procedure.</li> <li>- In case of amount mismatch, CEO must be informed, and the amount brought will be received and new summary sheet will be prepared for the amount received.</li> <li>- In case, where details/ supporting of the money collected are missing then amount will be received and entry will be made in the name of the CRP/ CSP.</li> <li>- The matter will be escalated to the CEO. CEO will ask CRP/CSP to bring the details within 3 days.</li> <li>- If CRP/CSP doesn't bring the details within 3 days, then the matter will be escalated to the BODs.</li> <li>- BODs can ask the concerned CRP/CSPs to deposit the details by the upcoming weekly deposit day.</li> <li>- If s/he still doesn't bring the details within a week then a <b>memo</b> will be issued to him/her by BODs</li> </ul>	Complete form must be submitted within 3 days.	<a href="#">Escalation letter</a>   <a href="#">Warning CSP letter</a>   <a href="#">Warning employee letter</a> 



Policy	Process	Procedure	Timeline	Formats
- Amount above then the retention limit in the cash box must be immediately deposited in the bank account		<ul style="list-style-type: none"> <li>- If s/he delays further, then her/his engagement with FPO will be terminated and s/he will be blacklisted for 6 months.</li> <li>- Other CRP will be engaged to collect the required details of farmers with the help of FIGs and Board member of that cluster.</li> <li>- In case for any problem being reported for &gt;3 times in a month for one CRP/CSP then the CEO will give the concerned CRP/CSP a <b>warning letter</b> before escalating this behaviour to the management.</li> </ul>		
	Cash book updated, and money added to cash box. Cash box recalculated to check if the amount doesn't exceed the retention limit	<ul style="list-style-type: none"> <li>- Accountant to add the cash into cash box. Entire cash box will be calculated at the day end and that must update the same in the <b>cash book</b>.</li> <li>- CEO/BODs will fortnightly do the sudden and random verification using physical verification format and for that purpose <b>physical verification cash file</b> will be maintained</li> </ul>	<p>Accountant to collect the cash on the day of money collection.</p> <p>Fortnightly random physical verification by CEO/BODs</p>	<p><a href="#">Physical cash verification template</a></p> 
	In case amount exceeds the retention limit, excessive amount will be deposited in the bank account with no delay either on the same or next working day.	- If the cash in the cash box exceeds the retention limit (refer cash mgmt. policy), the accountant will prepare the entry in the <b>bank book</b> to deposit it in the bank account.	By the end of the day money collected or the next working day	

- The CEO will be updated by the accountant of the cash being taken out of the office to deposit it in the FPO's bank account.
- Counter slip received and added in the **bank deposit receipt file**.
- Random verification will be done by BODs/ CEOs as and when possible.

### Cash Payments

- The daily cash withholding limit must be decided. It can be limited to INR 20,000.
- Cash balance held more than the cash withholding limit should be justified, documented, and subsequently approved by the BoDs.
- Request for cash replenishment may be initiated by the accountant when the balance of cash in hand is reduced to 25% of the cash withholding limit.
- The accountant shall keep cash boxes in the office under lock and key.
- The duplicate cash box key shall be kept with the BoD/CEO.
- Adequate (depending upon the turnover in the last financial year) insurance coverage (cash-in-transit and cash-in-safe) shall be obtained for the maximum amount of cash as stipulated under "cash withholding limit," and care should be taken to ensure that cash balances after office hours at any single day do not exceed the amount insured.

### Cash Reconciliation

- At the end of each working day, the designated Assistant shall physically count the cash in hand in cash boxes and reconcile it with its manual cash books.
- Physical cash shall be verified by the BoD/CEO periodically at least once a month, and it shall be ensured that it is reconciled with the balance in the manual cash book and the cash book in software, mentioning the currency denomination. The results of the physical cash verification shall be documented, and any discrepancy shall be reconciled before the close of the day.

### Bank Reconciliation Process

A bank reconciliation process involves comparing a company's business sales and expenses records against its bank's records. This verifies the accounting numbers, ensuring the balance on its books reflects those shown on its bank statement.

### What is Bank Reconciliation Statement (BRS)?

A bank reconciliation statement (BRS) is a report or statement prepared by the business to match the bank transactions recorded in the books of accounts with the bank statement.

- The bank reconciliation is an internal control process that helps prevent and detect fraud and identify errors that can affect business tax and financial reporting.

### Why BRS is prepared?

- Cheques were issued but not cleared by the bank.
- Difference in cheque deposited and cheque credited date.
- The date of the cheque issued for payment, and the debited date are different.
- Cheques issued or received are not presented to the bank for clearing.
- Bank interests, charges, etc., are not accounted for. The reason is that it is not known till you reconcile.
- Banks can also make mistakes when debiting or crediting transactions. Just like banks, accountants can make mistakes in accounting for bank transactions in books of accounts.



### When to prepare a BRS?

FPOs must prepare their BRS on a *monthly basis*

### What is required to prepare a BRS?

- Bank Book: All transactions related to the receipt of money in the Bank and payments made through the bank are recorded in the bank book. Its format is similar to that of a cash book.
- Updated passbook.

### Point to Remember:

The Bank Reconciliation Statement should not include any transactions that have not been recorded in the FPO's books. For example, any interest credited or bank charges levied by the bank that have not been accounted for by the FPO should be recorded in the FPO's books before preparing the BRS instead of being allowed to appear in it.

Figure 34.

### Bank Reconciliation Steps

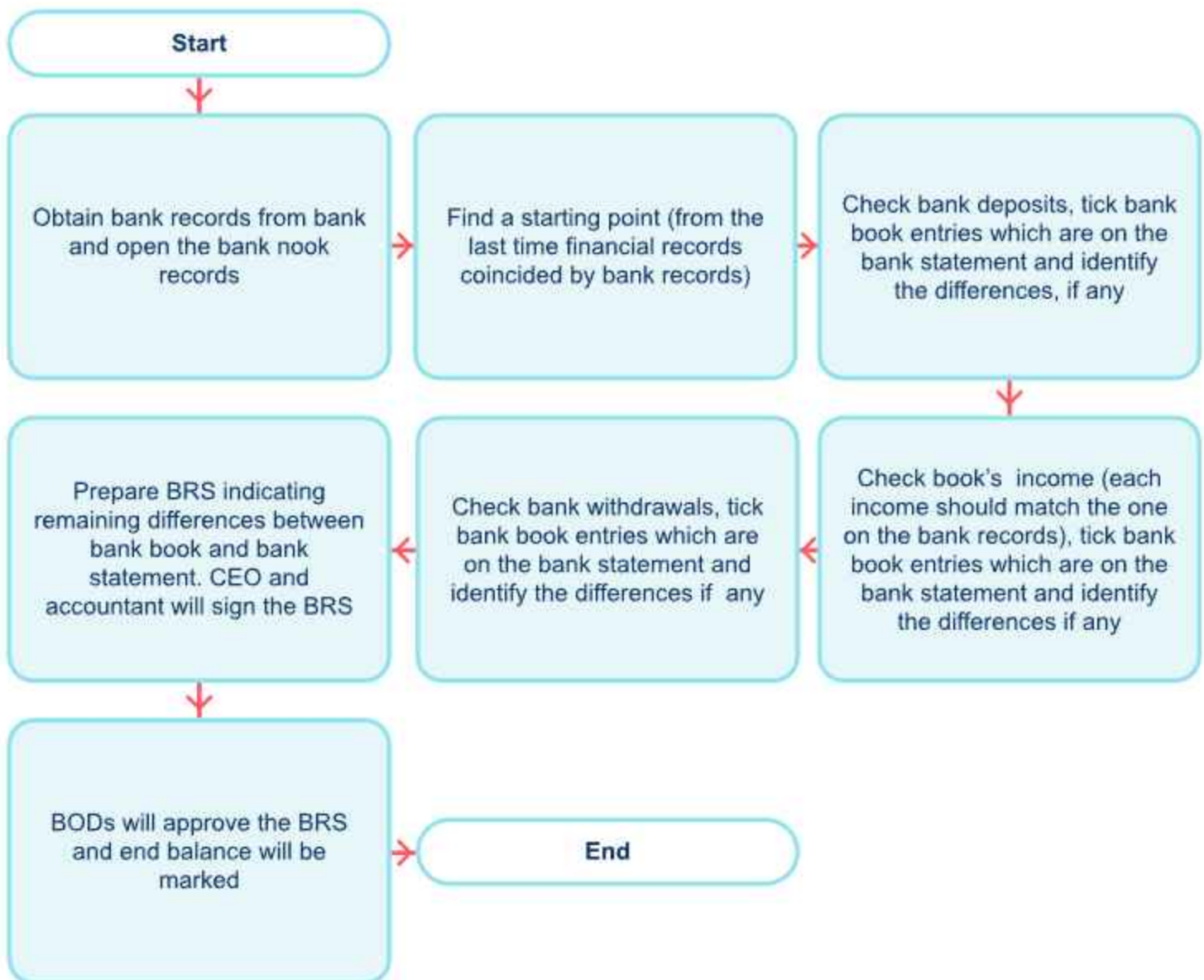


Table 25

Policy	Process	Procedure	Timeline	Format
BRS must be done on monthly basis	Obtain bank records from bank and open the bank book records.	<ul style="list-style-type: none"> <li>Bank statements must be obtained at the end of each month preferably 1st or 2nd day of next month.</li> <li>BRS must be done an accountant on monthly basis</li> </ul>	1st or 2nd day of the next month	
	Find a starting point (from the last time financial records coincided by bank records)	<ul style="list-style-type: none"> <li>Begin the reconciliation from the last time the financial records were coinciding with the bank account balance.</li> </ul>	On last working day of each month	
	Check Bank deposits, tick bank book entries which are on the bank statement and identify the differences, if any.	<ul style="list-style-type: none"> <li>Running through bank deposits to ensure all appears as income in the account.</li> <li>If any deposits are missing, then it shall be entered directly as interest, refund, sale, etc. for a matter of convenience.</li> </ul>	On last working day of each month	
	Check book's income (each income should match the one on the bank records), tick bank book entries which are on the bank statement and identify the differences if any.	<ul style="list-style-type: none"> <li>Running through income to ensure all income appears in the account.</li> <li>Any missing figures should be added immediately like payments that might have bounced or buyer may have failed to credit in the FPO's account.</li> </ul>	On last working day of each month	



Policy	Process	Procedure	Timeline	Format
	Check Bank withdrawals, tick bank book entries which are on the bank statement and identify the differences if any. Prepare BRS. CEO and Accountant will sign the BRS. BODs will approve the BRS, and End balance will be marked.	<ul style="list-style-type: none"> <li>Record all bank withdrawals in bank book including bank fees which is yet to be accounted for</li> <li>Examine both the bank statement and bank book to ensure all entries must match.</li> <li>Any discrepancies should be cored either by addition or subtraction of the error amount.</li> <li>Crosschecks the expenses in your bank book, match and clear them.</li> <li>In case balance doesn't reconcile, recheck all the entries and an old, reconciled statement. If problem persists, then take help from you Internal Auditor.</li> </ul>	On last working day of each month	

### Financial Record Filing, Preservation, and its Disposal

Financial record keeping and preservation is the process of filing all the documents in an organized manner to have easy access to them as and when required and to preserve them from the statutory standpoints.

All the files/registers/documents shall be named in a common format to clarify its maintenance. The format will be:

FPO Name's acronym/Financial Year/Category acronym/ Sub-Category/File Name/1

FPO Name's acronym /Financial Year/Category acronym/ Sub-Category/File Name /2

The list will move on similarly.

If the file/register for the same category needs to be changed due to no available page in it, then it must be named in the following manner:

FPO Name's acronym/Financial Year/Category acronym/ Sub-Category/ Register or File/1.1

Table 26

Period of Preservation of Statutory Registers/Records		
Sr No.	Register/Record	Register/Record
1	Register and index of members	Permanent
2	Books of accounts and vouchers	8 years
3	Register of deposits	8 years from the year of last entry
4	Annual return and certificate annexed thereto	8 years from the date of last Filing with ROC
5	Any other statutory register/record	8 years

### Disposal of the Records:

Document destruction after the preservation period shall be done under the guidance, authority, and directions of a committee consisting preferably of the Company Secretary and other members as nominated by the board.

A list of the documents to be destroyed will be prepared and duly signed by the Disposal Committee. After disposal, the list of records with a statement of destruction will be presented to the Board members.

### Accounting and Documentation

#### Trial Balance

It is a bookkeeping worksheet compiled for internal use. On it, one lists all the general ledger accounts

along with their closing balances. The balance of every ledger is combined into credit and debit account column totals that are always equal.

- Trial balances must be prepared monthly to ensure minimal financial errors, assess profit, and assist the company's internal auditing process.
- Accounts and ledgers are to be closed monthly.
- The trial balance must be printed from the tally and added to the Trial Balance file after preparation.
- If a trial balance is not tallied, then the debit and credit balances must be rechecked.





Figure 35

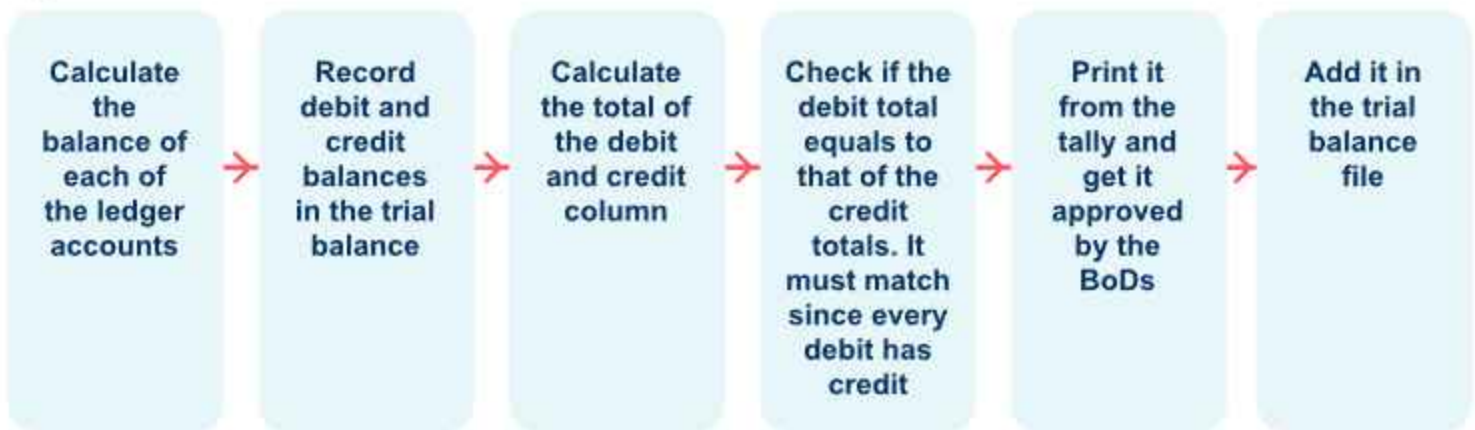


Table 27

Debit	Credit
All Assets (cash in hand, cash at bank, inventory, land and building, plant and machinery etc.)	All liabilities (bank overdraft, secured and unsecured loans, bills payable, outstanding payables or expenses, loan on mortgage etc.)
Sundry debtors	Sundry creditors
Expenses (carriage inward, freight, rents, rebates and rates, salary, commission etc.)	Reserve fund, general reserve, provision for depreciation, accumulated depreciation, etc.,
Purchases	Sales
Losses (depreciation, return inwards, profit and loss account (dr.), bad debts etc.)	Gains (discount received, return outward, bad debts, recovered, profit and loss a/c (cr) etc.)

### Profit and Loss Account

The profit and loss (P&L) statement is a financial statement that summarizes the revenues, costs, and expenses incurred during a specified period.

Profit & loss statement/account is prepared for two main reasons.

- To know the profits/losses earned/incurred by a business,
- Statutory requirements (Companies Act, Partnership Act, or any other law)

P&L account consists of two components:

### Trading Account:

- It is a statement showing revenue, cost of goods sold, and gross profit or gross loss incurred by any business entity, thereby measuring the overall performance or efficiency of the business during a particular period.
- It is generally T-shaped, including columns of Debit and credit, and its components are as follows:

Table 28

Debit	Credit
Opening Stock	
Purchases	Sales Revenue
Direct Expenses	Closing Stock
Gross Profit	Gross Loss

#### P&L Account Statement:

The P&L statement is prepared post-trading account preparation to arrive at the net profit or net loss of the business, giving insight into its ability to generate profits by showing the sales earned and expenses managed.

The following are the documents required for preparing the P&L statement:

- Details of banking transactions
- Details of cash transactions
- List all sources of incomes

#### Process to Prepare P&L Statement:

Certain statements must be prepared before preparing P&L statement:

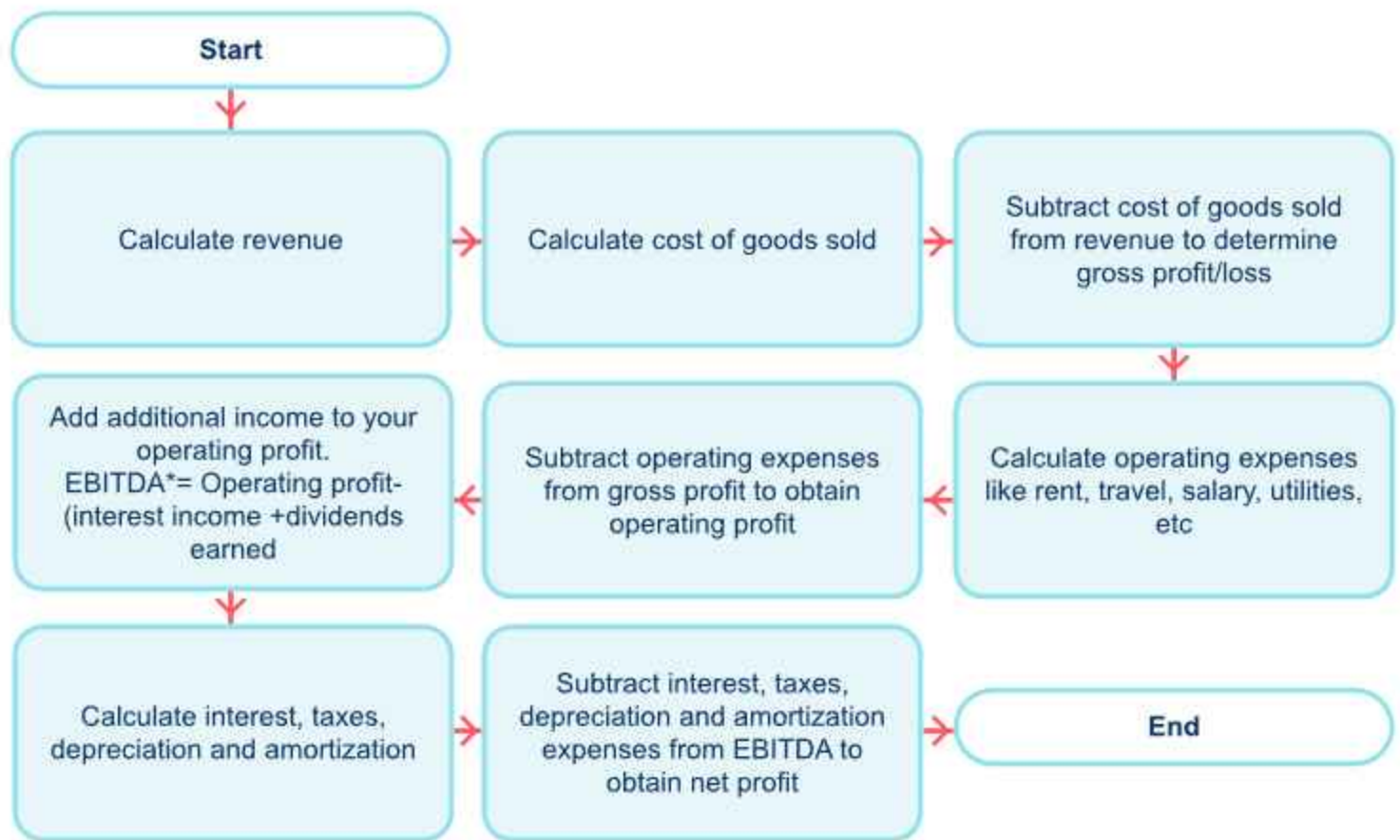
Figure 36





Here is the step-by-step process to prepare P&L statement:

Figure 37



\*EBITDA- Earnings Before Interest, Taxes, Depreciation and Amortization



**ABC Ltd.**  
**Trading and Profit & Loss Account**  
**For a Period Ending Oct.-Dec. 2018**

Particulars	Amount	Particulars	Amount
To Opening Stock	Xxx	By Sales	xxx
To Purchases	Xxx	By Closing Stock	xxx
To Direct Expenses	Xxx		
To Gross Profit	Xxx		
	Xxx		xxx
To Operating Expenses	Xxx	By Gross Profit	xxx
To Operating Profit	Xxx		
	Xxx		xxx
To Non-operating expenses	Xxx	By Operating Profit	xxx
To Exceptional Items	Xxx	By Other Income	xxx
To Finance Cost	Xxx		
To Depreciation	Xxx		
To Net Profit Before Tax	Xxx		
	Xxx		xxx

### Balance Sheet

A balance sheet is an important part of financial statements that indicates an entity's financial position at a given point in time.

### Importance of Balance Sheet:

- Through comparing different year balance sheets, the growth of an entity can be analyzed.
- The balance sheet is a key document that must be submitted to the bank to process a business loan.

- The position and liquidity of an entity can be easily diagnosed with the help of a balance sheet.
- The balance sheet of an entity helps the owner to undertake necessary actions such as the expansion of an entity or a project.



Here is the process to prepare the balance sheet:

Figure 38



#### What if Balance Sheet Doesn't Match?

The balance sheet should always match. The asset should always match the liability column. But in case it doesn't match, then one needs to check for the following:

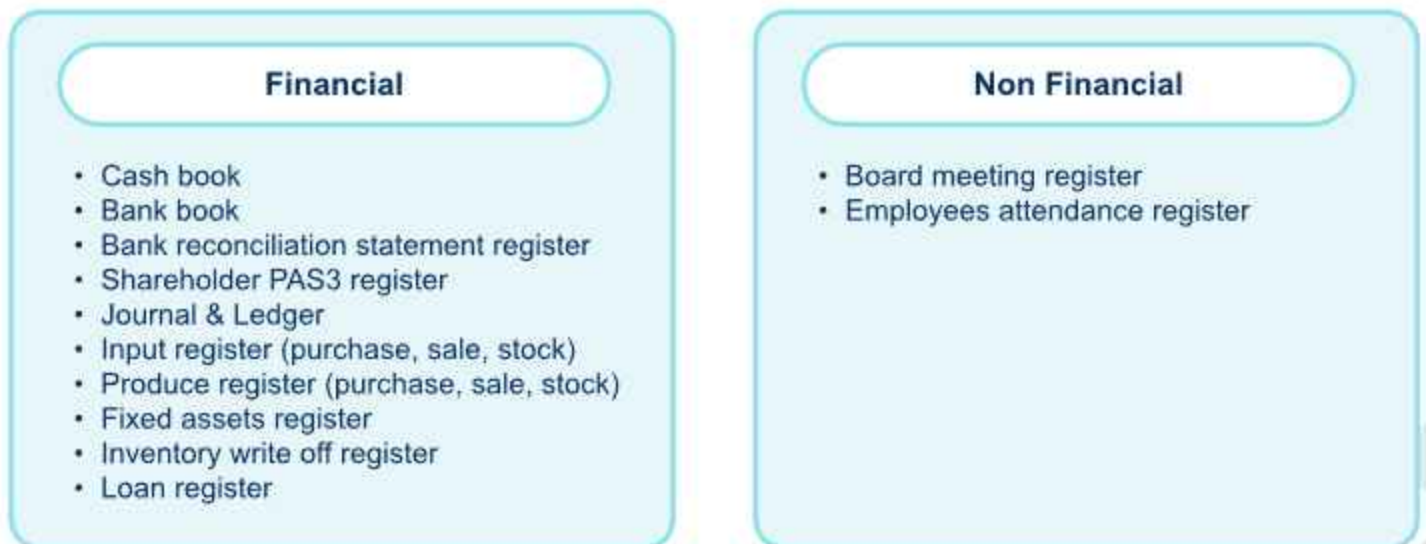
- Incomplete or misplaced data
- Incorrect transactions
- Inventory calculation error.
- Miscalculated equity
- Error in depreciation or amortization calculation.

Being a legal business entity, all the FPOs must maintain certain books of accounts to meet legal compliance requirements. Some records are financial, while others are important from a legal standpoint.

The FPOs should maintain the following books of records to ensure their sanity and sustainability. The chapters ahead explain how to utilize the documents/ records.

#### Books of Accounts and Records to be Maintained by FPOs.

Figure 39



### Account Heads to be Maintained

The accountants in most of the FPOs struggle with entries to be made for any transaction in the tally, and this happens due to varied commodities being dealt with by the company. To assist them in their

entries and simplify their work, below is the list of transactions showcasing what kind of ledger needs to be opened for which group and then how those groups will be recognized:

Table 29

Sr No.	Primary Group	Group	Ledger
1	Capital Accounts	Share Capital (Issued, Subscribed and Paid Up)	Ledger should be open in the name of Members with add "SC"
2	Capital Accounts	Share Application Money Received	Ledger should be open in the name of Members with add "SA"
3	Capital Accounts	Reserve & Surplus	General Reserve
4	Reserve & Surplus	Depreciation Reserve	Land & Buildings(L) Plant & Machinery(L) Furniture & Fixtures(L) Computer & Printer(L) Office Equipment(L) Software(L)
5	Current Liabilities	Sundry Creditors	Ledger should be open in the name of Vendors
6	Current Liabilities	Loans (Liability)	Ledger should be open in the name of person/Institute
7	Current Liabilities	Expenses Payable	Salary Payable GST Payable Income Tax Payable TDS Payable PF Payable Provisions
8	Current Liabilities	Advance Grant Received	Ledger should be open in the name of Donor
9	Current Liabilities	Duties & Taxes	Tax on Salary Tax on Services Tax on Consultant Tax on Rent



Sr No.	Primary Group	Group	Ledger
10	Current Liabilities	Bank OD A/c	Ledger Open in the name of Bank Account Number
11	Fixed Assets	Fixed Assets	Land & Buildings(A) Plant & Machinery(A) Furniture & Fixtures(A) Computer & Printer(A) Office Equipment(A) Software(A)
12	Investments	Investments	Ledger should be open in the name of Type of Investment
13	Current Assets	Cash in Hand	Cash
14	Current Assets	Bank Accounts	Saving Bank Accounts Current Accounts
15	Current Assets	Deposit	Fixed Deposit Deposits
16	Current Assets	Pre-paid	Ledger should be open in the name of type of pre-paid
17	Current Assets	Stock In Hand	Item Wise
18	Loans & Advances	Sundry Debtors	Ledger should be open in the name of Vendors
19	Loans & Advances	Staff Advance	Ledger should be open in the name of Staff with add "SA"
20	Loans & Advances	Others Advance	Ledger should be open in the name of person
21	Loans & Advances	Loan (Staff/Members)	Ledger should be open in the name of person
22	Loans & Advances	Suspense	Suspense
23	Direct Income	Direct Income	
24	Sale Account	Sale Account	Sale (GST Free) Sale (5%) Sale (12%) Sale (18%)

Sr No.	Primary Group	Group	Ledger
25	Indirect Income	Contribution	Donations Ledger should be open in the name of Donor
26	Indirect Income	Interest	Interest - Saving Deposits Interest - Fixed Deposit Interest - Others
27	Indirect Income	Indirect Income	Membership Fee
28	Indirect Income	Sundry Income	Sundry Income
29	Purchase Accounts	Purchase Accounts	Purchase (GST Free) Purchase (5%) Purchase (12%) Purchase (18%)
30	Direct Expenses	Direct Expenses	Wages/Honorarium Freight/Transportation Charges Rent/Electricity (Godown, Factory)
31	Indirect Expenses	Salary	Ledger should be open in the name of Staff with add "SAL"
32	Indirect Expenses	Consultancy Charges	Ledger should be open in the name of consultant
33	Indirect Expenses	Travel	Travel Expense Local Conveyance
34	Indirect Expenses	Overhead	Printing and Stationery Books and Audio-Visual Expenses Postage and Telephones Rent, Water and Electricity Repair And Maintenance Insurance Sundry Expenses Bank Charges Registration Cost Auditors Remuneration



Sr No.	Primary Group	Group	Ledger
35	Indirect Expenses	Depreciation	Land & Buildings (E) Plant & Machinery (E) Furniture & Fixtures (E) Computer & Printer (E) Office Equipment (E) Software (E)
36	Indirect Income	Written Off	Stock Advance

### Core Category

Figure 40



### Membership Fee and Share Capital

The membership fee is a one-time, non-refundable fee paid by farmers to register as members or shareholders of the company.

Position of members/shareholders in the company:

- Only primary producers or producer organizations can become members of a producer company.
- Membership is acquired by purchase of a minimum of one share, and the maximum can be 2000 in a Producer Company and 1/10th in Cooperative registered FPOs.
- A Producer Company can act only through its members.
- Members create the company and can also wind up the company.

- Members act through their General Meetings

Share Capital is the amount of money that the company's farmers have invested in the company, represented in the form of shares.

Benefits of becoming a member/shareholder of the company

- Quality input at comparatively discounted rate
- Easy access to market
- Profit sharing.
- Knowledge enhancement

*Policy:*

Table 30

1	Forms and share money collection	<ul style="list-style-type: none"><li>• Only the prescribed format with the serial number to be used.</li><li>• Forms and money receipt must be issued to the authorized person (CRP/CSPs)</li><li>• Only authorized persons can collect the form and money.</li><li>• Payment must be submitted to the accountant within 7 days of collection.</li><li>• Farmers must be given immediate Money Receipt</li><li>• No share money in part to be collected.</li><li>• Loss of money receipt page or booklet must be immediately reported in the office</li></ul>
2	Mandatory Documents to be collected from farmers	<ul style="list-style-type: none"><li>• KYC (Aadhar) and the first page of bank passbook must be collected from each willing farmer.</li><li>• In case, beneficiary does not have Aadhar then her voter id and the first page of bank passbook will be collected</li></ul>
3	Documentation	<ul style="list-style-type: none"><li>• Only complete and correct forms with KYC shall be accepted by the accountant.</li><li>• In case of anyone bringing share money with the incomplete forms &amp; KYC, money will be collected and deposited in FPO office as an advance to the person bringing it until s/he submits the complete form within 7 days from then.</li><li>• PAS-3 is the return of allotment to be filed with RoC once the allotment of shares is made. Certified true copy of board resolution and a list of allottees must be attached with PAS-3 application. PAS3 shall be done within 45 days of allotment of shares.</li><li>• PAS3 shall be done in every quarter between 20-25th of every third month i.e., June, Sep, December.</li><li>• 15th February shall be the last date to accept share money and Pas3 for the last quarter will be done by 15th March.</li><li>• Only accountant will be allowed to collect money from the authorized person (CRP/CSPs). If Accountant is absent, the CEO can collect the amount following the procedure.</li><li>• Shareholders register and application must be maintained as per the statutory compliances</li></ul>



The steps for collecting and maintaining the

membership fee and share capital are as follows

Figure 41

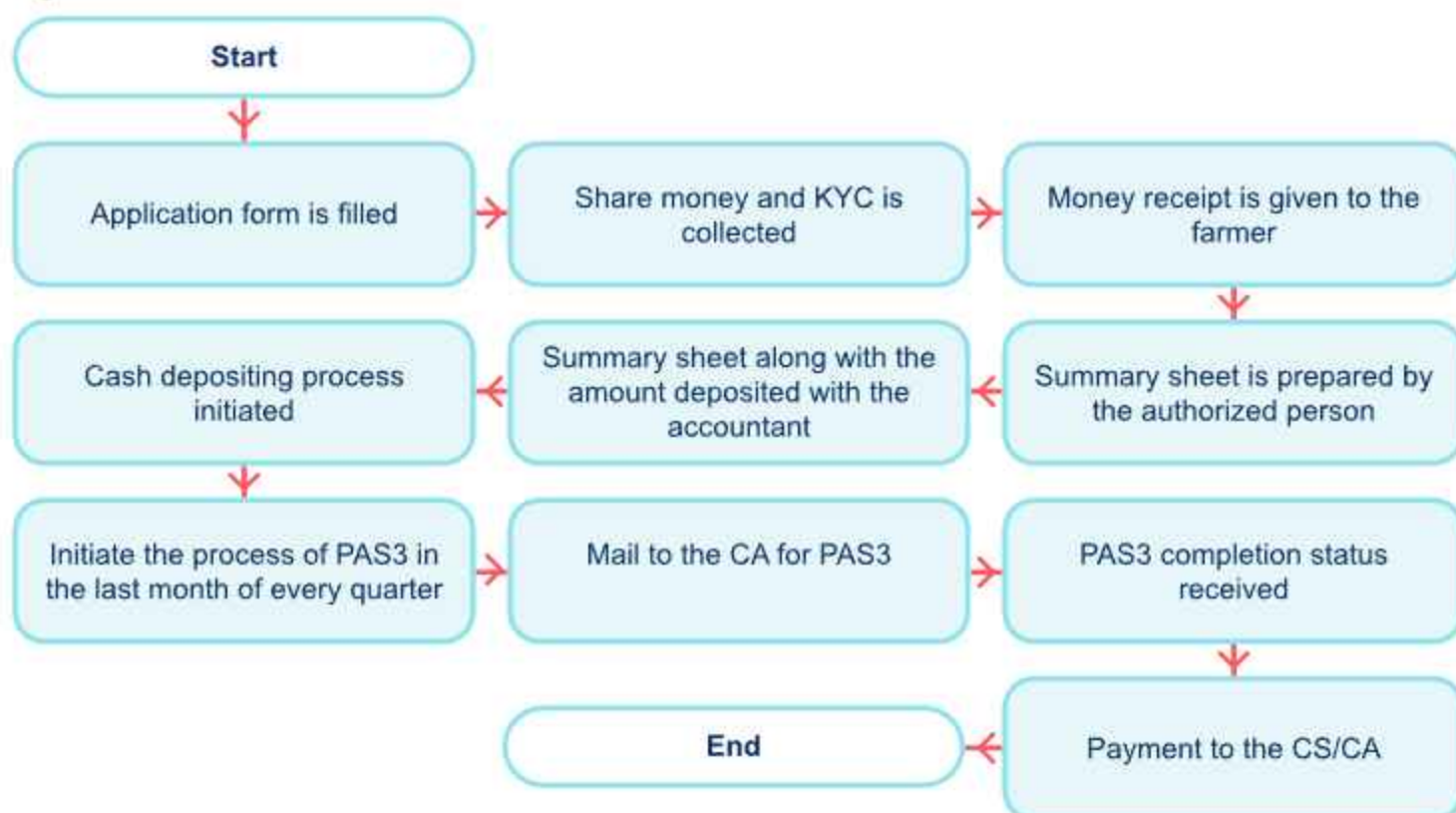






Table 31

Policy	Process	Procedure	Timeline	Format
<p>Only complete and correct forms with KYC shall be accepted by the accountant.</p> <p>Only the prescribed form with the serial number to be used.</p> <p>Only authorised persons can collect the form and money.</p>	Application form filled	<ul style="list-style-type: none"> <li>• Training to CRP/CSPs on policy, formats, and important things to remember under the category.</li> <li>• BODs will quarterly authorize the person in writing to collect and deposit money on behalf of the company.</li> <li>• The prescribed format with serial number and money receipt to be issued to authorized person (CRP/CSPs) and recorded in issue register.</li> <li>• Form filled of the willing farmers with all the details required.</li> </ul>		<p><a href="#">Share application form</a></p> 

Payment must be submitted to the accountant within 7 days of collection.	Share money and KYC collected	<ul style="list-style-type: none"> <li>Signature/Left Thumb Impression of farmers taken on their application form.</li> <li>KYC must be collected for every willing farmer.</li> </ul>		
Farmers must be given immediate Money Receipt	Money Receipt given to the farmer	<ul style="list-style-type: none"> <li>Money Receipt must be duly signed by the authorized person based on the authorization letter by the board</li> </ul>	<a href="#">Authorization letter</a> 	
No share money in part to be collected	Summary sheet prepared by the authorized person and initiation of Cash depositing process with FPO.	<ul style="list-style-type: none"> <li>Format for Summary sheet is attached herewith</li> </ul>		
PAS3 shall be done in every quarter between 20-25th of every third month i.e., June, Sep, December.	Initiate the process of Pas 3 in the last month of every quarter.	<ul style="list-style-type: none"> <li>In case of FPOs registered under Company's Act, the accountant will prepare and provide the list of allottee to the CEO.</li> <li>CEO will get it approved and passed in board meeting to forward it further for PAS3 process</li> </ul>	<a href="#">Template for recording list of allottee</a> 	
15th February shall be the last date to accept share money and Pas3 for the last quarter will be done by 15th March.	Mail to CA for PAS3 and PAS3 completion status received.	<ul style="list-style-type: none"> <li>Post approval from the BODs, CEO will be responsible to email the list and letter for PAS3 to CA</li> <li>PAS3 must be done in every quarter between 20-25th of every third month i.e., June, Sep, December.</li> <li>15th February shall be the last date to accept share money and Pas3 for the last quarter will be done by 15th March.</li> <li>PAS3 shall be done within 45 days of allotment of shares</li> </ul>	<a href="#">Share certificate</a> 	
PAS3 shall be done within 45 days of allotment of shares.				
Shareholders register and application must be maintained as per the statutory compliances.	Payment to CS/CA	<ul style="list-style-type: none"> <li>Bill received from CA for PAS3</li> <li>CEO to get it approved by the board members.</li> <li>Cheque prepared to be deposited by the accountant in the CA's account.</li> <li>Cheque book updated.</li> <li>Bank book updated</li> </ul>		



## Equity Grant

The Equity Grant Fund (EGF) Scheme intends to support Farmer-Producer Companies (FPC) by providing an amount equivalent to the equity contribution made by the members of the FPCs. The scheme will be addressed by the SFAC, which affords a maximum amount of Rs. 10 lakhs per FPO

in two payments. The emerging FPC capital should not be above Rs. 30 lakhs on the scheme's application date.

Below are the eligibility criteria and documents required for any FPO to apply for an Equity Grant:

Figure 42

### Eligibility

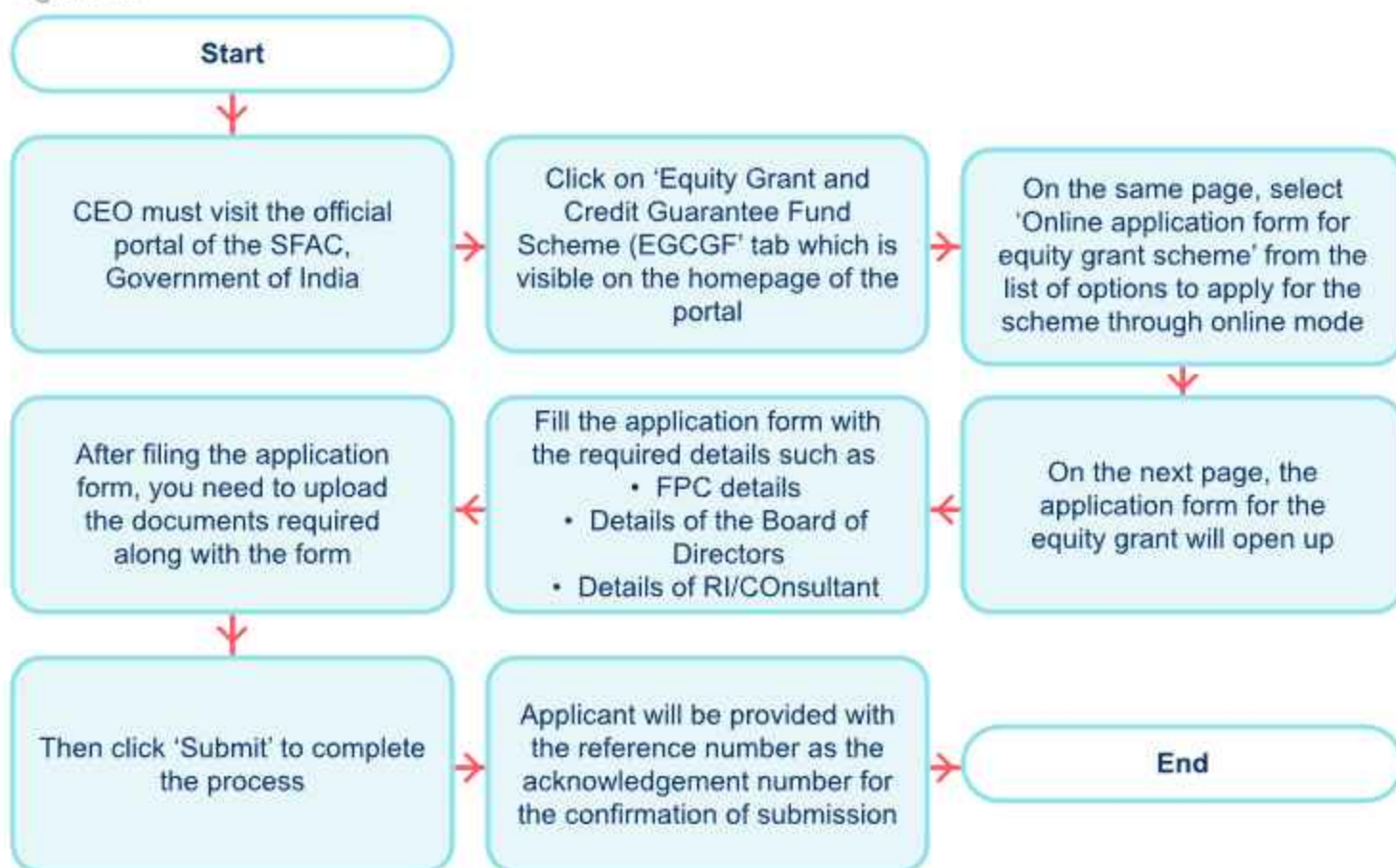
- The FPC should be duly registered under the Indian Companies Act, 1956
- The FPC should have raised equity from its members as per association/ bylaws
- The FPC should contain the number of individual shareholders not less than 50 shareholders
- The paid up equity does not exceed Rs 30 lakh
- The FPC should contain at least 33% of its shareholders such as small, marginal and landless tenant farmers as specified by the Agriculture Census carried out periodically by the Ministry of Agriculture, GOI
- The maximum shareholding of an institutional member should not be more than 10% of the total equity of the FPC
- The FPC should have a duly constituted Management Committee responsible for the business of the FPC
- The FPC should have a business plan and budget for the next 18 months which is based on a revenue model as determined by the Implementing Agency
- The FPC should have an account with a 'Scheduled Bank'
- The FPC should hold a Statement of Accounts audited by a Chartered Accountant (CA) for at least one full financial year

### Documents Required

- The specified documents for applying for this scheme are mentioned below
- Application form of duly signed by two Board Members/Authorized Representative of FPC and proposed computation of allotment of shares out of the Equity Grant to be enclosed
- Resolution of the FPC Board or Governing Council to obtain Equity Grant and transfer of shares (issued against the Equity Grant) in case of the exit of any shareholder from the FPC to be enclosed Download the sample of board resolution here
- The resolution to be approved in the next AGM of the FPC may be submitted in the lines of Annexure III
- Resolution for appointment of Chief Executive Officer of Company
- Audited financial statements for the last financial year
- Copy of the bank statement for the last six months, duly authenticated by the Branch Manager of the bank
- KYC documents of only those Representatives/Directors authorized by the Board of FPC for executing and signing documents with the SFAC
- Certificate of incorporation/ commencement of business, Memorandum of Association/Articles of Association
- The business plan for 18 months

## Online Application Process

Figure 43



## Offline Application Process

Figure 44





## Input Advance and Vendor Purchase

Figure 45

### What are Farm Based Inputs?

- Farm inputs are any external sources like seeds, fertilizers, equipment etc to enhance the farmer's yield
- Farmers are registered as a member/ shareholder of the FPO get the facilities of good quality inputs at a discounted price delivered to their doorsteps

### What is a Vendor?

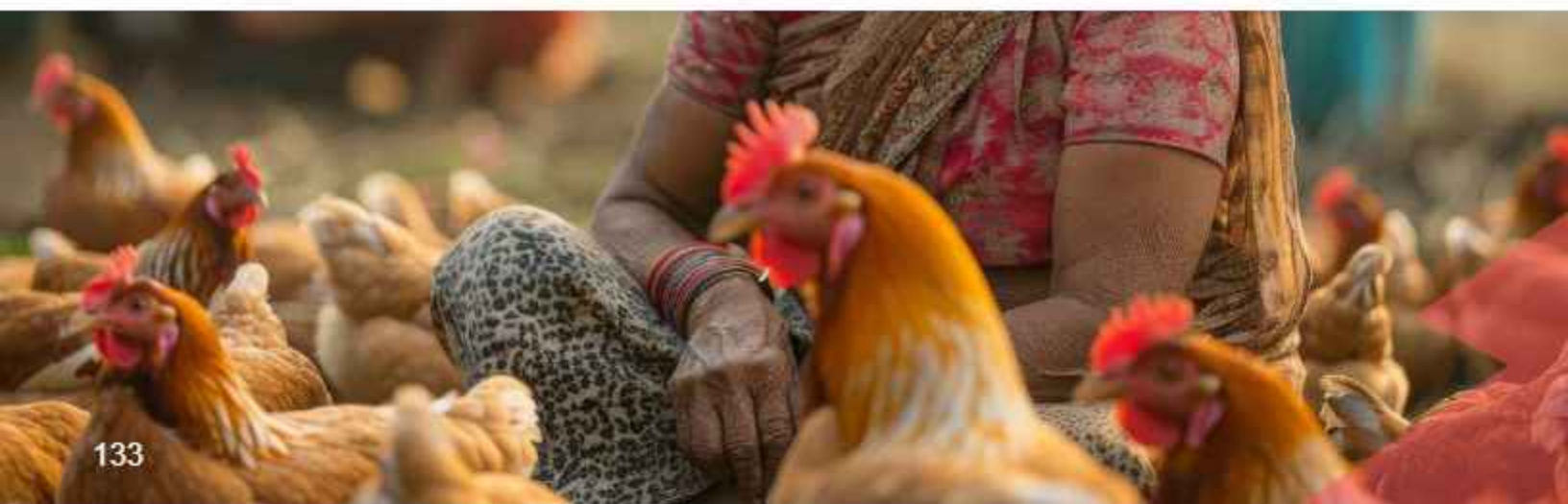
- Vendor is the registered authentic supplier of goods/inputs required by the FPOs
- Vendors can be anyone producing or just selling goods/inputs

### What is an Input Advance?

- Input advance is the certain percentage of total amount of the required input collected from willing farmers/members/ shareholders by the FPOs for providing them with their required inputs at a discounted price
- Input advance is collected at the time of indent preparation to have the assurance from the farmers/members/ shareholders that they will not deny taking the goods later.

### Who can become a Vendor to the FPO?

- Anyone registered with the government
- Registered under the GST Act
- Available to provide authentic products required by the FPOs
- Anyone willing to take payment thorough cheque or online
- Non shareholders



## Purchase and Sales Committee

Figure 46

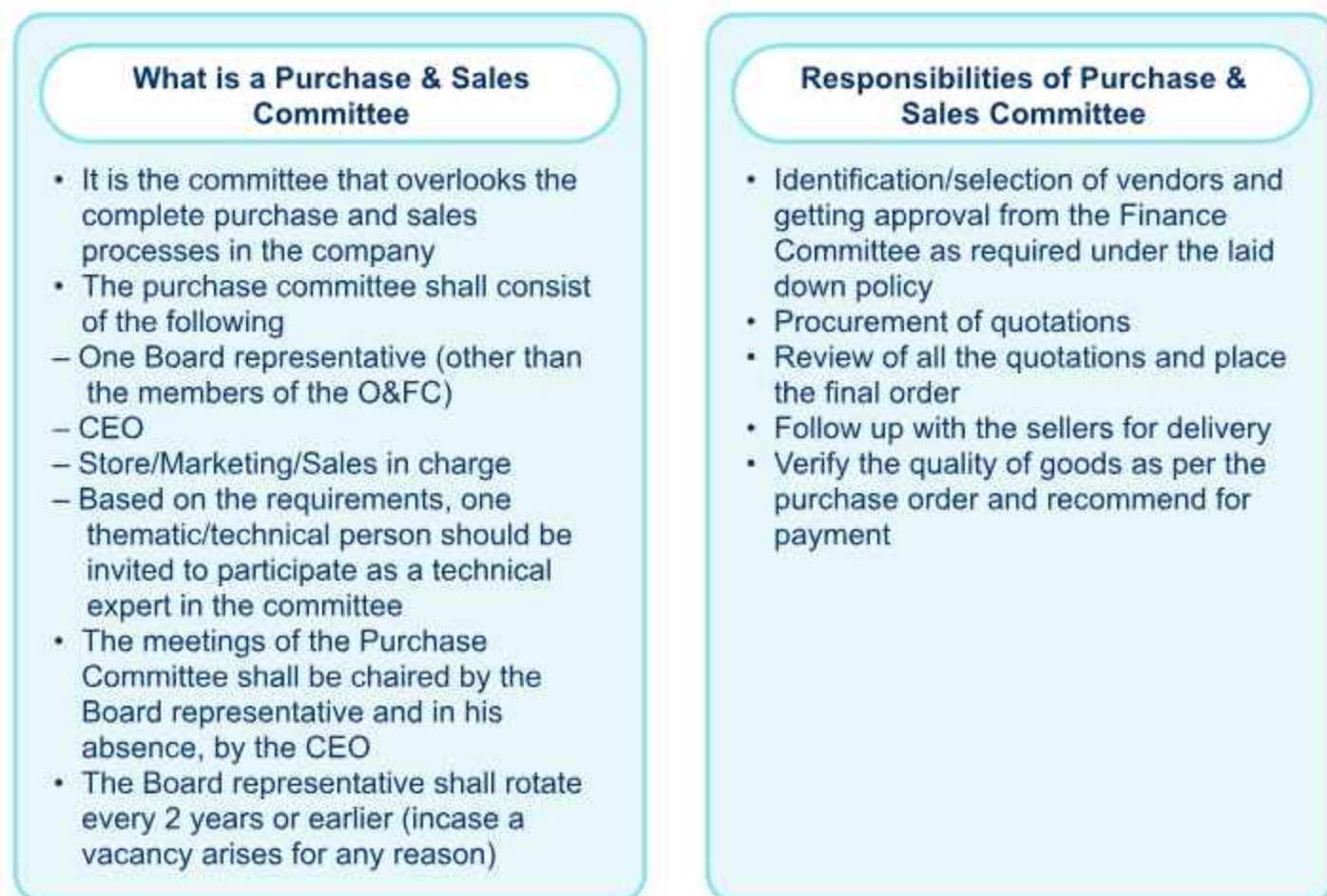


Table 32

Sr No.	Heads	Policy
1	Business plan	<ul style="list-style-type: none"> <li>• Only commodities from Business plan to be considered.</li> <li>• For addition of any new commodity, it must be approved by 80% Board members in their meeting.</li> <li>• Discounted rate charts for members/shareholders</li> </ul>
2	Vendor and commodity planning	<ul style="list-style-type: none"> <li>• Finalization of vendor on annual basis based on rate, quality, quantity to be supplied and distance from the FPO location.</li> <li>• Quotations must be a base of vendor finalization.</li> <li>• Empanelment of vendors with Terms and Conditions which are:               <ul style="list-style-type: none"> <li>– Bulk quantity availability</li> <li>– Discounted price for bulk purchases</li> <li>– Time of payment i.e., advance payment, partial or full payment, payment after sales</li> <li>– Mode of payment</li> <li>– Variety and brands of seeds must be listed annually with the FPO, and it must be revisited every year.</li> </ul> </li> <li>• For any new commodity, vendor, brand, or variety to be added, it must be approved by 80% Board members in their meeting.</li> <li>• Sale Purchase bill is a must in case of shareholders as a vendor</li> </ul>



Sr No.	Heads	Policy
3	Indent preparation and advance collection	<ul style="list-style-type: none"> <li>All procurement indents shall be on the FPO MIS Planning system.</li> <li>10% non-refundable advance shall be collected at the time of indent generation.</li> <li>Money receipt must be given immediately to the buyers.</li> <li>Full payment must be received at the time of goods / service delivery</li> </ul>
4	Purchase and distribution of Inputs	<ul style="list-style-type: none"> <li>Only 50% of procurement will be placed off the total indent generated.</li> <li>Purchase Order mandatory for procurement &gt;5K.</li> <li>Purchase order shall be emailed or given in person to the vendor.</li> <li>Procurement finalization at the point of purchase: <ul style="list-style-type: none"> <li>Conference call with procurement committee</li> <li>Mailing the minutes of the call with decision to the email of purchase committee</li> <li>Documenting the complete procurement immediately after joining the office</li> <li>The invoices/challan should be rechecked and verified before submission to accounts section.</li> </ul> </li> <li>Input received must be verified &amp; duly signed by the receiver and the supplier.</li> <li>Input received must be recorded in the stock at any stock center, i.e., sub stock center or central stock center.</li> <li>For stock given to authorized person (CRP/CSPs) for the purpose of distribution, CRP/CSP will be treated as a Sub Stock Centre</li> </ul>
5	Documentation	<ul style="list-style-type: none"> <li>Ledger must be created of Shareholders with folio number and name.</li> <li>Ledger must be created of regular customers (non -shareholders)</li> <li>The cash book shall be closed daily.</li> <li>Cash in cash box must be verified on weekly basis.</li> <li>For recording transactions in Tally, following will be the timelines: <ul style="list-style-type: none"> <li>No data of older than 30 days can be recorded in Tally.</li> <li>Data must be shared on 5th of every month with the promoting agency.</li> <li>To enter data of older than 30 days, the CEO will request Admin in writing</li> </ul> </li> </ul>
6	Payment to vendors	<ul style="list-style-type: none"> <li>No cash payment to vendors except non-shareholder for stock and asset purchase</li> <li>Vendor must be paid within 30 days of goods/input delivery</li> </ul>

## Input Advance Collection - Process

Figure 47




### Policy Process-Procedure:

For each of the processes above, here are the steps

Table 33

Policy	Process	Procedure	Timeline	Format
Commodities from Business Plan will only be considered.	Revisiting the business plan	<ul style="list-style-type: none"> <li>Board meeting to revisit the plan.</li> <li>Market need assessment</li> </ul>	1st month of each Financial Year/ whenever it is required	
For any new commodity to be taken, it must be approved by 80% Board members in their meeting.	Commodities finalized	<ul style="list-style-type: none"> <li>Finalizing the brand and variety of the commodities from the one listed with the FPOs.</li> <li>Addition of any new commodity will be added only post approval by 80% BODs.</li> </ul>	1st month of each Financial Year/ whenever it is required	
Discounted rate chart for members/ shareholders	Market Research for the price and package	<ul style="list-style-type: none"> <li>Assigning the responsibility to CEO to assess the market price of the finalized commodity</li> </ul>	1st month of each Financial Year	



Policy	Process	Procedure	Timeline	Format
<p>All procurement indents shall be on the ERP Planning system.</p> <p>10% non-refundable advance must be collected at the time of indent generation.</p> <p>Money receipt must be given immediately to the buyers.</p> <p>Full payment at the time of goods / service delivery</p> <p>Ledger must be created of Shareholders with folio number and name.</p> <p>Ledger must be created of regular customers (non - shareholders)</p> <p>The cash book shall be closed daily.</p> <p>Cash in cash box must be verified on weekly basis</p> <p>For recording transactions in Tally, following will be the timelines:</p>	<p>Finalizing the commodity price and money to be collected from buyers</p>	<ul style="list-style-type: none"> <li>• Post research, tentative advance price of the finalized commodity will be decided.</li> <li>• 10% non-refundable advance must be collected from each farmer at the time of indent preparation.</li> <li>• All procurement indents will be done on the FPO MIS Planning System.</li> </ul>	<p>1st month of each Financial Year/ whenever it is required</p>	<p><a href="#">Input advance money receipt</a></p> 
	<p>Training of authorized person (CRP/CSPs) on Input Advance collection</p>	<ul style="list-style-type: none"> <li>• Post finalization of commodities and its tentative rate, training of authorized person (CRP/ CSPs) will be planned within a week.</li> <li>• Authorized person (CRP/ CSPs) will be provided with the form for collection of advance and money receipt to give it to farmers.</li> </ul>	<p>1st month of each Financial Year/ whenever it is required</p>	
	<p>Indent preparation in ERP and advance collection.</p> <p>Preparing the summary sheet for the amount collected and initiating the Cash depositing process with FPO</p>	<ul style="list-style-type: none"> <li>• Meeting with farmers and adding the details and required demand of farmers in the FPO MIS Planning system.</li> <li>• Form with advance details filled and signed by the farmer.</li> <li>• Amount collected from farmers and farmers provided with signed and dated money receipt.</li> </ul>	<p>Within 15 days from the date of assignment</p>	

Policy	Process	Procedure	Timeline	Format
<p>No data of older than 30 days can be recorded in Tally.</p> <p>Data must be shared on 5th of every month.</p> <p>To enter data of older than 30 days, the CEO will request Admin in writing.</p>				

## Vendor Finalization and Input Purchase Process




Figure 48






## Policy Process Procedure

Table 34

Policy	Process	Procedure	Timeline	Format
Finalization of vendor on annual basis	Preparation/revisit of Business Plan	<ul style="list-style-type: none"> <li>Revisiting business plan</li> <li>It must be done in presence of Board Members</li> </ul>	Within 1st month of each Financial Year	
Quotations must be a base of vendor finalization.	Finalizing the commodities for the year	<ul style="list-style-type: none"> <li>Finalizing the brand and variety of the commodities from listed ones with the FPOs</li> <li>Addition of any new commodity shall be done only post approval by 80% BODs</li> </ul>	Within 1st month of each Financial Year	
Empanelment of vendors with Terms and Conditions				
Variety and brands of seeds must be listed annually with the FPO.	Vendor research and empanelment	<ul style="list-style-type: none"> <li>3 quotations must be collected based on rate, quantity, and distance for any purchase of &gt;15K.</li> <li>Negotiations based on terms and conditions must be done. T&amp;Cs are:</li> <li>Bulk quantity availability</li> <li>Discounted price for bulk purchases</li> <li>Time of payment i.e., advance payment, partial or full payment, payment after sales</li> <li>Mode of payment</li> <li>Presentation of quotations collected to BODs in their board meeting.</li> <li>Finalizing and prioritizing the list of vendors based on the rate, quantity, quality, and distance.</li> <li>Empaneling the vendors to be contacted for any delivery during the year.</li> </ul>	Within 1st month of each Financial Year	<a href="#">Vendor registration form</a> 
Sale Purchase bill is a must in case of shareholders as a vendor.				
Only 50% of procurement will be placed off the total indent generated.				<a href="#">Vendor list</a> 
Purchase Order mandatory for procurement >5K.				
Procurement finalization at the point of purchase				<a href="#">Quotations</a> 
Conference call with procurement committee				

Policy	Process	Procedure	Timeline	Format
Mailing the minutes of the call with decision to the email of purchase committee	Quotation from the empaneled vendors for the required commodities	<ul style="list-style-type: none"> <li>Once again quotations will be collected for the required commodities from the empaneled vendors.</li> <li>For addition of any new vendor, approval from 80% of the board members is must</li> </ul>		
Documenting the complete procurement immediately after joining the office	Vendor finalization on the basis of Lower 1	<ul style="list-style-type: none"> <li>Meeting called of Purchase &amp; Sale committee.</li> <li>Finalizing the vendor and preparing the duly signed Purchase Order with terms and conditions</li> </ul>		
The invoices/ challan should be rechecked and verified before submission to accounts section.	Purchase Order in person or in email to the vendor finalized	<ul style="list-style-type: none"> <li>Purchase Order must be released with an order number.</li> <li>Purchase order will not be considered valid if shared in WhatsApp</li> </ul>		<a href="#">Purchase order</a> 
Input received must be verified & duly signed by the receiver and the supplier.	Damage inventory report	Damage inventory report	Damage inventory report	
Input received must be recorded in the stock at any stock centre, i.e., sub stock centre or central stock centre.				
For stock given to authorized person (CRP/ CSPs) for the purpose of distribution, CRP/CSP will be treated as a Sub Stock Centre	Damage inventory report	Damage inventory report		



Policy	Process	Procedure	Timeline	Format
<p>Mailing the minutes of the call with decision to the email of purchase committee</p> <p>Documenting the complete procurement immediately after joining the office</p> <p>The invoices/ challan should be rechecked and verified before submission to accounts section.</p> <p>Input received must be verified &amp; duly signed by the receiver and the supplier.</p> <p>Input received must be recorded in the stock at any stock centre, i.e., sub stock centre or central stock centre.</p> <p>For stock given to authorized person (CRP/ CSPs) for the purpose of distribution, CRP/CSP will be treated as a Sub Stock Centre</p>	Input received with challan and Purchase Invoice	<ul style="list-style-type: none"> <li>Stock centre or sub stock centre decided and communicated to the vendor for supplying the goods/inputs.</li> <li>The vendor delivered the input/ goods to the pre-decided centre.</li> <li>Challan and Purchase invoice received from the vendor at the time of delivery of goods/ inputs.</li> </ul>	As per the agreed dates	
	Challan and Purchase Invoice verified by the receiver at the delivery point	<ul style="list-style-type: none"> <li>The challan and purchase invoice must be verified by the person (CEO, Accountant or CRP/CSP) responsible for receiving the goods.</li> </ul>	On the same date of goods received	
	Challan and Purchase Invoice deposited with the accountant	<ul style="list-style-type: none"> <li>The verified challan and purchase invoice signed by both the parties deposited with accountant for recording the entries.</li> </ul>	On the same date of goods received	
	Stock register updated.	<ul style="list-style-type: none"> <li>The accountant will update the stock register with the number of inputs/goods received</li> </ul>	On the same date of goods received	
	Full payment to vendor as per the agreed terms and conditions	<ul style="list-style-type: none"> <li>As per the agreed terms and conditions, if the vendor has asked for advance full payment, the full payment will be done.</li> <li>Cheque prepared by the Purchase &amp; Sale committee and cheque book updated by the accountant.</li> <li>In case of cheque payment, CEO to deliver the cheque to the vendor.</li> <li>In case of account payment, Accountant to deposit the cheque in the vendor's account.</li> </ul>	Based on the agreement	

Policy	Process	Procedure	Timeline	Format
		<ul style="list-style-type: none"> <li>As per the agreed terms and conditions, if the vendor has agreed to receive the payment post selling of goods, then s/he will be sent a confirmation and thank you email.</li> </ul>		
	Final bill obtained from the vendor	<ul style="list-style-type: none"> <li>As per the agreed terms and conditions, post full payment, final bill will be received from the vendor</li> </ul>	Within two days of full payment	

### Inventory Management

The accurate value of inventory is crucial in calculating gross profit or loss, This is it's important for businesses to account for inventory write-off when the value of inventory charges significantly.

This could happen due to the following reasons:

- Inventory is stolen
- Inventory such as fruits and flowers, maybe spoilt due to their short shelf life

- Damage due to inadequate storage and handling
- Expiry of stock items
- Weight loss
- Items such as technology products with high market vlaue can become obsolete with a few months

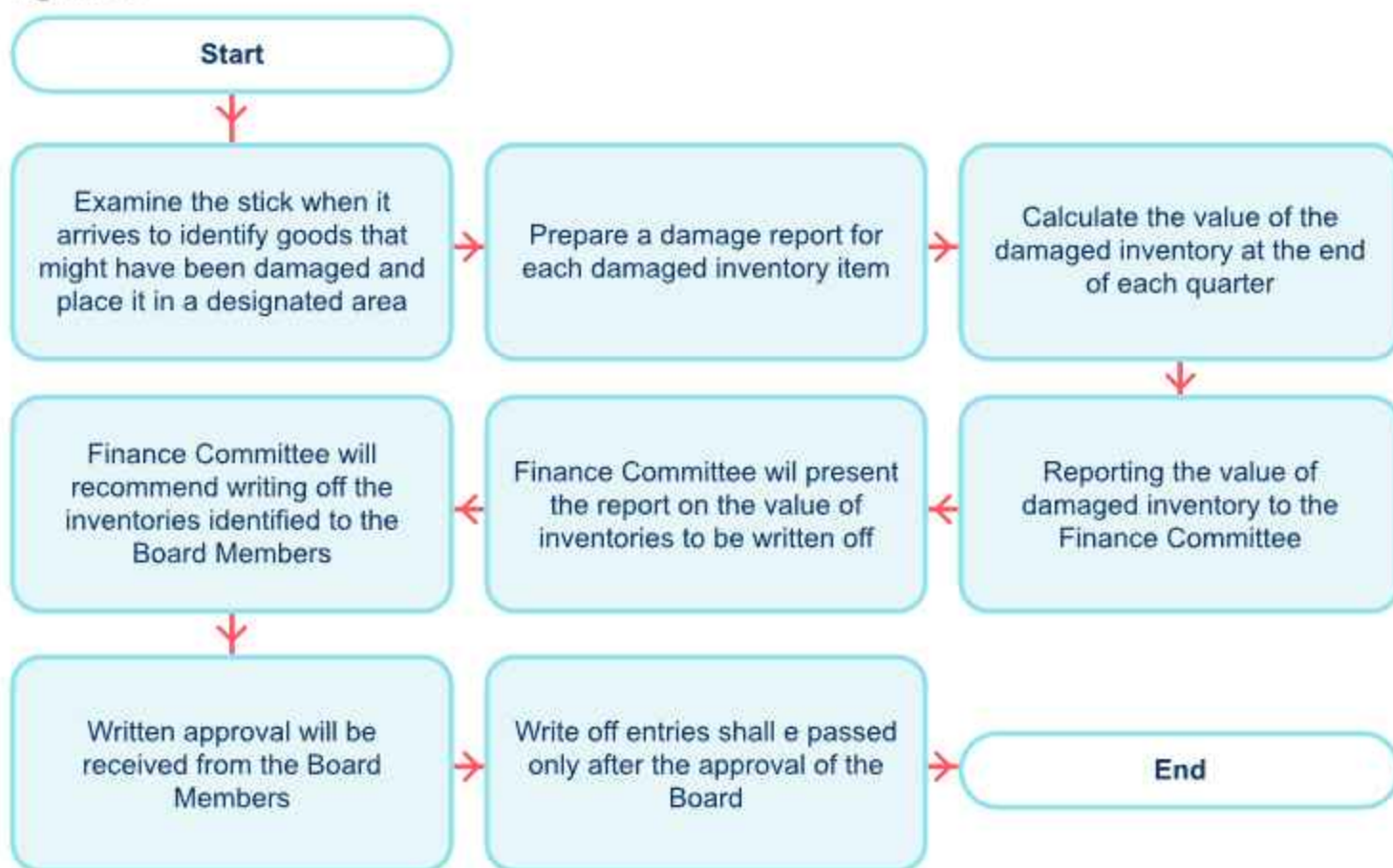
Table 35

Sr No.	Heads	Policy
1	Common	<ul style="list-style-type: none"> <li>CEO must make physical godown wise verification of stocks.</li> <li>The verified format will be submitted to stock verification file.</li> <li>The expiry dates of stock will be maintained in files for the items those are subject to expires.</li> <li>The stock will be verified based on expiry date also</li> </ul>



## Inventory Verification and Write Off- Process



Figure 49



## Policy Process Procedure

Table 36

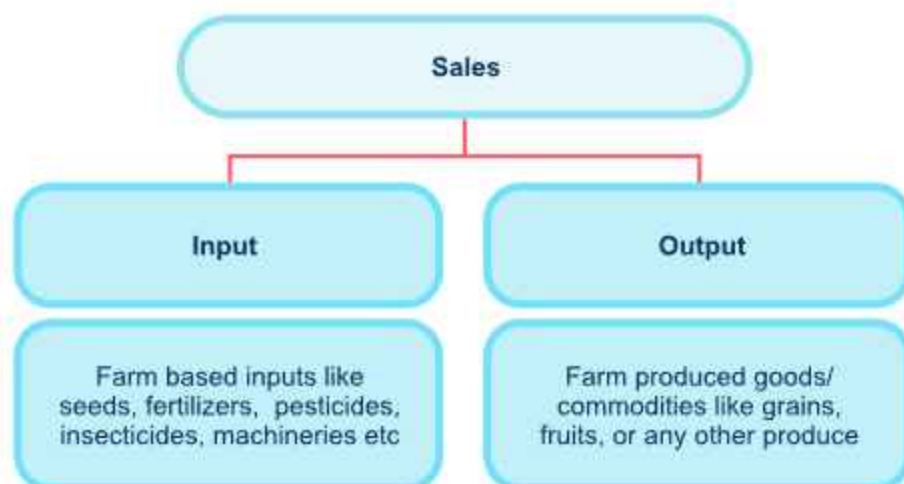
Policy	Process	Procedure	Timeline	Format
<p>CEO must make physical godown wise verification of stocks.</p> <p>The verified format will be submitted to stock verification file.</p>	<p>Examine the stock when it arrives to identify goods that might have been damaged and place it in a designated area.</p>	<ul style="list-style-type: none"> <li>BODs must assign the responsibility of inventory verification and write off, if required, to Purchase and Sale Committee</li> <li>Purchase Sale Committee must assign the responsibility on CEO in writing for Stock Verification</li> <li>CEO must verify the stock twice a week</li> </ul>	<p>In the committee's first meeting of each financial year</p>	

Policy	Process	Procedure	Timeline	Format
<p>The expiry dates of stock will be maintained in files for the items those are subject to expires.</p> <p>The stock will be verified based on expiry date also.</p>	Prepare a damage report for each damaged inventory item.	<ul style="list-style-type: none"> <li>Damage report must be prepared in a pre-designed format.</li> </ul>		<a href="#">Damage inventory report</a> 
	Calculate the value of the damaged inventory at the end of each quarter	<ul style="list-style-type: none"> <li>The CEO must calculate the financial value of damaged inventory quarterly.</li> </ul>	Quarterly	
	Reporting the value of damaged inventory to the Purchase and Sale Committee.	<ul style="list-style-type: none"> <li>Purchase and Sale committee meeting called.</li> <li>The value calculated of the damaged inventory presented to the committee.</li> <li>Discussion and agreement to place requisition to write off the damaged stock.</li> <li>Planning to call board meeting.</li> </ul>	Quarterly	
	Purchase and Sale Committee will present the report on value of Inventories to be written off. Recommendation and requisition for writing off the stock.	<ul style="list-style-type: none"> <li>Board meeting called.</li> <li>Purchase and Sale committee put forth the status of the damaged inventory.</li> <li>Recommendation and requisition are put forth to write off those damaged stocks in a given format.</li> </ul>	Quarterly	<a href="#">Requisition for inventory write off template</a> 
	Written approval will be received from the Board members.	<ul style="list-style-type: none"> <li>Approval has to be taken in the requisition format.</li> <li>The discussion must be recorded in the board meeting minutes.</li> </ul>	As and when required	
	Write offs entries shall be passed only after approval of the Board		As and when required	



## Sales

Figure 50



## Policy

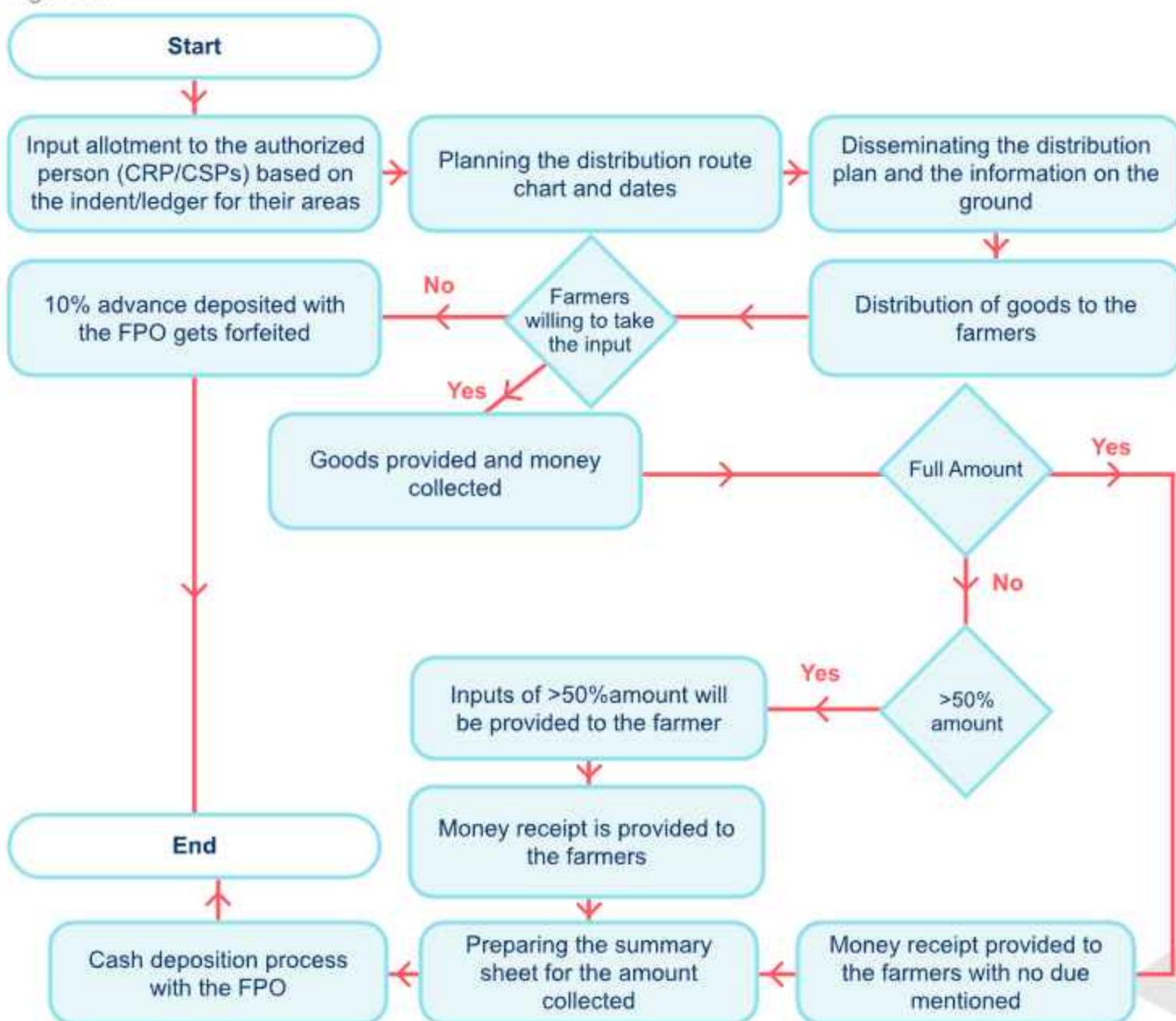
Table 37

Sr No.	Heads	Policy
1	Commodities Related	<ul style="list-style-type: none"> <li>Only commodities from Business Plan to be considered.</li> <li>For any new commodity to be taken, it must be approved by 80% Board members in their meeting</li> </ul>
2	Buyer Policy	<ul style="list-style-type: none"> <li>The mandatory process of Quotation, Purchase Order and Purchase Invoice must be followed for the purchases within the following brackets: Grains: &gt; 1 lakh; Veg: &gt;1 Lakh (In case of Institutional buyer only)</li> <li>The Documentation of the finalization will happen in the Purchase &amp; Sale committee.</li> <li>In case of Vegetable sale, the conference call/WhatsApp chat discussion is suggested, and documentation will be done immediate after joining the office.</li> <li>Cheque payment from new buyers, enrolled for the first time with FPO, will not be accepted. Account payment is advisable. If not possible then only cash will be accepted.</li> </ul>
3	Input Sales	<ul style="list-style-type: none"> <li>Full amount of the input will be collected at the time of delivery of the input.</li> <li>In case farmers can only afford &gt;50% but less than 100% of the amount, then s/he will be provided the input of the same amount.</li> <li>Less than 50% advance will not be entertained.</li> </ul>
4	Procurement/ Aggregation	<ul style="list-style-type: none"> <li>20% advance to the farmers bringing their produces directly to the FPO at the time of procurement.</li> </ul>

5	Credit Sale	<ul style="list-style-type: none"> <li>No credit sale to buyers with already existing due payments</li> <li>At any point of time the total credit should not exceed 20 % of paid-up share capital</li> <li>In the case of Shareholder, credit sales should not be made.</li> </ul>
6	Documentation	<ul style="list-style-type: none"> <li>Ledger must be created of Shareholders with unique id number to avoid duplicity.</li> <li>Ledger must be created of regular customers (non -shareholders)</li> <li>Procurement receipt must be provided to the producers.</li> <li>In case where FPO is purchasing from farmers at a negotiated rate, FPO will provide a challan and a receipt to farmers.</li> </ul>

## Input Sales Process

Figure 51





## Input Sales - Policy Process Procedure

Table 38

Policy	Process	Procedure	Timeline	Format
<p>Commodities from Business Plan will only be considered.</p> <p>For any new commodity to be taken, it must be approved by 80% Board members in their meeting.</p> <p>The mandatory process of Quotation, Purchase Order and PI must be followed for the purchases within the following brackets  <b>Grains&gt; 1 lakh; Veg: &gt;1 Lakh (In case of Institutional buyer only)</b>                      The Documentat ion of the finalization will happen in the concerned BOD committee.</p> <p>Commodities from Full amount of the input will be collected at the time of delivery of the input.</p>	Input allotment to authorized person (CRP/CSPs) based on indent/ledger for their areas.	<ul style="list-style-type: none"> <li>Authorized person (CRP/ CSPs) will be given stock advance to distribute it to the farmers in their area.</li> <li>Authorized person (CRP/ CSPs) will be treated as sub stock centres for input sales.</li> <li>They will be provided with the printed list of farmers as per the indent prepared.</li> </ul>	Within 3 days of input purchase	
	Planning the distribution route chart and dates and disseminating the distribution plan and information in the ground	<ul style="list-style-type: none"> <li>Authorized person (CRP/ CSPs) will prepare the route chart for distributing the inputs and will decide the dates for each village.</li> </ul>	Within a day of receiving the stock to sell	
	Farmers willing to take the input	<ul style="list-style-type: none"> <li>Farmers with advanced payment will be provided with the inputs.</li> </ul>	On the pre-decided date	
	Farmers not willing to take the input	<ul style="list-style-type: none"> <li>10% non-refundable advance amount will be forfeited for farmers unwilling to take the input from the FPOs</li> </ul>	Same day when a farmer denies	
	Goods provided and money collected	<ul style="list-style-type: none"> <li>Willing farmers provided with the input and the full amount collected from them.</li> <li>Authorized person (CRP/ CSPs) provided them the money receipt and sales bill.</li> </ul>	Same day of selling goods	
	Farmers with >50% but <100% payable amount	<ul style="list-style-type: none"> <li>Such farmers will be provided with the input against their payment of required % of total value.</li> <li>CEO will calculate the amount and quantity to be supplied for against &gt;50% but &lt;100% amount.</li> </ul>	Same day as per the standard sheet	

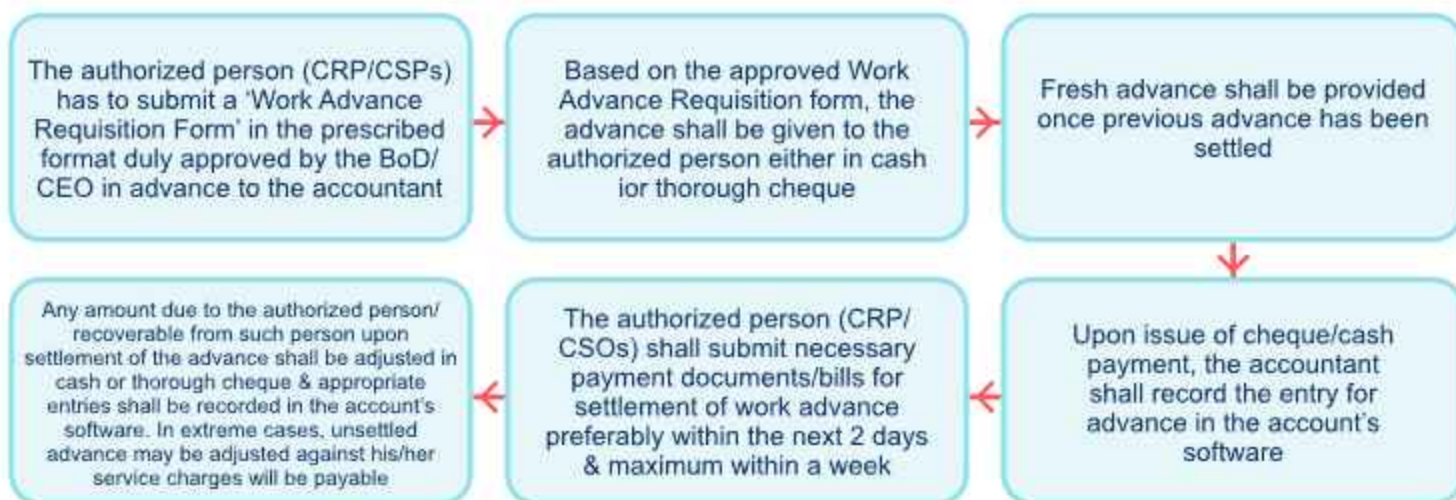
In case farmers can only afford >50% but less than 100% of the amount, then s/he will be provided the input of the same amount.		<ul style="list-style-type: none"> <li>Standard sheet will be prepared with the calculated amount for all percentages and given to the Authorized person (CRP/CSPs).</li> </ul>		
Less than 50% advance will not be entertained.	Money Receipt provided to farmers with no dues mentioned.	<ul style="list-style-type: none"> <li>Authorized person (CRP/CSPs) will mention/write or put stamp of No Dues for the farmers with complete payment depending on the quantity purchased by them.</li> </ul>	Same day of sale	
No credit sale to buyers with already existing due payments	Preparing the summary sheet for the amount collected and initiate the cash depositing process with FPO		Within 7 days of collecting the amount	
At any point of time the total credit should not exceed 20 % of paid-up share capital				

### Work Advance Policy and Management

For procurement of agricultural produce from members, the advance may be given to the authorized persons (CRP/CSPs). The procedure to

be followed for disbursement and settlement of work advance is provided as follows:

Figure 52



The form for advance collection can be downloaded here- [Requisition for work advance](#).

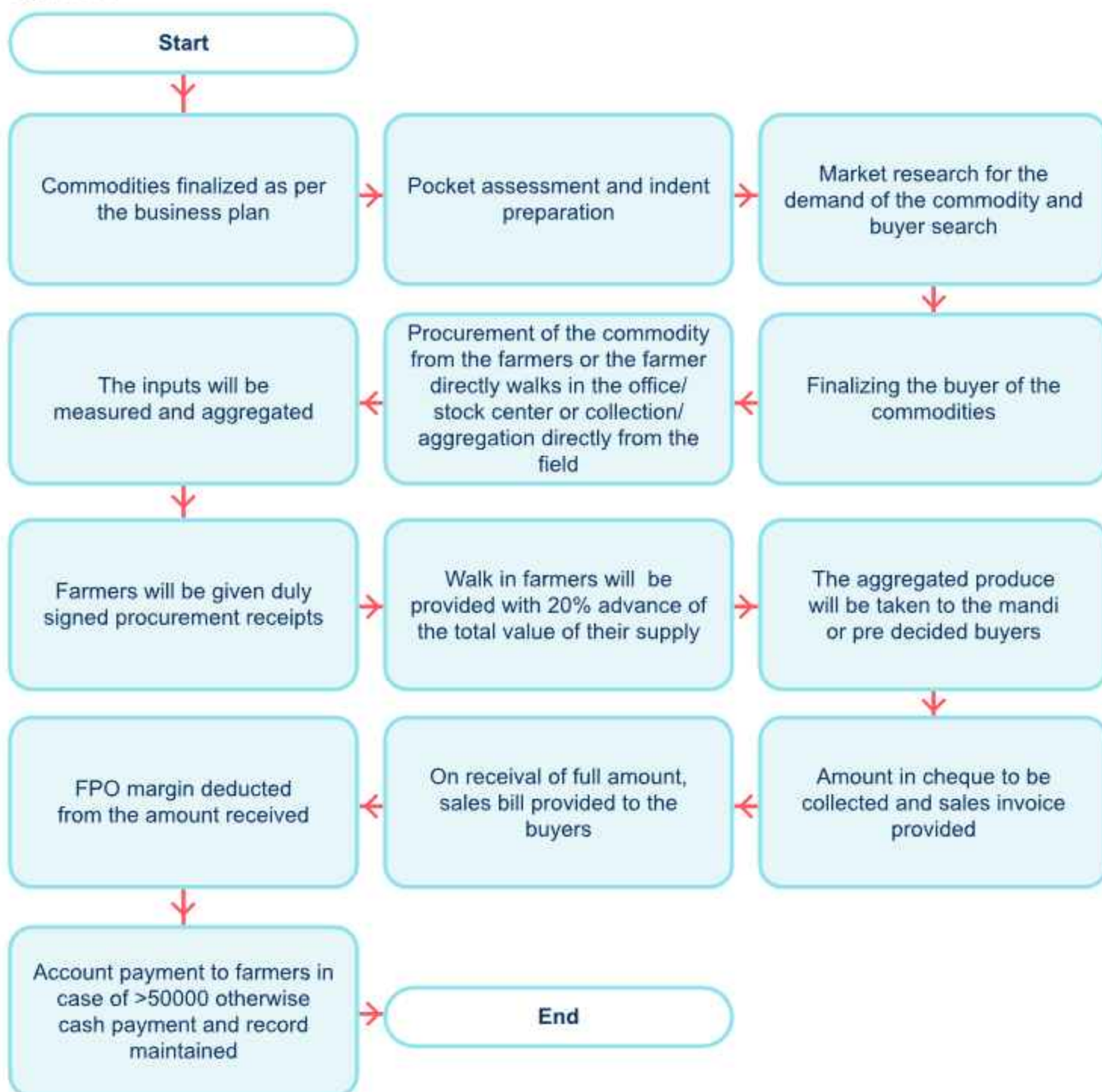


Requisition for work advance



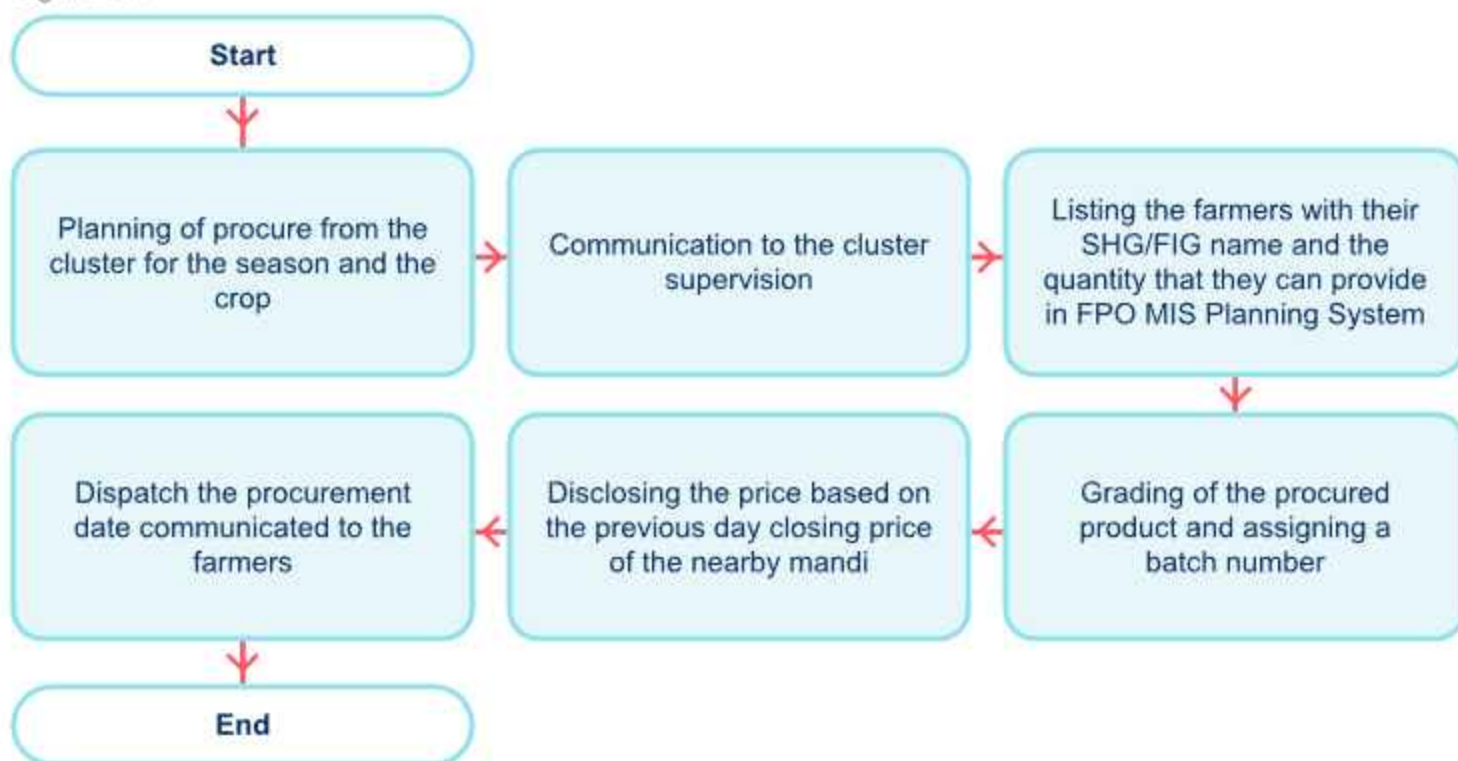
## Output- Procurement Process

Figure 53



## Output- Procurement Process

Figure 54



## Output- Mandi Sales (Distribution)- Process




Figure 55










## Policy Process Procedure

Table 39

Policy	Process	Procedure	Timeline	Format
Ledger must be created of Shareholders with folio number and name.	Commodities finalized as per the business plan	<ul style="list-style-type: none"> <li>Addition of any new commodity will be added only post approval by 80% BODs.</li> </ul>	In the beginning of the financial year	
Ledger must be created of regular customers (non - shareholders)	Market research for the demand of the commodity and buyer search	<ul style="list-style-type: none"> <li>CEO will be entrusted with the responsibility to do the market research and get the probable rates for the commodities</li> </ul>	April/ as and when required	
In case of Vegetable sale, the conference call/WhatsApp chat discussion is suggested, and documentation will be done immediate after joining the office.	Pocket assessment and indent preparation	<ul style="list-style-type: none"> <li>CEO will be assigned the responsibility to assess the pockets for the commodity.</li> <li>List of farmers willing to supply the commodity will be prepared with the help of authorized person (CRP/CSPs) of the respective area.</li> </ul>	2 months before the season	
Challan must be given to farmers in case where rate is not fixed at the time purchases such as vegetable purchases.	Finalizing the buyer of the commodities	<ul style="list-style-type: none"> <li>CEO will also be responsible along with the purchase and sale committee to finalise the buyer to supply the product.</li> <li>In case of institutional buyers, the agreement will be done with terms and conditions agreed upon by both the sides.</li> </ul>	A month before the procurement	<a href="#">PO and service order</a> 
	Procurement of the commodity from farmers a.) Collectivization into the office or the stock center	<ul style="list-style-type: none"> <li>The producers may walk in the stock centre to sell their produce, where their produce will be weighted and 20% advance of the value of their produce will be given to them.</li> <li>They will be provided with the procurement receipt.</li> </ul>	Procurement season	<a href="#">Proforma invoice</a>  <a href="#">Procurement receipt</a> 

b.) Collection/ aggregation directly from the field	<ul style="list-style-type: none"> <li>Producers from whom their produce is collected directly from the field, will be given challan and receipt for the price that has already been negotiated by the FPO post weighing their produces.</li> <li>A copy of Challan and receipt must be with both the parties bearing each other's signatures.</li> <li>Day wise procurement and payment register to be maintained along with FPO MIS Planning system</li> </ul>	Immediately on the day of purchase/ procurement	<a href="#">Mandi challan format</a>  <a href="#">Day wise procurement and payment register</a> 
The aggregated produce will be taken to mandi or pre-decided buyers.	<ul style="list-style-type: none"> <li>In case the pre-decided buyer denied, then the back-up buyer will be contacted.</li> <li>In case of mandi, if the pre-known buyer cancelled upon the FPO then the next buyer in the mandi will be approached post discussion with Purchase and sale committee. Post returning, the complete negotiation will be documented.</li> <li>CEO will authorize the person for this complete process.</li> </ul>	Will depend on the commodity. For Grains: within 15 days For Vegetables: Within 2 days	<a href="#">Delivery challan</a> 
Amount in cheque to be collected and Sales invoice provided. On receival of full amount, sales bill provided to the buyers	<ul style="list-style-type: none"> <li>Post-delivery, the authorized person must collect the amount either in cheque form or through bank transfer.</li> <li>In case of bank transfer, sales bill will be provided to the buyer.</li> <li>In case of cheque payment, sales invoice will be provided.</li> <li>In case where cheque or bank transfer is not possible, the amount collected must be with a signature of the buyer in the sales invoice. Cash received will undergo cash deposition process with FPOs.</li> </ul>	Within 3 days of sale	<a href="#">Procurement and distribution sheet</a>  <a href="#">Sales bill</a> 



FPO margin deducted from the amount received	<ul style="list-style-type: none"> <li>• Post receiving the sale amount, the FPO will deduct the FPO margin.</li> <li>• Ledger of each shareholder/ member/ non-shareholder who sell their product with the FPOs will be prepared with a unique id number as suggested in the instruction sheet to avoid duplicity.</li> </ul>	Within two days of the sale money received	
Account Payment to farmers in case of >5000 otherwise cash payment	<ul style="list-style-type: none"> <li>• Shareholder/ member/ non-shareholders with amount more than INR 5000 will be transferred their payment into their account.</li> <li>• In case, where cash payment is required, written approval from Purchase and Sale Committee will be required.</li> <li>• Farmers can cross check their payment directly in the FPO office.</li> </ul>	Within 7 days of the sale money received	

### QR Code Payment System

UPI QR code-based payment solution represents a new channel of initiating and accepting payments between buyers and sellers (or consumers and merchants) using cell phones.

Payment received will be recorded by the accountant/ storekeeper in the sales register with Transaction ID.

The maximum transaction limit is 100000.

For the QR code, the company needs to apply through a [QR code form](#) (sample) in the bank, adopting the following procedure:

The application form requires

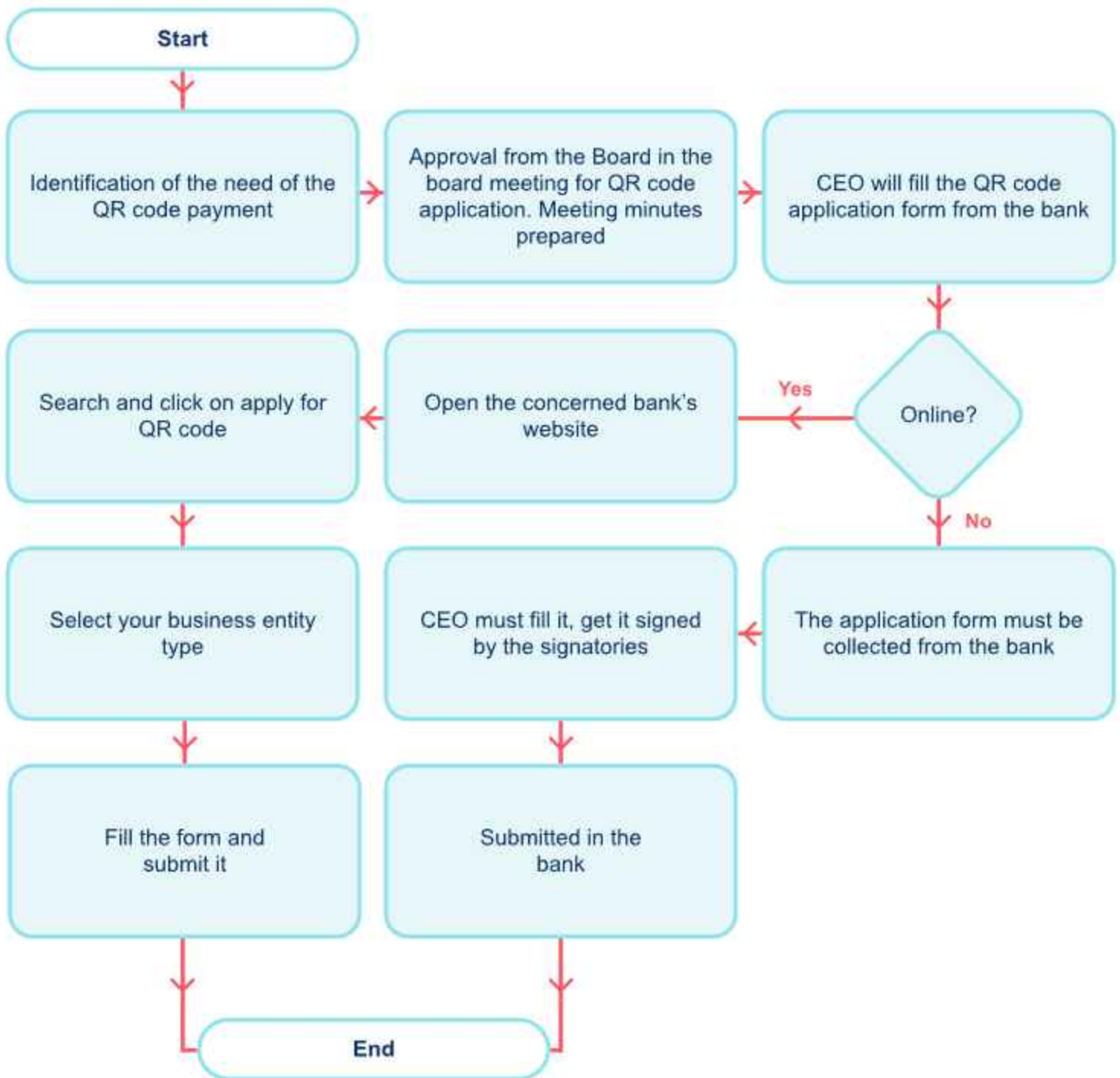
- FPO's account number
- Name
- Mobile Number (this will be used to the UPI transaction credit alert only)
- Email ID
- UPI ID (for office use only)
- Business Type

In case of obtaining QR code from a different bank where the entity has no account then identity proof, address proof and business legality proof will also be required.



QR code sample

Figure 56

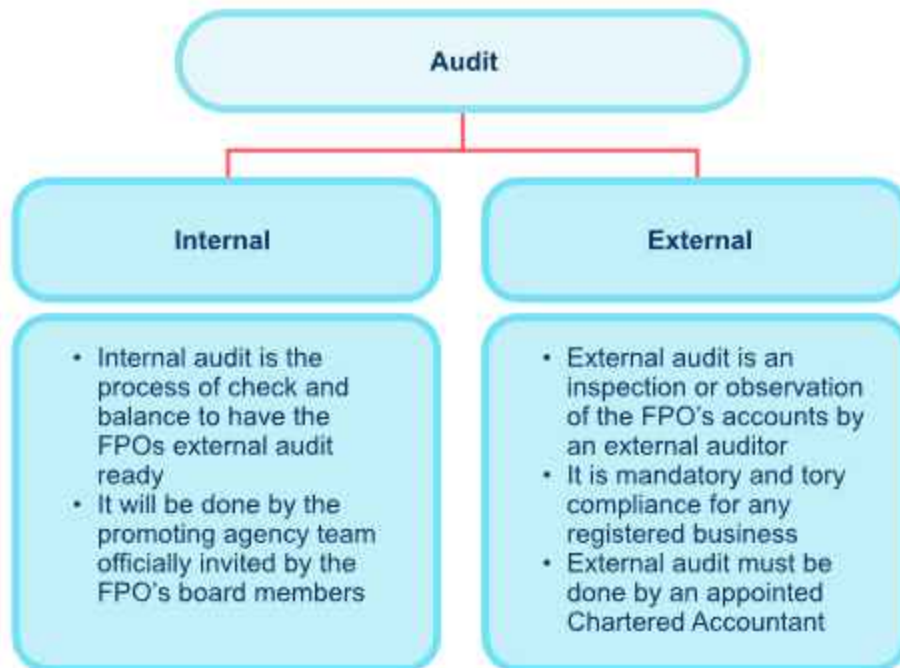




## Audit

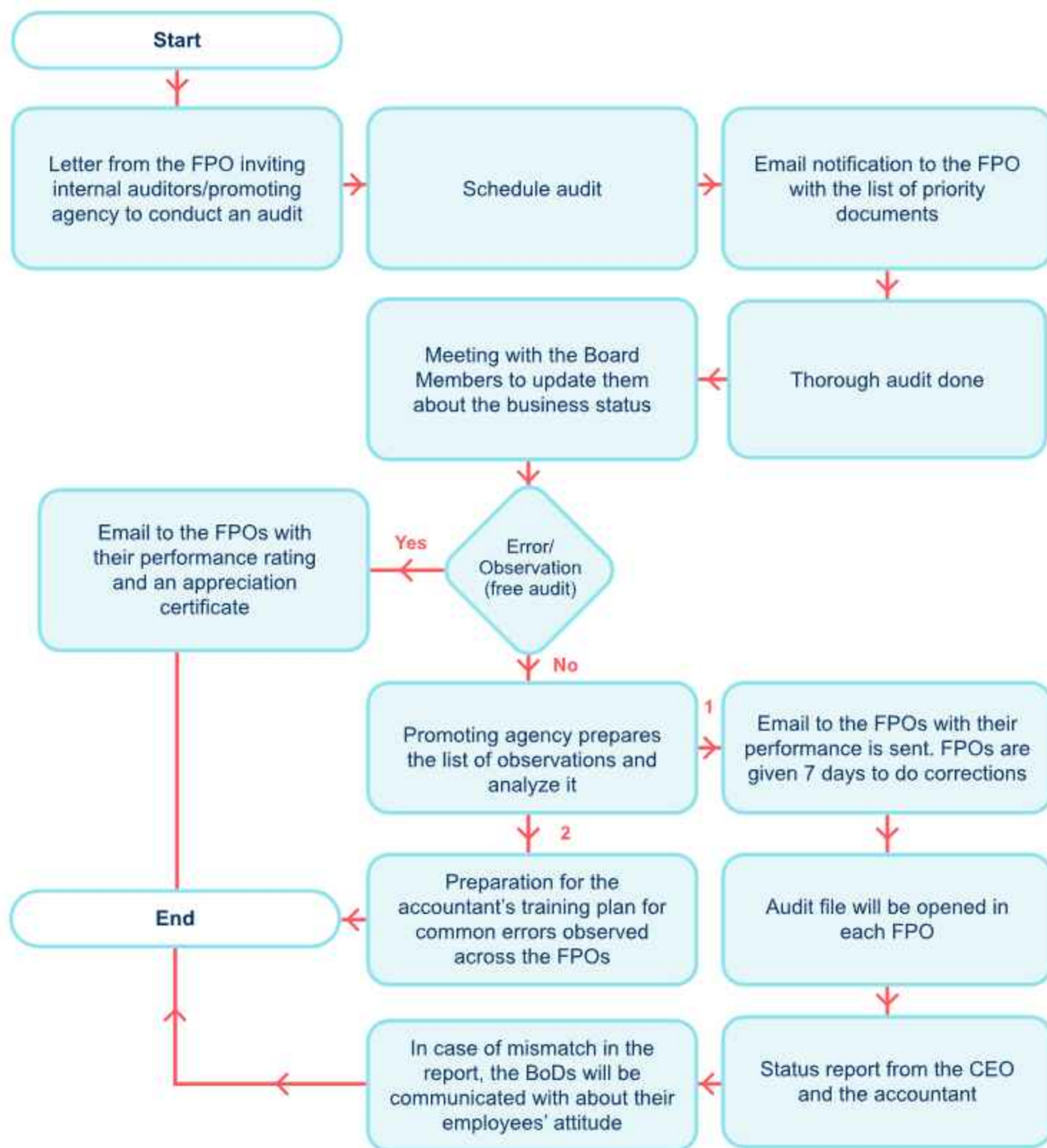
Audit is an unbiased examination and evaluation of the financial statements of an organization

Figure 57



## Internal Audit Process



Figure 58





## Policy Process Procedure

Table 40

Policy	Process	Procedure	Timeline	Format
FPO to provide letter to promoting agency to conduct an internal audit of their business.	Letter from FPO to promoting agency for conducting internal audit.	<ul style="list-style-type: none"> <li>Promoting agency being an external body, must be provided a letter from the FPO to conduct an internal audit of their business.</li> </ul>	In the beginning of the financial year	<a href="#">Engagement letter</a> 
Internal audit will be done quarterly.	Audit schedule planning	<ul style="list-style-type: none"> <li>Post receipt of letter, promoting agency - Finance unit will plan their calendar to conduct the internal audit in all the FPO.</li> <li>Audit of all the FPO shall be conducted within 20 days in every quarter.</li> <li>Verifying the data provided by the FPO in their monthly Financial KPI Assessment Sheet</li> </ul>	For every quarter	
Board members must be briefed about the findings in their FPO.				
Output of the internal audit will be shared in mail and as well as in writing to each FPO.	Email notifications to the FPO with list of priority documents	<ul style="list-style-type: none"> <li>The FPO will be communicated of the dates when their internal audit is scheduled.</li> <li>FPO will also be communicated of the list of documents that will be observed during forensic audit.</li> </ul>	Every quarter as per the dates planned	<a href="#">Internal check and quality report (ICQR)</a> 
The report must be in local language to help Board members to understand the compliances.				
Findings must be followed up with the FPO to get them completed within 7 days of the receipt of audit report.	Thorough audit done	<ul style="list-style-type: none"> <li>Thorough or forensic audit will be done observing each and every documents.</li> <li>All the observations and findings will be noted down by the team</li> </ul>	On pre-decided day of Internal Audit	
	Meeting with Board members to update them of their business status	<ul style="list-style-type: none"> <li>Meeting with Board members to brief them about the observations and findings of the internal audit of their company.</li> </ul>	On the day of audit	

Policy	Process	Procedure	Timeline	Format
<p>FPO with zero to no major findings must be appreciated and given an appreciation letter.</p> <p>FPO with common type of errors must be provided training on those topics.</p>	Email to FPO with zero to no major findings with an appreciation certificate/letter	<ul style="list-style-type: none"> <li>FPO will be shared their observations and findings within 3 days of their internal audit.</li> <li>The observations and findings will be in local language for board members to understand.</li> <li>For FPO with zero to no major findings, the Finance team will share an appreciation letter.</li> </ul>	Within 3 days of Internal audit completion	
	Preparing the list of observations and analyzing it	<ul style="list-style-type: none"> <li>For FPO with major observations, the list of common observations and findings will be prepared to analyze the need of training.</li> </ul>	Post completion of Audit in a quarter	
	Email to FPO with their performance	<ul style="list-style-type: none"> <li>FPO will be shared their observations and findings within 3 days of their internal audit.</li> <li>The observations and findings will be in local language for board members to understand.</li> <li>The FPO will be given the time of 7 days to rectify their errors and findings.</li> </ul>	Within 3 days of Internal audit completion	
	Audit file will be opened in each FPO.	<ul style="list-style-type: none"> <li>Audit file will be opened in each FPO to record audit related compliances.</li> </ul>	Every Financial Year	
	Status report from CEO	<ul style="list-style-type: none"> <li>CEO will be asked to share the status report of the last audit conducted through mail.</li> <li>It will be matched during the next quarterly audit and any mis match in the report will be communicated to the Board members in a meeting regarding their employee's non-compliance attitude.</li> </ul>	20 days before the next quarterly audit plan	



## External Audit

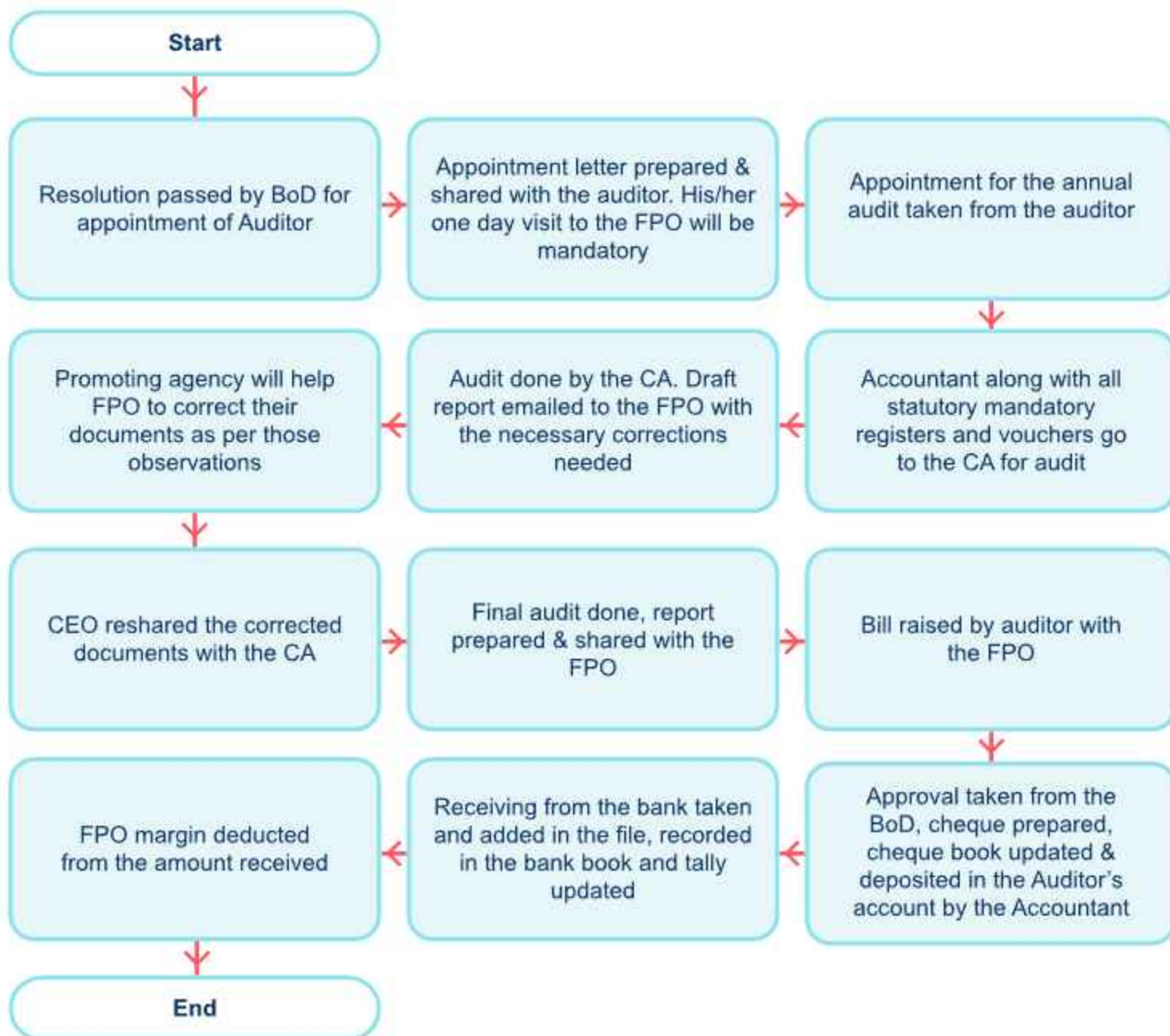
Table 41

Sr No.	Heads	Policy
1	Responsibility of Auditor Appointment	<ul style="list-style-type: none"><li>• FPOs will appoint the auditor with an appointment letter</li></ul>
2	Frequency	<ul style="list-style-type: none"><li>• It will be done annually.</li></ul>
3	Report	<ul style="list-style-type: none"><li>• Board members must be briefed about the findings in their FPOs.</li><li>• Output of the external audit will be shared in mail and as well as in writing to each FPOs.</li><li>• FPO RC will be responsible to share the findings and compliances in local language to help Board members understand the compliances.</li></ul>



## External Audit Process


Figure 59





## Policy Process Procedure

Table 42

Policy	Process	Procedure	Timeline	Format
FPOs will appoint the auditor with an appointment letter.  It will be done annually.	Resolution passed by BOD for appointment of Auditor.	<ul style="list-style-type: none"> <li>Board of Directors meeting called.</li> <li>Discussion about the appointment of auditor</li> <li>Finalizing the auditor based on the list of auditors published Gol.</li> </ul>	In the beginning of the Financial Year (April)	<a href="#">Engagement letter</a> 
Board members must be briefed about the findings in their FPOs.	Appointment Letter prepared & shared with the auditor. His/her one-day visit to FPO will be mandatory	<ul style="list-style-type: none"> <li>Finalization of auditor</li> <li>Appointment letter preparation by CEO</li> <li>Letter shared with the CA.</li> <li>Acceptance received from the CA.</li> </ul>	In the beginning of the Financial Year (April)	
Output of the external audit will be shared in mail and as well as in writing to each FPOs	Appointment for annual audit taken from the auditor	<ul style="list-style-type: none"> <li>Finalizing the date with Auditor of his/her FPO office visit</li> <li>Date of annual audit to be conducted taken from the auditor</li> </ul>	June	
FPO RC will be responsible to share the findings and compliances in local language to help Board members understand the compliances.	Accountant along with all statutorily mandatory registers and vouchers go to the CA for audit	<ul style="list-style-type: none"> <li>Post finalization of the audit date, accountant will be responsible to visit CA's office with all the document and vouchers</li> </ul>	June/July	
	Audit done by the CA. Draft report emailed to the FPO with corrections needed	<ul style="list-style-type: none"> <li>Post audit, CA will submit the draft report to the FPO via email.</li> <li>It will be draft report suggesting any corrections if needed.</li> </ul>	June/July	
	FPO RC team will help FPO to correct their documents as per those observations. CEO reshared the corrected documents with the CA	<ul style="list-style-type: none"> <li>FPO RC will help FPOs to correct the errors and reshare the report with the CA.</li> </ul>	June/July	
	Final audit done; report prepared & shared with FPO		June/July	

Policy	Process	Procedure	Timeline	Format
	Bill raised by auditor with FPO	<ul style="list-style-type: none"> <li>• Bill will be shared in email with FPO.</li> </ul>	Post Audit	
	Approval taken from BOD, cheque prepared, cheque book updated & deposited in Auditor's account by Accountant	<ul style="list-style-type: none"> <li>• CEO will take the approval from BODs to pay for the Audit.</li> <li>• Cheque will be prepared and get signed by the BODs.</li> <li>• Cheque book will be updated by the accountant.</li> <li>• Accountant will deposit the fee in CA's account.</li> </ul>	Within a week of bill received from the auditor	
	Receiving from bank taken and added in the file, recorded in bank book and tally updated		Within a week of bill received from the auditor	

## Fixed Payments and Recurring Fixed Payments

Figure 60

### What is Fixed Payment?

- Fixed payment is a one time investment to be incurred by the FPO for buying fixed assets
- An example of a fixed asset can be furniture for office use or vehicle/ machinery for service delivery etc
- Quotation is a must for buying any fixed assets

### What are Recurring Fixed Payments?

- Recurring fixed payments here means the monthly expenditure that an FPO must bear in order to successfully run the business
- An example for a recurring fixed payment can be salaries of the employees, rent payment, electricity bill etc
- Agreement must be there with each party liable to receive monthly payment from the FPOs



## Policy

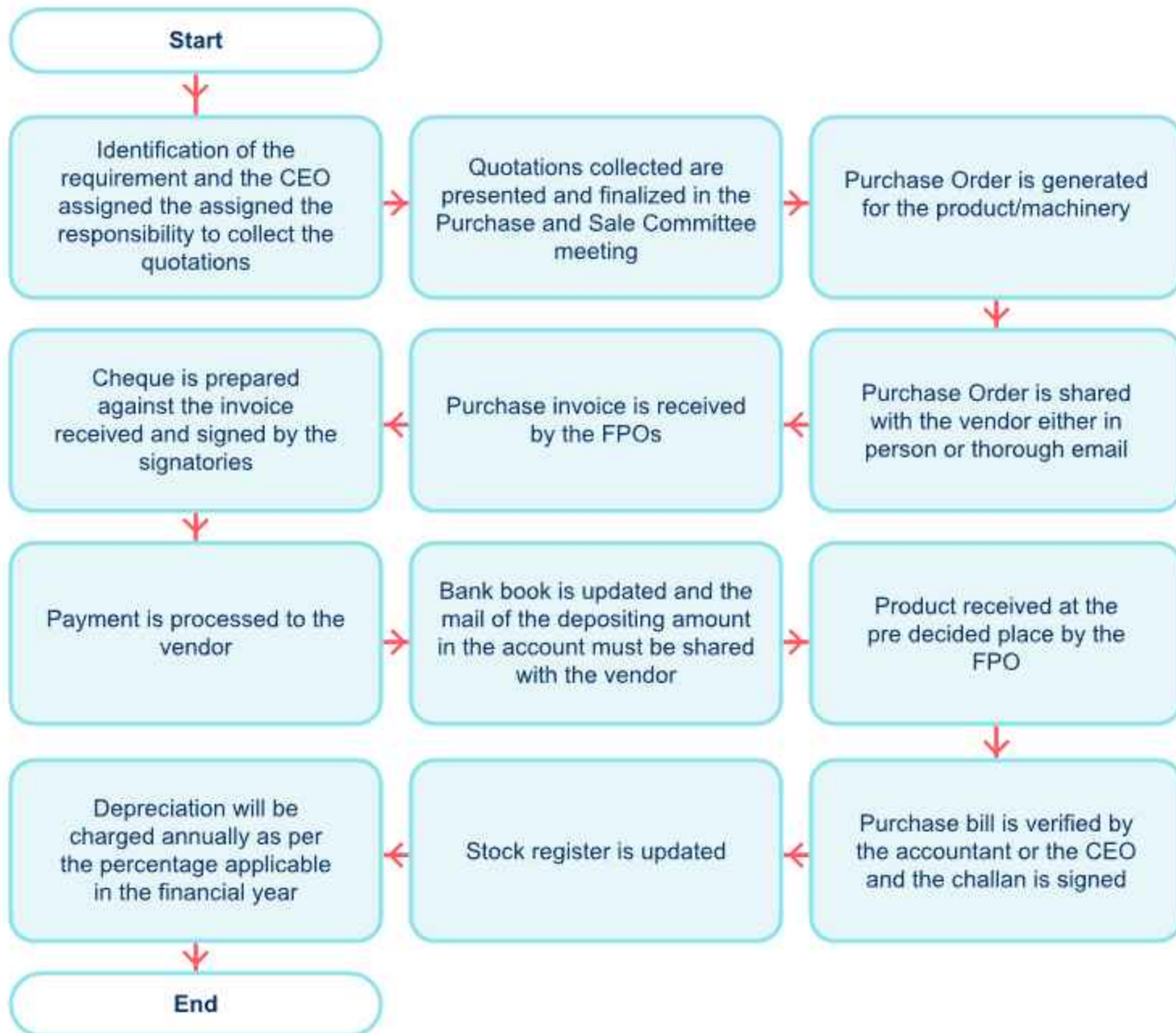
Table 43

Sr No.	Heads	Policy
1	Fixed Assets/ Machinery	<ul style="list-style-type: none"> <li>Fixed asset purchase will follow the input purchase policy.</li> <li>3 quotations must be collected from the vendor.</li> <li>Purchase and Sale Committee must approve and finalise the L1 vendor based on rate, quality, quantity, and service.</li> <li>Depreciation will be charged as per the percentage applicable</li> </ul>
2	Salary	<ul style="list-style-type: none"> <li>The employees (CEO &amp; Accountant) must submit their written report to the BODs on 2nd of every month which will be filed in Monthly Report file.</li> <li>The employees must have their attendance marked in the attendance register.</li> <li>For leave, employees must submit their leave application to their immediate reporting in writing. In case of emergency, leave can be approved over the phone-call, but s/he must submit their leave application immediately after rejoining the office.</li> <li>Salary must be disbursed to the employees' account between 25th to end of the same month.</li> </ul>
3	Rent and Electricity	<ul style="list-style-type: none"> <li>Rent must be paid in the account of the landlord and on or before 7th of every month or as per the date mentioned in the agreement.</li> <li>Any delay must be communicated to the landlord in writing via email.</li> <li>Electricity bill must be collected and attached in the payment file.</li> </ul>
4	Travelling Allowance	<ul style="list-style-type: none"> <li>As per the actual bill</li> </ul>
5	Incentive to Board Members	<ul style="list-style-type: none"> <li>As per the Finance Committee's decision</li> </ul>

## Fixed Assets Purchase

### Fixed Assets- Purchase Process


Figure 61





## Policy Process Procedure

Table 44

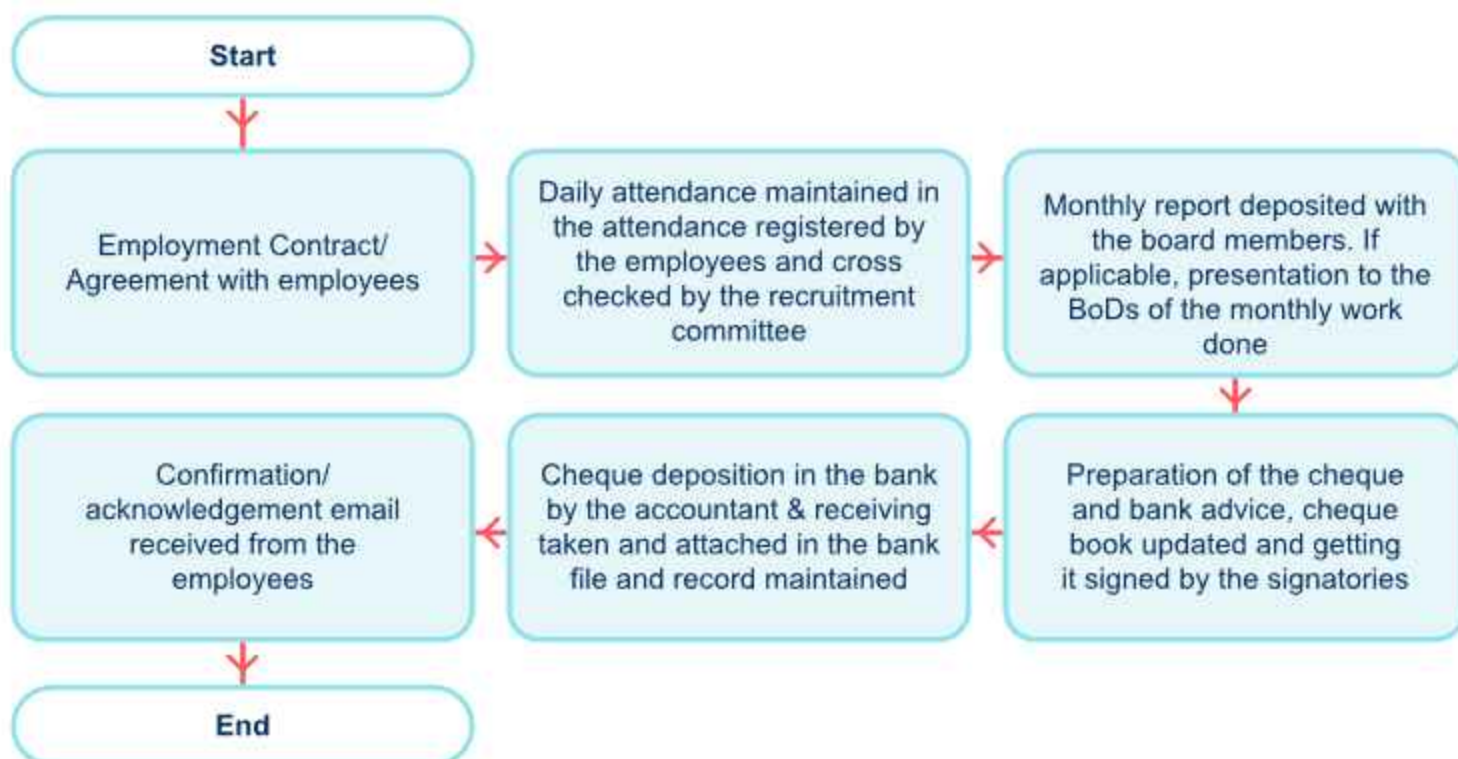
Policy	Process	Procedure	Timeline	Format
Fixed asset purchase will follow the input purchase policy.	Identification of requirement and CEO assigned the responsibility to collect the quotations.	<ul style="list-style-type: none"> <li>Purchase and Sale Committee will assign the responsibility to CEO to research for required purchase.</li> <li>CEO will be given 7 days' time to collect the minimum 3 quotations.</li> </ul>	Requirement identification day	
3 quotations must be collected from the vendor.				
Purchase and Sale Committee must approve and finalize the L1 vendor based on rate, quality, quantity, and service.	Quotations collected was presented and finalised in the Purchase and Sale Committee meeting	<ul style="list-style-type: none"> <li>Calling the Purchase Sale Committee meeting.</li> <li>Presenting the quotations collected with the recommendation.</li> <li>Finalizing the vendor based on Lower1 (L1) criteria.</li> </ul>	Within 7 days of the meeting	
Depreciation will be charged as per the percentage applicable	Purchase Order generated for the product/ machinery.	<ul style="list-style-type: none"> <li>Post finalization of vendor, CEO will get the Purchase Order prepared with terms and conditions.</li> <li>Committee will sign it post reviewing and meeting minutes will be maintained.</li> <li>Committee will assign the responsibility on CEO to complete the purchase process and ensure the quality of the product received before payment.</li> </ul>	On the same day of vendor finalization	<a href="#">Purchase order</a> 
Fixed asset purchase will follow the input purchase policy.				
3 quotations must be collected from the vendor.				
BODs must approve and finalize the L1 vendor based on rate, quality, quantity, and service.	Purchase Order shared with the vendor either in person or through email and Purchase Invoice received by the FPOs.	<ul style="list-style-type: none"> <li>CEO will share the Purchase Order to the vendor and collect the invoice in case of in person delivery.</li> <li>In case of sharing Purchase Order through an email, time of 3 days will be given to receive the Purchase Invoice.</li> </ul>	Within two days of Purchase Order generation	

Policy	Process	Procedure	Timeline	Format
	Cheque prepared against the invoice received and signed by the signatories.	<ul style="list-style-type: none"> <li>Based on the agreement, Accountant will prepare the cheque and get it signed by the signatories.</li> <li>Cheque book will be updated by the accountant.</li> </ul>	Within two days of receiving Purchase Invoice	
	Product received at the pre-decided place by the FPO.	<ul style="list-style-type: none"> <li>As per the responsibility, CEO will be there to receive the product.</li> <li>In his/her absence, accountant will be responsible to receive the product.</li> </ul>	As per the pre-decided dates	
	Challan and Purchase bill verified by the accountant or CEO.	<ul style="list-style-type: none"> <li>The responsible person (CEO or Accountant, in absence of CEO) will verify the product and the bill. Post satisfaction, s/ he will sign the challan.</li> </ul>	On the same day of receiving goods	
	Stock register updated	<ul style="list-style-type: none"> <li>The accountant will update the stock/ inventory register.</li> <li>It will be verified by the CEO. In absence of CEO, Committee's head will verify it.</li> </ul>	Same day of receiving goods	
	Depreciation will be charged annually as per the percentage applicable in the financial year.	<ul style="list-style-type: none"> <li>Accountant will be responsible to charge the depreciation annually.</li> </ul>	Annually	



## Salary

Figure 62



## Policy Process Procedure

Table 45

Policy	Process	Procedure	Timeline	Format
The employees (CEO & Accountant) must submit their written report to the BODs on 2nd of every month which will be filed in Monthly Report file.	Employment Contract/ Agreement with Employees	<ul style="list-style-type: none"> <li>Every employee who will join the FPO will be onboarded post signing employment contract to ensure their joining.</li> </ul>	At the time of onboarding	
	Daily attendance maintained in the attendance register by employees and will be cross checked by the recruitment committee	<ul style="list-style-type: none"> <li>Attendance register will be maintained in FPO and will be in custody of the CEO.</li> <li>It will be cross verified by the Recruitment Committee and the Board as well during their monthly meeting.</li> </ul>	Daily basis	

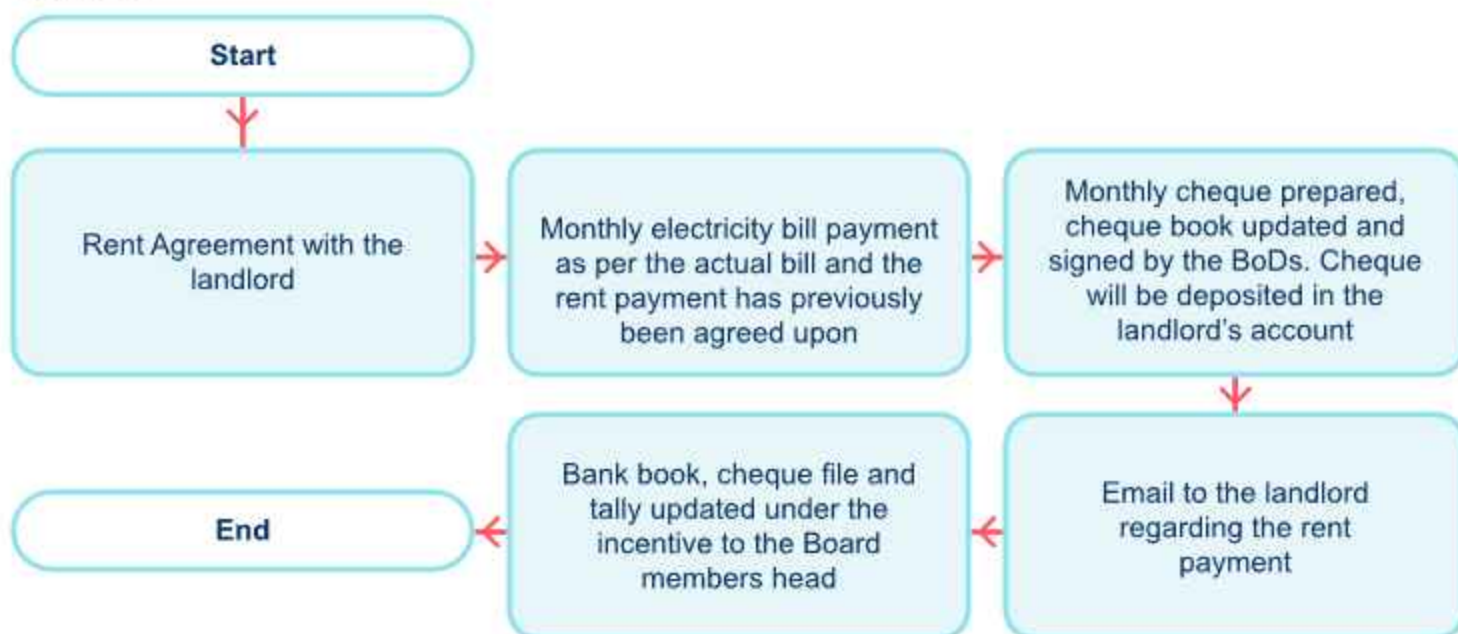
Policy	Process	Procedure	Timeline	Format
<p>The employees must have their attendance marked in the attendance register.</p> <p>For leave, employees must submit their leave application to their immediate reporting in writing. In case of emergency, leave can be approved over the phone-call, but s/he must submit their leave application immediately after rejoining the office.</p> <p>Salary must be disbursed to the employees' account between 25th to end of the same month.</p>	<p>Monthly report deposited with the board members. If applicable, presentation to BODs of the monthly work.</p> <p>Preparation of Cheque and bank advice and getting it signed by the signatories and cheque deposition the bank</p> <p>Confirmation/ acknowledgement email received from the employees</p>	<ul style="list-style-type: none"> <li>The employees will have to submit their written monthly report with the recruitment committee/ board members before 2nd of every month.</li> <li>No salary disbursement without written monthly report.</li> <li>Along with recruitment committee, BODs will also check and approve the report.</li> <li>Post approval, Accountant will prepare the bank advice and cheque and get it signed by the authorized signatories.</li> <li>Cheque book will be updated by the accountant.</li> <li>Cheque deposited in the bank by accountant &amp; receiving taken and receiving attached in the bank file and record maintained</li> <li>Employees receiving the salary will send a confirmation/ acknowledgement email on FPO's email.</li> </ul>	<p>Before 2nd of every month</p> <p>On the same day of report submission</p> <p>On the day of salary credited in their account</p>	





## Rent and Electricity

Figure 63



## Policy Process Procedure

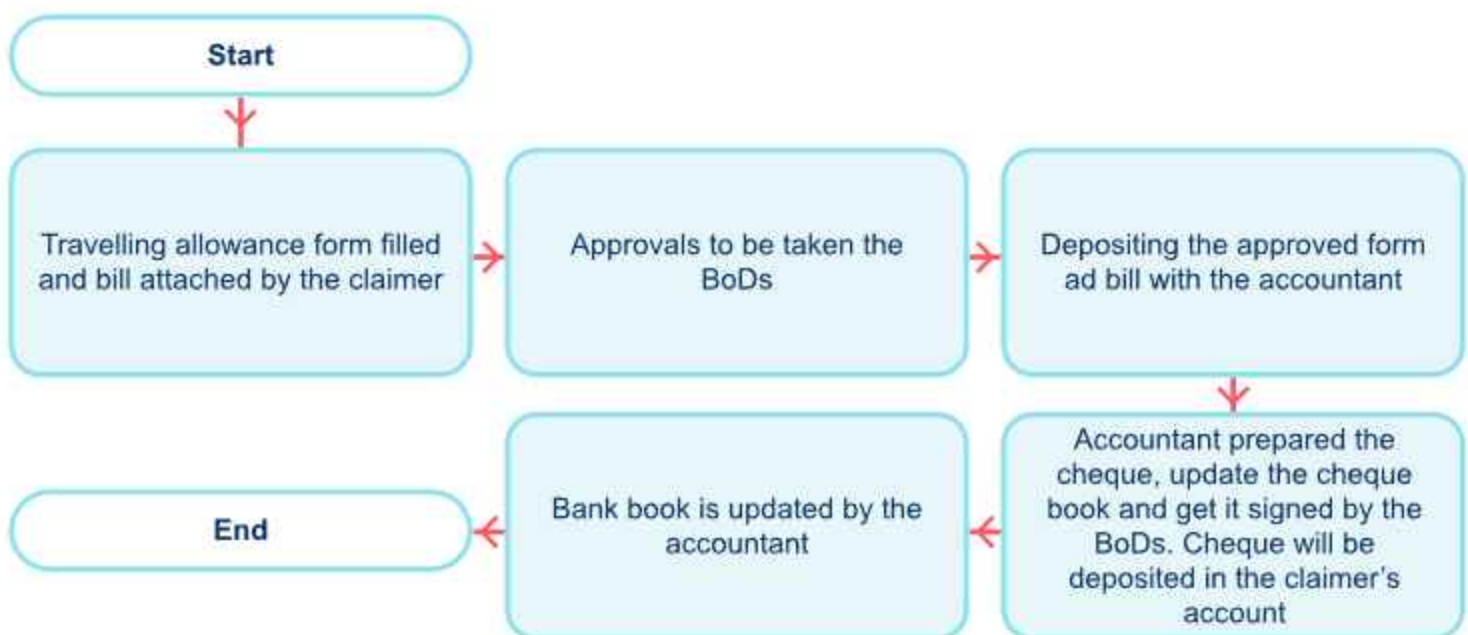
Table 46

Policy	Process	Procedure	Timeline	Format
Rent must be paid in the account of the landlord and on or before 7th of every month or as per the date mentioned in the agreement.  Any delay must be communicated to the landlord in writing via email.	Rent Agreement with the landlord	<ul style="list-style-type: none"> <li>President, on behalf of the company, will be doing the rent agreement with the landlord.</li> <li>Rent agreement will be renewed every 11 months.</li> </ul>	While acquiring the place for office	
	Monthly electricity bill payment as per the actual bill and the rent payment agreed upon	<ul style="list-style-type: none"> <li>In case, the electricity bill is to be included in the rent then the copy of electricity bill must be collected by the FPO.</li> <li>In case, the electricity bill must be paid by the FPO directly, the accountant will be assigned the responsibility to deposit the same in the electricity board office.</li> </ul>	Every month	

Policy	Process	Procedure	Timeline	Format
Electricity bill must be collected and attached in the payment file.	Monthly cheque prepared and got it signed by the BODs. Cheque will be deposited in landlord's account and Bank book; cheque file and tally will be updated.	<ul style="list-style-type: none"> <li>Accountant will prepare the cheque and get it signed by the signatories.</li> <li>Accountant will update the cheque book, bank book, rent register and cheque file.</li> </ul>	Every month	
	Email to landlord regarding the rent payment	<ul style="list-style-type: none"> <li>CEO will email the landlord about the deposition of rent in his/her account.</li> </ul>	On the same day of check deposition in landlord's account	

## Travelling Allowances

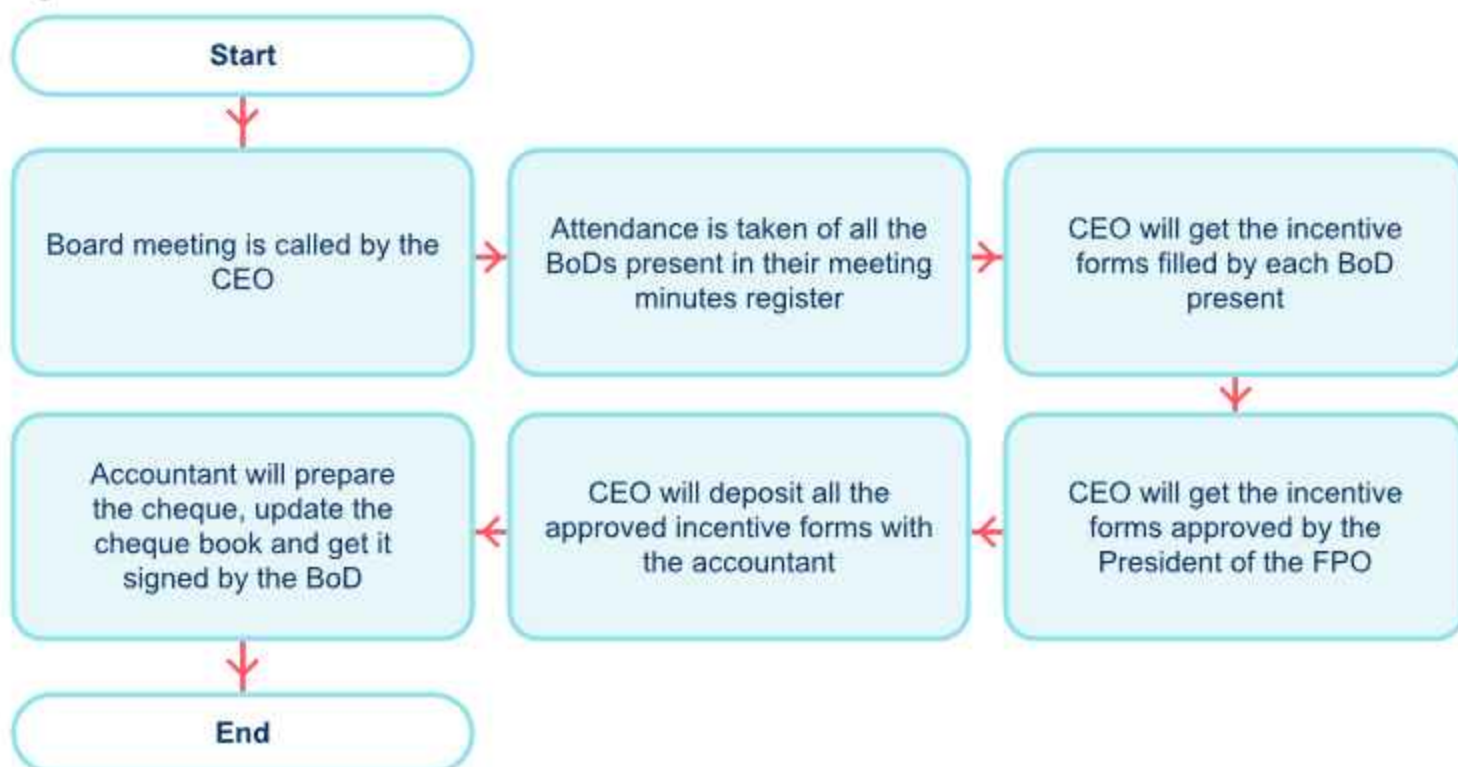
Figure 64





## Incentive to BoDs

Figure 65



### External Borrowing

A loan is a debt incurred by an individual or other entity. The lender—usually a corporation, financial institution, or government—advances money to the borrower. In return, the borrower agrees to certain terms, including any finance charges, interest, repayment date, and other conditions.

### Stages of Eligibility Evaluation of FPOs

- **Stage 1: Preliminary Evaluation**
- Business Strategy (Business Plan)
- Book-Keeping/Financial Statements
- Timely meeting of Statutory compliances
- Computerization of Operations and Records
- Governance in FPO

### Stage 2: Appraisal Visit to an FPO

- Relationship between the members and the FPO
- Competence of board relationship with promoting organization
- Competence and capacity of CEO and staffs
- Ability to transact in the market.
- Cash management and book-keeping.
- Adherence to compliances and regulatory measures
- Stock and debtor accounting.
- Irregularities and frauds

### Stage 3: FPO Loan Eligibility Assessment:

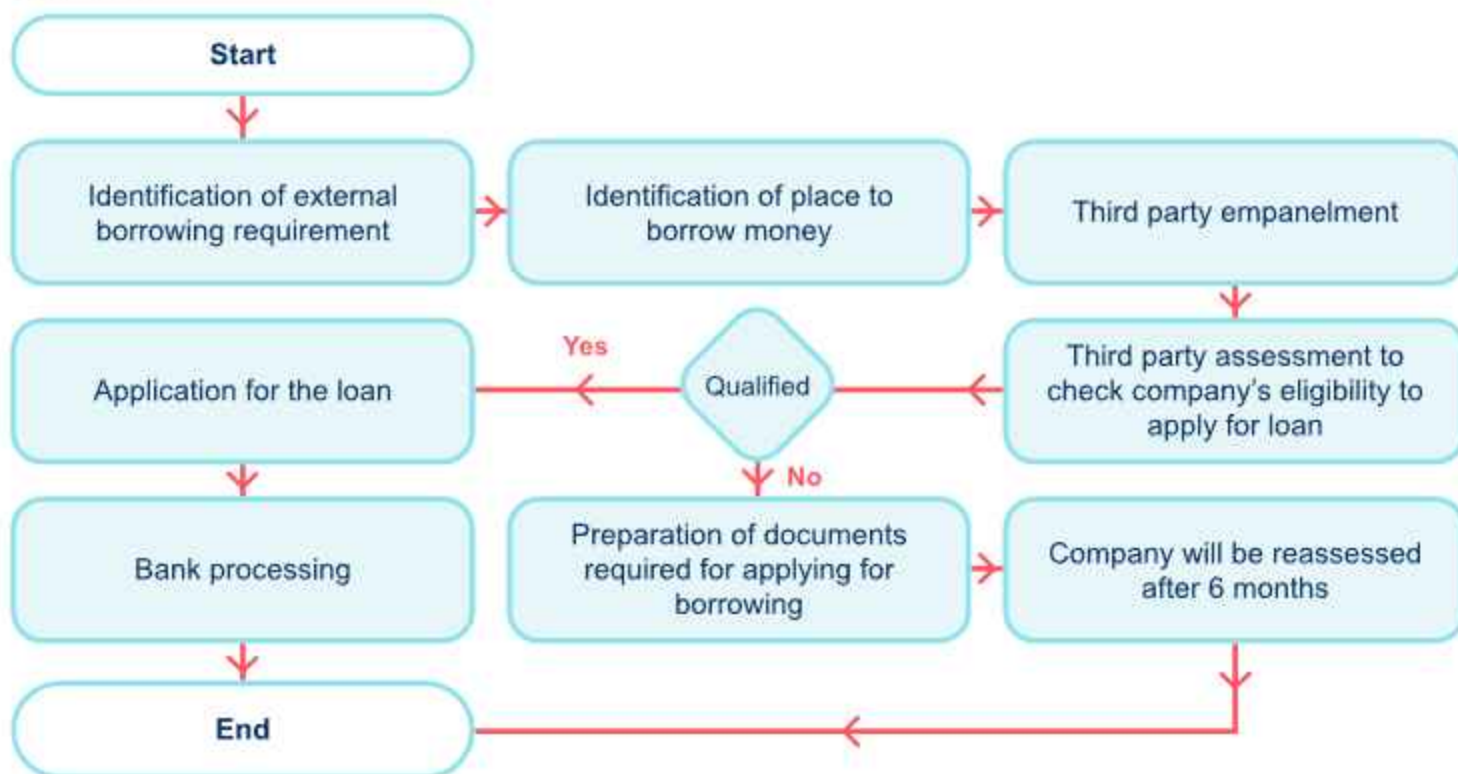
- Developed with the help of **Guidebook on lending to FPOs by BIRD**

Table 47

Sr No.	Heads	Policy
1	Eligibility assessment	<ul style="list-style-type: none"> <li>Third party will be engaged with letter for assessing the eligibility of the company to apply for a loan.</li> </ul>
2	Bank Account	<ul style="list-style-type: none"> <li>Separate loan account shall be opened for any loan.</li> </ul>
3	Withdrawal	<ul style="list-style-type: none"> <li>Approval by 80% of the Board of Directors is must to utilize loan amount.</li> <li>Loan Repayment must be tracked by CEO.</li> </ul>

### External Borrowing (Eligibility Assessment)- Process




Figure 66





## Policy Process Procedure

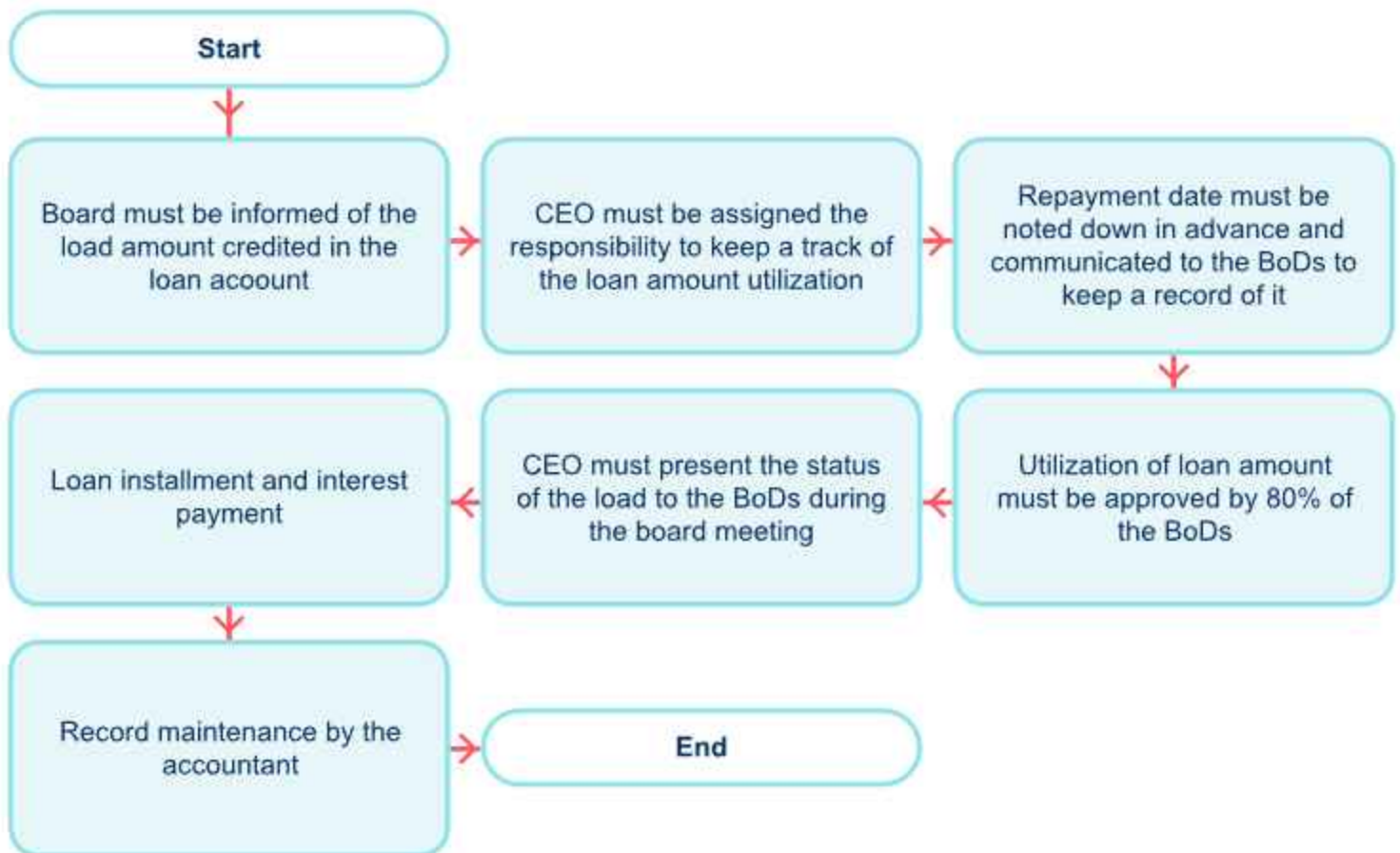
Table 48

Policy	Process	Procedure	Timeline	Format
Third party will be engaged with letter for assessing the eligibility of the company to apply for a loan.	Identification of external borrowing requirement	<ul style="list-style-type: none"> <li>The CEO and the Board must have clearly identified requirement of loan.</li> <li>Decision must be taken in the Board meeting and approved by 80% of the BODs</li> </ul>	As per the need	
Separate loan account shall be opened for any loan.	Identification of place to borrow money	<ul style="list-style-type: none"> <li>The lending partner must be identified by the CEO and the Board</li> </ul>	During the board meeting	
Approval by 80% of the Board of Directors is must to utilize loan amount.	Third party empanelment	<ul style="list-style-type: none"> <li>Decision to involve third party to do the loan eligibility assessment must be taken in the board meeting.</li> <li>It must be approved by 80% of the members.</li> <li>Third party for initial 3 years will be the promoting agency and they must be provided a letter of engagement for assessment.</li> <li>President will sign the engagement letter.</li> </ul>	During the board meeting	<a href="#">Loan application form guidelines</a>  <a href="#">Loan application Document Checklist</a> 
Loan Repayment must be tracked by CEO.	Third party assessment to check company's eligibility to apply for loan	<ul style="list-style-type: none"> <li>The dates must be decided to do the assessment.</li> <li>Eligibility criteria must be shared with the FPO to prepare itself for the assessment.</li> <li>Third party assessment will be done.</li> </ul>	As planned	<a href="#">Loan eligibility assessment scoring sheet</a> 
	If passed the assessment, then preparation of documents required for applying for borrowing and help them in application	<ul style="list-style-type: none"> <li>If the company qualified the eligibility criteria, then the third party will help them prepare the required documents and apply for the loan.</li> </ul>		

Policy	Process	Procedure	Timeline	Format
	If didn't qualify, then company will be reassessed after 6 months.			
	Bank processing			

## External Borrowing (Post Receiving the Loan) Process

Figure 67





## Policy Process Procedure

Table 49

Policy	Process	Procedure	Timeline	Format
<p>Third party will be engaged with letter for assessing the eligibility of the company to apply for a loan.</p> <p>Separate loan account shall be opened for any loan.</p> <p>Board of Directors' approval is must to utilize loan amount.</p>	Board must be informed of the Loan amount credited in the loan account.	<ul style="list-style-type: none"> <li>• CEO to call Board meeting.</li> <li>• Briefing must be done of the loan amount received.</li> <li>• Repayment date must be noted down in advance and communicated to BODs to keep a record of it.</li> <li>• Loan Register Opened</li> </ul>	Within 3 days of loan being credited into the account	
	CEO must be assigned the responsibility to keep a track of loan amount utilization.	<ul style="list-style-type: none"> <li>• CEO will be assigned the responsibility to keep a track of Loan amount to ensure rightful utilization.</li> <li>• Meeting minutes will be maintained of the same.</li> <li>• CEO will maintain the loan register and will be responsible to keep on sending reminders on the WhatsApp group about repayment dates and amount.</li> </ul>	During the 1st board meeting post receipt of loan	
	Utilization of loan amount must be approved by 80% of the BODs	<ul style="list-style-type: none"> <li>• Any utilization of loan amount will require permission from BODs.</li> <li>• Approval from 80% BODs is mandatory to utilize the fund.</li> <li>• It must be maintained in meeting minutes.</li> </ul>	Board meeting or an in case an emergency board meeting called	
	CEO must present the status of loan to BODs during the board meeting	<ul style="list-style-type: none"> <li>• In every Board meeting, CEO will present the complete utilization of loan amount to BODs.</li> <li>• The loan register will be signed and approved for the day.</li> </ul>	In every Board meeting	

Policy	Process	Procedure	Timeline	Format
	Loan Instalment and interest payment	<ul style="list-style-type: none"> <li>It must be paid through cheque and with approval from BODs.</li> <li>Any miss must be immediately communicated to the BODs.</li> </ul>	On the due date	
	Record Maintenance by accountant	<ul style="list-style-type: none"> <li>Except for loan register, other records like cheque preparation, cheque deposition will be done by an Accountant.</li> </ul>		





## MODULE 9

### Legal Compliances

The Farmer Producer Organization operates as a legally recognized business and must comply with various legal requirements, including obtaining licenses for business activities. One such example is the seed license necessary for input sales business. Additionally, the FPO must adhere to financial obligations such as GST, and other regulatory requirements. This module details the purpose and process involved in obtaining mandatory licenses and certification processes.

### Goods and Services Tax (GST)

Section 22 of the CGST Act 2017 makes it mandatory for anyone with a turnover in a financial year exceeding Rs. 40 lakhs for goods and 20 lakhs for services to have GST registration. While Section 23 exempts an agriculturist from GST registration

even if turnover exceeds specified limits, Section 24 mandates compulsory registration for the interstate supply of goods/services with a few exceptions. GST, or Goods and Services Tax, is an indirect tax imposed on the supply of goods and services.

Promoting institutions often advise FPOs to register for GST even if this is not immediately required for their scale of business or for the specified supply of goods. Once registered, invoices need to be GST compliant, and returns need to be filed monthly/quarterly, even when there is no turnover, failing which penalties are levied.

Many taxes have been submitted under GST, which are as under-

Table 50

Central Indirect Taxes & Levies	State Indirect Taxes & Levies
Central excise duty	VAT/Sales tax
Additional excise duty	Entertainment tax (other than the tax levied by local bodies)
Excise duty levied under the Medicinal Preparations (Excise Duties) Act, 1955	Central sales tax
Service tax	Octroi and entry tax
Additional Customs Duty (CVD)	Purchase tax
Special additional duty of customs	Luxury tax
Central surcharge and cess	Taxes on lottery
	Betting and gambling
	State cesses and surcharges



### **What are the benefits of registering under GST?**

1. For normal registered businesses:
  - Take input tax credit.
  - Conduct interstate business without restrictions.
2. For composition dealers:
  - Limited compliance
  - Lesser tax liability
  - Less impact on working capital
3. For businesses that voluntarily opt-in for GST registration (Below Rs.40 lakhs\*)
  - Avail input tax credit.
  - Conduct interstate business without restrictions.
  - Easily register on online & e-commerce websites
  - Get a competitive advantage compared to other businesses.

### **What turnover should be considered for GST registration threshold limit?**

Aggregate turnover should be taken into consideration when calculating turnover. Aggregate turnover means the aggregate value of all taxable supplies, excluding inward supplies liable to reverse charge, including exempt supplies, exports of goods or services, or both, and interstate supplies of persons with the same PAN, to be computed on an all-India basis.

### **NIL / Exempted / Zero / Non-GST**

#### **Nil-Rated**

This type of supply attracts a GST of 0%. The input tax credit cannot be claimed on such supplies. Some items that are nil-rated include grains, salt, jaggery, etc.

#### **Exempted**

This supply includes items used for everyday purposes. Since they are basic essentials, they do not attract any GST at all. You will not be able to claim any ITC on such supplies. Some examples include bread, fresh fruits, milk, curd, grapes, melons, ginger, garlic, unroasted coffee beans, green tea leaves that are not processed, and more.

Food items such as rice, hulled cereal grains, wheat, corn, etc., should not be put into branded containers.

#### **Zero-Rated**

Supplies made overseas, and to Special Economic Zones (SEZs) or SEZ, Developers come under the zero-rated supplies. This supply attracts a GST of 0%. For such supplies, ITC can be claimed.

#### **Non-GST**

Supplies that don't fall under the GST scope are termed non-GST supplies. However, these supplies can attract taxes other than the GST as per the jurisdiction of the state or the country. Some examples of such supplies include petrol, alcohol, etc.

Table 51

Types of Goods	Examples of Exempted Goods
Live animals	Asses, cows, sheep, goat, poultry etc
Meat	Fresh and frozen meat of sheep, cows, goats, pigs, horses etc
Fish	Fresh or frozen fish
Natural products	Honey, fresh and pasteurized milk, cheese, eggs etc
Live trees and plants	Bulbs, roots, flowers, foliage etc
Vegetables	Tomatoes, potatoes, onions etc
Fruits	Bananas, grapes, apples, etc
Dry fruits	Cashew buts, walnuts, etc
Tea, coffee and spices	Coffee beans, tea leaves, tumeric, ginger etc
Grains	Wheat, rice, oats, barley etc
Products of the milling industry	Flours of different types
Seeds	Flower seeds, oil seeds, cereal husks etc
Sugar	Sugar, jaggery etc
Water	Mineral water, tender coconut water etc
Baked goods	Bread, pizza base, puffed ric etc
Fossil fuels	Electrical energy
Drugs and pharmaceuticals	Human blood, contraceptives etc
Fertilizers	Goods and organic manure
Beauty products	Bindi, kajal, kumkum etc
Waste	Sewage sludge, municipal waste etc



Table 52

Types of Goods	Examples of Exempted Goods
Ornaments	Plastic and glass bangles, bangles etc
Newsprint	Judicial stamp paper, envelopes, rupee notes etc
Printed items	Printed books, newspapers, maps etc
Fabrics	Raw silk, silkworm cocoon, khadi etc
Hand tools	Spade, hammer etc
Pottery	Earthen pots, clay lamps etc

Table 53

Types of Services	Examples of Exempted Services
Agricultural services	Cultivation, supplying farm labour, harvesting, warehouse related activities, renting or leading agricultural machinery, services provided by a commission agent or the Agricultural Produce Marketing Committee or Board for buying or selling agriculture produce etc
Government services	Postal service, transportation of people or goods, services by a foreign diplomat in India, services offered by the Reserve Bank of India, services offered to diplomats etc
Transportation services	Transportation of goods by road, rail, water etc, payment of toll, transportation of goods where the cost of transport is less than INR 1500 etc
Judicial services	Services offered by arbitral tribunal, partnership firm of advocates, senior advocates to an individual or business entity whose aggregate turnover is upto INR 40 laks
Educational services	Transportation of faculty or students, mid day meal scheme, examination services, services offered by IIMs etc
Medical services	Services offered by ambulances, charities, veterinary doctors, medical professionals etc
Organizational services	Services offered by exhibition organizers for international business exhibitions, tour operators for foreign tourists etc
Other services	Services offered by GSTN to the Central or State government or UNIO Territories, admission fee payable to theatres, circuses, sport events etc which charge a fee upto INR 250

## Documents Required for GST Registration

- PAN of the Applicant
- Aadhaar Card
- Proof of business registration or Incorporation Certificate
- Identity and Address Proof of Promoters/Director with Photographs
- Address Proof of the place of business
- Bank Account statement/Cancelled cheque.

- Digital Signature
- Letter of Authorization/Board Resolution for Authorized Signatory

## GST Registration Process

**Step 1:** Visit the GST portal at <https://www.gst.gov.in> and Click on the 'Register Now' link which can be found under the 'Services' tab.



**Step 2:** Select 'New Registration' and fill the below mentioned details.

### Part - A

- Under the 'I am a' drop-down menu, select 'Taxpayer'.
- Select the respective state and district.
- Enter the name of the business.
- Enter the PAN of the business.
- Enter the email ID and mobile number in the respective boxes. The entered email ID and mobile number must be active as OTPs will be sent to them.

- Enter the image that is shown on the screen and click on 'Proceed'.
- On the next page, enter the OTP that was sent to the email ID and mobile number in the respective boxes and click on 'Proceed'.
- You will be shown the Temporary Reference Number (TRN) on the screen. Make a note of the TRN (Which helps in further Steps).

The image shows the 'New Registration' form on the GST portal. At the top, there is a progress bar with two steps: 'User Creation/Id' and 'OTP Verification'. Below the progress bar, the title 'New Registration' is displayed. A note indicates that a red asterisk (\*) denotes mandatory fields. There are two radio buttons: 'New Registration' (selected) and 'Temporary Reference Number (TRN)'. Below these, there is a dropdown menu for 'I am a' with 'Select' as the current choice. This is followed by dropdown menus for 'State / UT' and 'District', both also showing 'Select'. Then, there are text input fields for 'Legal Name of the Business (As mentioned in PAN)', 'Permanent Account Number (PAN)', and 'Email Address'. Each of these fields has a placeholder text: 'Enter Legal Name of Business', 'Enter Permanent Account Number (PAN)', and 'Enter Email Address' respectively. At the bottom, there is a note: 'OTP will be sent to this Email Address'.



## Part - B

**Step 1:** Now, visit the GST portal again and click on 'Register' under the 'Services' menu.

**Step 2:** Select 'Temporary Reference Number (TRN)'. Now, Enter TRN number and the captcha details. Click on 'Proceed' button.

**Step 3:** You will receive an OTP on your email ID and registered mobile number. Enter the OTP and click on 'Proceed'.

**Step 4:** The status of your application will be available on the next page. On the right side, there will be an Edit icon, click on it.

**Step 5:** In the Next Step, there will be 10 sections which must be filled and must submit the required documents. The list of documents that must be uploaded are:

- Photographs
- Business address proof
- Bank details such as account number, bank name, bank branch, and IFSC code.
- Authorization form
- The constitution of the taxpayer.

Submit the documents and move to **Next Step**.

**Step 6:** Visit the 'Verification' page and check the declaration, then submit the application by using one of the below mentioned methods:

- By Electronic Verification Code (EVC). The code will be sent to the registered mobile number.
- In case companies are registering, the application must be submitted by using the Digital Signature Certificate (DSC).
- By e-Sign method. An OTP will be sent to the mobile number linked to the Aadhaar card.

Once completed, a success message will be shown on the screen. The Application Reference Number (ARN) will be sent to the registered mobile number and email ID.

The procedure to download the GST registration certificate is mentioned below:

**Step - 1:** Visit <https://www.gst.gov.in/>

**Step - 2:** Click on 'Login'.

**Step - 3:** On the next page, enter the username and password.

**Step - 4:** Click on 'Login'.

**Step - 5:** Next, click on 'Services'.

**Step 6:** Click on 'User Services'.

**Step 7:** Select 'View/Download Certificates'

**Step 8:** On the next page, click on 'Download'. The certificate will have details of the tax transactions.

## GST Return

### Types of GST Returns and Due Dates-

#### GSTR-1

GSTR-1 is the return to be furnished for reporting details of all outward supplies of goods and services made. In other words, it contains the invoices and debit-credit notes raised on the sales transactions for a tax period. GSTR-1 is to be filed by all normal taxpayers registered under GST, including casual taxable persons.

All suppliers or sellers should report any amendments to sales invoices made, even about previous tax periods, in the GSTR-1 return.

The filing frequency of GSTR-1 is currently as follows:

(a) **Monthly, by 11th\* of every month-** If the business either has an annual aggregate turnover of more than Rs.5 crore or has not opted into the QRMP scheme.

(b) **Quarterly, by 13th\*\* of the month following every quarter-** If the business has opted into the QRMP scheme.

#### GSTR-2A

Form GSTR-2A is an automatically generated return that shows inbound supplies (purchase-related transactions) that happen in a given context in any particular business organization. It is important to note that the following returns' supplier, seller, or



counterparty information is used to generate the Form GSTR-2A automatically:

- Form GSTR-1, the return that a typical registered individual must file.
- Form GSTR-5, a non-return resident must be filed.
- The return that an input service distributor must file remains Form GSTR-6. On the contrary, it is important to note that:
- Form GSTR-7 remains to be the tax deductor's return.
- Form GSTR-8, a return must be submitted by any e-commerce operator responsible for tax collection.
- It also includes information on goods imports and inward supplies of items from SEZ developers/units.

### **Form GSTR-2B.**

Form GSTR-2B is an automatically created (system-generated) statement that provides input tax credit information.

- On the 14th day of the following month, the statement is automatically generated.
- Based on the following returns provided by the suppliers/seller:
- Form GSTR-1; Form GSTR-5.
- Form GSTR-6 and Import data obtained through ICEGATE; the details in Form GSTR-2B are automatically filled in.

The GSTR-2A is a dynamic statement that gets updated whenever a taxpayer's suppliers file their GST return of outward supplies. On the other hand, the GSTR-2B is a static statement containing details of input tax credit only for a particular return period.

### **Differentiating form GSTR-2A from form GSTR-2B**

Even though Forms GSTR-2A and GSTR-2B show the same information, they differ in several ways. The distinction between the two forms is outlined below:

- The GSTR-2A form is an example of a dynamic statement, i.e., regular change. Continuous updates about the input tax credit will be made to the information on inward supply. Form GSTR-2B, on the other hand, is a type of static statement, i.e.,

fixed. The information will constantly be updated.

- The basis for the reflection of details- For Form GSTR-2A, the inward supplies' specifics will be reflected in the statement in real time. In another way, the information will be updated whenever the supplier provides information on outward supplies, either in Form GSTR-1 or by using the Invoice Furnishing Facility (i.e., IFF). For instance, the registered person neglected to report some supplies when filing Form GSTR-1 for January 2022. The registered person noted the missing collection on Form GSTR-1 for February 2022. Accordingly, information about missed deliveries will appear in Form GSTR-2A in February 2022.
- However, the specifics of inward supplies will be static in the case of Form GSTR-2B. It will include information on outgoing stores that the provider reported between two due dates for Form GSTR-1 or the Invoice Furnishing Facility. Let's say, for illustration purposes, that the registered person provides information on outbound shipments for January 2022 after the deadline. If so, Form GSTR-2B for January 2022 will not contain the relevant information regarding inward imports and the input tax credit.
- Separation of Input Tax Credit Eligible and Ineligible Parties- The division of eligible and ineligible input tax credits is not provided in Form GSTR-2A. In contrast, Form GSTR-2B briefly distinguishes between input tax credits that are eligible and those that are not.

### **GSTR-3B**

GSTR-3B is a monthly self-declaration to be filed to furnish summarized details of all outward supplies made, input tax credit claimed, tax liability ascertained, and taxes paid.

GSTR-3B is to be filed by all normal taxpayers registered under GST. The sales and input tax credit details must be reconciled with GSTR-1 and GSTR-2B every tax period before filing.



GSTR-3B is to be filed by all normal taxpayers registered under GST. The sales and input tax credit details must be reconciled with GSTR-1 and GSTR-2B every tax period before filing GSTR-3B. GST reconciliation is crucial to identify data mismatches that may lead to GST notices in the future or suspension of GST registration as well.

The filing frequency of GSTR-3B is currently as follows:

- **Monthly, 20th\* of every month-**  
For taxpayers with an aggregate turnover of more than Rs 5 crore in the previous financial year or have been otherwise eligible but still opted out of the QRMP scheme.
- **Quarterly, 22nd of the month following the quarter for 'X' category of States and 24th of the month following the quarter for 'Y' category of States-**  
For the taxpayers with aggregate turnover equal to or below Rs 5 crore, eligible and remain opted into the QRMP scheme.

#### **Purchase of Goods from an Unregistered Vendor (Reverse Charge)**

Persons whose aggregate turnover in a financial year does not exceed forty lakh rupees are not required to be registered with the GST authorities. Such persons are called unregistered vendors.

As per Sec 9(4) of the CGST Act, if a registered person purchases goods/services from an unregistered dealer, then the registered taxpayer is liable to pay GST on a reverse charge basis (only for certain goods/services and registered persons). All

the provisions of the Act will apply to the recipient as if they were the person liable for paying the tax on the supply of goods or services.

This provision will apply if the below conditions are met:

- There should be a supply of goods or services.
- The supply should be in respect of taxable goods/services.
- Supply must be by an unregistered person.
- Supply must be to a registered person.
- Supply must be intra-state, as compulsory registration is required for inter-state sales.

Following is an example of some expenses which can attract GST under RCM

- Rent
- Printing and stationery
- Repairs and Maintenance- Vehicle maintenance, Computer maintenance
- Consultancy Fees- Professional Fees, Audit Fees, Legal Fees
- Advertisement
- Exception: Salary & Wages, Electricity, Interest, Govt Fee

If the supply involves exempted goods/services, RCM will not be applicable. For example, passengers who travel by auto rickshaw are exempted from GST.

Effect: Registered businesses may prefer to deal with other registered dealers only to ease business processes and reduce complications. This could hamper the business of unregistered dealers.





## **GSTR-9**

GSTR-9 is the annual return to be filed by taxpayers registered under GST. As per GST law, it is due by 31 December of the year following the relevant financial year.

It contains details of all outward supplies made and inward supplies received during the relevant financial year under different tax heads, i.e., CGST, SGST, and IGST, and a summary value of supplies reported under every HSN code, along with details of taxes payable and paid.

It consolidates all the monthly or quarterly returns (GSTR-1, GSTR-2A, GSTR-3B) filed during that financial year. GSTR-9 is required to be filed by all taxpayers registered under GST.

However, there are a few exceptions, such as taxpayers who have opted for the composition scheme, casual taxable persons, input service distributors, non-resident taxable persons, and persons paying TDS under section 51 of the CGST Act.

Note: As per the CGST notification no. 47/2019, later amended, the annual return under GST for taxpayers having an aggregate turnover that does not exceed Rs.2 crore has been made optional.

### **Penalty on Missing GST Due Date**

In such cases, where taxpayers do not file their returns within the specified due dates mentioned, he is obliged to pay a late fee of Rs. 50/day i.e., Rs. 25 per day in each case of CGST and SGST (in case of any tax liability) and Rs. 20/day i.e. Rs. 10/- day in each CGST and SGST (in case of Nil tax liability) subject to a maximum of Rs. 5000/-

### **Interest on Late Payment of GST**

According to the GST Penalty regulations, interest will be charged at 18 percent per annum from taxpayers who fail to pay their taxes on time. The interest will be levied for the days after the due date.

Check the example below to understand it better: Suppose your tax liability is Rs. 2,000, and you have not paid tax on time for a given month. Now, if you pay tax one day after the due date, your interest will be calculated as  $2000 \times 18/100 \times 1/365 = \text{Rs. } 0.98$  per day.

## **Trade License**

A trade license is a document that permits any individual or company to carry on a trade or business. The government has made trade licenses compulsory for those seeking to start a business and to regulate various trade activities in the country. The process of acquiring a trade license differs from state to state. Here, we look at the detailed procedure for obtaining a Madhya Pradesh trade license.

### **Aspects of Trade License**

Commencement of a new business requires the individual or the company to register it with the local government. However, obtaining a trade license is different from business registration. A trade license is permission to start a business.

The state Government regulates the issuance of trade licenses through municipal acts. To get the license, the business should comply with the rules and regulations set down by the corporation and safety authorities of the state.

A trade license does not guarantee property ownership to the license holder. The license does not allow the holder to carry on any other trade or business other than for the issued purpose.

### **Purpose of Trade License**

The main objective of the government issuing the trade license is to ensure that no one is conducting any unethical business practices or any illegal trade.

Procuring a license is mandatory for a person or a company to avoid heavy penalties, as any business without a trade license will be considered illegal.



### Eligibility

- Any individual who is 18 years old or older can apply for a trade license.
- The applicant should not have any criminal records against them.
- The business should have a legal permit.
- This trade license should be obtained within 30 days of the initiation of the business.
- Those who seek to set up a small, medium, or large-scale manufacturing industry or factory should acquire an industrial trade license.
- Retail shops or commercial establishments should get shop licenses.
- Establishments like restaurants, canteens, and food stalls should obtain food establishment licenses.

### Documents Required

The following documents should be submitted for Madhya Pradesh Trade License.

- Government ID Proof (Aadhar Card / voter ID / PAN Card / Driving license)
- Address Proof (Electricity Bill, Telephone Bill)
- Partnership Deed (In case of Partnership Firm)
- Memorandum of Article (In case of Company)
- If the trade is carried out in owned premises - property tax receipt / property registration details
- If the trade is carried out in rented premises - photocopy of self-attested rent agreement or a no-objection certificate from the owner.
- Passport size photograph of the owner (2 nos).
- Original copy of challan must be submitted along with the photocopy of other documents.

### Timeline

The timeline for the issue of a Trade License certificate is 30 days from the submission of a proper application with essential documents. If the application is rejected, an appeal to the concerned official can be made. The time taken for the first appeal to be resolved is 15 days.

The Municipal Commissioner, Additional Commissioner, or Deputy Commissioner acts as an administrative head of the concerned authority and is authorized to approve trade license certificates at Nagar Nigam and Nagar Palika.

In case of rejection of the certificate, the first appellate office is either the project officer or the sub-divisional officer of the Urban Local Bodies. The second appellate officer is the divisional officer of the respective Urban Local Bodies of the establishment.

### Fee and Validity

The fee for issuance of the license is not fixed and is revised once every three years. However, the online application for a trade license through e-Nagar Palika, under the state government of Madhya Pradesh, charges a service fee of Rs. 10 for each application submission.

The validity of the license depends upon the approval, sanction, declaration, opinion or satisfaction of the Mayor-in Council, the Corporation Commissioner, or any municipal officer.

### Application Process

The applicant can apply online for trade license through e-Nagar Palika online portal of Madhya Pradesh.

**Step 1:** To apply online, visit the official website of e-Nagar Palika <https://www.mpenagarpalika.gov.in/>

**Step 2:** Under the Business tab on the Home page, click 'Online Form-Trade License'.

## Madhya Pradesh Trade License Online Form

**Step 3:** The online application form for the Madhya Pradesh Trade License appears. Enter the required details that include the following.

- General details
- Firm name & address details
- Self-declaration
- Upload documents area

## Madhya Pradesh Trade License Application Form

**व्यवसाय लाइसेंस हेतु आवेदन पत्र**  
**Application Form for Trade License**

**General Details/सामान्य विवरण**

Trade Type/व्यापार प्रकार *	Select	Date Of Application/ आवेदन की तारीख	15.10.2018
City/शहर *	खिलावर नगर परिषद / BITARWAR NAGAR PARISHAD *	Ward/वार्ड	Select/चुनें हैं *
Applicant/Owner/Business Man first name/आवेदक / स्वामी / व्यवसाय आवेदक प्रथम नाम *	<input type="text"/>	Applicant/Owner/Business Man Last Name/आवेदक / स्वामी / व्यवसाय आवेदक अंतिम नाम *	<input type="text"/>
Father First Name/पिता का नाम *	<input type="text"/>	Father Last Name/पिता अंतिम नाम *	<input type="text"/>
Mobile No./मोबाइल नंबर *	<input type="text"/>	Email/ईमेल *	<input type="text"/>
Proprietor / Owner photograph/मालिक / स्वामी फोटो	Choose File No file chosen		
Property ID/संपत्ति आईडी	<input type="text"/>		
Old License Number/पुराना लाइसेंस नंबर	<input type="text"/>		

**Firm Name & Address/फर्म का नाम और पता**



**Step 4:** On successful submission of the application form, the registration number and the fee challan will be generated (if offline).

**Step 5:** The submitted application will be verified and approved by the concerned authority and the area inspector will scrutinize the trading place.

**Step 6:** On successful verification, the application will be approved. The rejected application will go to Deputy Commissioner / Additional Commissioner after getting recommendations from ARO

(revenue) for final approval.

**Step 7:** After final approval, an alert message will be sent on the approval status and for fees payment. Make necessary payment and download the digitally signed certificate from the portal.

#### Check Application Status

The applicant can check application status by entering the application number and clicking Get Status.

### Madhya Pradesh Trade License Check Application Status

The screenshot shows a web interface for checking application status. At the top, there is a blue header bar with the text "Businesses > Payment for Trade License". Below this, the heading "Check Status" is displayed. A note states "Fields Marked with \* are Mandatory Fields". The form contains a label "Application number \*" followed by a colon and a text input field. To the right of the input field is a button labeled "Get Status".

**Download / Print Certificate:** The applicant can download the certificate by entering the application number and clicking get certificate.

The downloaded certificate can be printed for the required purpose.

## FSSAI Registration

Every food business operator involved in the manufacturing, processing, storage, distribution, and sale of food products must compulsorily obtain an FSSAI Registration or License.

FSSAI Registration is different from the FSSAI License in the sense that depending on the size and nature of the business, FBO should obtain the necessary registration or license. An FSSAI license can be acquired for anywhere from 1 year to 5 years. The FSSAI has prescribed different validity periods for different licenses and food products.

It is a 14-digit registration or a license number that is printed on all the food packages. The 14-digit registration number gives details about the assembling state, producer's permit.

This registration procedure aims to create more accountability on the part of the FBO to maintain the quality of the food products. The licensing and registration procedure and requirements are regulated by the Food Safety & Standards (Licensing and Registration of Food Business) Regulations, 2011. If an FPO decides to move into the processing business, they must obtain this as a mandatory requirement.

### Who Requires FSSAI Registration?

**Food Business Operators (FBOs)** carrying on the following kinds of business are mandatorily required to obtain an FSSAI Registration/License:

- Petty retailers and retail shops such as retail shops, snack shops, confectionery or bakery shops, etc.
- Temporary stalls or fixed stalls or food premises involved in the preparation, distribution, storage, and sale of food products such as golgappa stalls, chat stalls, fruits/vegetable vendors, tea stall, snacks stalls, bread pakoda stalls, samosa stalls, chinese food stall, south indian food stall, sweet stall, juice shops, etc.
- Hawkers who sell packaged or freshly prepared food by travelling (usually on foot or movable carts) from one location to another.
- Dairy units including milk chilling units, petty

milkman and milk vendors.

- Vegetable oil processing units.
- All food manufacturing/processing units that include repacking of food.
- Slaughtering houses such as meat shops, mutton shops, chicken shops, lamb meat, etc.
- Meat processing and fish processing units.
- Proprietary food and novel food.
- Cold/refrigerated storage facility.
- Transporter of food products having a number of specialized vehicles like insulated refrigerated van/wagon, milk tankers, food wagons, food trucks, etc.
- Wholesaler, supplier, distributor, and marketer of food products.
- Hotels, restaurants and bars.
- Canteens and cafeteria including mid-day meal canteens.
- Food vending agencies and caterer.
- Dhaba, PG providing food, banquet halls with food catering arrangements, home based canteens and Food stalls in fairs or religious institutions.
- Importers and exporters of food items including food ingredients.
- E-Commerce food suppliers including cloud kitchens.

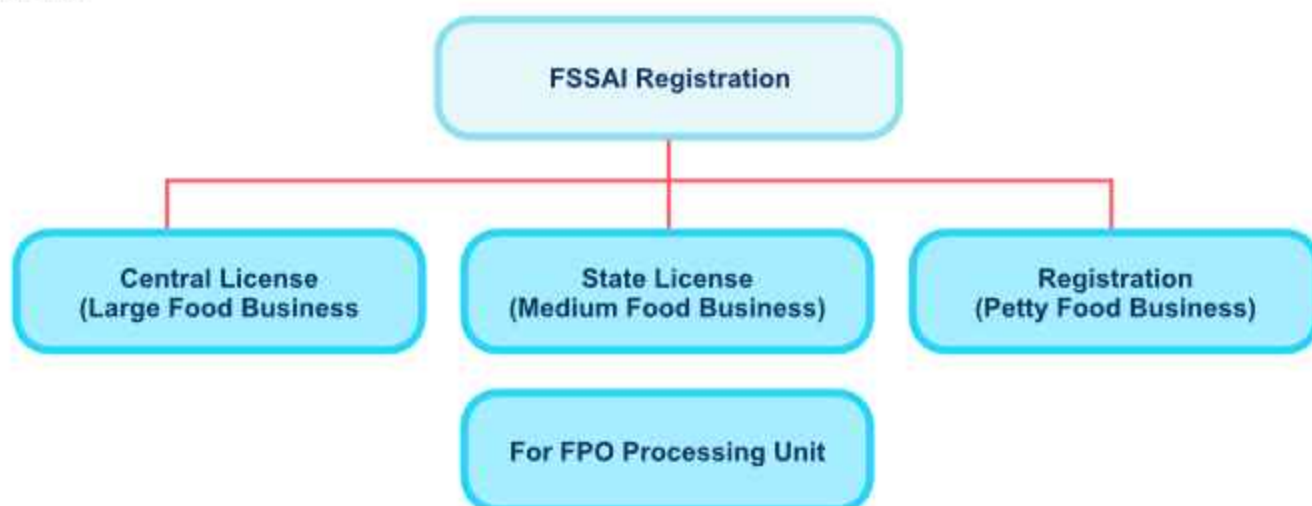
### Types of FSSAI Registration

The type of FSSAI license/registration required by each of the kinds of the businesses mentioned above depends on their eligibility criteria. The eligibility criteria for each kind of business and type of license/registration is provided on the FSSAI.

FSSAI registration is based on the business types, turnover, and production capacity. Depending on the installed capacity and turnover, FBOs are eligible for licenses such as basic, central, and state licenses.



Figure 68



#### **FSSAI Basic Registration**

FBOs with a turnover of less than Rs.12 lakh p.a. must obtain FSSAI basic registration. The FSSAI registration form that the applicant has to fill out to obtain FSSAI basic registration is Form A.

#### **FSSAI State License**

FBOs with a turnover of more than Rs.12 lakh p.a. and less than Rs.20 crore p.a. must obtain the FSSAI state license. The FSSAI registration form that the applicant has to fill out to obtain an FSSAI state license is Form B.

#### **FSSAI Central License**

FBOs with a turnover of more than Rs.20 crore p.a. must obtain the FSSAI central license. The FSSAI registration form that the applicant has to fill out to obtain the FSSAI central license is Form B.

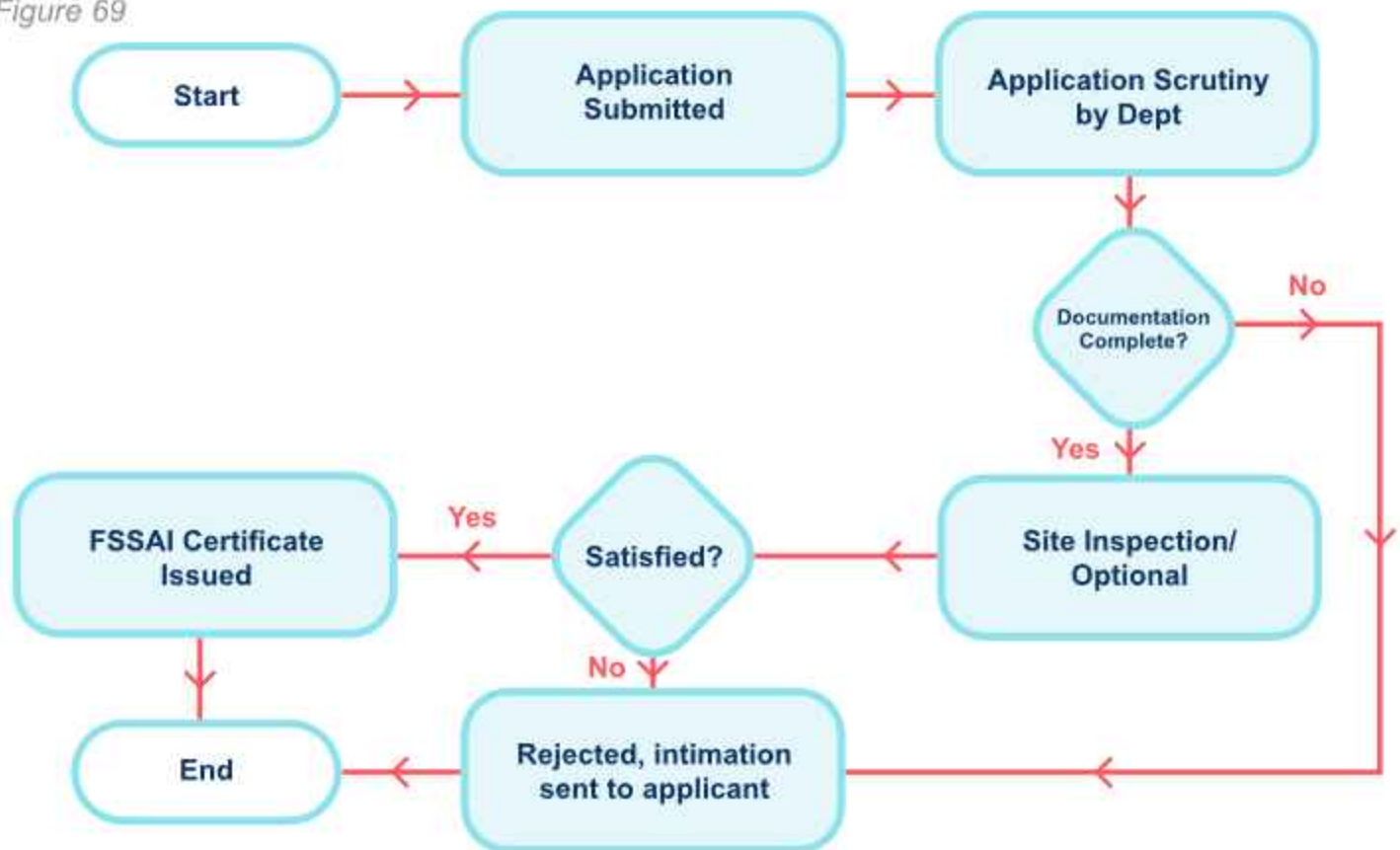
#### **Process for Obtaining FSSAI Registration Online**

FBOs can obtain FSSAI registration online by filling out and submitting the FSSAI registration form, Form A (application for Registration) or Form B (application for State and central license), on the FoSCoS (<https://foscoss.fssai.gov.in/>) portal.

**The FPOs can also register offline by submitting Form A or Form B to the Food and Safety Department.**

The FSSAI registration form must be accompanied by the required documents. The documents must be uploaded online on the FoSCoS portal when filling out the application or submitted to the Food and Safety Department along with the application physically.

Figure 69



- The department will scrutinize the documents submitted.
- The department may inspect the food premises before granting the FSSAI registration certificate, if necessary.
- If the department is satisfied that the FBO meets all the required criteria, then it will grant an FSSAI registration certificate with the registration number and the photo of the applicant's email ID. The applicant can also download the FSSAI registration certificate by logging into the FoSCoS portal.
- FBO should prominently display the certificate of FSSAI registration at the place of business during business hours.

#### FSSAI Registration Eligibility

FSSAI Registration is a basic license, and it is required for all the FBOs involved in the small-scale food business. This category covers the following businesses:

- Any FBO with an annual turnover of not more

than Rs. 12 lakhs.

- Petty retailers dealing in food products.
- Any person who manufactures or sells any food article by himself.
- Food sale is done by the temporary stall holder.
- Any individual who distributes food in any religious or social gathering except a caterer.
- Small-scale or cottage industries dealing in the food business and the following:

#### FSSAI License Eligibility

For all other FBOs apart from small-scale businesses, the FSSAI license has to be obtained. FSSAI License can be classified into two categories, i.e., State FSSAI License and Central FSSAI License, based on the size of the business, whether it is a medium-scale or large-scale business.

Generally, FBOs that are large manufacturers, importers, or exporters dealing in large-scale food businesses need to obtain FSSAI registration from



the central government, and FBOs with small-to medium-sized manufacturing units, transporters, marketers, traders, etc., need to obtain FSSAI registration from the state government. To apply for a State License, the FBO must have a turnover between Rs 12 lakh and Rs 20 crore.

Other conditions include manufacturing units having a capacity of 2MT per day and dairy units handling up to 5000 liters per day. 3-star hotels and above, repackers, relabelling units, clubs, canteens, and all catering businesses, irrespective of their turnover, need to apply for the license. The tenure of the license issued is a maximum of 5 years and a minimum of 1 year.

-To apply for a central license, the FBO must have a turnover exceeding Rs. 20 crores and operations in two or more states. All importers and exporters need to apply for this license. The maximum tenure is five years, and the minimum is one year.

### **Documents Required for Obtaining the FSSAI Registration/License**

Following documents are required to obtain FSSAI basic registration, FSSAI state license and FSSAI central license:

- Photo identity proof of the food business operators.
- Business constitution certificate, i.e. partnership deed, certificate of incorporation, shop and establishment license or other business registration certificate.
- Proof of possession of business premises, i.e. rental agreement, NOC from the owner of the rented premises, utility bills etc.
- Food safety management system plan.
- List of food products manufactured or processed.
- Bank account information.
- Supporting documents (if required) like NOC by Municipality or Panchayat, Health NOC, copy of License from the manufacturer, etc.

Apart from the above-mentioned general documents, certain specific documents are required for obtaining the FSSAI state license and

FSSAI central license. The specific documents required to obtain the FSSAI state license are:

- Form B duly completed and signed.
- Plan of the processing unit showing the dimensions and operation-wise area allocation
- List of Directors/ Partners/ Proprietor with address, contact details, and photo ID.
- Name and list of equipment and machinery used with the number and installed capacity.
- Authority letter from manufacturer nominated a responsible person name and address.
- Analysis report of water to be used in the process to confirm the portability.
- Copy of certificate obtained under Coop Act 1861/ Multi-State Coop Act 2002

Apart from the general license, the following specific documents are required to obtain **FSSAI central license**:

- **Form B** duly completed and signed.
- Plan of the processing unit showing the dimensions and operation-wise area allocation
- List of Directors/ Partners/ Proprietor with address, contact details, and photo ID.
- Name and list of equipment and machinery used with the number and installed capacity.
- Authority letter from manufacturer nominated a responsible person name and address.
- Analysis report of water to be used in the process to confirm the portability.
- Source of raw material for milk, meat etc
- Recall plan wherever applicable.
- Ministry of Commerce Certificate for 100% EOU
- NOC document issued by FSSAI.
- IE code document issued by DGFT.
- Form IX
- Certificate from Ministry of Tourism
- Supporting document for proof of turnover and transportation
- **Declaration form** (refer the [sample here](#))

### **FSSAI Registration Fees**

The applicant/FBO needs to pay the fees while submitting the FSSAI registration form. The FSSAI registration fee for different types of registration are as follows:

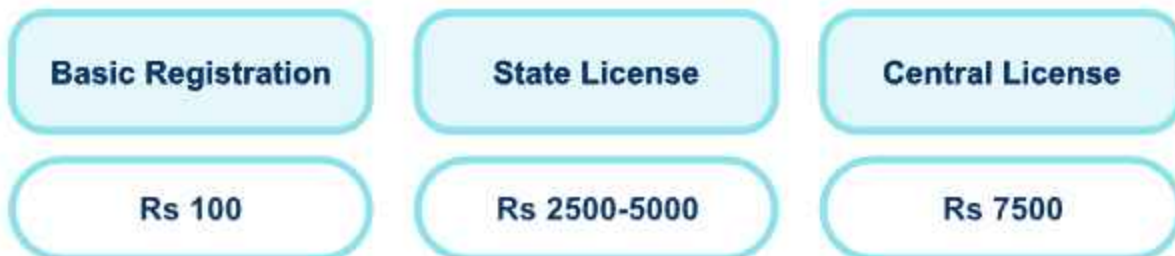
- FSSAI Basic Registration - Fee of Rs.100



Sample Declaration  
Form for FSSAI  
license

- FSSAI State License - Fee between Rs.2,500 to Rs.5,000 (Depends on the type of business)
- FSSAI Central License - Fee of Rs.7,500

Figure 70



## Process to Register

### Online Process:

Applicant needs to visit the official website to apply for this: <https://foscos.fssai.gov.in/>

### FSSAI Registration- Basic (Form A)

**Step 1:** User can log in by clicking on the box "Apply for License/Registration Fee: Rs.100 to 7500 per year" as shown in the figure below:(yellow box)

The screenshot displays the FSSAI registration portal interface. At the top, there is a header with a navigation menu and a QR code for downloading the 'Food Safety Connect' app. Below the header, there is a login form with fields for 'Enter Application Reference No.', 'Enter Captcha Code', and a 'Submit' button. The captcha code shown is '340715'. Below the login form, there is a row of five service tiles: 'Apply License/Registration Fee: Rs. 100 to 7500 per year' (yellow), 'Modification of License and Registration Fee: Rs. 1000 for License, Rs. 100 for Registration' (green), 'Renewals Fee is same as of new License and Registration. Can be applied as early as 180 days prior to expiry date.' (blue), 'Food Consumer Grievance' (dark blue), and 'File Express Annual Return' (dark blue).



**Step 2:** Select option as per user requirement.



**Step 3:** Select the State and Read the Note and Read the Group Heads of Kind of Business, Click on Kind of Business under which the food business falls,

user can read the definition of all Kind of Business under it and click on the radio button under it to proceed further.



- **Step 4: Fill in all the mandatory fields as shown in Form A.**

### Fill Registration Certificate Details

**Form A**  
The Food Safety and Standards Act, 2006  
Application for Registration under Food Safety and Standards Act, 2006

#### Applicant Details

Name of Applicant (Full Name):

Designation:  (Proprietor/Partner/Authorized Representative/Officer)

#### Type of Business

Category:

Sub-category:

#### Address of Premises where food business is located

House No.:  Locality:  Pin Code:

State:  District:  Block:

City/Town/Village:  Ward:

Post Office:

Landmark:

Mobile No.:

Save & Next

#### Correspondence Address

House No.:  Locality:  Pin Code:

State:  District:  Block:

City/Town/Village:  Ward:

Post Office:

Landmark:

Mobile No.:

#### Contract Details

Contract No.:  Contract Date:

Contract Type:

Contract Status:

#### Next you want to apply for

As a new business owner? ☐ Yes ☐ No

#### Details of food items prepared to be served, sold or sold

Food Item:  Quantity:

#### Other Details

Use of Food:  Food Category:

Food Safety Officer:  State:  District:

Signature of Applicant:

Signature of Authorised Representative:

Save & Next

- **Step 5: Upload the documents, pay the fee with available modes, and apply.**

### Upload Document(s)/Payment

S.No.	Document Type	Upload Document(s) (Max File Size: 2MB, type: pdf, jpeg, png)
1	Photo *	<input type="button" value="Choose File"/> No file chosen <input type="button" value="Upload"/>
2	Identity Proof * <input type="text" value="Select Identity Proof"/>	<input type="button" value="Choose File"/> No file chosen <input type="button" value="Upload"/>

#### Other Document

S.No.	Document Description	Upload Document(s) (Max File Size: 2MB, type: pdf, jpeg, png)
	<input type="text" value="e.g. Proof of premises/POC by Municipality/Panchayat/Health NOC, etc."/>	<input type="button" value="Choose File"/> No file chosen <input type="button" value="Upload"/>

☐ Receipt ☒ Treasury Challan

Total Amount: ₹. 100

I hereby declare that:-

- I have read, understood and abide all provisions of FSS Act, 2006 and Rules, Regulations made therein and orders issued from time to time applicable to declared food business.
- I assure that articles of food mentioned in form satisfy the requirements of FSS Act, 2006, Rules and Regulations made thereunder.
- I shall comply with the general hygiene and sanitary requirements as mentioned in the Schedule 4 of the FSS (Licensing and Registration of Food Businesses) Regulations, 2013.
- Expected Annual turnover of the food business is under ₹. 12 Lacs. I will apply for License as and when annual turnover of food business exceeds ₹. 12 Lacs.

I do hereby solemnly affirm and declare that all information and particulars furnished here by me are true and correct to the best of my knowledge.

Back



- **Step 6:** After completing the payment, a receipt will be generated with a 17-digit reference number which can be used for future reference.

**Directorate of Food and Drugs Administration**  
(Govt. of Goa)  
Licensing and Registration System V3.0

**Receipt**

Reference No. :	32001231000000771	Date : 23-01-2020
Name of Company/Organization :	qqqqqqqqqqqq	
Premises Address :	qqqqqqq, North Goa, Goa-111111	
Kind of Business :	Dairy units	
Category of License :	Registration	
Fee Paid :	Rs 200 (2 Year(s))	

Note: FSSAI does not contact applicants over telephone for License/Registration. Queries relating to License/Registration are only raised online. License related complaints may be reported at helpdesk - 1800112100 and licensing@fssai.gov.in.

View/Print License Application

[Print](#) [Cancel](#)

- **Step 7:** User can track the status of application through the Homepage i.e. [www.foscoss.fssai.gov.in](http://www.foscoss.fssai.gov.in) by using the reference number.

**fssai** **FoSCoS** **15** **Eat Right India**

Home | About FoSCoS | FSSAI | User Status | Login | Sign Up

Standardized Food Products | Eligibility of your food business

View all FSSAI Standardized Products | View all Eligibility Criteria Details

Track Application Status | FBO Search | How to Apply | Apply for FSSAI License

Enter Application Reference No. | Enter Captcha Code

556984 [Submit](#)

User can track application status from

2018-01-24 10:28

- **Step 8:** State License - Fill in all the mandatory fields as shown in Form B.





[Home](#) | [About FoSCoS](#) | [About](#) | [Contact Us](#) | [Sign Up](#) | [Log In](#) | [Forgot Password](#) | [Help](#)

## Fill Application Details

Form 10 - Application for Issuance / Renewal of Licence under Road Safety and Standards Act, 2000

☒ Submission Panel
 ☐ Application Document
 ☒ Certification Details
 ☐ Required Document
 ☐ Payments

Entity of Licensing Organization?

Address of Renewal App which needs to be updated

Added *	Entity Name *	Total	Entity Type *
Street *	<input type="text"/>	App Number *	<input type="text"/>
House No *	<input type="text"/>		<input type="text"/>
City/Town/Village *	<input type="text"/>		
Pin Code (Postal) *	<input type="text"/>		
Dist Name (State) *	<input type="text"/>		
Dist Name (Party) *	<input type="text"/>		

[illegible]

## Sign Up Details

Applicant Details

Applicant Name \*

Primary Contact Detail

Email \*
Mobile No. \*

Belongs To \*

Please Select

Secondary Contact Detail

Email
Mobile No.

Belongs To

Please Select

Login Credential

Login ID \*

Password \*
Confirm Password \*

603369


Enter Captcha \*

1. Kindly note your application reference ID. As it will be your login ID until license is generated. Once license generated, the license number will be your login ID.  
2. Password length should be minimum 6 to maximum 25 characters and should be alphanumeric with at least one uppercase character and one special character (0,1,2,3,4,5,6,7,8,9,\_,!,@,#,\$,%,^,&,\*).

Submit



- **Step 9:** Upload the documents, pay the fee with available modes, and apply.



**User Sign Up Successfully**

We have registered your details and you are now a registered user. You can now login and start your application.

[Go to Login](#)

**Fill Application Details**

Form 17 - Application for License/Registration of Food Safety and Standards Act, 2006

Application Reference No. 12345678901234567890 | Company Name: ABCDEF

Application Details

Kind of Business	Business Category	Capacity
Dairy/Meat/Fish/Other	Dairy/Meat/Fish/Other	How many units of business category you want to start off your business?
Dairy/Meat/Fish/Other	Dairy/Meat/Fish/Other	Capacity in units per month

Business Address

Address: \_\_\_\_\_ State: \_\_\_\_\_ District: \_\_\_\_\_ Pin Code: \_\_\_\_\_

Business Address: \_\_\_\_\_ State: \_\_\_\_\_ District: \_\_\_\_\_ Pin Code: \_\_\_\_\_

**Other Document**

Note: Upload documents as per the application. Only mandatory documents.

Document Description: \_\_\_\_\_ Document Type: \_\_\_\_\_

Upload Document

Documents List

- 1. Food Safety and Standards Act, 2006 and Regulations made thereunder.
- 2. Food Safety and Standards (Food Safety Standards) Regulations, 2017.
- 3. Food Safety and Standards (Food Safety Standards) Regulations, 2017.
- 4. Food Safety and Standards (Food Safety Standards) Regulations, 2017.
- 5. Food Safety and Standards (Food Safety Standards) Regulations, 2017.
- 6. Food Safety and Standards (Food Safety Standards) Regulations, 2017.
- 7. Food Safety and Standards (Food Safety Standards) Regulations, 2017.
- 8. Food Safety and Standards (Food Safety Standards) Regulations, 2017.
- 9. Food Safety and Standards (Food Safety Standards) Regulations, 2017.
- 10. Food Safety and Standards (Food Safety Standards) Regulations, 2017.

- **Step 10:** After completing the payment, a reference number which can be used for future reference.



**Directorate of Food and Drugs Administration**  
(Govt. of Goa)  
**Licensing and Registration System V3.0**



**Receipt**

**Reference No. :** 32001231000000771 **Date :** 23-01-2020

**Name of Company/Organization :** qqqqqqqqqq

**Premises Address :** qqqqqq, North Goa, Goa-111111

**Kind of Business :** Dairy units

**Category of License :** Registration

**Fee Paid :** Rs 200 (2 Year(s))

Note: FSSAI does not contact applicants over telephone for License/Registration. Queries relating to License/Registration are only raised online. License related complaints may be reported at helpdesk - 1800112100 and licensing@fssai.gov.in.

View/Print License Application

[Print](#) [Cancel](#)

### FSSAI Registration Status/Download Process:

An applicant is informed by SMS/Email alert at many stages of application processing by FSSAI. The applicant can also check the FSSAI registration status by entering the application reference number issued after applying FSSAI on the 'Track Application Status' tab on the FoSCoS website. Click here for detailed steps on tracking FSSAI application status.

Tracking the application status allows one to view the different stages of the FSSAI registration status. When the FSSAI registration status is displayed as 'Application Reverted,' the FSSAI authorities have reverted the application for necessary modification or clarification. The applicant must submit the response within 30 days from the reverted date to avoid the risk of rejection.

When the FSSAI authorities issue the FSSAI registration certificate, the status will be displayed

as 'Registration Certificate Issued.' Applicants can download the certificate by logging into the FoSCoS website.

### How To Download FSSAI Certificate

In India, the FSSAI (Food Safety and Standards Authority of India) issues the FSSAI Registration/License certificate under the Food Safety and Standards Act, 2006 to Food Business Operators (FBOs). Any person intending to start a food business, even from home, must mandatorily obtain the FSSAI Registration/License certificate before starting their food business.

After the FSSAI License/Registration is sent to the FBO's email, they can download the FSSAI certificate. The steps to download the FSSAI certificate are as follows:

**Step 1:** Visit the FoSCoS website and click on the 'Login-Businesses' option on the homepage.

The screenshot displays the FoSCoS (Food Safety Compliance System) website homepage. At the top, there are logos for FSSAI, FoSCoS, and 'Eat Right India'. A navigation bar includes links for 'Home', 'About FoSCoS', 'FSSAI', 'User Manual', 'Login-Businesses' (highlighted with a red box), 'Login-Authorities', and 'Sign Up'. Below the navigation bar, there are two search bars: 'Standardized Food Products' and 'Eligibility of your food business'. A horizontal menu contains icons for 'Track Application', 'Know Your Officer', 'FBO Search', 'How to Apply', and 'Application Processing'. The main content area features a form with two input fields: 'Enter Application Reference No.' and 'Enter Captcha Code'. The captcha code displayed is '362237'. A 'Submit' button is located at the bottom of the form.



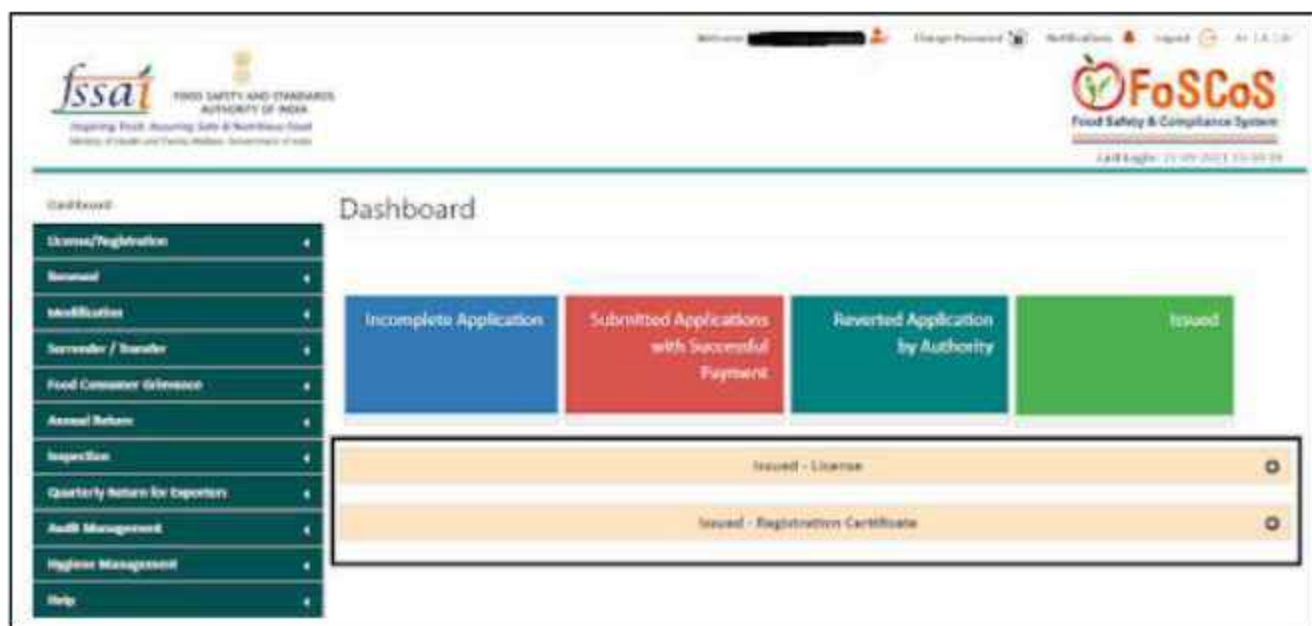
- **Step 2:** Enter your 'Username', 'Password', 'Captcha' and click on the 'Sign-in' button.

The screenshot shows two side-by-side sign-in forms on the FoSCoS website. The left form is titled 'User Sign-in' and the right form is titled 'Small (Petty) FBO Sign-in!'. Both forms have input fields for Username, Password, and a Captcha. The Captcha for the User Sign-in form is '419627' and for the Small (Petty) FBO Sign-in form is '478413'. There are 'Sign-in' and 'Back' buttons at the bottom of each form. The website header includes the fssai logo, the FoSCoS logo, and the 'Eat Right India' logo. The header also contains navigation links: Home, About FoSCoS, PSOs, User Manual, Login-Businesses, Login-Authorities, and Sign Up.

- **Step 3:** Your dashboard will be displayed on the screen. Click on the 'Issued' option.

The screenshot shows the FoSCoS Dashboard. On the left is a sidebar menu with options: Dashboard, License/Registration, Renewal, Modification, Surrender / Transfer, Food Consignor Information, Annual Return, Inspection, Quarterly Return for Exporters, Audit Management, Hygiene Management, and Help. The main content area is titled 'Dashboard' and contains four colored boxes: 'Incomplete Application' (blue), 'Submitted Applications with Successful Payment' (red), 'Reverted Application by Authority' (teal), and 'Issued' (green). The 'Issued' box is highlighted with a black border. Below these boxes are two orange bars: 'Issued - License' and 'Issued - Registration Certificate'. The website header includes the fssai logo, the FoSCoS logo, and the 'Eat Right India' logo. The header also contains navigation links: Home, About FoSCoS, PSOs, User Manual, Login-Businesses, Login-Authorities, and Sign Up.

- **Step 4:** Click on the 'Issued-License' option when you have applied for FSSAI License or the 'Issued-Registration Certificate' option when you have applied for FSSAI Registration.



- **Step 5:** FSSAI certificate will be displayed on the screen with the details. Under the 'Reference no/Registration no' column of your certificate details, click on your FSSAI certificate registration number.

- Compliance (C)
- Non-compliance (NC)
- Partial compliance (PC)
- Not applicable/Not observed (NA)

FSSAI certificate will open. Click on the download button/image on the page and click on 'Save'. Your FSSAI Registration/License certificate will be downloaded.

### Consequences of Non-Compliance

Any registered or licensed person under the FSSAI has to adhere to the rules and regulations under the FSS Act, 2006. The food safety officer generally inspects the food business operator's facility and identifies the level of compliance with the regulation using a checklist. Based on the compliance level, the food safety officer marks it as:

Based on the above, the food safety officer might issue an improvement notice wherever required per Section 32 of the FSS Act, 2006. If the business operator fails to comply with the improvement notice, the officer, after giving the licensee an opportunity to show cause, may cancel his license. Any food business operator aggrieved by an improvement notice can appeal to the State Commissioner of Food Safety. The decision thereon can be challenged through an appeal to the Food Safety Appellate Tribunal/High Court.

Penalty for non-compliance listed the penalty for various types of non-compliance:



Table 54

Sr No.	Particulars	Fine
1	Food quality is not in compliance with act	2 Lakh petty manufacture
2	Sub-standard food	5 Lakh
3	Misbranded food	3 Lakh
4	Misleading advertisement or false description	10 Lakh
5	Extraneous matter in food	1 Lakh
6	Failure to comply with Food Safety Officer direction	3 Lakh
7	Unhygienic processing or manufacture	1 Lakh

### Renewal of FSSAI License

The FSSAI license is essential to commence the food business. Similarly, it is imperative to renew the license. The license is issued for a validity of 1 year or five years, so the business must apply for renewal 30 days before the expiry of the current license.

If a license renewal is not filed 30 days before the expiry date, FBO must pay a late fee of Rs. 100 per day, along with the renewal fee. Note: This late fee is not applicable in the case of Registration.

After the expiry date with the following penalties:

- Three times the existing annual license/registration fee in the period - 1st day to 90th day from the original expiry date
- Additional two times of the existing annual license/registration fee (i.e., total five times) in the period - 91st day to 180th day from the original expiry date

### FSSAI Returns

After receiving the FSSAI registration/license, the FBOs must comply with the FSSAI compliances

and file the FSSAI annual return within the prescribed time. Otherwise, they will have to pay penalties.

### Filing FSSAI Returns

- Every FBO has a business turnover of more than Rs.12 lakhs.
- Every FBO importing, selling, manufacturing, exporting, storing, distributing, handling, or transporting any type of food product.
- The FBO is involved in the manufacturing and distribution of milk.

### Exemption from Filing the Annual FSSAI Return

- Food Business Operators (FBOs), including Petty Food Business Operators holding FSSAI Registration Certificate, are not required to submit annual returns.
- Other Kinds of Businesses such as Distributor, Wholesaler, Retailer, Storage, Transporter and Food Services etc.

Thus restaurants, grocery stores, canteens, fast food corners etc., are not required to file annual returns under this act.

### Due Date for Filing Returns

The due date to file the FSSAI form D1 by the FBOs is on or before 31 May of every financial year.

### Penalty for Non-Compliance

According to the Regulations, when FBOs do not file the FSSAI returns within the prescribed due date, a fine of Rs.100 will be imposed on them every day the default continues starting from the next day of the due date.

As per the order dated 10 November 2022, the Maximum penalty levied shall not exceed 5 times the annual license fee.

### Things to Remember

After receiving the FSSAI certificate, the FBOs must mandatorily display it at their food premises.

- After receiving the FSSAI certificate, the FBOs must display it at their food premises.
- Display the FSSAI registration number on all the packed food products.
- The FBOs can use the FSSAI logo on the packaging of the food products. The FSSAI certificate or logo ensures that the food quality is verified and, thus, safe for consumption.
- The FSSAI certificate increases the food business's reliability and helps attract investors, partners, and customers.
- If a Food Business Operator fails to comply with the food regulations set in the FSS Act, 2006. A Designated Officer (DO) of the food safety department can issue an improvement notice.
- Food Business Operator (FBO) can appeal to the State Commissioner of Food Safety if he/she is aggrieved by the improvement notice or suspension/cancellation of license. The decision of the Food and Safety Commissioner shall be final. Alternatively, an FBO can also approach the Food Safety Appellate Tribunal/ High Court of their respective States/UTs to challenge the notice.

## Fertilizers and Seeds License

### Seed License

High-quality seeds play a crucial role in boosting agricultural production and productivity. To ensure fair distribution and accessibility of superior seeds to farmers, the Government of India enacted theregulatory measures guarantee the efficient production, marketing, and equitable distribution of seeds across the agricultural sector.

Seeds Act of 1966 and the Seed Rules of 1968. Seeds undergo certification under the Seed (Control) Order 1983, established under the Essential Commodities Act of 1955. These

### Issue of the Seed License

Any person or business that wants to sell, export, or import seeds in India must mandatorily apply for a seed license.

Each state and union territory of India has adopted a different procedure for issuing seed licenses. Hence, FPOs interested in the seed business must obtain a seed license from the licensing authority in their state.

The fresh license is issued for 3 years, and there is an application for license renewal.

**Timeline-** it takes 15 working days to from the date of complete document submission (it varies from one state to another)

Documents required for seed licence- (source: Agriculture Department, Rajasthan) <https://rajkisan.rajasthan.gov.in/Licence/Seed#:~:text=3.,Affidavit%20on%20Non%2DJudicial%20stamp%20of%20Rs.,fee%20of%20rupees%20five%20hundred.>)

### For New Application

- Application Form 'A' in two copies
- For responsibility of quality of seed Affidavit on Non-Judicial stamp of Rs.50 attested by Notary public along with ID proof.
- Map of Shop/godown and certificate of ownership or rent
- Source of seed for sale
- If firm is producer, certificate of registration of concerned state/Rajasthan state seed agency
- If firm/company is pvt. ltd. then copy of Memorandum of Articles of concerned



- company
- Seed license fee

### Renewal of License

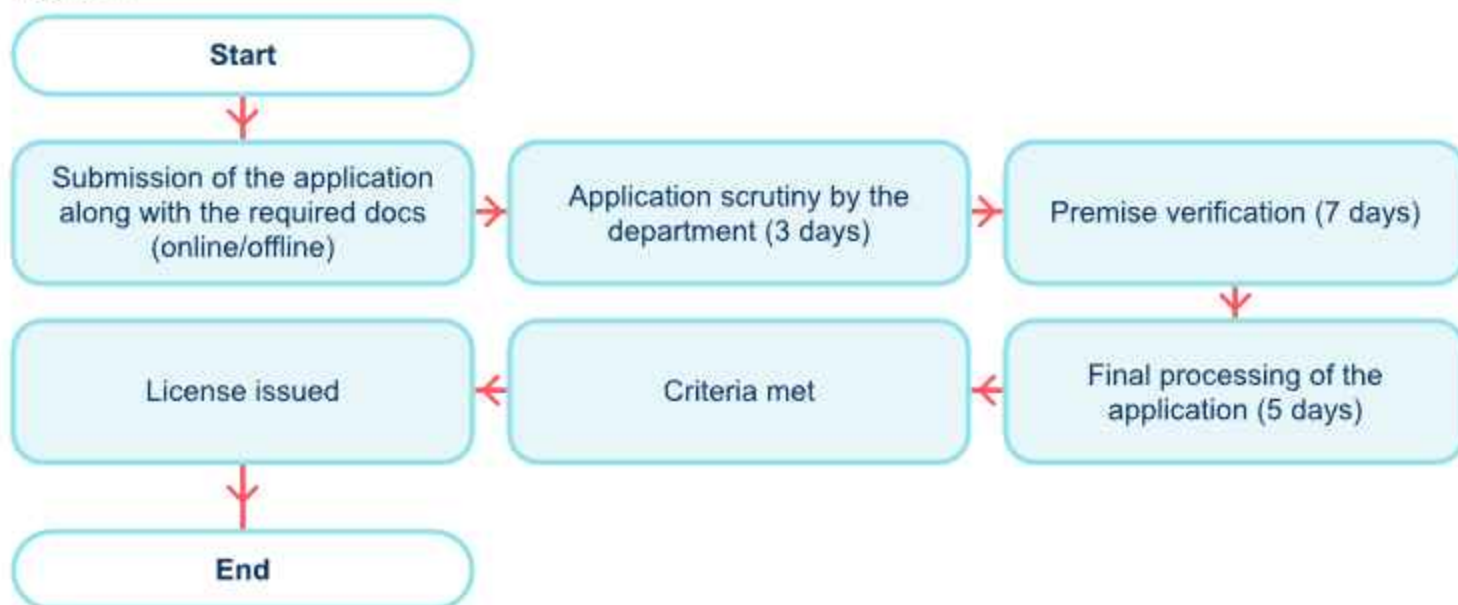
- Application form of renewal 'c' (two copies)
- License renewal fee of Rs. 500/- deposited before expiry date of license.
- Affidavit on Non-Judicial stamp of Rs. 50 for responsibility of quality of seed attested by notary along with Id proof.
- If the application is submitted within one month from the date of expiry, the license may be renewed on payment of additional fee of rupees five hundred.

### The Offline Process of Application

- Applicant has to get the letter head for the firm and should get required document as prescribed above.
- Applicant should go to the licensing officer for division level agriculture department office to apply.
- Please collect the form A as per officer's advice to apply for the license.

- Submit the completed application with required documents as mentioned above.
- After accepting the application, officials will advise the amount to be remitted as per the mode (treasury challan or as acceptable).
- Applicant after remitting the mentioned amount, should provide the same to the department authority for processing.
- Applicant will get receipt for the remitted fees. Please keep the receipt and acknowledgement safe for future reference
- This application will be processed by the respective department.
- Applicant will get intimation for inspection of premises.
- Authorities will inspect the business place and do their due diligence for the machine / other apparatus as mentioned in application by applicant.
- Once all the process yields satisfactory result, Applicant gets intimation to collect the License.
- On the said date, applicant can collect the license.

Figure 71



## The Online Process of Application-

The above process can be followed online by visiting the respective webpage of the agriculture department of the state by uploading the required

documents and payment through UPI link-

- **Step 1** -Fill the basic profile of the applicant-  
<http://agrilicense.upagriculture.com/#/Form/SeedDealer>

The screenshot shows the 'FORM 'A' FORM OF APPLICATION TO OBTAIN DEALER'S LICENSE' on the U.P. Agri Online Licence System. The header includes the system name and navigation links (Home, User Guide, JARID Counsellor, Login). The form contains fields for 'Authority' (a dropdown menu), 'Date' (set to 14/01/2024), and an 'Upload Profile Picture' button. Below this is section '1. Full Name and Address of the Applicant'. It includes a sub-section '(a) Name and Postal Address' with fields for 'First Name', 'Middle Name', 'Last Name', 'Age', 'Email', 'Adhar Number', 'Mobile No.', 'Pan No.', and 'Pin Code'. There is also a 'Details' section with a 'Select District' dropdown and a 'Block' dropdown. An 'Applicant Address' field is at the bottom.

- **Step 2:** Share Business details, and respond to basic queries

The screenshot shows the second part of the application form, section '2. Is it a proprietary/partnership/limited company/Hindu undivided family concern? Give the name(s) and address(es) of proprietor/partner/Manager/Warta.'. It includes a 'Name & Address' field, a 'Details' section with 'Select District' and 'Block' dropdowns, and a 'Pin Code' field. Below this is section '3. In What Capacity This Application is Made' with a 'Proprietor' dropdown. Section '4. Was the applicant ever convicted under the Essential Commodities Act, 1955 (10 of 1955), or any order issued thereunder during the last three years preceding the date of application? If so, give details.' has a 'Details' field and 'Yes'/'No' buttons.



### Step 3: Create user log-in-

U.P. Agri Online Licence System

Home User Guide Joint Committee Login

5. Give the details of goods to be purchased

Name - Download Sample Check List and add the needed details for bulk upload

Name of land

ADD NEW UPDATE/DELETE DELETE

6. Sign Up

New User Go Back

7. Check List

### Step 4: Upload KYC Document

U.P. Agri Online Licence System

Home User Guide Joint Committee Login

7. Check List

(Scanned Images Of All Documents in PDF File) Allowed Only Pdf File, Max Size 1 MB

S.NO	DOCUMENT NAME	PDF DOCUMENT UPLOAD
1.	Id Photo card	Choose File No file chosen
2.	Proof of Address for Respondent (Address only of land - Customer Card)	Choose File No file chosen
3.	Proof of ownership (land property/leasehold) with map where the land to be sold for sale is marked S.O. No.	Choose File No file chosen
4.	Self attested copy of authority (name of the firm/individual)	Choose File No file chosen
5.	Proof of GST or PAN Registration Certificate	Choose File No file chosen
6.	Attestation stamp paper of the Government/Notary	Choose File No file chosen
7.	Bankable Business plan (building, equipment, inventory, insurance, marketing, etc.) or technology of work used - self-made	Choose File No file chosen

## Step 5: Declaration & Submit



**Declaration**

(i) I/We declare that the information given above is true to the best of my/our knowledge and belief and no part thereof is false.

(ii) I/We have carefully read the terms and conditions of license given in Form 'D' appended to the Seeds (Control) Order, 1983, and agree to abide by them.

**NOTE**

(1) Where the business of selling/exporting/importing seeds is intended to be carried on at more than one place, a separate license should be obtained for each such place.

**SAVE** **CANCEL**

### Fertilizer License

A fertilizer license is issued to a business or individual interested in manufacturing, distributing, or selling fertilizers. Once the license is issued, the business must ensure compliance with the regulatory requirements and environmental safety protocols associated with manufacturing or applying fertilizers in agriculture.

#### Eligibility for the License-

- To be eligible for a fertilizer license, FPO must build the storage facilities.
- Fulfill all applicable safety and environmental standards.
- Certificate and training for ensuring safety and fertilizer handling.

#### Application Process

The applicant must apply online on the Department of Agriculture portal. Then, the applicant's application is auto-forwarded to the Joint Director for a Wholesale License and to the Chief Agricultural Officer for a Retail License, and scrutinization is performed along with a site inspection. If no disparity is found after the site inspection, the License is issued. If any variation is

found, the application is again reverted to the applicant for required changes and to be submitted again.

Below is the list of the documentation FPO can follow to obtain the fertilizer license.

- Form "O" Sourcing Certificate from the manufacturer.
- Affidavit for Undertaking of un-employment.
- Site Plan
- Proof of premises/rent agreement
- Bachelor's degree certificate in Agricultural Sciences.
- Aadhar Card of Applicant
- Photographs of Applicant
- Bank Balance certificate for bank balance of Rs.5 Lakh.
- Police Clearance certificate
- Receipt of Rs.5,000 as Government fee

#### Steps for online Application-

**Step 1:** Fill the online application, of the web portal of your respective state. The below illustration is from the Uttar Pradesh Agriculture department-  
<http://agrilicense.upagriculture.com/#/Form/FertiManuf>



U.P. Agri Online Licence System

Home User Guide Jarkit Sources Login

### FORM 'A1'

#### MEMORANDUM OF INTIMATION

**Important Note:** Please Do Not Use Backward Forward and Refresh Button of Browser  
**Required Subject:** Required Authority: Joint Director Signature (Fertiliser), U.P.

Date: Feb 1, 2024 Upload Profile Picture

#### 1. Details of the Application

(a) Name of the applicant

First Name:  Middle Name:  Last Name:

(b) Name of Company

Name of Company:

(c) Postal Address With telephone number

Address:

Applicant Address:

- Step 2: upload Source form "O" from the manufacturer-

U.P. Agri Online Licence System

Home User Guide Jarkit Sources Login

#### 2. Whether the application is for:

#### 3. Details of fertilizers and their sourcing from 'O'

Whether certificate of source is from 'O' is attached

Name of Fertilizer:    Upload File

S.No.	Name of Fertilizer	Whether certificate of source is from 'O' is attached	Attached File

#### 5. Sign Up

New User Name:  Password:

- **Step 3:** Upload required documentation as mentioned above-

6. Check List

(Scanned Images Of All Documents In PDF File) Allowed Only Pdf File. Max Size 1 MB

SNO	DOCUMENT NAME	PDF DOCUMENT UPLOAD
1	विभाग प्रमुख/निदेशक की बैठक के बाद विवरण/प्रमाण (विभाग का भवन होने की स्थिति में) अगले कार्यालय का प्रस्ताव पत्र (पिडी एफ) होने की स्थिति में।	<input type="button" value="Choose File"/> <input type="button" value="No file chosen"/>
2	अतिरिक्त का अधिकृत व्यक्ति होने के प्रमाण में अगल/होना टिकट।	<input type="button" value="Choose File"/> <input type="button" value="No file chosen"/>
3	अतिरिक्त का प्रमाण/पत्र प्रस्ताव पत्र पर अगल/होना विवरण/प्रमाण पत्र। सुनिश्चित प्रमाण अदि।	<input type="button" value="Choose File"/> <input type="button" value="No file chosen"/>
4	सूचना/विवरण/अतिरिक्त/होना पर अगल/होना अतिरिक्त/होना के समस्त अधिकारी के अनुमति/पत्र। 100 के सीमा केवल पर सीमा के प्रमाण/प्रमाण पत्र सुनिश्चित प्रमाण पत्र।	<input type="button" value="Choose File"/> <input type="button" value="No file chosen"/>

I have read the terms and conditions of eligibility for submission of Memorandum of Intimation and undertake that the same will be complied by me and in token of the same I have signed the same is enclosed herewith.

Date: \_\_\_\_\_

Place: \_\_\_\_\_ Signature of applicant: \_\_\_\_\_

### Minimum Support Price (MSP) License

The MSP is the rate at which the government purchases crops from farmers and is based on a calculation of at least one-and-a-half times the cost of production incurred by the farmers.

MSP is a **"minimum price"** for any crop that the government considers as remunerative for farmers and hence deserving of "support". The Commission for Agricultural Costs & Prices (CACP) recommends MSPs for 22 mandated crops and fair and remunerative price (FRP) for sugarcane. CACP is an attached office of the Ministry of Agriculture and Farmers Welfare.

In this context, FPOs can register themselves as procurement agent for MSP and earn commission out of it. FPO's are required to complete the registration process under State MSP to avail the

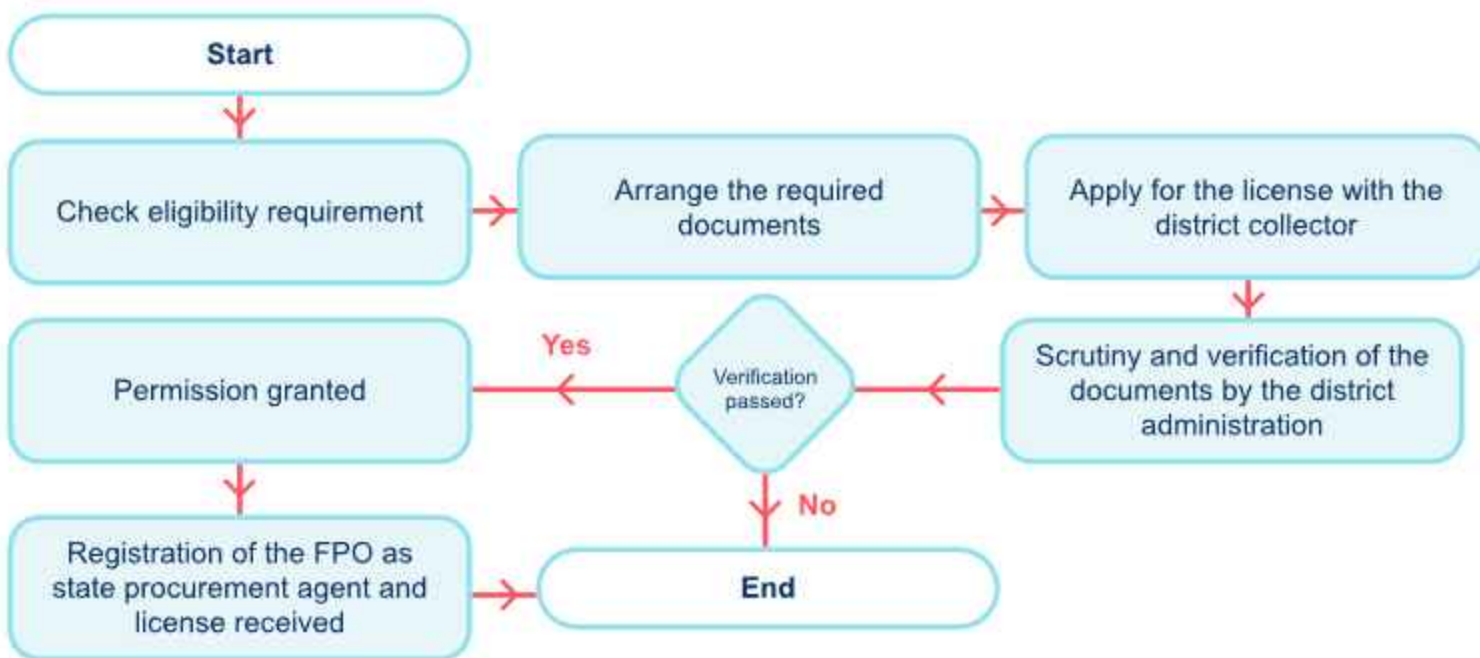
services. Registration under state MSP will be a supplement towards revenue generation for the FPO's. This process will help the farmers to sell their produce in the nearest collection centre assigned by the government.

### Steps for MSP Registration-

- Collect & arrange all required documents of FPO.
- Apply along with the required documents to the District Collector of the respective district and CC to MD Food
- Scrutiny and verification of documents by District administration (3-4 days)
- Permission granted by district administration (3-4 days)
- Registration of FPO in state MSP to procure produce from farmers on MSP rates (License received)



Figure 72



### Documents and Eligibility for MSP Registration

- 3 years balance sheet & audit report
- Should have bank deposit (FD) of INR 50 lakhs.
- Equipment's & machines available with FPO for e.g., Minimum 4 Weight Machines.
- Details of staffs & BoD members (ADAHAR & PAN Card)
- Availability of computer/printer & quality of services provided.
- Grading services
- Meeting Resolution copy of 3 AGM meetings

A sample on how FPOs can calculate their operating cost and plan their decision to involve in MSP procurement to make profit for the FPO. The [costing template for MSP procurement](#), is feasible to use by the FPO's to check the profitable margin and input costing from the business transactions via state MSP. As per requirement the FPO's can customize & use the template to generate insight on the projection.

State MSP-Handla Location (Publicly common)	Borne by	Rate (Per Quatall/Per Unit/Per KM)	Volume (quatall/ Unit)	Duration/ Month	Formula (Rate X unit X Duration)	Prior (DTR)
Logistics & Packaging	FPO					
Loading (one sided)		6	2000	1	=6X2000X1	12,000
Labour charges		4	2000	1	=4X2000X1	8,000
Admin Cost	FPO					
Rent for Collection Centre		4000	1	1	=4000X1X1	4,000
Electricity charges		2500	1	1	=2500X1X1	2,500
Printing & Stationary		500	1	1	=500X1X1	500
Computer maintenance		300	1	1	=300X1X1	300
Internet		500	1	1	=500X1X1	500
Salary- Security Guard		4000	1	1	=4000X1X1	4,000
Salary- Data Entry Operator		3000	1	1	=3000X1X1	3,000
Salary- Quality Assurance		5000	1	1	=5000X1X1	5,000
Miscellaneous		1000	1	1	=1000X1X1	1,000
Total amount						37,800
Subsidy by Govt to FPO	Govt	27	2000	1	=27X2000X1	54,000



The costing template  
for MSP procurement

## Online Trading License- National Agriculture Market (eNAM)

National Agriculture Market (eNAM) is a pan-India electronic trading portal that networks the existing APMC mandis to create a unified national market for agricultural commodities. Small Farmers Agribusiness Consortium (SFAC) is the lead agency for implementing eNAM under the aegis of the Ministry of Agriculture and Farmers' Welfare, Government of India. By trading on eNAM, the FPOs can get the following benefits

- Transparency in Trade through better price discovery
- Access to more markets & buyers
- Real time information on prices and arrival in

nearby mandis

- Quick payments - will be able to build a healthy financial profile

## FPO Onboarding/Registration for FPOs

POs/FPOs can register on e-NAM Portal via website [www.enam.gov.in](http://www.enam.gov.in) or mobile app or providing following details at nearest e-NAM 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)

**Step 1:** The FPO to visit the [official portal](http://www.enam.gov.in) of eNAM.





- **Step 2:** Select "Registration Type" as to whether "Farmer Producer Companies" and select the desired "State" & "APMC" from the registration page.

e-NAM Registration Form			
Registration Type *	Seller	Registration Category *	Farmer Producer Company (FPC)
Registration Level *	Individual		
Registered With State *	GUJARAT	Registered with Vendor *	AHVE54846

- **Step 3:** Provide your Personal details

Personal Details			
Title *	Select Please	First Name *	
Last Name *		Gender *	-Select-
Relation Type *	-Select-	Date of Birth *	DD/MM/YYYY
	Enter Relation Name	Address (Wheeler) *	
Pincode *		State *	-Select-
Tehsil/Sub-district *	-Select-	District *	-Select-
Photo ID Type *	-Select-	City/Village *	-Select-
		Post *	
		Photo ID Number *	
		Mobile No. *	

- **Step 4:** Provide FPO details (Note - Please make sure correct mail ID is mentioned in "Email ID" field as all future communications from eNAM will be sent on same Email ID.)

FPO Organization Details			
Collection Center *	-Select-	Email ID *	
Organisation Name *		Company Reg. No. *	
Org Pincode *		Organisation Address *	
Fpo Tehsil/Sub-district *	-Select-	Fpo State *	-Select-
		Fpo District *	-Select-
		Establishment Date *	DD/MM/YYYY
		Fpo City/Village *	-Select-

**Note:** - Please make sure correct mail ID is mentioned in "Email ID" field as all future communications from eNAM will be sent on same Email ID.

- **Step 5: Provide Bank details**

**Step 6:** Once successfully Registered, you will receive a temporary Login ID and Password in the registered e-mail.

**Step 7:** Now, login to the Dashboard by clicking on the login icon through the system.

**Step 8:** Then the user will find a message on the dashboard as "Click here to register with APMC".

**Step 9:** Click on the link which will redirect you to Registration Page for filling or updating details.

**Step 10:** After KYC is completed, the request will be sent for approval to your selected APMC.

**Step 11:** After Successful Login to your dashboard, you will be able to see all APMC address details.

**Step 12:** Upon Successful Submission user will get an e-mail confirming the submission of the application to concerned APMC along with the status of the Application as Submitted/In progress or approved or rejected.

**Step 13:** Once approved by APMC, you will receive

eNAM Farmer Permanent Login ID and Password for complete access under eNAM platform on the registered e-mail id.

*Note:* Alternatively, you can also contact your respective Mandi or APMC for the same.

Registration link: [https://enam.gov.in/web/Enam\\_ctrl/enam\\_registration](https://enam.gov.in/web/Enam_ctrl/enam_registration)

eNAM portal also provides tutorials on registration process. You can access the tutorial videos here: <https://www.youtube.com/watch?v=ukZVYnE48Zg&list=PLVqCZrDNGhGN3S6Uc7W3tboUv67TZvBxT&index=4>

Now, the eNAM application is also available that can be downloaded for quick and easy access on the mobile phone <https://play.google.com/store/apps/details?id=in.gov.enam>

SFAC also provides user guide document on the app registration process that can be accessed here: <https://enam.gov.in/web/docs/eNAMMobileApp.pdf>





## MODULE 10

### Marketing Process

For Farmer Producer Organizations, channelizing the distribution of produced products across various selling platforms is the final step in supply chain management and poses a significant challenge. The inability of FPOs to effectively sell their produced products, sourced from farmers, or meet buyer requirements is often attributed to inadequate market intelligence and a lack of structured marketing processes. The primary gaps or shortcomings in FPOs include the absence of a systematic approach or process, ranging from production planning to identifying suitable selling platforms for their products. The gap areas can be categorized as:

- Marketing plan is ad hoc, and does not align with the crop planning cycle.
- Efforts and investments are missing to assess market consumption capacity, buyer requirements, and logistics involved. A structured and regular market survey can easily achieve this.
- Single platform for sale. The FPOs have a few assured buyers to channelize their produced products.

In this section we will focus on streamlining the marketing process of FPO as per the production and marketing timeline. The marketing process includes the following line items:

- Buyer Identification and Outreach - Market Survey

- Buyer Feasibility Test
- Cost Benefit Analysis
- Finalizing Buyers > Buyer Database/Segregation

### Need for Robust Marketing Process

- Market visibility helps FPOs understand the market consumption capacity and product demand, which can also feed into their crop planning.
- It gives a competitive advantage, and FPOs can differentiate their offering in the market.
- The open market price always fluctuates. Knowing when the price is at its peak will help FPOs plan their procurement from farmers.
- Relationship building and assured buyers—Help FPOs attract committed buyers and improve buyer retention. This will improve FPOs' procurement capacity.
- Expand market base- from local buyers/ millers. FPOs must focus on expanding their buyer database and connecting with a variety of buyers. This will enhance their confidence in the market and strengthen their commitment to farmers.




The marketing process can be distributed in sub-processes that will help FPOs to identify profitable deals, feasibility to sell in terms of transactions, and logistics involved

Figure 73





Table 55

Process steps	Activities	Description	Tool to be used	Standard timeline
<b>Marketing Plan</b>	Planning marketing timeline	Listing out the crop, harvesting cycle to plan the market outreach		Twice a year- according to the crop cycle
<b>Identifying potential buyers</b>	Listing of potential selling platforms/ forums	<p>Creating a list of feasible platforms/ avenues/forums with specific requirements of produce to be sold.</p> <p>Profiling of the produce available for sale from farmers. The approximate volume, variety etc. Marketing plan as per timeline &amp; production pool</p>	<p><a href="#">Market survey/ study</a></p>  <p>Production planning and management tool. Refer <a href="#">module 5</a> for details.</p>	Twice a year – one month before start of crop harvesting season
<b>Feasibility Testing</b>	Buyer size-based of the volume of produce they are dealing with specific requirements	Listing of buyers based on the procurement capacity, major produce, terms, and conditions	<p><a href="#">Buyer feasibility testing tool</a></p> 	On-going
<b>Cost Benefit analysis</b>	Comparative analysis of identified selling platforms based on the operating cost	Mapping buyers based on profitability standpoint	<p><a href="#">Cost benefit analysis tool</a></p> 	Before harvest season starts
<b>Buyer Finalization</b>	By combining feasibility testing and cost benefit analysis, one can systematically evaluate and select buyers			

## Marketing Plan-

Below is an example of Marketing plan as per production/ harvesting timeline. The outlining of the similar process will help the FPO's in following areas:

- To initiate market survey

- Creating a data base of buyers for the produced product.
- Streamline the post harvesting process- reduce holding period, improve go to market timeline.
- Reduce post-harvest handling cost.
- Initiate selling of produce in different distribution channels.

Table 56

Crop variety	Season	Market survey timeline	Crop planning timeline	Production timeline	Harvesting timeline	Threshing, cleaning, sorting timelines	Aggregation timeline	Storage timeline	Marketing timeline
Paddy	Kharif (June-sowing, October-harvest)	Feb-March	May	120 days	Oct	7 days	2-3 days	2-3 months	Nov-March
Maize	Kharif (June-sowing, October-harvest)	Feb-March	May	90-110 days	Oct	7 days	2-3 days	2-3 months	Oct end - Jan
Wheat	Rabi (Nov-Dec sowing)	Feb-March	Oct	100-120 days	Mar-April mid	3-5 days	2-3 days	2-3 months	May-Dec
Gram	Rabi (Nov-Dec sowing)	Feb-March	Oct	90days	Mar-April mid	3-5 days	2-3 days	2-3 months	May-Dec

## Buyer Identification and Outreach

Buyer outreach for FPOs involves actively reaching out to potential buyers, such as retailers, wholesalers, processors, and exporters, to showcase their products, negotiate deals, build

relationships, and secure sales contracts. This outreach effort aims to expand market reach, increase sales opportunities, and establish long-term partnerships as assured buyers.

Figure 74





## Identifying Marketing Channels-

### Rural Primary Market Channel:

- Direct sales of small quantities of produce by producers to village traders
- Retail sales to rural consumers
- Forms part of a local trade network and are usually arranged periodically, on specific weekdays.

### Assembly Market/APMC Mandi:

- Larger rural markets occur where greater quantities of produce are traded, either by the producers themselves or by traders.
- "Assembly" markets, which are often combined with local rural or town markets, are normally situated on main highways near local transport interchange points.
- Traders, collectors, and commission agents, acting on behalf of urban wholesalers are the main produce buyers at these markets.

### Wholesale Market:

- Terminal wholesale and semi-wholesale markets are located within or near major cities.
- These centers may be supplied by purchasing/assembly centers in rural areas or directly from farms, particularly those in peri-urban areas.
- Traders, collectors, and commission agents, acting on behalf of urban wholesalers are the main produce buyers at these markets.

### Retail Market:

- These are markets directly serving consumers.
- Although primarily retail, farmers' markets may have a semi-wholesale function, particularly if they allow farmers to trade in them. In that case, they are often called farmers' markets.
- This form is very typical in developing countries, where farmers' markets are created for the sale of specialized produce, such as organically grown crops/ fruits and vegetables.

### Other Types of Retail Outlets (Corner Shops):

- In many countries, small retail shops, often termed "corner" shops and roadside stands, sell produce close to consumers' homes.
- These retailers usually purchase their produce from wholesale markets.

## Type of Buyers and Operational Definition-

Categorizing buyers based on procurement capacity involves classifying them according to their purchasing power and volume requirements. By segmenting buyers into categories such as small, medium, and large-scale purchasers, FPOs can tailor their sales and marketing strategies to meet the diverse needs of different buyer groups. This approach helps FPOs efficiently allocate resources, target the right buyers, negotiate appropriate terms, and optimize sales opportunities. The buyer database must be maintained and updated regularly. The [sample format for buyer database](#) can be used, which helps to record buyer information basis the size of their operations.

- **Large Scale Dealers:** The traders/dealers have capacity to buy/procure 3000MT of produce & above during all the seasons.
- **Mid-Scale Dealers:** The traders/dealers have capacity to buy/procure produce with 500MT to 2500 MT of produce during all the seasons.
- **Small Scale Dealers:** The traders/dealers have capacity to buy/ procure produce from 25 MT - 30 MT with of produce during all the seasons.

## Market Survey

Market surveys are invaluable tools for Farmer-Producer Organizations (FPOs) as they provide essential insights into market trends, buyer preferences for a specific commodity, competitor pricing, and potential demand for their produce. They empower FPOs to make data-driven decisions, improve produce-market fit, and realize better prices.

### Objective and purpose of market survey

- To identify the prospective buyers/vendors and to create a database of the same.
- To gather and analyze the list of requirements, quality parameters & eligibility criteria of various buyers.
- Help to understand trading practices & price



Sample format for  
buyer database

- trend / variations of respective produce.
- Help to create business plan of FPO's with

insight on market demand and consumption capacity.

## How to Conduct a Market Survey

Table 57

Information that needs to be collected	Where to gather the information	Frequency of survey	Timeline	Steps (How)	Owner (Who)
<ul style="list-style-type: none"> <li>• Name of the dealer</li> <li>• Type of buyer (Large/Medium/Small)</li> <li>• Contact details (Address, Mob. No)</li> <li>• Specific requirement of produce</li> <li>• Price range (Average days/ Peak days)</li> <li>• Consumption Capacity (in Quintal)</li> <li>• Transportation Facility</li> <li>• Mode of transport</li> <li>• Charges per/km</li> <li>• Loading &amp; unloading facility</li> <li>• Any additional information</li> </ul>	<ul style="list-style-type: none"> <li>• Rural primary markets</li> <li>• Assembly markets- Mandi</li> <li>• Wholesale market</li> <li>• Retail market</li> <li>• Other retail outlets (Corner shops)</li> </ul>	Yearly once & follow will be done on season wise to scout for new buyers and track details to evaluate partnership viability	February-March Depending on crop production plan timeline	Refer Market survey/ study	FPO Manager/ CSP/CRP

### Feasibility Testing of Buying/Selling Platforms-

In assessing buyer feasibility, FPOs must examine several critical aspects. Firstly, they must evaluate the buyer's procurement capacity, ensuring they can purchase produce in the required quantities. Financial stability is paramount, as FPOs must ensure buyers can make timely payments and maintain sustained business relationships. Investigating the buyer's market reputation and track record is crucial to ascertaining their credibility in fulfilling procurement commitments. In addition, FPOs must compare various buyers/

platforms on criteria such as the quality requirement of the buyer, payment terms, consumption capacity, logistic support, and distance from the FPOs location to determine FPOs readiness and practical feasibility in engaging with a buyer.

An example of feasibility testing done for paddy/maize for an FPO in Madhya Pradesh: A similar process can be applied by an FPO to check the feasibility of selling platforms.



Table 58

Criteria for feasibility testing	Selling platforms							
	Rice miller	Poultry cooperatives	Cooperative buyer	Mandi APMC	Local mandi	State MSP	NCDEX	eNam
Commodity	Paddy/hybrid paddy	Maize/hybrid maize	Paddy/hybrid paddy	Paddy/hybrid paddy	Paddy/hybrid paddy	Paddy/hybrid paddy	Paddy/hybrid paddy	Paddy/hybrid paddy
Processed form	Raw	Raw	Raw	Raw	Raw	Raw	Raw	Raw
Quality parameter	Negotiable	Negotiable	Strict quality parameters	Negotiable	Negotiable	Standard parameters	Standard parameters as per the NCDEX	Standard parameters
Aggregation facilities	Borne by the FPO	Borne by the FPO	Borne by the FPO	Borne by the FPO	Borne by the FPO	Borne by the FPO	Borne by the FPO	Borne by the FPO
Transportation & logistics	Borne by the FPO	Borne by the FPO	Borne by the FPO	Borne by the FPO	Borne by the FPO	Govt	Borne by the FPO	Borne by the FPO
Payment options	NEFT/cash	NEFT/cash	NEFT	Cash	Cash	NEFT	NEFT	NEFT
TAT payment	Instant	45 days	1 month	Instant	Instant	1 month	5-7 days	NIL
Eligibility	Not required	Not required	Selling agreement	License required	Not required	Registration required	Trading account required	Registration required

### Cost Benefit Analysis

FPOs should conduct a cost-benefit analysis before deciding on the selling price to ensure profitability and sustainability. They can determine the optimal selling price that covers operating expenses incurred during the procurement of the produce, such as transport, labor, and storage, to generate a reasonable profit margin. This analysis helps FPOs make informed pricing decisions, avoid selling products at a loss, and remain competitive in the market.

The model is designed to analyze various selling

platform opportunities based on the operating costs and profitability of FPOs dealing with different produce types such as paddy, maize, wheat, and gram. This cost-benefit analysis assists FPOs in identifying potentially profitable selling platforms while also providing insights into the pricing at which FPOs should procure produce from farmers. The template, developed using a sample size of 15 quintals, enables FPOs to make informed decisions regarding selling platforms and pricing strategies, ultimately enhancing profitability and efficiency in their operations.

Table 59

Selling platforms				
Cost Category	Rice miller/ local trader	Local market	APMC Mandi	Outside district mandi
Purchase cost @ 1 quintal (paddy - 15 quintal base) from producers @1300/- for outside district mandi @ Rs 1900/-	19500	19500	19500	28500
Loading (per quintal) @ 6/-	90	90	90	90
Transport cost (per quintal) @ 60/-	900	900	900	900
Packaging @ 20 quintal (plastic bags)	300	300	300	300
Aggregation @ 2000/collection centre/month (25MT capacity)	120	120	120	120
Labour charges (Rs 8 / per quintal)	120	120	120	120
Commission agent (@3% per quintal in case of outside district mandi base product paddy)	0	0	0	675
Mandi tax (1.7% of the total purchase) outside district mandi	0	0	0	382.5
<b>Total Input Costs</b>	21,030	21,030	21,030	31,088
<b>Market Price Offered</b>	22500	20250	21000	33000
<b>Profit/loss % @ 15 quintal</b>	6.99	-3.71	-0.14	6.15



Figure 75



As per feasibility & CB analysis. The recommended platform for XYZ FPO dealing with Paddy are:

- Rice miller/Local trader
- Outside District Mandi (In case of scented paddy)

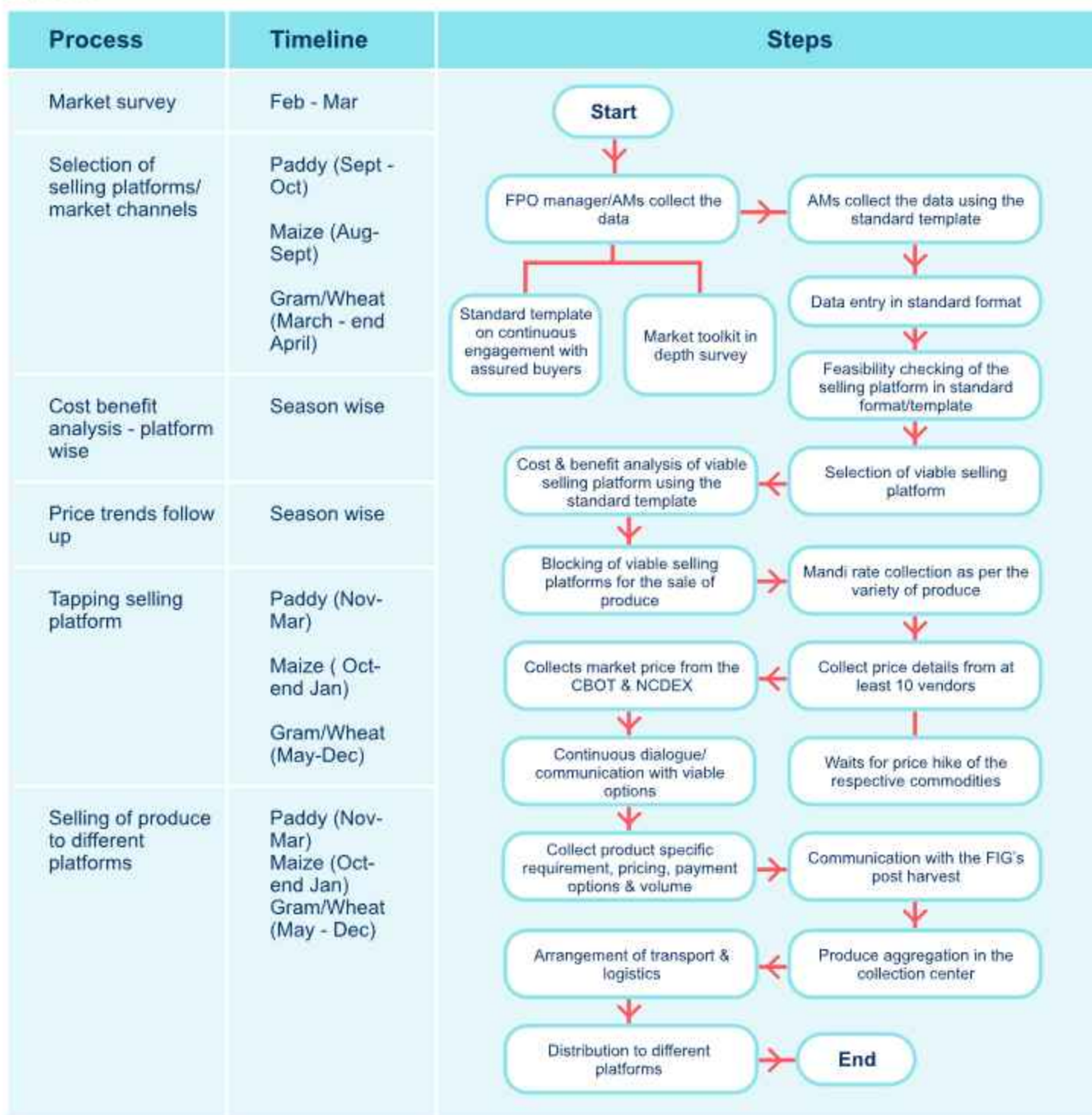
Key insights to aid FPOs as they embark on buyer outreach and market surveys. These insights are drawn from the practical experiences of the PRADAN team during the implementation of market processes-

- During the survey, FPOs may encounter resistance from buyers in sharing information if the intent of seeking information is not clearly explained. FPO representatives should introduce their organization by discussing its member size, production volume, and the quality and variety of produce grown.

Additionally, to ensure a comfortable atmosphere, it's advisable to keep the conversation conversational and refrain from documenting data during the meeting. Instead, important points can be noted afterward to avoid missing crucial information.

- Staff members conducting the survey should be trained to introduce themselves effectively, be knowledgeable about the FPO they represent, and understand the purpose of collecting specific data points. Providing staff with key pointers for introducing themselves during buyer meetings can also enhance the effectiveness of the interaction.

Table 60



### Buyer Finalization

By combining feasibility testing and cost-benefit analysis, one can systematically evaluate and select buyers who fit well with the product and offer the best return on investment and strategic value. By identifying and comparing the costs and benefits associated with each potential buyer, these tools allow you to prioritize those who offer the highest net benefits and lowest risks, ensuring efficient

resource allocation and maximizing return on investment. This comprehensive approach ensures that your sales efforts are focused on the most promising and compatible buyers. This way, FPOs also enrich their buyer database across small/medium and large categories that can be leveraged in the future for any new commodities that FPO introduces.





## MODULE 11

### Capacity Building of FPO Functionaries

Capacity building is essential for FPOs to enhance their effectiveness, sustainability, and impact. FPOs require capacity building in various areas to strengthen their organizational structure, operational efficiency, and ability to serve their members effectively. This includes training and skill development for FPO members and staff in agricultural practices, marketing strategies, financial management, governance, and leadership.

Additionally, capacity-building initiatives can focus on improving infrastructure, technology adoption, market access, and networking opportunities for FPOs. By investing in capacity building, FPOs can build resilience, empower their members, and contribute to the overall development of rural communities.

### Capacity Building Framework-

While the promoting agency makes a great effort in

training and building capacities of FPO staff and BoDs, it often lacks a structured approach. This means it's mostly need-based training, which usually goes unplanned with limited learning aids available with the training resource, and most of the time, this is on-the-job learning for the staff at the FPO. Also, these efforts are restricted to technical capacity building, and very little time is invested in building the softer skills of the FPO staff or the BoDs.

The capacity-building framework ensures that the critical skills required are listed using the scientific method of competency mapping and training need assessment, and the capacity-building efforts are spread over the year while prioritizing the critical skills to be imparted first.

Table 61

FPO journey milestone	Training & capacity building requirements	Stakeholders
Pre-formation	<ul style="list-style-type: none"> <li>• Need assessment/Farmer engagement.</li> <li>• Demand supply mapping</li> </ul>	Promoting agency staff
Formation	<ul style="list-style-type: none"> <li>• FPO registration</li> <li>• Resource planning (Funding, resource hiring, infrastructure)</li> <li>• Shareholder enrolment</li> <li>• Business planning</li> </ul>	Promoting agency, FPO Manager, Accountant/Store Manager, AM/CSP/CRP/ Field Supervisor, BoD's
Early growth	<ul style="list-style-type: none"> <li>• Production</li> <li>• Inventory management.</li> <li>• Market linkages</li> </ul>	FPO Manager, Accountant/ Store Manager, AM/CSP/CRP/ Field Supervisor, BoD's & Shareholders
Continuous growth	<ul style="list-style-type: none"> <li>• Increasing shareholder</li> <li>• Increasing Sale</li> <li>• Commodity diversification</li> <li>• Produce value addition.</li> <li>• Tech integration</li> </ul>	FPO Manager, Accountant/ Store Manager, AM/CSP/CRP/ Field Supervisor, BoD's & Shareholders



The capacity-building framework aims to streamline training and capacity-building efforts by the promoting agency for stakeholders involved with FPOs. It facilitates post-training assessments to gauge the

effectiveness and impact of the training on individuals' performance using key performance indicators (KPIs). The framework has been developed based on the following process:

Figure 76



### Training Needs Assessment (TNA)

The initial step in the capacity-building process involves conducting a training needs assessment to identify stakeholders' requirements, with a particular focus on the Board of Directors (BoDs)

and FPO staff. This assessment is categorized into three major areas: Knowledge, Attitude, and Practice (KAP).

Figure 77



### Training Need Assessment Tool-

The Training Needs Assessment (TNA) has been developed for FPO stakeholders at various levels. This template assesses stakeholders' comprehension of the FPO's operations, roles, and responsibilities. Additionally, a rating scale has

been incorporated into the format to quantify and measure the current skill level and gaps. Refer to the [training need assessment tool](#), user can customize it as per their requirement.

Figure 78

Rating scale	
Good Knowledge	3
Basic Knowledge	2
No Knowledge	1

Table 62

Sr No.	Questions for BoD	Self-evaluation	Justify the scoring	Promoting agency score	Justify the scoring
<b>Knowledge</b>					
1	Do you know what is FPO and how it operates?				
2	Do you know the process followed to select the BoD members				
3	Do you know the roles and responsibilities of Company shareholder?				
4	Do you know anything about the financial management of the FPO?				
5	Do you know what the joint responsibilities of CEO and the BoDs are?				
6	Do you know Producer group/ Farmers interest group's role in the FPO operations?				
7	Do you know who is responsible for financial management of the FPO				



Training Need  
Assessment Tool



Knowledge					
8	Do you know the importance of FPO business planning				
9	Do you know, who is responsible for establishing the business plan for the FPO				
10	Do you know about the crop planning?				
11	Do you know about FPO governance process?				
12	Do you need refresher training to understand the basic concept of FPO and its relevance?				
13	Are you aware FPO governing body meeting?				
	<b>Total Score</b>	<b>0</b>		<b>0</b>	
Attitude					
14	Do you actively participate in the crop planning process??				
15	Do you participate in FPO quarterly review meetings?				
16	Do you visit the farmers to examine the quality of the produce grown by the farmers				
17	Do you participate in Produce aggregation process?				
18	Do you participate in Annual and General body meeting of the FPO?				
19	Can you document minutes of the meeting?				
20	Do you read the minutes of the meeting?				

Attitude					
21	Do you publish the minutes of meeting with the shareholders?				
22	Do you volunteer to conduct the meeting?				
23	Do you volunteer to lead the GB meetings?				
24	Do you select the meeting president on a rotational basis?				
25	Do you participate in FPO working meetings?				
	<b>Total Score</b>	<b>0</b>		<b>0</b>	
Practice					
26	Are you able to nominate shareholders for the FPOs?				
27	Are you voicing out farmers challenges and requirement in the working meeting ?				
28	Are you able to take decisions of any meeting				
29	Are you able to understand financial transactions of the FPO?				
30	Are you able to convene the meeting for BoD members?				
	<b>Total Score</b>	<b>0</b>		<b>0</b>	



Table 63

## TNA for FPO Manager

Sr No.	Questions for the CEO	Self-evaluation	Promoting agency evaluation
<b>Knowledge</b>			
1	Do you know about FPO operations?		
2	Do you know the selection process of the BoDs?		
3	Do you know the roles and responsibilities of FPO promoters?		
4	Do you know what the joint responsibilities of CEO and BoDs are?		
5	Do you know the role of producer group?		
6	Do you know about the financial management of the FPO?		
7	Do you know who is responsible for financial management of the FPO?		
8	Do you know the importance of a business plan for an FPO?		
9	Do you know who will prepare the business plan for the FPO?		
10	Do you know crop planning?		
11	Do you know the governance and operations of FPO?		
12	Do you know the responsibilities of members and the Producer groups?		
13	Do you know how to develop a business plan?		

Knowledge			
14	Are you skilled on banking services?		
15	Do you understand the phase wise need of the production?		
16	Do you know the documentation?		
17	Do you understand balance sheet, trial balance etc.?		
18	Do you know the production management and quality control?		
19	Do you understand the market?		
20	Do you need technical training on production management?		
21	Do you need refresher training to understand the basic concept of FPO and its relevance?		
	<b>Total Score</b>	<b>0</b>	<b>0</b>
Practice			
22	Do you participate in the crop planning process?		
23	Do you participate in the monthly/ quarterly meetings of the FPOs?		
24	Do you visit farmers to review the production progress of the crop?		
25	Do you participate in the aggregation process?		
26	Do you submit your monthly report on time?		
27	Do you store/ file important legal and compliance documents safely?		



Practice			
28	Do you actively participate in the annual meeting of the FPO?		
	<b>Total Score</b>	<b>0</b>	<b>0</b>
Behaviour			
29	Are you able to nominate a shareholder to FPO?		
30	Are you able to voice farmers' challenges and struggle in the monthly FPO meetings?		
31	Are you able to understand financial transactions of the FPO?		
32	Are you able to conduct market survey?		
	<b>Total Score</b>	<b>0</b>	<b>0</b>

### TNA for AM/CSP/CRP

Table 64

Sr No.	Questions for the Community Resource Person	Self-evaluation	Promoting Agency evaluation
Knowledge			
1	Do you know the activities of the FPO?		
2	Do you know the process of FPO selection?		
3	Do you know the roles and responsibilities of FPO promoters?		
4	Do you know the joint responsibilities of the CEO and BoDs?		
5	Do you know the role of producer group in the FPO context?		

Knowledge			
6	Do you know the financial management of the FPO?		
7	Do you know who is responsible for the financial management of the FPO?		
8	Do you know the importance of FPO business plan?		
9	Do you know who is responsible to prepare a business plan for the FPO?		
10	Do you know crop planning?		
11	Do you know about the FPO operations and governance?		
12	Do you know the responsibilities of FPO shareholders and associated producer groups?		
13	Are you skilled on the banking services?		
14	Do you understand the crop wise production requirement?		
15	Do you need technical training on production management?		
16	Do you need a refresher training on basic concepts of FPO?		
	<b>Total Score</b>	<b>0</b>	<b>0</b>
Practice			
17	Do you participate in crop planning process?		
18	Do you take initiative to ensure PoP of farmers?		



Practice			
19	Do you visit the farmers to review the production stages?		
20	Do you actively participate in monthly/ quarterly meetings of FPO?		
21	Do you participate in produce aggregation process?		
22	Do you submit monthly report timely?		
23	Do you arrange/ file important legal and compliance document properly?		
	<b>Total Score</b>	<b>0</b>	<b>0</b>
Behaviour			
24	Are you able to nominate shareholders for FPO?		
25	Are you able to voice the farmers challenges and struggle during monthly meetings of FPO?		
26	Are you able to understand the financial transactions of the FPO?		
27	Are you able to conduct market survey/ assessment?		
	<b>Total Score</b>	<b>0</b>	<b>0</b>

## Competency Mapping

The capacity-building framework emphasizes Key Result Area (KRA)- linked capacity-building activities, as demonstrated in the following tables. These tables outline the primary KRAs and associated competencies required for stakeholders

to fulfill their roles effectively. This comprehensive exercise is conducted in collaboration with the PRADAN team, which regularly engages with FPO staff, the Board of Directors (BoDs), and field teams that interact with communities.

Table 65

## FPO Manager/ CEO

Constituents	Manager/ CEO of the FPO	Expected skill set required	Learning outcome	Skills acquired through learning by doing during course of action (No dedicated training required)
Desired state of knowing, doing and being	<ul style="list-style-type: none"> <li>The CEO understand the core idea of FPO</li> <li>The CEO knows essential books of records to be maintained and can maintain</li> <li>The CEO understand her/his position, responsibilities, and accountability towards BoD</li> <li>The CEO understands the product quality and market demand</li> <li>The CEO is proactive in terms of building market linkages.</li> <li>The CEO can prepare business plan and understand various financial reports</li> <li>The CEO is proactive in conducting review of operations with other functionaries.</li> <li>The CEO understand compliances and consequences of non-adherence to those</li> <li>The CEO understand various policies and takes necessary steps to implement those.</li> <li>The CEO coordinates with central support unit and other FPCs for efficient marketing.</li> </ul>	<b>Business development &amp; partnership skills:</b>		<ul style="list-style-type: none"> <li>Decision making</li> <li>Leadership</li> <li>Risk management</li> <li>Negotiation skills</li> <li>Time management</li> <li>Conflict management/ resolution</li> <li>Innovative/creative thinking</li> <li>Inter-personal skill</li> <li>Trust building.</li> <li>Networking</li> <li>Transportation &amp; logistics management</li> </ul>
		FPC business concept/ Agri value chain & legal compliances	<ul style="list-style-type: none"> <li>Clear understanding on FPO activities (Why FPO is in existence, for whom it is been registered and by whom it will be executed)</li> <li>Commodity selection for production needs to be understood by FPO Manager looking into profitability and market requirement.</li> <li>Clear understanding on policies of FPO on aligning new shareholders. To motivate and convince the farmers on the benefits of member shareholder and their stake as shareholder.</li> <li>To be able to understand the legal &amp; financial compliances &amp; policies of FPO.</li> <li>Identify the critical stakeholders of value chain. Should have clear understanding of the benefits of value chain enablers for the smooth operation of Agri supply chain</li> </ul>	



Constituents	Manager/ CEO of the FPO	Expected skill set required	Learning outcome	Skills acquired through learning by doing during course of action (No dedicated training required)
		Business planning and key performance indicators	<ul style="list-style-type: none"> <li>• Able to create business projection with available resources (finance, time, quality, human resource, cash flow, market channel etc.)</li> <li>• Able to identify the critical business KPI's and create a road map to achieve the same</li> </ul>	
		Market linkages & Partner management (Vendor)	<ul style="list-style-type: none"> <li>• To be able to study the eco-system (Value chain enablers), Who are the potential buyers</li> <li>• To be able to study the different market channels for produced products</li> </ul>	
		Understanding about the commodity	<ul style="list-style-type: none"> <li>• Able to understand the Yield standard/ best standard (crop economics, agronomy)</li> </ul>	
		Quality control	<ul style="list-style-type: none"> <li>• Able to understand the Quality standard and its relation to production of produce</li> <li>• Able to maintain product quality and understanding all the product specifications</li> </ul>	

Constituents	Manager/ CEO of the FPO	Expected skill set required	Learning outcome	Skills acquired through learning by doing during course of action (No dedicated training required)
		<b>Financial management:</b>		
		Banking skills	<ul style="list-style-type: none"> <li>• Able to understand the operational procedures of bank &amp; banking products (insurance, Social Security, any special Prog run for poor rural women e.g. DBT, Kisan Transfer)</li> </ul>	
		Financial Planning & Understanding of dividend	<ul style="list-style-type: none"> <li>• Able to utilize funds to create long term assets - Segregation of funds/ Resources, Business and group resources used for the FPO</li> <li>• Able to calculate dividend and distribute dividend equally to all shareholders.</li> <li>• Understanding about funding sources, types of dividends, when to pay dividend, how to utilize funds looking at capitalization and dividend distribution</li> </ul>	



Constituents	Manager/ CEO of the FPO	Expected skill set required	Learning outcome	Skills acquired through learning by doing during course of action (No dedicated training required)
		Accounting skills (Cash Flow/Cash Rotation, Balance sheet, trial balance, P & L statement, Record/ Bookkeeping, Grant Management, Audit Skills)	<ul style="list-style-type: none"> <li>• Understanding of Profit and Loss and able to calculate it</li> <li>• Describe the main elements of financial accounting information – assets, liabilities, revenue, and expenses</li> <li>• Identify the main financial statements and their purposes.</li> <li>• Able to interpret cash flow analysis and understand the benefits of cash flow forecast. Able to manage/ forecast cash rotation</li> <li>• Understand and explain the relationship between the accounting equation and double-entry bookkeeping record transactions in the appropriate ledger accounts using the double-entry bookkeeping system - Appropriate way to use of grants/ funds from NABARD &amp; SFAC or any donor agency.</li> <li>• Understanding various reports and its meaning from the accounting software's</li> </ul>	

Constituents	Manager/ CEO of the FPO	Expected skill set required	Learning outcome	Skills acquired through learning by doing during course of action (No dedicated training required)
		<b>Entrepreneurship skill:</b>		
		Team coordination	<ul style="list-style-type: none"> <li>• Clarity of common goals to be accomplished by each team member through the FPO</li> <li>• Able to improve team bonding and coordination e.g., transparency etc.</li> </ul>	
		Monitoring/ supervisory skills	<ul style="list-style-type: none"> <li>• Able to supervise &amp; monitor the day-to-day business operations of FPO</li> <li>• Able to supervise the staffs on their day-to-day task commitments towards FPO.</li> </ul>	
		Understand the gender perspective and role of end beneficiary (women)	<ul style="list-style-type: none"> <li>• To be able to recognize the intersections between gender and other social and cultural identities, including, but not limited to, race, ethnicity, national origin, religion, class, and sexuality.</li> <li>• Able to analyze the ways in</li> </ul>	



Constituents	Manager/ CEO of the FPO	Expected skill set required	Learning outcome	Skills acquired through learning by doing during course of action (No dedicated training required)
			<p>which societal institutions and power structures impact the material realities of women's lives</p> <ul style="list-style-type: none"> <li>• Being sensitive women's issues</li> </ul>	

Table 66

### Accountant

Constituents	Accountant	Expected skill set required	Learning outcome	Skills acquired through learning by doing during course of action (No dedicated training required)
<b>Desired state of knowing, doing and being</b>	<ul style="list-style-type: none"> <li>• Understand her/his responsibilities and accountability towards CEO and BoD-</li> <li>• Can use accounting software</li> <li>• Understands financial reports</li> <li>• Understands compliances and consequences of non-adherence</li> <li>• Maintains all book of records and accounts.</li> <li>• Can prepare various types of reports as demanded by BoD/ CEO.</li> </ul>	<b>FPC business concept &amp; related compliances</b>	<ul style="list-style-type: none"> <li>• Clear understanding on FPO activities (Why FPO is in existence, for whom it is been registered and by whom it will be executed).</li> <li>• To be able to understand the legal &amp; financial compliances &amp; policies of FPO and repercussion for non-adherence</li> </ul>	<ul style="list-style-type: none"> <li>• Communication</li> <li>• Time management</li> <li>• Conflict management/ resolution</li> <li>• Inter-personal skill</li> <li>• Trust building.</li> </ul>

Constituents	Accountant	Expected skill set required	Learning outcome	Skills acquired through learning by doing during course of action (No dedicated training required)
		<b>Accounting skills</b>		
		Record/Bookkeeping	<ul style="list-style-type: none"> <li>• Able to understand and explain the relationship between the accounting equation and double-entry bookkeeping, record transactions in the appropriate ledger accounts using the double-entry bookkeeping system.</li> </ul>	
		Cash Flow & Cash Handling	<ul style="list-style-type: none"> <li>• Able to understand importance of cash flow and Interpret cash flow analysis</li> <li>• Able to handle cash maintaining all receipts and records</li> <li>• Able to manage cash rotation</li> </ul>	
		Balance Sheet, Trial Balance	<ul style="list-style-type: none"> <li>• Able to record transactions in the appropriate ledger accounts using the double-entry bookkeeping system</li> <li>• Able to maintain balance off ledger accounts at the end of an accounting period</li> </ul>	



Constituents	Accountant	Expected skill set required	Learning outcome	Skills acquired through learning by doing during course of action (No dedicated training required)
		P & L Statement	<ul style="list-style-type: none"> <li>• Able to understand Profit and Loss and how to calculate it.</li> <li>• Levers that can help reduce cost and increase profit</li> </ul>	
		Prepare financial reports & using excel	<ul style="list-style-type: none"> <li>• Able to prepare a trial balance, balance sheet and a profit and loss account.</li> <li>• Able to use excel for accounting system</li> </ul>	
		Application of accounting software	<ul style="list-style-type: none"> <li>• Able to use the tech-based platform for data collection process, usability of ERP and how it is helpful to document &amp; maintain records.</li> </ul>	
		Audit skill	<ul style="list-style-type: none"> <li>• Able to facilitate Audits and prepare financial reports.</li> <li>• Able to understand the transparency about the transaction done at FPO - income and expenses</li> </ul>	

Constituents	Accountant	Expected skill set required	Learning outcome	Skills acquired through learning by doing during course of action (No dedicated training required)
		<p><b>Financial Planning</b></p> <p>Understand the gender perspective and role of end beneficiary (women)</p>	<ul style="list-style-type: none"> <li>• Able to support and facilitate FPO Manager in utilizing funds to create long term assets - Segregation of funds/ Resources, Business and group resources used for the FPO</li> <li>• Able to calculate dividend and distribute dividend equally to all shareholders.</li> <li>• To be able to recognize the intersections between gender and other social and cultural identities, including, but not limited to, race, ethnicity, national origin, religion, class, and sexuality.</li> <li>• Able to analyze the ways in which societal institutions and power structures impact the material realities of women's lives</li> <li>• Being sensitive women's issues</li> </ul>	



Table 67

## Board of Directors

Constituents	Board of Directors (BoDs)	Expected skill set required	Learning outcome	Skills acquired through learning by doing during course of action (No dedicated training required)
Desired state of knowing, doing and being	<ul style="list-style-type: none"> <li>Understand the objective of FPC.</li> <li>Understand the role of BoD and accountability towards shareholders</li> <li>Understand KPIs to review the enterprise.</li> <li>Understand statutory functions of BoD.</li> <li>Can represent the enterprise in external forums</li> <li>Open and proactive in seeking/known responses/feedback from shareholders on operation/ outcomes/outputs.</li> <li>Upholds democratic values, sharing responsibilities, rotational leadership.</li> <li>Able to take decision for setting new norms/ changing any policy.</li> </ul>	Understanding of FPO Business (Setting mission for enterprise) and Governance mechanism of FPO	<ul style="list-style-type: none"> <li>Understand the concept of working together versus individual action.</li> <li>Understand functioning and key activities of FPO.</li> <li>Understand their roles &amp; responsibilities as BoD's towards FPO.</li> <li>Understand the functioning of FIG and role of shareholders-</li> <li>Understand importance of input supply and output supply (Produce product) &amp; why it is important for FPO business operation.</li> </ul>	<ul style="list-style-type: none"> <li>Communication</li> <li>Interpersonal</li> <li>Conflict management/ resolution</li> <li>FIG/PG coordination</li> <li>Consensus building</li> <li>Trust building</li> <li>Networking</li> <li>Advocacy</li> <li>Time Management</li> <li>Confidence building</li> </ul>
		Understanding legal compliances of FPO	<ul style="list-style-type: none"> <li>Understand the legal compliances of FPO like MoA, MoM, AGM (What is written in document, where to sign in the document etc)</li> </ul>	

Constituents	Board of Directors (BoDs)	Expected skill set required	Learning outcome	Skills acquired through learning by doing during course of action (No dedicated training required)
		Know business KPI's and Staffs/ FIG/PG roles and responsibilities	<ul style="list-style-type: none"> <li>Understand business KPI's and can review business performance basis KPI's</li> <li>Understand roles &amp; responsibilities of FPO Staffs and shareholders</li> <li>Understand FIG/ PG expectations from the FPO</li> <li>Understand why feedback is necessary and how often they should take feedback from FPO Staffs and FIG members</li> </ul>	
		Understand financial transaction	<ul style="list-style-type: none"> <li>How to use cheque book, where to sign, where they should see the amount.</li> <li>Able to understand the bank statements, what amount is written in passbook, they should be able to understand profit &amp; loss statement. (Cheque book, passbook etc)</li> </ul>	



Constituents	Board of Directors (BoDs)	Expected skill set required	Learning outcome	Skills acquired through learning by doing during course of action (No dedicated training required)
		Understand the Gender perspective and women into business	<ul style="list-style-type: none"> <li>• Learn about gender equality and women's empowerment</li> <li>• Learn about the societal barriers and challenges from gender perspective</li> <li>• Identify opportunities for women's leadership during FPO promotion</li> <li>• Learn about methods to overcome barriers to women's effective participation in Board meeting &amp; FIG meeting</li> </ul>	
		Participatory decision making	<ul style="list-style-type: none"> <li>• Able to understand how a team should make decision - by Consensus or by majority</li> <li>• While deciding, need to consider everyone's point of view. Unilateral decision to be avoided</li> </ul>	
		Leadership	<ul style="list-style-type: none"> <li>• Ability to upholds democratic values, sharing responsibilities, rotational leadership</li> <li>• Ability to represent the enterprise in external forums</li> </ul>	

Table 68

## Shareholder (Farmers)

Constituents	Shareholders	Expected skill set required	Learning outcome	Skills acquired through learning by doing during course of action (No dedicated training required)
Desired state of knowing, doing and being	<ul style="list-style-type: none"> <li>Understand the concept of FPC.</li> <li>Knows duties and entitlements.</li> <li>Adheres to production plan and product quality.</li> <li>Regularly attends FIG/PG meetings for planning, review, support.</li> <li>Educate new members on norms of the enterprise.</li> <li>PG/FIGs can arbitrate small conflicts through mutual discussion and consensus building.</li> </ul>	<b>Member Induction training:</b>		<ul style="list-style-type: none"> <li>Communication</li> <li>Interpersonal skill</li> <li>Networking</li> <li>Consensus building</li> <li>FIG Coordination</li> <li>Conflict management/ resolution</li> </ul>
		Understanding of FPO Business & services provided by FPO	<ul style="list-style-type: none"> <li>Understand the activities of FPO. To able to understand how as member they can access the services (Input &amp; output)</li> <li>Understand how they can be benefited from FPO as shareholder</li> <li>Understand importance and role of FIG/PG.</li> <li>Understand the activities of FIG members</li> <li>Understand the benefits in-terms of easy market platforms, dividends share etc.</li> <li>Engage/involve in FPO activities (FIG/PG meetings, crop planning, buying of inputs, selling produce to FPO)</li> </ul>	
		Roles & responsibilities of Shareholder	<ul style="list-style-type: none"> <li>They should be able to understand: the reason they have joined the FPO Members' stake in FPO</li> </ul>	



Constituents	Shareholders	Expected skill set required	Learning outcome	Skills acquired through learning by doing during course of action (No dedicated training required)
		<b>Production related training</b>		
		Production Plan	<ul style="list-style-type: none"> <li>To be able to participate in production plan. They should be aware of the importance of crop planning (Season wise) and other services (Access to credit).</li> <li>To be able to understand which commodity is suitable to respective seasons (Rabi &amp; Kharif) and plan along with Ajeevika Mitra's</li> </ul>	
		Production knowledge & produce quality	<ul style="list-style-type: none"> <li>They should be able to understand the different stages of PoP and have clear understanding of production of different commodities according soil quality, rain, weather etc.</li> <li>What is quality and how is it related to produce products?</li> <li>How to maintain product quality and understanding all the quality parameters</li> <li>Understand the relationship between Quality and the price of the produced product</li> </ul>	

## Cluster Resource Person/ Field Supervisor

Table 69

Constituents	Field supervisors	Expected skill set required	Learning outcome	Skills acquired through learning by doing during course of action (No dedicated training required)
Desired state of knowing, doing and being	<ul style="list-style-type: none"> <li>Understand roles, responsibilities, and accountability towards CEO &amp; BoD</li> <li>Thoroughly understand production technology</li> <li>Understand product quality and key processes to ensure product quality.</li> <li>Regularly submits report in prescribed formats.</li> <li>Attends review and planning meetings.</li> <li>Provides on field hand holding support.</li> <li>Aggregation, sorting and grading of produces.</li> <li>Record keeping: In case of distribution of stock or managing procurement centres</li> </ul>	Understanding FPO business (Concept & operation, Roles & responsibilities)	<ul style="list-style-type: none"> <li>What is an FPO? What are the key activities of FPO?</li> <li>Who are the key stakeholders of an FPO?</li> <li>Who are the shareholders?</li> <li>What is the stake of BoD, CEO/ FPO Manager &amp; Shareholders?</li> <li>What are the services provided by FPO.</li> </ul>	<ul style="list-style-type: none"> <li>Communication</li> <li>Conflict management/ resolution</li> <li>Team coordination</li> <li>Networking</li> <li>Interpersonal</li> <li>Time management</li> <li>Market survey (in case of rural markets/haats)</li> </ul>
		<b>Production related training</b>  Production/crop Planning	<ul style="list-style-type: none"> <li>Able to facilitate in production plan. They should be aware of the importance of crop planning (Season wise) and other services (Access to credit).</li> <li>To be able to understand which commodity is suitable to respective seasons (Rabi &amp; Kharif)</li> </ul>	



Constituents	Field supervisors	Expected skill set required	Learning outcome	Skills acquired through learning by doing during course of action (No dedicated training required)
		Production knowledge/ technology & quality of produce	<ul style="list-style-type: none"> <li>• Able to understand &amp; interpret knowledge on soil management, water management, cropping system, fertilization, planting and sowing, crop maintenance.</li> <li>• Able to understand &amp; interpret Knowledge on Crop production techniques (PoP) and crop growth in relation to environment</li> <li>• To be able to supervise the day-to-day activities of farmers during production, harvesting &amp; procurement phase.</li> </ul>	
		Understanding about the commodity Quality post harvesting	<ul style="list-style-type: none"> <li>• Able to understand the how to maintain the produce quality parameters post harvesting (Storage, moisture, pest control, packaging, during transportation)</li> <li>• Knowledge of quality parameter for produce procurement.</li> </ul>	

Constituents	Field supervisors	Expected skill set required	Learning outcome	Skills acquired through learning by doing during course of action (No dedicated training required)
		Produce aggregation mechanism/ management	<ul style="list-style-type: none"> <li>• Able to manage and facilitate the produce aggregation at village level</li> <li>• Able to coordinate with farmers for the produce aggregation process</li> </ul>	
		Adherence to compliances (Cash handling in field)	<ul style="list-style-type: none"> <li>• Able to maintain transparency during handling cash in field (Input supply, produce aggregation) and keep FPO Manager informed about cash in hand</li> </ul>	
		Documentation & preparing reports	<ul style="list-style-type: none"> <li>• Able to prepare reports in prescribed formats and submit on time.</li> <li>• Able to document field related activities in a proper manner</li> </ul>	
		FIG coordination	<ul style="list-style-type: none"> <li>• Able to coordinate with farmer group and keep a cordial relationship with each of the member. Member should be kept informed about the activities of FPO.</li> </ul>	



Constituents	Field supervisors	Expected skill set required	Learning outcome	Skills acquired through learning by doing during course of action (No dedicated training required)
		Use of technology (ERP system)	<ul style="list-style-type: none"> <li>• Understand the functionality of tech-based data collection tools</li> <li>• Understand data collection templates for data accuracy</li> </ul>	
		Understand the Gender perspective and women into business	<ul style="list-style-type: none"> <li>• Learn about gender equality and women's empowerment</li> <li>• Learn about the societal barriers and challenges from gender perspective</li> <li>• Identify opportunities for women's leadership during FPO promotion</li> <li>• Learn about methods to overcome barriers to women's effective participation in FIG meeting</li> <li>• Being sensitive women's issues</li> </ul>	

Table 70

## Store Manager

Constituents	Store Manager	Expected skill set required	Learning outcome	Skills acquired through learning by doing during course of action (No dedicated training required)
Desired state of knowing, doing and being	<ul style="list-style-type: none"> <li>Basic understanding about FPO business</li> <li>Understanding of input &amp; output supplies</li> <li>3. Regularly submits report of stock items in prescribed formats (IN/OUT status report, dead stock report etc) He must ensure:               <ul style="list-style-type: none"> <li>a) The store is kept clean</li> <li>b) Shelves and racks are properly stocked, and products do not fall off the shelves.</li> <li>c) The store is well lit, ventilated.</li> </ul> </li> <li>Understanding about inventory management (stock handling &amp; maintenance)</li> <li>Understanding about the quality assurance of the stock</li> <li>Oversee receiving, warehousing, distribution, and maintenance operations</li> <li>Commodity wise storage process management</li> </ul>	Understanding about FPO business	<ul style="list-style-type: none"> <li>What is an FPO? What are the key activities of FPO? Who are the key stakeholders of an FPO? Who are the shareholders? What is the stake of BoD, CEO/ FPO Manager &amp; Shareholders?</li> </ul>	<ul style="list-style-type: none"> <li>Communication</li> <li>Supervision</li> <li>Coordination</li> <li>Risk management</li> </ul>
		<b>Inventory Management:</b>  Stock maintenance (Handling and maintenance of stock items)	<ul style="list-style-type: none"> <li>Able to maintain the records (Stock register), purchasing details, procurement receipts, movement registers (In/Out stock items) etc.</li> <li>Able to understand How much to order of each material when orders are placed with either outside suppliers or production departments within organizations</li> <li>Able to understand When to place the orders</li> <li>Able Design a continuous or periodic review inventory-control system along with FPO Manager</li> <li>Able to determine the order quantity along with FPO Manager</li> <li>Able to determine the reorder point</li> </ul>	



Constituents	Store Manager	Expected skill set required	Learning outcome	Skills acquired through learning by doing during course of action (No dedicated training required)
		Understanding of commodity variety	<ul style="list-style-type: none"> <li>• Able to differentiate commodity varieties (e.g., Paddy in different variety)</li> </ul>	
		Quality assurance of stocks	<ul style="list-style-type: none"> <li>• What is quality assurance? How to maintain qualities of the stock produce/ input supply?</li> <li>• What is the Shelf life for quality assurance of certain products/ commodities?</li> <li>• Understand the techniques of quality control &amp; assurance understand the techniques of pest/insect control in inventory understand the timelines to follow for pest/insect control as per commodity cycle</li> <li>• First in First out management of produce/input supply (Able to disburse stock items received first in stock and maintain a checklist)</li> </ul>	

Constituents	Store Manager	Expected skill set required	Learning outcome	Skills acquired through learning by doing during course of action (No dedicated training required)
		Cash handling (If required/ need based)	<ul style="list-style-type: none"> <li>• Able to maintain transparency during handling cash with due adherence (purchase receipt)</li> </ul>	
		Understand the Gender perspective and women into business (PRADAN's core concept of women empowerment & collaborative participation)	<ul style="list-style-type: none"> <li>• Able to recognize the intersections between gender and other social and cultural identities, including, but not limited to, race, ethnicity, national origin, religion, class, and sexuality.</li> <li>• Able to analyze the ways in which societal institutions and power structures impact the material realities of women's lives.</li> <li>• Being sensitive women's issues</li> </ul>	

## Training Calendar

Continuous handholding and training for staff members are essential and should be planned in a phased manner, considering their learning capabilities and operational needs. This framework also includes a training calendar for each stakeholder spread over a year. The timelines are carefully crafted, considering bandwidth, time commitment, and the need to reinforce learning.

Below is an example of a CEO/Manager training calendar, where training content has been reviewed, and day-wise training is proposed based on the duration. Users can modify the training plan as needed, as it provides visibility on content duration, delivery mode, etc. For detailed training plan, users can refer to the [training calendar](#).



Training Calendar



Training Structure									
Sl. No	Topic	Duration (hours)	Timing	Mode of Training	Training Responsibility	Status	Completion day	Comment	Phase
1	Meet & Greet								
2	Expectation setting								
3	Agenda Walkthrough								
4	Organisation / Program Introduction								
5	Topic oriented training (May apply different methodologies)								
6	Q&A/Wrap up								

## Training Methodology

- The operational definition of each training methodology has been defined, which will help the promoting agency to align training in different modes (classroom/on field)
- According to the skill set of stakeholders, promoting agency may align the training contents with different training methodologies.

Table 71

Sr No	Training Methods	Operational Definition
1	Technology-based learning	<p>Common methods of learning through technology include:</p> <ul style="list-style-type: none"> <li>• Basic PC based programs</li> <li>• Interactive Multimedia – Using a PC</li> <li>• Interactive Video - Using an LCD and Projector</li> <li>• Web-based Training Programs</li> </ul> <p>The forms of training with technology are unlimited. An instructor gets more learner involvement than in any other environment and trainees have the advantage of learning at their own pace.</p>
2	On-the-job training	<p>Leaping into work right from day one can sometimes be the most effective type of training. On-the-job training motivates employees. Some reports indicate that people learn more efficiently if they learn in application rather than listening to the instructor. However, this method may not be for everyone, as it can be very stressful.</p>
3	Coaching/Mentoring	<p>Coaching/ Mentoring gives employees the chance to receive training from an experienced professional. This usually happens after trainees undergo formal orientation process.</p>
4	Lecture	<p>Lectures are usually in a classroom model. The only advantage of a lecture method is the ability to disseminate a large amount of information to a large group of people in a short period of time. It is reported to be the least effective of all training methods.</p>

5	Group discussion	This most likely take place in a classroom setting where a group of people discuss issues. It enables every attendee to voice different ideas and make them reflect on relevant issues affecting them.
6	Role play	Role play allows employees to resolve issues that may occur in the workplace. Key skills involved are negotiation and teamwork. Playing a role can create a problem between two people that may arise at the workplace. This can happen with a group of people divided into pairs, or whereby two people can take on a role in front of the class. Role playing can be effective in linking theory and practice but may not be popular with people who don't feel comfortable performing in front of a group of people.
7	Management games	Management games simulate real-life issues faced in the workplace. They attract all types of trainees, including active, practical, and reflective staff.
8	Case study	Case studies provide trainees with a chance to analyse and discuss real workplace issues. They develop analytical and problem-solving skills and provide practical illustrations of theory. They can also build a strong sense of teamwork as teams struggle together to make sense of a matter.

Training- Checklist (Download the [training checklist](#) here)

Table 72

Sr No.	Pre-check list	Timeline	Follow-up	Status	Date	Follow up date	Remarks
1	Plan date of training	1 month before training	As & when required				
2	Training date & duration (Communication with Trainee)	10 days before training	As & when required				



Training Checklist



Sr No.	Pre-check list	Timeline	Follow-up	Status	Date	Follow up date	Remarks
3	Logistic arrangement	7-10 days before training	3 days before training (Check all the required items/particulars)				
4	Coordinate resource person	7 days before training	3 days before training				
5	Arrange training contents	5-7 days before training	Need based				
6	Participant confirmation	7 days before training	3 days before training				

### Suggestive Session Flow

Table 73

Topic	Duration (hours)	Timing	Mode of training	Training responsibility	Status	Completion day	Comment	Phase
Meet & Greet								
Expectation setting								
Agenda walkthrough								
Organization/ program introduction								
Topic oriented training (may apply to different methodologies)								
Q&A wrap up								

## Measuring Learning Outcome - Post Training Review-

This review tool allows the reviewer to assess the members' participation in the training/discussion/meeting. Depending on the nature of the participants, the reviewer may be from promoting agency/trainer or an external person. This tool may be

feasible and applicable in residential training. An observer may be assigned to evaluate the participant's engagement. If the topic-wise score falls below 50%, it will be marked in RED.

Sl. No	Name of the Participants	Understanding about the topic	Individual Participation level	Able to raise question / concern	Able to interpret topic/content with peer member	Group participation	Role play/ Situation building	Team coordination	Average score
1		2	3	2	1	2	1	2	1.75
2		1	2	2	3	2	3	3	2.13
3		3	3	3	1	1	1	2	1.88
4		1	2	2	2	2	3	1	1.88
5		2	3	1	3	2	1	2	2.00
6		2	2	2	3	1	3	1	2.00
7		3	3	1	1	1	1	2	1.63
8		2	2	3	3	1	3	1	2.13
9		2	3	1	2	1	1	2	1.63
10		1	2	2	3	2	3	3	2.13
		63%	83%	63%	73%	50%	67%	63%	64%

The template for the [post training assessment tool](#) can be downloaded here.

To access training resources, you can visit the APMAS resource platform by clicking on the link here - <https://apmas.in/resources/>

### Growth Metrics-

While post-training assessments are valuable for evaluating knowledge enhancement, it's critical to

measure how this knowledge translates into actual performance. This is essential for promoting agency to assess the impact of the structured training provided to FPO stakeholders. By evaluating staff performance and ownership improvements, promoting agency can gauge the effectiveness of the training delivered to FPO staff, Board of Directors (BoDs), and shareholders. The table below presents suggested indicators that the agency can use to monitor stakeholder performance over time.



Post Training  
Assessment Tool



Table 74

Sr No.	Growth metrics	Baseline	Half yearly		Annually		Means of verification
			Target	Achievement	Target	Achievement	
<b>1</b>	<b>BoDs</b>						
1.1	% of BoD members are aware of FPO Operation & Governance						Post training assessment tool
1.2	% of BoD members aware about their role & responsibilities towards FPO & shareholder						-do-
1.3	% of BoD members can take critical decisions in review meetings						-do-
1.4	No. of critical decision taken by BoD Members						Meeting minutes (Review meeting/ AGM)
<b>2</b>	<b>FPO Manager</b>						
2.1	% of shareholder are buying inputs from FPO						
2.2	% of shareholder are selling their produce to FPO						
2.3	% Increase in shareholders in the geography						

2.4	% Increase on the sale						
2.5	No. of new buyers on-boarded						
<b>3 Community Resource Person</b>							
3.1	% Increase in PoP adoption by farmers						
3.2	% of shareholder aware on FPO services						Post training assessment tool
3.3	% Increase in shareholders in the geography						
<b>4 Accountant/Store Manager</b>							
4.1	Timely & error free report (Stocks/ financial report)						Observation based by FPO Manager
<b>These indicators will help to measure the engagement level of shareholders towards FPO</b>							
<b>5 Shareholder</b>							
5.1	% of shareholder are practicing PoP						
5.2	% of shareholder are buying inputs from FPO						
5.3	% of shareholder are selling their produce to FPO						
5.4	% of shareholder are participating in FIG meeting						PG meeting tracker





## MODULE 12

### Human Resource Management System

FPOs require a robust Human Resources (HR) system to effectively manage their staff and administrative processes. A human resource management system is more than recruiting staff. This system facilitates staff management by tracking employee information, performance evaluations, and training. People are essential to organizations, just as weather, price, and technology are to FPO profitability.

### Organogram-

Here is the common structure in any FPO; however, CEO and accountant are two critical positions that must be prioritized from the inception of the FPOs.

Figure 79



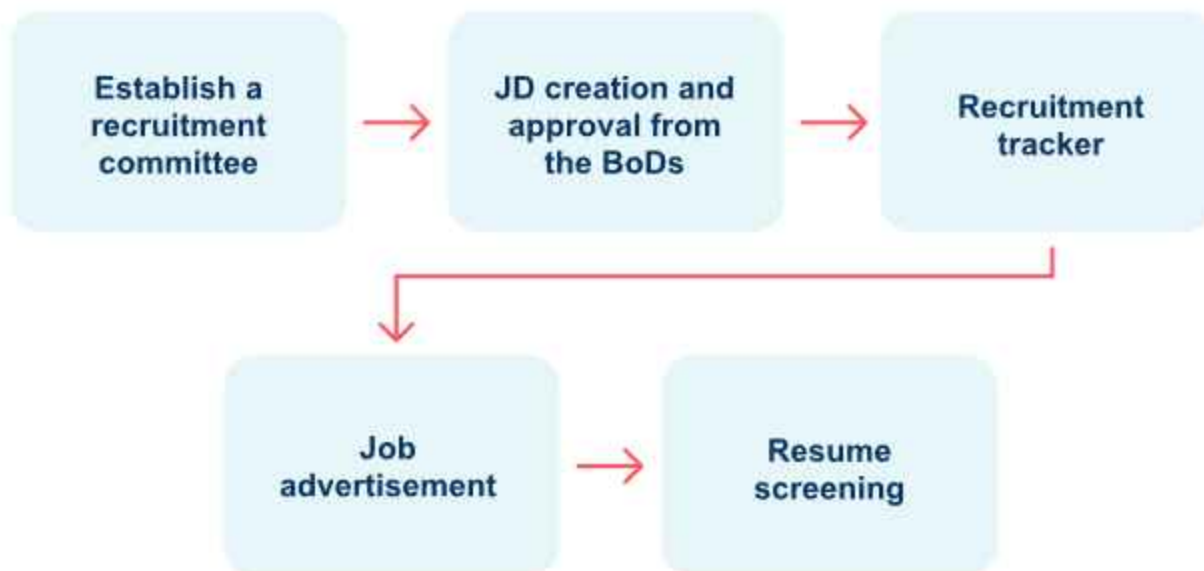


## Pre-Recruitment Process

The pre-hire process is essential for attracting the right talent for the key positions in the FPO. This involves several processes, from defining the job role to defining the recruitment team to advertising

the job and resume screening. A well-structured hiring process can help FPOs ensure transparency in hiring and save time and cost for the FPO/ agency involved in hiring.

Figure 80

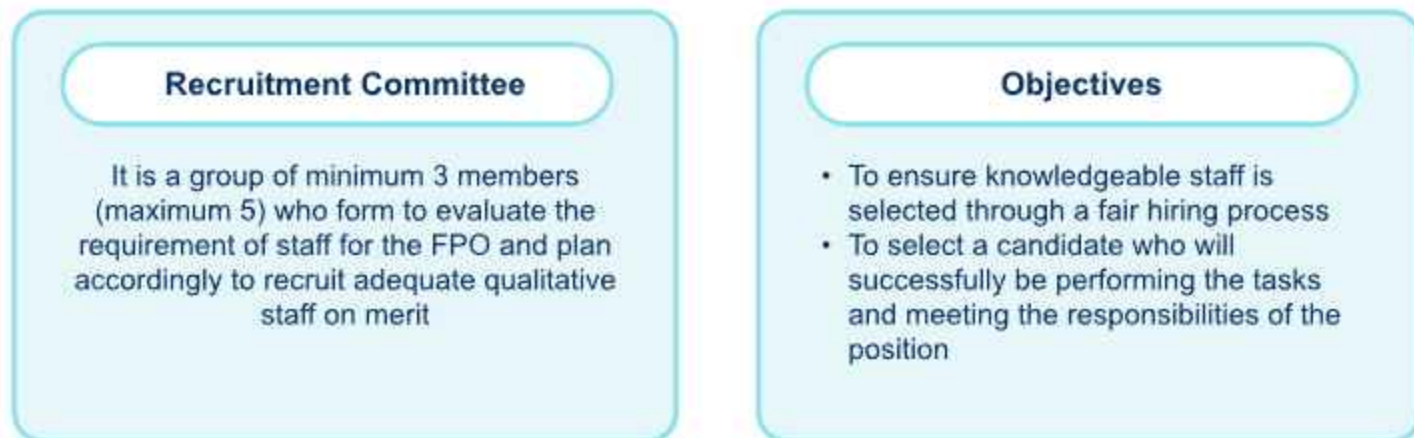


## Recruitment Committee

The board shall form a recruitment committee or appointment committee comprising four members of the Board, two from the officers (President, Secretary, and Treasurer) and two other members

with knowledge of FPO/rural areas. The head/ chairman of this committee will be either the President or, in case of his/her absence, the secretary will exercise the power.

Figure 81



### Formation of Recruitment Committee

Certain criteria or principles should be common among the members to form the committee and successfully fulfill its purpose.

The criteria for becoming a member of the recruitment committee should include that S/he

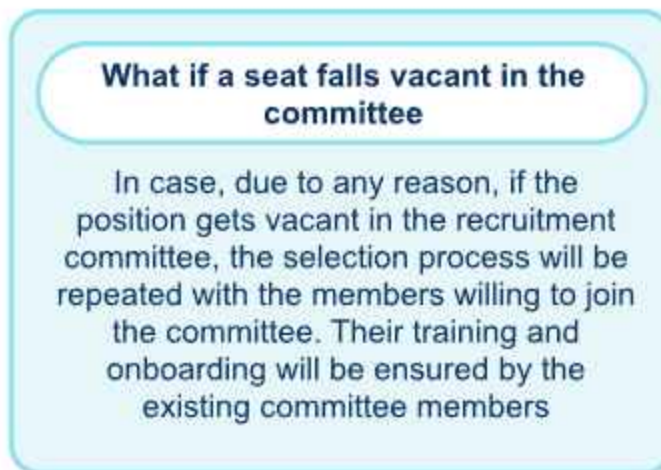
- Must be a Board Member
- Say things clearly and able to express ideas
- Must know how to read and write.
- Must be ready to dedicate time to the process.
- Must be confident to engage with candidates.
- Must be interested in the company's business.
- Must be available at short notice of 48 hours.

Figure 82





Figure 83



### Roles and Responsibilities of Recruitment Committee

The Recruitment Committee formed will oversee the entire selection process, including the following key responsibilities:

- Identify recruitment needs as they arise.
- Approve the Job Description (JD) design and revisit it annually.
- Maintain a recruitment register or tracker.
- Post job advertisements through offline channels.
- Screen resumes based on set criteria and conduct telephone verifications.
- Shortlist candidates for the next round of interviews.
- Conduct written tests and panel interviews for relevant candidates.

- Complete KYC procedures and issue offer letters.
- Onboard new recruits and arrange training for them.
- Conduct bimonthly performance reviews.
- Address employee grievances.

### Orientation of Recruitment Committee Members

Simply outlining roles and responsibilities does not ensure compliance by committee members. It is essential to orient the committee on their roles and responsibilities to promote awareness and adherence. The training session for the Recruitment Committee may cover the following topics

Figure 84



### Recruitment Committee in Action

Like employees, the Recruitment Committee should develop a comprehensive action plan for the financial year to promptly address the

company's requirements. Below are the key tasks that can be included in their action plan-

Figure 85



### Engagement of Promoting Agency & Recruitment Committee

When the FPO is established, it relies heavily on support from the agency for its development. However, a gradual transition of ownership to the Board of Directors should be carried out smoothly. The promoting agency must begin preparing the Board of Directors from the start to facilitate this transition. In the first year, the BODs should participate as observers in all processes—such as identifying vacancies, drafting job descriptions, overseeing recruitment, onboarding, performance management, and exit processes—without direct involvement.

In the second year, the promoting agency should actively engage the Board of Directors by assigning tasks as needed. This period serves as a "Learning by Doing" phase, allowing FPO leaders to participate in various activities and develop a sense of ownership. During this stage, they will be mentored to gain a comprehensive understanding of all processes. By the third year, the BODs should assume full responsibility for all activities, with the promoting agency transitioning to a consultative role.

Figure 86





## Job Description (JD) Creation and Approval

A job description is a useful, plain-language tool that explains a position's tasks, duties, functions, and responsibilities. It gives applicants a clear and concise resource to guide job performance. A [sample JD for FPO manager](#) and a [sample JD for an accountant](#) can be downloaded here.

Figure 87



- The recruitment process should begin with the identification of vacancies within the company.
- The BODs (Recruitment Committee) should establish a recruitment register, which will serve as a centralized record for all future recruitments.
- A recruitment file must be created, including recruitment guidelines, terms and references, question papers, panelist lists, grading sheets, and any other essential information needed for the recruitment process.
- The promoting agency must draft the Job Description for each position within the FPO, using a standardized template that the BODs will apply when posting job vacancies on various platforms.
- The promoting agency must obtain approval from the BODs for the finalized job descriptions.
- A designated member of the recruitment committee should be responsible for regularly updating the job descriptions.

## Recruitment Tracker

A recruitment tracker is a valuable tool for the recruitment committee, enabling them to

The promoting agency will initially create detailed job descriptions for each position and continue to update them as needed. All job descriptions must be approved by the Board of Directors (BODs) of the FPOs.

efficiently organize, filter, track, and hire candidates throughout the recruitment process. It allows for real-time updating of candidate information and provides insights into the total time to fill each position, facilitating continuous improvement efforts.

A normal recruitment tracker consists of 3 sections:

- Position information.
- Applicant information
- Recruitment process information

### Position Information

It specifies the positions and the dates on which they are created. The content includes the position title, the date when the position was established, the required skill sets, the place of posting, the name of the recruiter, and the date when the requirement was created.



Sample JD for Manager/CEO



Sample JD for Accountant

Position						
No.	POSITION TITLE	POSITION CREATED ON	SKILL SET	LOCATION	RECRUITER NAME	INDENT DATE
1	CEO	01-12-2022	MSc. Agri. Sales & Marketing Skills, Good Communication, Knowledge of Excel, PPT & Word doc, Willing to work in rural area, Good Facilitation & Training skills, Sensitive towards community	Khunti	FPO Name	02-12-2022
2	Accountant	01-12-2022	Knowledge of Tally, Experience in Accounts Handling, Sensitive towards community, Knowledge of Excel, word & PPT	Bamra	Seonhodel Fed FPO Ltd	02-12-2022

For example, if a position becomes vacant on April 1st, that date will be recorded in the "Position Created" column. Conversely, the "Indent Date" should reflect the date of management approval for hiring the position or the date the advertisement is published.

### Applicant Information


- This section details the applicant, including his/her contact details, educational background, professional experience, current and expected salary, and notice period days.
- This section aims to secure the applicants' database in one place for future reference.

Applicant									
APPLICANT NAME	APPLICANT PHONE	APPLICANT EMAIL	SOURCE	CURRENT MONTHLY CTC	EXPECTED MONTHLY CTC	QUALIFICATION	EXPERIENCE	NOTICE PERIOD	DATE APPLIED
Dogpli	810*****	ahid@gmail.com	Offline advertis	15K	20K	B.Com	2 years	30 days	05-12-2022
Prema	*****	prema@gmail.com	Downst.org	10000	12000	12th	1 year	2 weeks	03-12-2022

### Recruitment Process Information

This section details the status of the job opening, indicating whether it is currently open or closed. It also records the dates of various recruitment

processes, tracks candidates' progress through different stages, and notes any candidates who have been blacklisted.

Selection Process								
STATUS	RESUME	STAGE	DATE OF TELEPHONIC SCREENING	EXAMINATION DATE	INTERVIEW DATE	SHORTLISTING DATE	KYC	DATE OF OFFER
OPEN	 Embed resume	Interview	06-12-2022	12-12-2022	15-12-2022	17-12-2022	17-12-2022	18-12-2022
OPEN	Embed resume	Interview	05-12-2022	15-12-2022	18-12-2022	18-12-2022	20-12-2022	20-12-2022

Download the recruitment tracker [here](#).



Recruitment Tracker

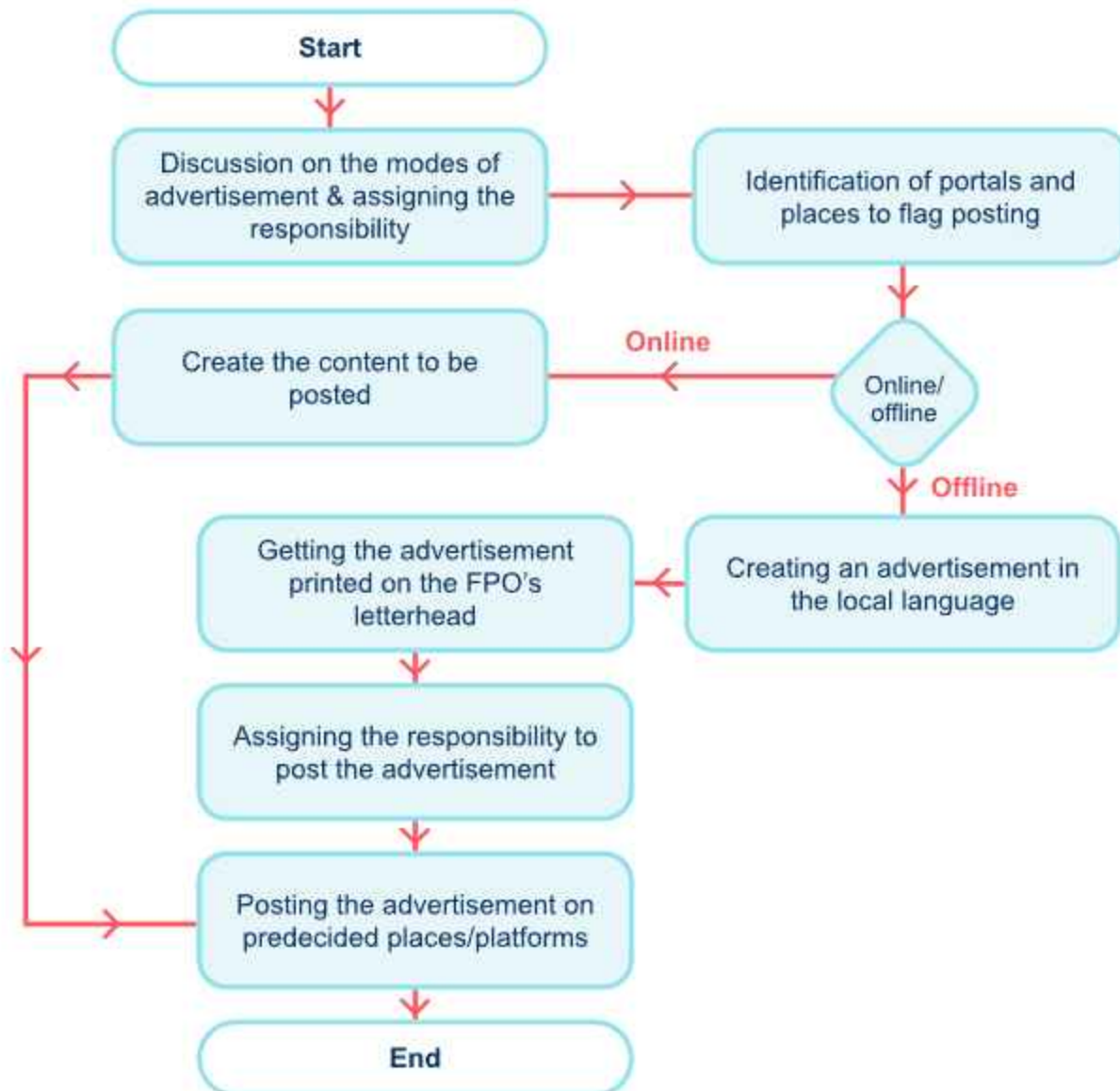


## Job Advertisement

A job advertisement is a print or electronic notice announcing the intent to hire someone for a

specific role within the FPO. It helps to attract the most suitable candidates for the position.

Figure 88



From the third year onwards, the promoting agency will manage the online job postings, while the BODs will handle the offline postings.

- For both offline and online postings, the BODs must sign the advertisement template on the date the recruitment indent is created.
- Resumes should be submitted within ten days from the date of the advertisement.
- The sample template can be downloaded [here for job posting](#).
- The promoting agency will help BODs design the advertisement template in their local language, such as Bengali, Oriya, etc

### Job Advertisement Platforms

The job advertisement will be published depending on the requirements and the salary/honorarium attached to the position.

The Recruitment Committee of the FPOs will be responsible for managing the job advertisement.

Figure 89



Figure 90



Sample template for job posting



The available options to advertise are

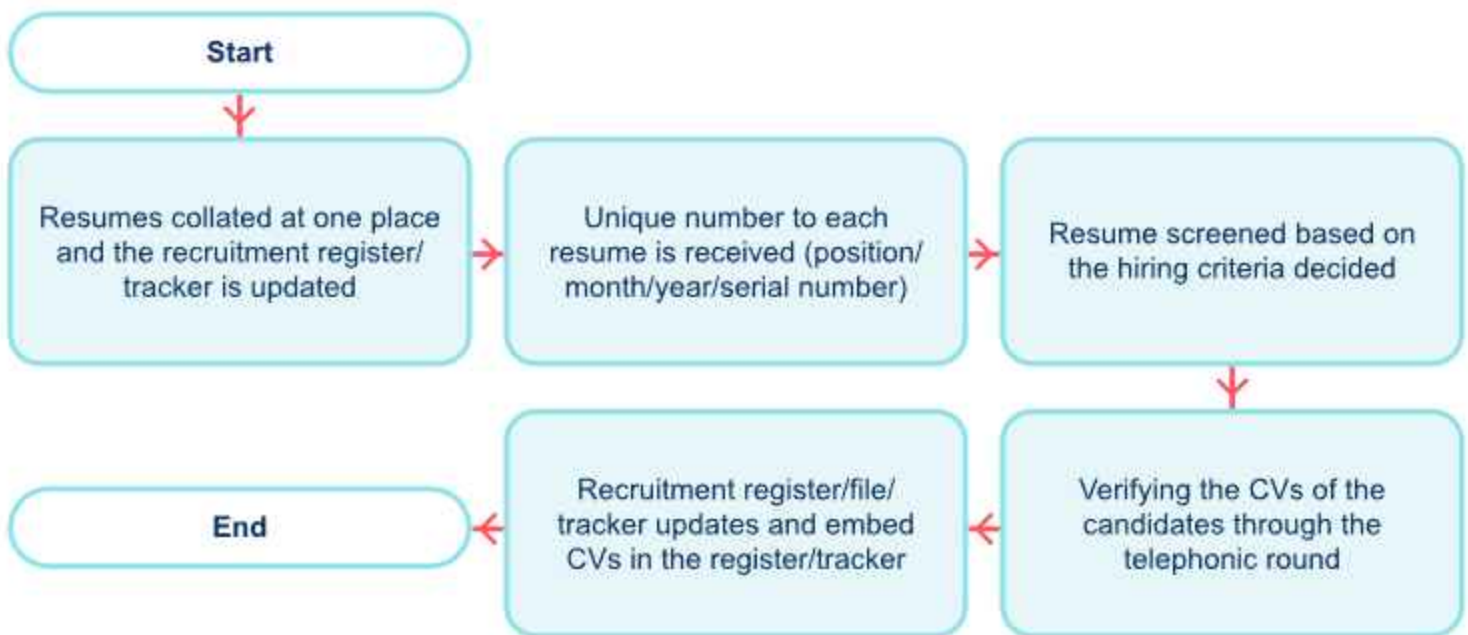
- For online postings: The BODs will delegate this task to a designated person within the company or agency to post the job on pre-approved platforms along with the application deadlines.
- For third-party postings: BODs/FPOs will have a written agreement with the third party for job postings and recruitment services.
- For offline postings: BODs will print the advertisement on their letterhead and sign it. The responsibility for posting offline vacancies will be assigned to specific BOD members.

### Resume Screening:

Resume screening involves evaluating candidates' qualifications, such as education, experience, and other relevant details, to determine their suitability for a role

The process includes matching the required qualifications with those presented by the candidate. The resume screening process for FPOs is as follows:

Figure 91



### Telephonic CV Verification

Telephonic CV verification involves filtering out candidates rejected at any stage of the recruitment process in promoting agency-supported FPOs in the past year. All resumes received will be collated in one central location. In the recruitment tracker, the soft copy of the resume will be embedded in the Excel sheet. For hard copies, three files will be maintained, categorized as Grade A, B, and C based on screening

results, where A means a good-quality resume that matches the position requirement, and C is the least matching.

### Resume Screening Criteria

The resume bundle needs to be screened based on certain criteria that will differ for each role in the company. The following are the criteria required for the CEO and Accountant's resume screening:

Table 75

### FPO Manager/ CEO

Sr No.	Parameter	Grade A	Grade B	Grade C
1	Educational Qualification	B.Sc. Agri	Commerce Graduate	Others
2	Number of years of experience	>3 years	Between 1-3 years	Fresher
3	Location	Same Block/District	Same State	Other state
3	Relevant Experience	FPO, Agriculture, Social development	Other sectors	NA

Table 76

### Accountant

Sr No.	Parameter	Grade A	Grade B	Grade C
1	Educational Qualification	B. Com	12th pass	10th pass
2	Number of years of experience	>2 years	Between 1-2 years	Fresher
3	Location	Same Block/District	Same State	Other state
3	Relevant Experience	Accounting, Account assistant	Other sectors	NA



- All the resumes received must be categorized into Grades A, B, and C based on the screening criteria available.
- The Recruitment Committee and the promoting agency must work together to help BODs understand the process.
- Screening of CV will continue as and when received.
- BODs are responsible for calling candidates to verify their CVs.
- A recruitment committee member must update the register.
- Based on telephonic screening, BODs should prepare a list of candidates to be invited for interviews.

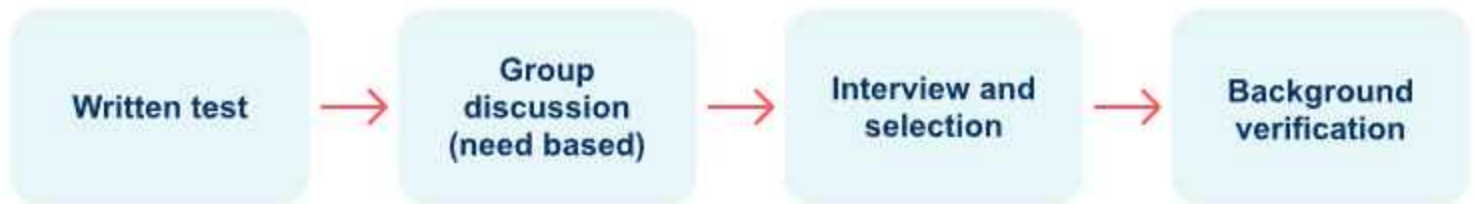
Download the [rubric for screening candidates-](#)

- FPO Manager
- FPO Accountant

### Recruitment Process

When recruiting FPO staff, it's crucial to evaluate both the technical skills and essential soft skills required for the role. A written test is recommended to assess technical skills, while group discussions and personal interviews can help gauge candidates' confidence, communication abilities, and stakeholder management skills. The role-based competencies are detailed in the competency framework available in [module 11](#).

Figure 92



The test is conducted to understand the knowledge level of the candidate as required in the position and post that his verbal skills are analyzed

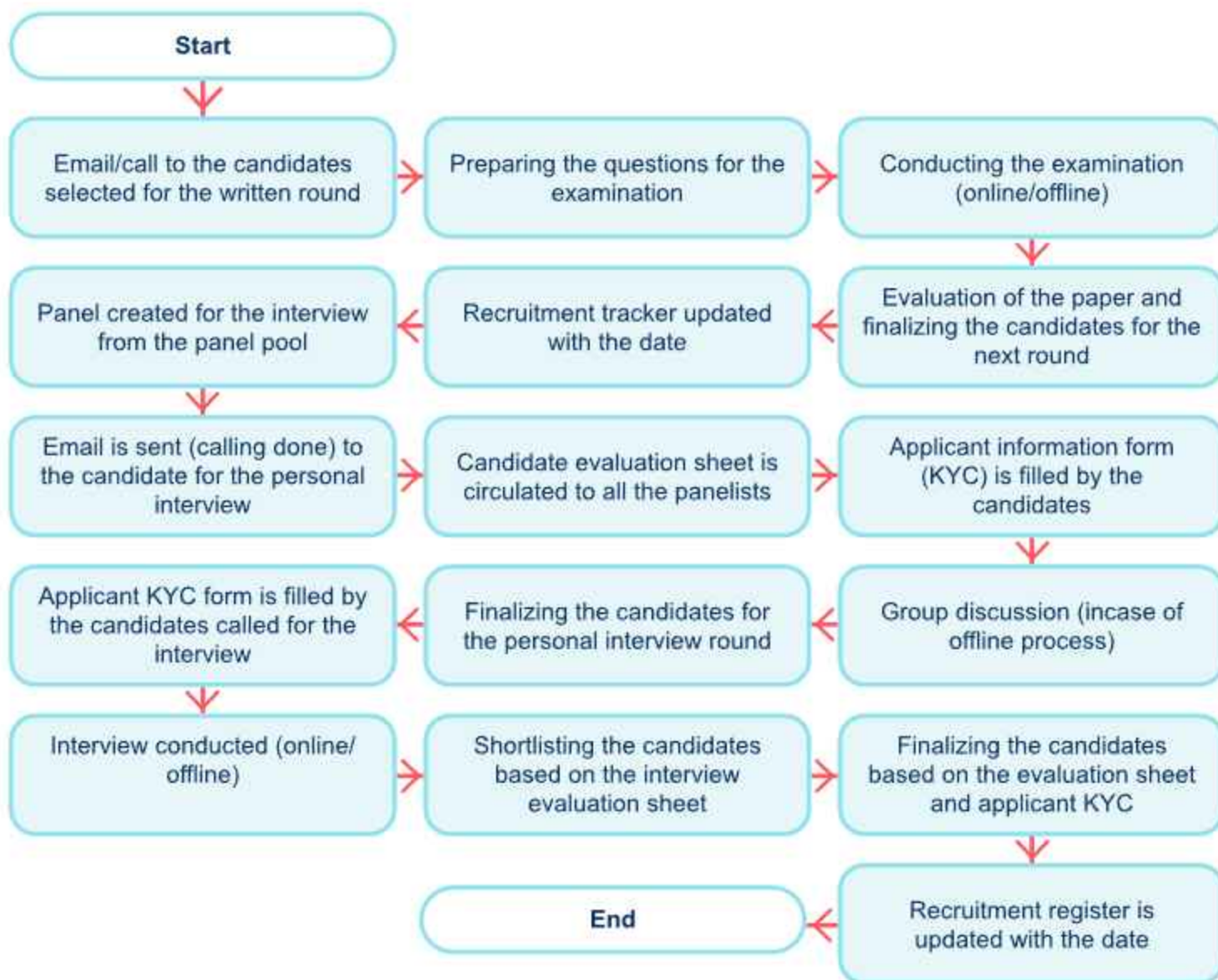
through group discussion and personal interview.



Rubric for resume  
screening-Manager  
and accountant

The process for recruitment will be as follows:

Figure 93



### Written Test

The written test is designed to evaluate candidates' knowledge in technical areas such as agriculture, livelihood, and business operations. This step helps identify candidates based on their abilities, particularly when educational and work experience levels are similar. It also assesses their verbal and numerical skills. While technology has

advanced in rural areas, offline examinations are not always mandatory, which helps minimize disruptions for candidates and organizers. However, there should be guidelines for when to conduct exams online versus offline. Below are some considerations for both formats:



Figure 94

#### When should the online test be conducted?

- When the candidate is from a faraway location
- When the promoting agency is managing the recruiting process
- Adverse conditions

#### When should the offline test be conducted?

- When the BoDs are conducting the test
- If there are no adverse conditions like a pandemic, Section 144, and others
- When the candidates are from nearby locations

- BODs will finalize the date, time, and location for the written test.
- The written test should be scheduled within five days of the advertisement closing.

Download the [sample questions for written test](#)

#### Outreach to Selected Candidates for the Written Test

Selected candidates for the written test will be notified via email.

- BODs will call the selected candidates to inform them about their selection for the next round, providing details about the date, place, and time of the written exam.
- The promoting agency can assist BODs with sending emails to the identified candidates. Templates for sharing the invitation for both offline and online examinations can be downloaded here: [sample email invite for written examination](#).

If the promoting agency is sending the invitations, the corresponding template is also available here: [sample email invite](#) on behalf of promoting agency.

#### Group Discussion

Group discussion (GD) is a recruitment process that brings together candidates to discuss a topic or scenario. This tool is useful when multiple applications qualify during the screening process. GD helps to evaluate candidates' communication skills, ability to articulate their ideas, listening skills, ability to build on others' points, collaborative approach, and overall contribution to the discussion. This helps to further filter the candidates for the final interview process.

Here is the quick process to conduct the GD-

- Depending on the number of candidates, groups can be formed. At least 6 candidates must be present to plan a GD as part of the interview process.
- The SME identified for an interview can be the assessor for the group discussion.
- Introduce the topic, which can be suggested by the SME selected on the interview panel.
- While the written exam helps assess the technical skills, the GD can help gauge the candidates' soft skills based on the core skills required for the specific role. For the FPO manager/ Accountant, below is the suggested rubric that can be used to document the assessor's observation.



Sample questions for written test



Sample email invite for written test

Table 77

Criteria	Score 5	Score 3	Score 1
Communication Skills	Ability to express ideas clearly, concisely, and effectively. Demonstrates good speaking and listening skills.	Express ideas well, good listening skills and speaks well	Speaks occasionally, articulation is not very strong
Critical Thinking	Demonstrates the ability to analyse information, think critically, and generate insightful points.	Trying to question, probe, with little help can bring few insights for discussion	Not a strong area, contribute to discussion points, but not many insight
Contribution	Actively participates in the discussion, contributes relevant ideas, and engages with other group members.	Average/ descent contribution, not the most vocal one	Limited contribution, could add only one/ two points
Teamwork	Collaborates effectively with others, respects diverse opinions, and builds on others' ideas.	Excited about his own views, listens others and contributes decently	Not able to show much of a teamwork, limited with his/her own thoughts
Leadership Potential	Takes initiative to guide the discussion, facilitates the participation of others, and demonstrates leadership qualities.	Attempts can be seen occasionally during the discussion	Limited or no attempt
Problem-Solving Skills	Offers creative solutions to challenges raised during the discussion and demonstrates adaptability in problem-solving.	Somewhat able to think on the go, but have limited ideas	Unable to contribute much from a problem-solving skill standpoint
Professionalism	Maintains professionalism throughout the discussion, including body language, tone of voice, and respect for others, particularly towards women participants	Might get aggressive occasionally with body language and tone, but controlled in the choice of words	Gets aggressive, tone and body language are not appreciative at all. Biasness observed towards women participants
Overall Impression	Overall assessment of the candidate's performance in the group discussion, considering all criteria.		

Download the [rubric for group discussion scoring](#)



Rubric for group discussion scoring



## Interview Process-

The interview process involves several key steps to ensure a fair and transparent evaluation of candidates. Here's how it should be conducted:

### Interview Panel Pool Formation

The interview panel must involve external people

Figure 95



- BODs will annually prepare a list of people who can be called as a resource for conducting the interview.
- The list can be of 15 people based on their domain of expertise:
  - 3 BOD members
  - 2 Active Shareholders (who take keen interest in FPO's business)
  - 5 people from NGOs working in the location
  - 5 people from the promoting agency
- At the time of the panel interview, these people can be contacted.
- The interview panel will consist of a minimum of 2 BODs and one subject matter specialist for the position.
- An interview panel will be held at any time and will comprise a minimum of 3 people and a maximum of 5 people.
- Dates will be decided, which will not be more than three days from the date of the written examination.
- BODs will contact the Subject Matter Specialists of the position from the panel list and get their confirmation. With that, the recruitment register will be updated.

to ensure a fair recruitment process. To achieve this objective, the FPO must adopt the process of forming the panel and revisit it every first month of the financial year.

### Interview Preparation by the FPO-

The recruitment committee formed will do the interview preparation, that includes

- Printing of the probable questions and an evaluation sheet for each panelist
- Assigning duty for calling out candidates during the interview
- Arrange logistics, including seating, order of candidates, and any other necessary arrangements.
- Candidates must be informed of their selection for the panel interview at least one week in advance to allow candidates to travel or take leave from their current jobs to attend the interview
- Based on the confirmation from the candidates, the recruitment register/tracker will be updated.
- Panelists will be given the scoring sheet to rate the candidates based on their performance in the interview.

### Interview and Final Selection-

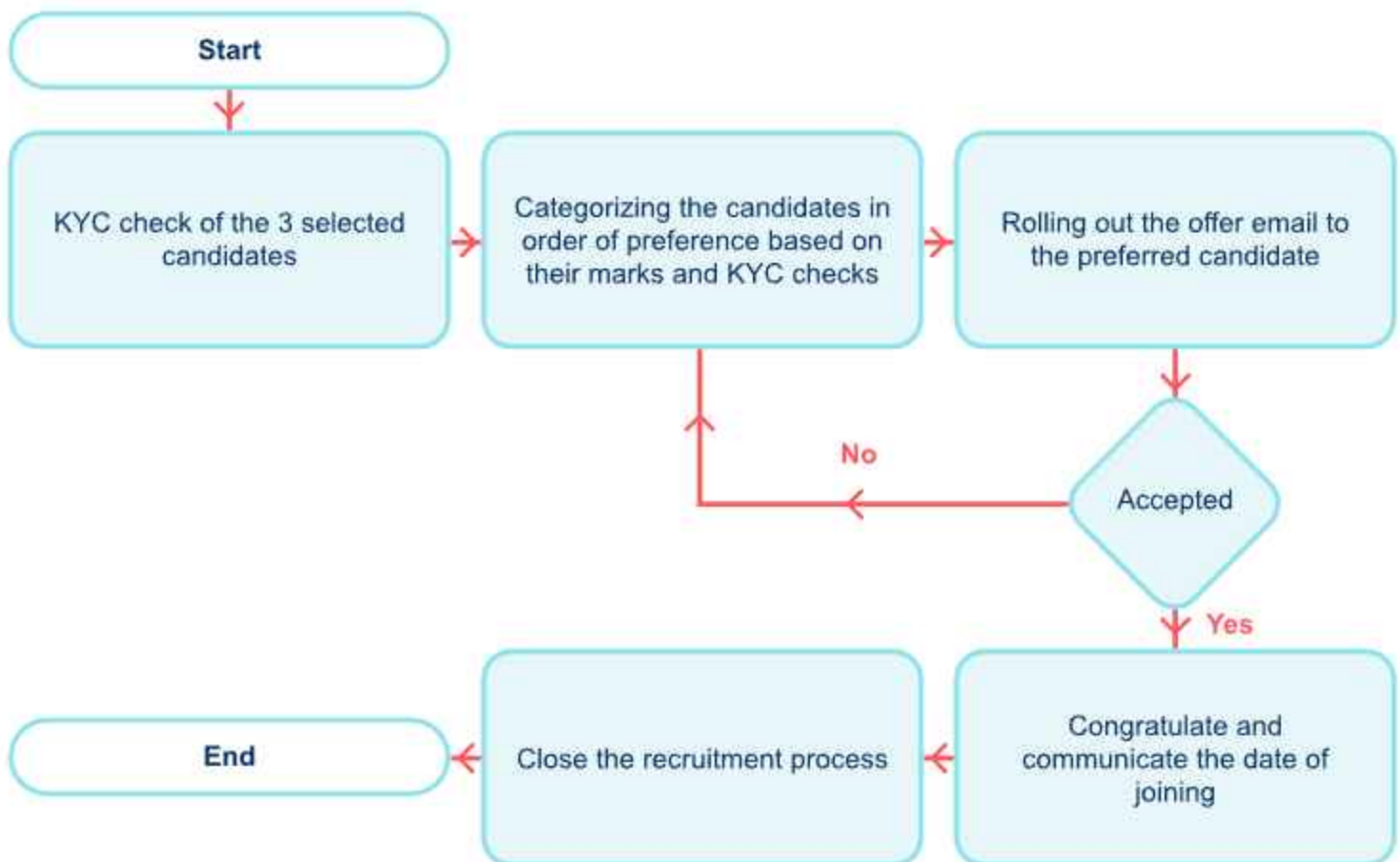
Candidates must complete a KYC form, providing details and certificates related to their educational background, government identity cards, experience certificates (if applicable), and salary expectations. For roles requiring field movement, their vehicle and driving license details should also be rechecked. Download [KYC application form](#).

- Panelists will use scoring sheets to rate candidates based on their performance. Download a [sample interview scoring sheet](#).
- The recruitment register and CV Bank will be updated based on the scores.
- A list of the top three candidates will be prepared as backups in case of issues with the primary candidate.

### Background and Reference Check and Offer Rolling

- FPO must conduct background checks to ensure candidates have no criminal records or problematic employment histories. It also validates the candidate's suitability.
- After successful checks, an offer letter will be issued, signed by the President of the FPO. The offer letter may also be sent via email. Download a [sample email for offer letter](#) here

Figure 96



KYC Application Form



Interview scoring sheet



Sample offer letter and email draft



## Onboarding Process-

Onboarding is the process of introducing a new employee to the organization's policies, his/her role in the organization, and its culture.

Any formal onboarding process takes 30 days, during which the new joiner is assisted in finishing all his/her tasks through ongoing support.

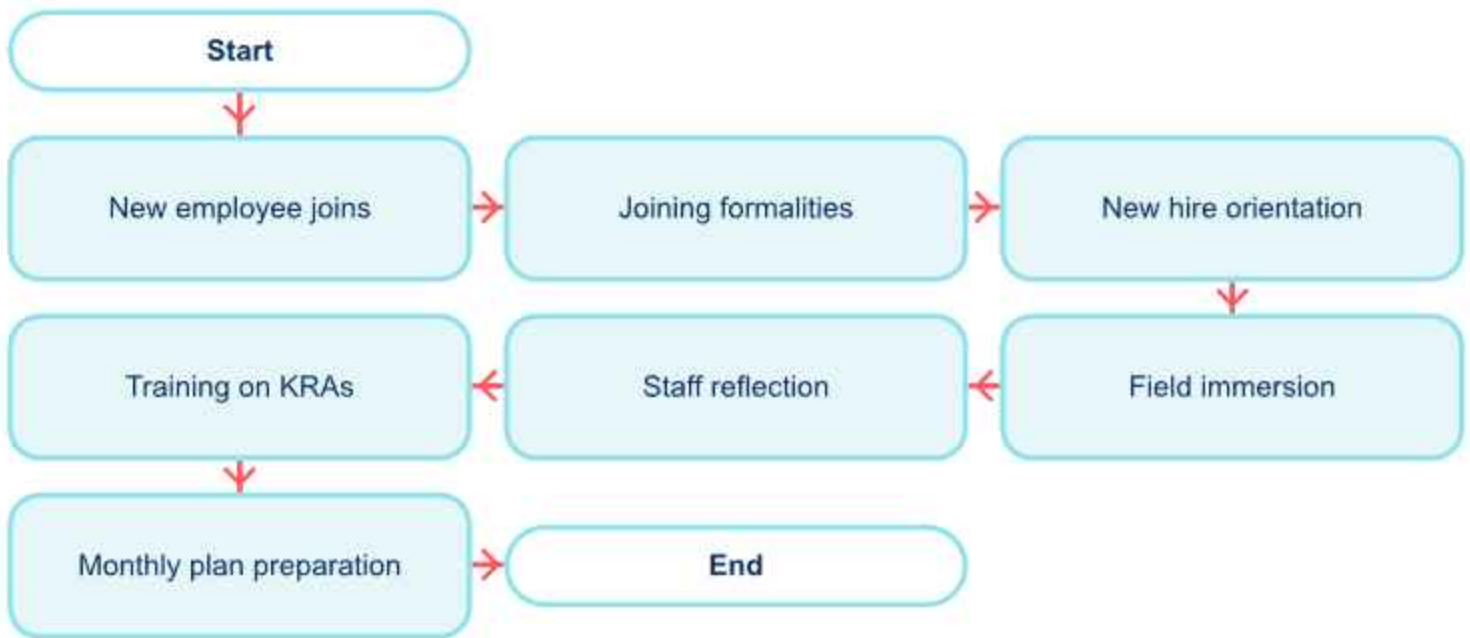
Any formal onboarding process takes 30 days where the new joiner is assisted to finish all his task through an ongoing support.

Here is the checklist for the promoting agency to prepare for FPO staff onboarding:

Table 78

Task	Details	Responsibility	Status
Confirmation call with the candidate	To ensure the joining of the candidate. It will be done 7 days prior to the date of joining	Promoting Agency	
Documents for joining formalities	Preparation of agreement letter/ employment contract	Promoting Agency & FPO	
Orientation day planning	Topic preparation for orientation and deciding upon the trainers	Promoting Agency	
Handing over document	In case of new position basic documented related to FPO must be shared with the staff, if this is a backfill then handing over received from the previous staff must be shared with the new join.	Promoting Agency & FPO	
Planning field visit	Chalking the timeline for 15 days village stay plan, finalizing the village to stay, making his/her logistic arrangements, etc.	Promoting Agency & FPO	
HR session	Identify the information important to the employee like work timings, leave policy, POSH policy and others as required and person responsible to provide this training.	Promoting Agency & FPO	

Figure 97



#### Joining Formalities-

Prepare the employment contract, covering salary, employment duration, responsibilities, confidentiality, and benefits. Download [sample staff contract/ employment letter](#) here.

stakeholders such as BoDs, buyers, suppliers, and roles and responsibilities. The following are the major points to be included in the orientation session of any new staff:

#### New Hired Orientation

Orientation plays a crucial role in introducing the new staff to the FPO, its business operations,



Sample Staff Contract/  
Employment Letter



Figure 98



### Field Immersion-

For FPO staff to effectively engage with its shareholders, BoDs, and community overall, she/he must undergo field immersion. This will help

staff introduce him/her self to the members in a formal way and understand the socio-economic dynamics and the expectations of the FPO members

Figure 99

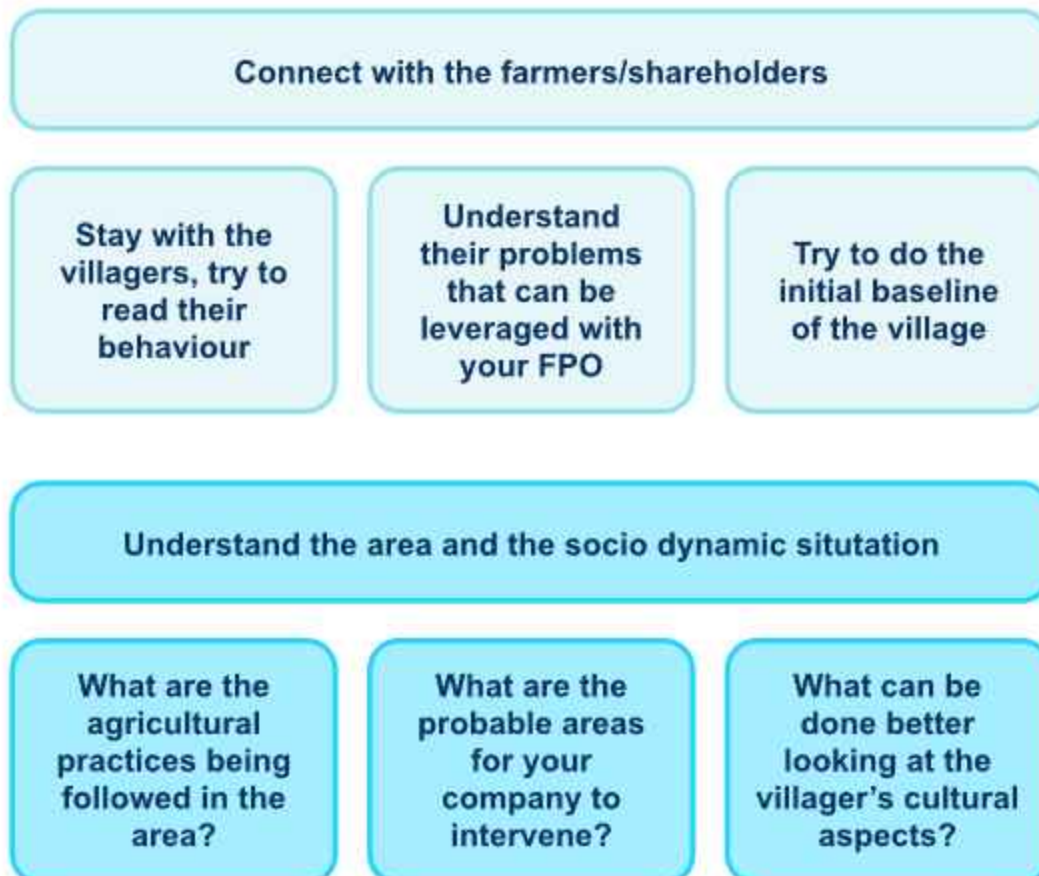
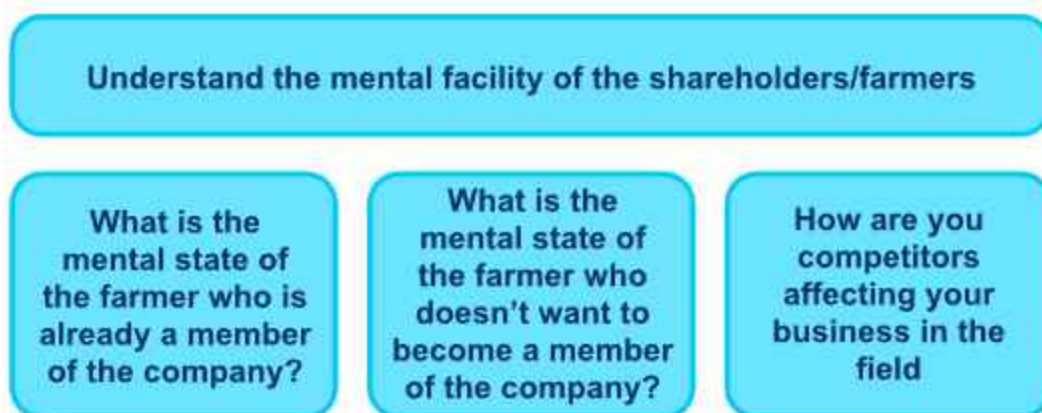


Figure 100



### Staff Reflection -

After the orientation and field immersion, it is essential to provide a moment for the staff to reflect on their learning and experiences thus far. This pause allows them to ask questions and seek clarification from the promoting agency or any senior member who can assist in resolving queries related to the role, the FPO, or its policies.

### Training on KRAs/Roles and Responsibilities-

Training on KRA is essential to aligning his/her work goals with the FPO's goal. Each staff member's KRA is mapped in the competency mapping framework in [module 11](#).

### Monthly Planning by the Staff-

Based on the KRA, staff must be introduced to the monthly planning for his/ her role. This planning document will help staff to set the objectives and linked activities within each KRA. The staff needs to discuss this with the BoDs/Promoting agency on the action taken/ achievement for the month. The planning

format must be shared before the 5th of each month, and reporting must be shared before the 2nd of every month. The reports will be cross-verified with BODs and FPO anchor.

Download the [monthly planning template](#).

### Performance Review Mechanism-

Performance review is an assessment mechanism in which the system evaluates the employee's performance to learn more about their strengths, weaknesses, and areas for improvement. It offers constructive feedback for their future development and assists them with their goal-setting.

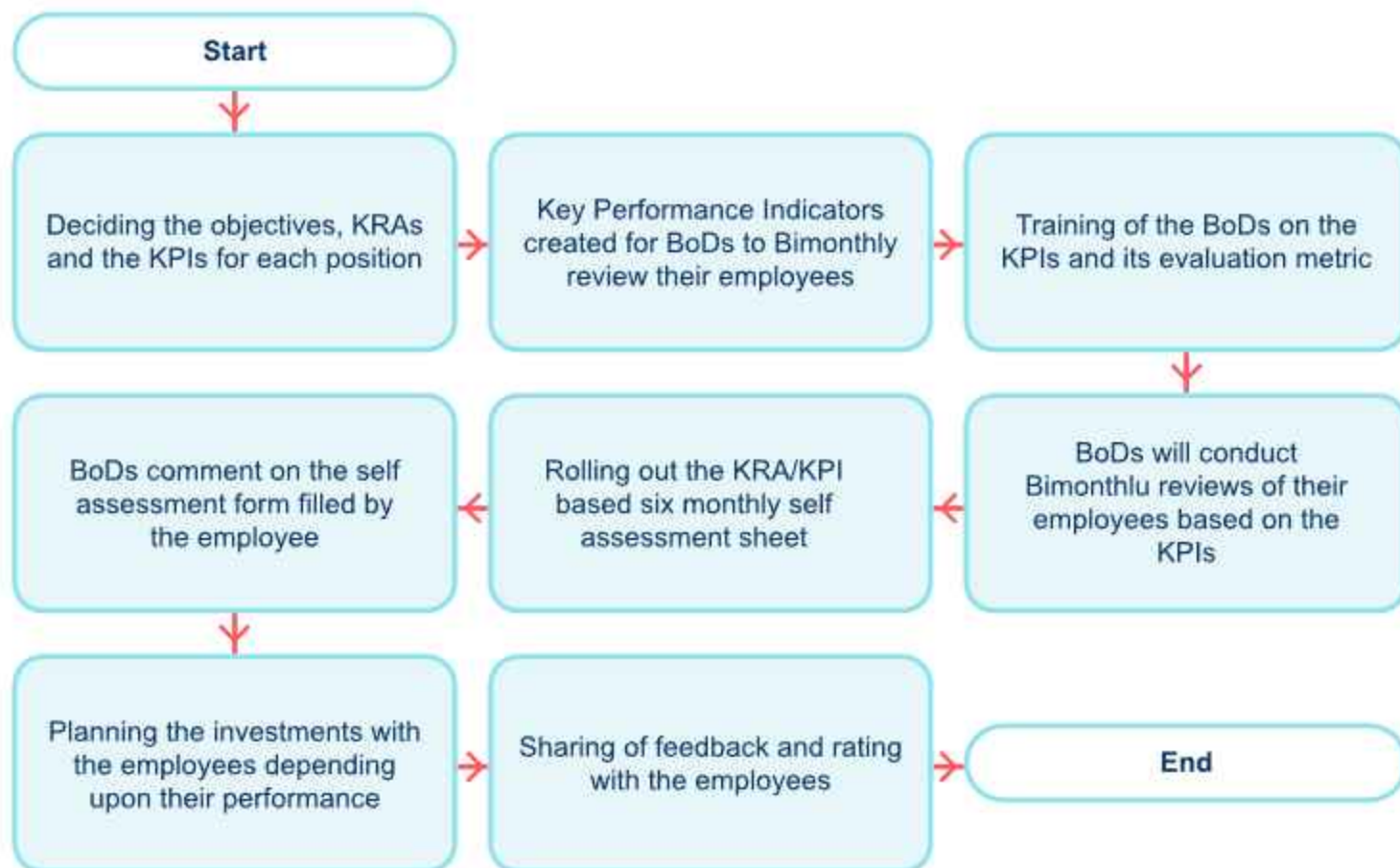
Following are the process steps for the Performance Review in the FPOs:



Monthly Planning  
Template



Figure 101



### Bimonthly Review

The FPOs will adopt the Bimonthly review system, where BODs will review their employees based on their KRAs. The parameters/metrics will be

prepared in simple language for BODs to use. The sample for the same is attached herewith for CEO/FPO Managers:

Table 79

Sr No	Performance Metric	Planned/Expected/Existing	Achieved
1	Total number of shareholders enrolled		
2	Total revenue increased from last evaluation		
3	Increase in business commodities		
4	Total Payments to be received pending in field		

Sr No	Performance Metric	Planned/Expected/Existing	Achieved
5	Total Pending payments to be made		
6	New vendors approached		
7	No. of business deals done since last review		
8	No. of Internal Audit feedback received		
9	No. of Internal Audit feedback taken into cognizance		
10	No. of field visits done		
11	New initiatives taken		
12	Balance loan amount with FPO (if applicable)		
13	EMI to be paid till _____ has been paid or not?		

In a similar manner, the performance criteria will be defined for the **accountant** monitoring too. The minutes for the same will be written and it will be

duly signed by the BODs. Below is the list of suggested indicators for performance assessment.

Table 80

Sr No	Performance Metric	Planned/Expected/Existing	Achieved
1	Total amount of payment done in last two months		
2	Number of payments in cheque to vendors		
3	Number of payments in cash to vendors		
4	Total number of payments received in last two months		
5	Number of payments received in cheque/bank account		



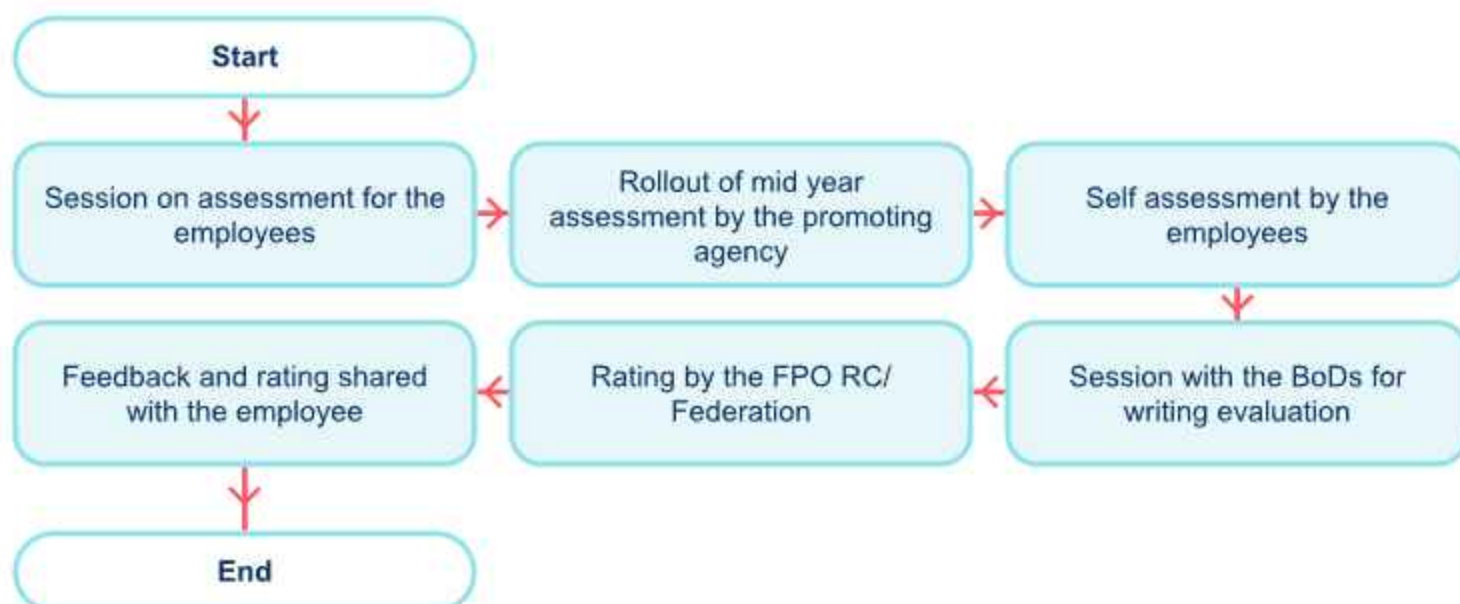
Sr No	Performance Metric	Planned/Expected/Existing	Achieved
6	Number of payments received in cash		
7	Last date of entry of Tally		
8	Last date of cash book updated		
9	Amount in cash box		
10	No. of Vouchers prepared in last two months		

### Midterm Review

The midterm review will help identify the individual staff's performance gaps and training needs. The staff must receive an assessment form to review and discuss with the promoting agency and BoDs.

The intent of introducing midterm review is to create opportunities to improve capabilities and provide support through structured training interventions.

Figure 102



The [self-assessment sheet](#) will consist of basic skill-based questions where the employee will be rating himself/herself on a scale of 1-5, with five being the highest. Based on the outcome, promoting agency can take suggestive action

### High Performing Staff

This staff exhibits high motivation and consistently meets KRAs. To sustain this performance, the promoting agency or BoDs can invest in various forms of recognition, such as acknowledging their achievements through platforms like Gram Pradhan or across other FPOs and designating them as mentors or role models for their peers. Additionally, investing in advanced training opportunities through reputable institutes like BIRD or MANAGE can enhance their skills and capabilities to foster further growth and development.

### Average Performing Staff

This staff member consistently meets the criteria and shows potential for further development. Based on performance observations and findings, the promoting agency can conduct a training needs assessment

to identify areas for improvement. Organizing targeted capacity-building activities can enhance staff members' skills and confidence, fostering greater loyalty and commitment to the FPO.

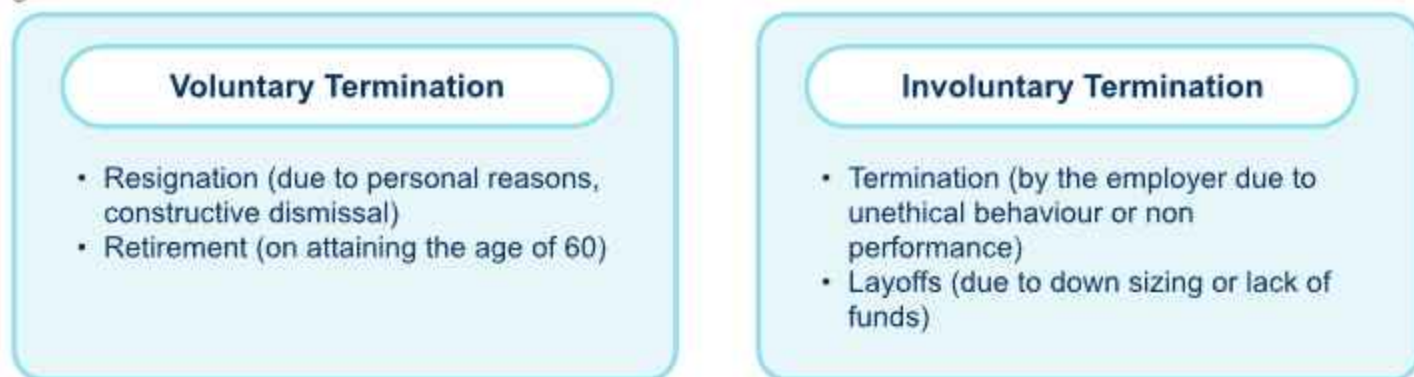
### Low Performing Staff

Staff members experiencing low motivation and performance indicators require engagement from the promoting agency to address the underlying causes of their decreased performance. This involves discussing the factors contributing to their situation and providing appropriate training and peer support to offer additional guidance. Implementing a weekly meeting for close performance monitoring until the next review can help track progress and provide the necessary support for improvement. This proactive approach aims to facilitate significant performance enhancements in the staff member.

### Employment Termination:

Termination of employment, both voluntary and involuntary, marks the end of the employment relationships between the FPO and the staff. As mentioned, there are two types of termination, which are as follows:

Figure 103



Process for both types of exits or termination are different and thus explained below -

### Voluntary Termination

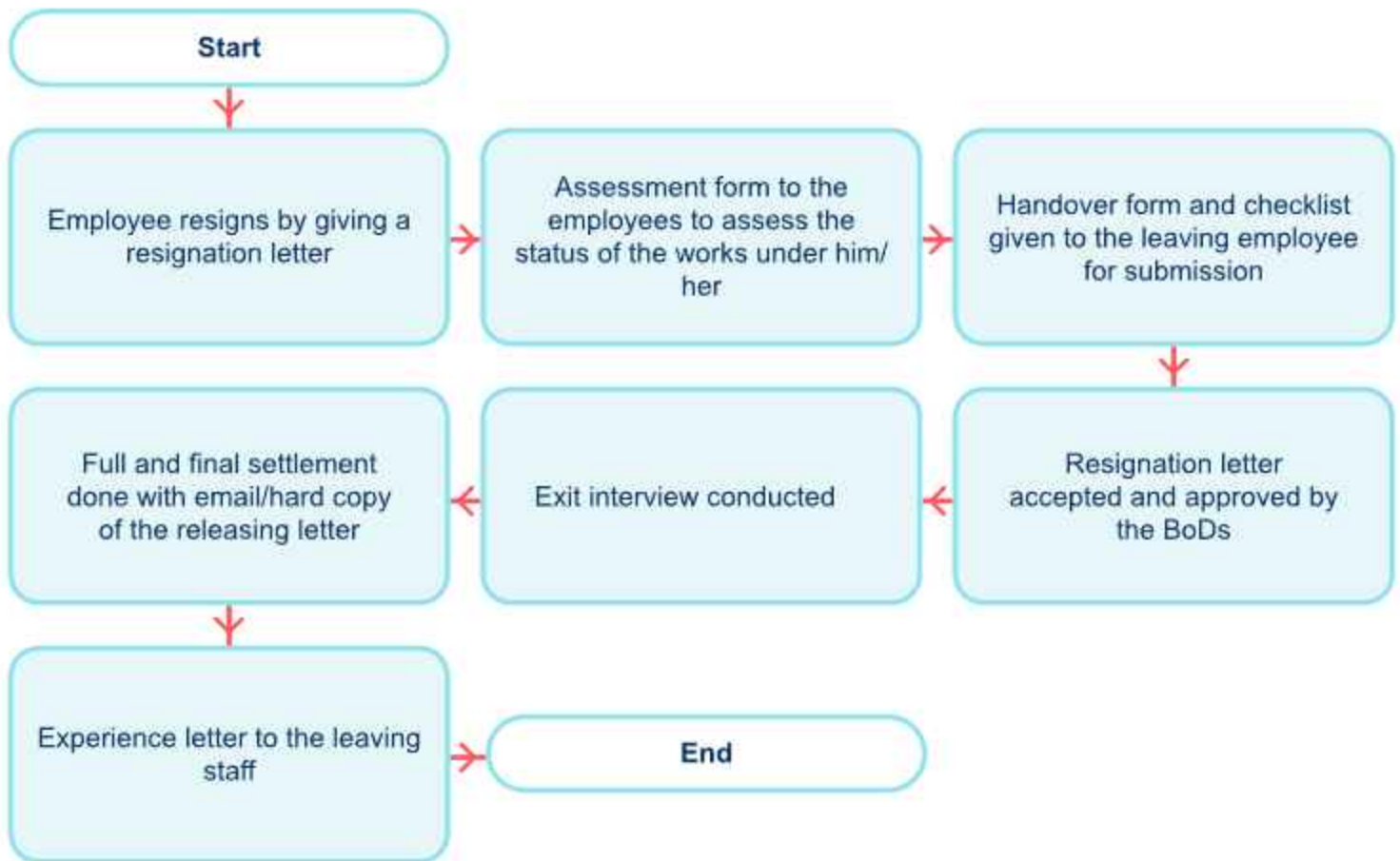
It stands for the process where the employee

himself leaves the company for reasons like better opportunities, better pay, or constructive dismissal, where the employee is dissatisfied with his work or workplace. The process here will be:





Figure 104



### Involuntary Termination

Involuntary termination is an exit initiated by the FPO due to unethical behaviour or non-

performance of the employee. The process for the same will be as follows:

Figure 105



### Issuance of Memo Letter

- Issue warning letters for unauthorized behavior or performance issues. A second memo may lead to termination if issues persist.
- After two memos, issue a termination letter for continued misconduct or performance issues. Download the [sample termination letter](#) here.

### Termination Letter

- A termination letter is an official written notice that the professional relationship with the employee has been broken due to misconduct or unsatisfied services.



Sample Termination  
Letter



### Handover Form

Before leaving, an employee would need to fill out a handover form, on which s/he would be responsible for providing details and the status of the FPO's possessions under him, such as the register, files, and other details. The status of the current work at hand would also be required. This process will ensure a smooth transition.

The [sample handover form](#) (CEO) can be downloaded here as well as the [sample handover form](#) for the Accountant.

### Exit Interviews

The exit interview is a final dialogue between the company and the leaving employee to determine the reasons for her/his exit. It is a time to determine the improvement areas for the FPO and how to work on them. The exit interview must be conducted by the promoting agency along with the BoD representative. The [sample exit interview form](#) can be downloaded here.



Sample Handover  
Form- CEO



Sample Handover  
Form- Accountant



Sample Exit Interview  
Form







## MODULE 13

### Measuring FPO Performance



Establishing an FPO is time-consuming and demands consistent effort and support from the promoting agency. However, there are instances where these efforts may extend beyond a reasonable timeframe, potentially delaying the progress from collectivization to establishing the FPO as a profitable entity. Therefore, monitoring and assessing the journey through various milestones is essential to ensure FPO growth and sustainability within a defined timeline. The table below presents suggested milestones that FPOs/ promoting agency can utilize, offering benchmarks based on PRADAN's experience promoting FPOs.

## 5-Years Milestone Framework-

By benchmarking, FPOs can identify areas for improvement, set realistic goals, and measure progress over time. Benchmarking can encompass various aspects of FPO operations, including financial performance, governance practices, marketing strategies, and impact on member farmers and communities. Benchmarking is a valuable tool for FPOs to drive continuous improvement and achieve their objectives more effectively. This can be customized as per the promoting agency plan. Download [the 5 years milestone framework for FPOs](#).

5 Years Milestone of FPOs					
Indicator	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Mission, Vision, Business initiation</b>					
Need identification, Finalisation of Mission & Vision, Crop/ service/ revenue stream identification, Business plan finalisation					
<b>Governance</b>					
Formation of FPO, Selection and training of BoD, Regularising BoD meeting, understanding of their role					
BoD taking lead in business expansion, resolving issues, business decisions, balancing member welfare viz-z-viz business of FPO, review of CEO, formation of sub-committees etc.					
Engagements with stakeholders					
<b>Policies</b>					
FPO has HR, GSR, grievance redressal, sexual harassment at workplace policy					
FPO has a procurement and other financial policies					
<b>Membership</b>					
Number of shareholder	500	1000	1200	2000	2500
Number of shareholder actively participated in business	250	500	720	1400	2000
Per member business average (in INR)	5000	7000	12000	15000	18000
<b>Finance &amp; Compliance</b>					
Establishing system around compliance and finance					
FPO has appointed CA for statutory audit					
Self-run system for internal audit					
<b>Internal Structure</b>					
Whether the FPO has set system for review of its operation, performance appraisal for its staff, clarity on reporting-monitoring authority					
<b>Business</b>					
Demonstration of new crop/ new ideas					
Standard productivity, finalised crop combination					
FPO has established market connect/ identified reliable trader list, Registration in online trading platforms					
FPO has entered in value addition (primary/ secondary/ tertiary), FPO has required infrastructure for value addition/ processing (owned or rented)					
<b>Business transaction/ performance</b>					
Sales Turnover (in INR)	12,50,000	35,00,000	86,40,000	2,10,00,000	3,60,00,000
FPO able to manage %age of cost of all required HR and admin expenses	0%	10%	40%	75%	100%
FPO has its own MIS system to assess performance, making plans					



5 years milestone framework for FPOs

## Business KPIs

While the milestones are set yearly to provide checkpoints for reflection, ensuring that FPOs meet these milestones necessitates rigorous monitoring at a higher frequency. To achieve this, a list of FPO business indicators is provided, which should be

tracked monthly or quarterly. This frequent monitoring is essential to ensure that progress remains on track and increases the likelihood of meeting the yearly milestones.

Table 81

Sr No.	KPI (FPO Operation & Governance)	Operational Definition	When-Timeline	Where-Source	How	Who
1	Increase in no of shareholders	Small & marginalized women farmers who have bought shares as member from FPO	Quarterly	Member profiling	Member details collected during PG formation & registration	BoDs/CSP/CRP/ FPO Manager
2	Increase in % of farmers/ shareholder participating in production planning process	No. of farmers/ shareholders participating in season wise (Rabi, Kharif, Summer, rainy) production planning meeting organized by FPO.	Season wise	Production planning and management tool	Data collection will be on input demand collection form and production plan format	CSP/CRP
3	No. of farmers interest group/ producer group meeting conducted in each cluster	No. of FIG /PG meeting conducted vs No. of FIG/PG meeting planned for each cluster	Monthly	Minutes of meeting of PG/FIG	Minutes of meeting will be documented by FIG leader/ AM records will be kept as database	CSP/CRP
4	Increase in % of farmers/ shareholders buying input supplies from FPO	No. of farmer/ shareholder bought input vs Total no. of farmers/ shareholders requested for input supplies from FPO	Season wise	Input sales record	Data collection will be on input demand collection form and production plan format	FPO Manager CSP/CRP



5	Increase in % of farmers/ shareholders following PoP	No. of farmers/ shareholders bought PoP from FPO for production purpose	Season wise	Production planning and management tool	Data collection will be on Offline mode On-field monitoring template	CSP/CRP
6	Increase in % of shareholders selling their produce to FPC	% of shareholder selling produce to FPC vs Total no of shareholder associated with FPC	Season wise	Production planning and management tool	Data collection will be on Offline mode using ERP application	FPO Manager
7	Volume of produce marketed by FPC	Total volume of produce marketed by FPO (Season wise) Vs Total volume of produce procured (Season wise)	Season wise	Accounts section/ stock register	This process will be managed by FPO Manager and accountant	FPO Manager
8	Average size of transaction done by per shareholder	Monetary value of business transaction done by per shareholder over a period in a crop cycle (input procurement & produce sale)	Season wise	Accounts section/ stock register	This process will be managed by FPO Manager and accountant	FPO Manager
9	Increase in no. of market outreach in different selling platforms	Actual no of market outreach conducted by total no market outreach planned in different platforms	Yearly	Market survey template	This process will be managed by FPO Manager and accountant	FPO Manager

10	Increase in no. of buyers/ vendors	Tapping of vendors/traders in different market channels (Rural primary market, APMC Mandi, Wholesale Market, Retail Market, Corner Shops) through rigorous market survey and outreach.	Yearly	- Market survey dashboard - License from respective forums like MSP, trade licenses etc.	Market survey using standard template & trade licenses	FPO Manager
11	Increase in buyer retention (# of buyers retained)	No. of buyers retained with regular output sales by FPO	Season wise	Deal agreement/ regular transaction by FPO (auto populated in ERP)	Regular communication/ follow up calls with existing buyers meeting their requirements on regular basis by FPO	FPO Manager
12	Increase in % sales turnover of produce product by FPO	Business plan vs actual sales record	Season wise	Sales record- Accounts	Sales records will be maintained by FPO accounts and data entry will be done ERP	FPO Manager
13	% of revenue from produce marketing business	Sales record of inputs bought by farmers/ shareholders	Yearly	Finance Audit report	Audit of sales record, bank passbook, Tally report, Vouchers, and receipt by Auditor	FPO Manager
14	Increase in income of per shareholder	Volume of produced sold by individual farmers (Season wise) to FPO	Yearly	Accounts		FPO Manager



## **Sustainability and Way Forward**

Sustainability essentially means "sustaining or maintaining a process over time". The definition holds for FPOs as well. Within FPO, sustainability is discerned through two crucial parameters. Promoter tries to understand this by seeing two things: (a) if the Board of Directors has taken charge of the overall operation of the FPOs and (b) if the FPO is running from the income generated from their business. In clear terms, it means the FPO has little/no external dependency on the other agency for decisions and money.

There are two critical dimensions of FPO sustainability: the performance of the FPO and the ecosystem support. The promoting agency needs to work on both aspects simultaneously. However, as the FPO gradually attains maturity, the priorities of the promoting agency vis-à-vis the FPO promotion initiative will also transform. The transformation is marked by efforts concentrating on ecosystem activation and orchestration as in the later stage of FPO growth. The table below gives an overview of the shift in the roles of the promoting agency along the FPO growth stages. The transition of the Promoting Implementing Agency's (PIA) role also indicates the sustainability trajectory of the FPO-

### **Performance of the FPO**

- **Preparedness and capability of the governance system**
  - To govern business operations, review management performance, and maintain organizational structure while ensuring the centrality of the shareholders in the business.
  - Letting new leadership emerge from the shareholders.

- **Spirit, preparedness and capability of the management system**

- To set long-term goals for the institution (7-10 years)
- To read market and policy signals to tinker with the revenue streams and allocate resources.
- To function as a servant leader.

- **Financial viability of the institutions**

- Significance of the additional value generated for the shareholders.
- Operating self-sufficiency.
- Transition from maintaining self-sufficiency to seeking growth.

### **Ecosystem of support**

- **Readiness and responsiveness of the ecosystem of support**

- Facilitating ease of access to finances and relevant Govt programs.
- Advancing policies favoring the growth of the FPOs.
- This ensures checks and balances to prevent centralization of decision-making power, transparent operations, financial management, and essential compliances.
- For acquisition, grooming, placement, and management of talents.
- Opening up new market opportunities by bringing together multiple FPOs and attaining a better economy of scale and diversified product portfolio.

FPO Growth Stages	Age of the FPO	Attributes of a FPO	Concentration of Efforts of the FPO promoting agency			
			Preparedness and capability of governance system	Spirit, preparedness and capability of the management system	Financial viability of the institutions	Readiness and responsiveness of the ecosystem of support
<b>Conceptualization and early business establishment</b>	0-2 years	<ul style="list-style-type: none"> <li>• The FPO is incorporated and initiated the business</li> <li>• The FPO experiences the input and output business</li> <li>• The FPO has stable HR.</li> <li>• Basic systems are in place for managing operation and finances.</li> </ul>	Medium	High	High	Low
<b>Business development and expansion</b>	2-4 years	<ul style="list-style-type: none"> <li>• Expansion of the membership base and business</li> <li>• The FPO is on the verge of attaining self-sustainability</li> <li>• Operation and finance management systems are fully in place.</li> <li>• New leadership is emerging</li> </ul>	High	Medium	High	Medium



FPO Growth Stages	Age of the FPO	Attributes of a FPO	Concentration of Efforts of the FPO promoting agency			
			Preparedness and capability of governance system	Spirit, preparedness and capability of the management system	Financial viability of the institutions	Readiness and responsiveness of the ecosystem of support
Growth seeking	4-7 years	<ul style="list-style-type: none"> <li>The FPO has long term business plan.</li> <li>The FPO diversifies the product portfolio, adds new revenue streams.</li> <li>The FPO attained financial sustainability</li> <li>Linkages with more institutional buyers and opening up new market channels</li> </ul>	Low	Low	Low	High

*This tool kit primarily covers the domains of building capacities of governance and management system, business development and standardization of operating procedures. Unpacking ecosystem activation and orchestration is out of the scope of this document.*

Following are some of the key lessons emerging from the experience of promoting FPOs, and is critical along with the sustainability dimensions:

- Capacity building of the women farmers on technical as well as gender-related aspects. This will help them build confidence and acquire skill set to engage with the market.
- Engaging BoDs in every decision-making from day one. In many cases, the promoter keeps making decisions on behalf of the BoD members thus indirectly increasing their

dependency on the promoter. E.g. the CEO of the FPO does take leave permission from the promoter rather than the secretary of the FPO. In this case, the decision-making of the BoD gets compromised as well as the CEO also doesn't think of herself/himself as the staff of the FPO. The similar is seen that the business decisions are often taken by the promoter and thus they ensure the FPOs dependency on them.

- In every board meeting, the CEO should present the physical progress of the month while the accountant should present the financial progress of the month. This will help BoD remain informed about the activities and thus engage with the issues emerging from the discussion. This will improve the coordination between the governance and the management.
- To best serve the needs of the farmer member, the FPOs need to diversify the crop base. By offering wider crop-based services, the FPO can become central in the lives of its members. This attracts the businesses of the members. This proactive approach not only enhances the FPO's relevance but also attracts businesses seeking to engage with the dynamic and resilient agricultural landscape fostered by the FPO.
- For sustainable growth and stability, it's essential for FPOs to develop a comprehensive 5-7-year plan. This plan should include a detailed year-by-year breakdown, outlining key milestones and targets. Crucially, it should also specify when the FPO anticipates achieving self-sustainability through its revenue streams. By meticulously charting this trajectory, the FPO can effectively navigate towards financial independence and long-term viability, ensuring a prosperous future for both the organization and its members.
- It is crucial for FPOs to establish a robust product line within the first year of operation. Delay in finalizing the product line often leaves FPOs in a precarious position, taking 2-3 years to achieve clarity. By swiftly firming up their product offerings from the outset, FPOs can solidify their market presence, enhance credibility, and lay a strong foundation for sustained growth and success. This proactive approach ensures that the FPO is well-positioned to meet the demands of its members and effectively capitalize on market opportunities from the very beginning.
- The FPOs are not able to deal effectively with the private players more particularly the institutional stakeholder for output marketing because they lack quantity and quality in their produce. They need to work on these aspects so that they can sooner enter into big business and become sustainable sooner.
- To optimize sales and enhance margins, it is imperative for FPOs to engage in diversified marketing channels. These channels include traditional route e.g. mandi and modern platforms like mandi, Online marketing platforms, Institutional players, and tapping into Rural retail market. FPOs can broaden their reach, establish stronger market presence, and ultimately achieve sustainable growth.
- Generally, the member interaction with the FPO is limited. This needs to go beyond attending AGM of the FPO. The FPO should create system for its member interaction to gather feedback and suggestion from shareholder to keep the FPO relevant. The FPO should invest to arrange meetings with their members.
- The BoDs on a six monthly or annual basis discuss "What can be done to increase income of the farmer member?" while the similar thing can be done with the farmer member (in PGs) as "What can be done to increase income of the FPO?". This will ensure that both are in win - win situation and their survival depend on each other's survival.
- It is hard for a single FPO to survive of its own, so a federated structure is required to sustain these FPOs. While working with small and marginal farmer, these FPOs has limited resources and thus they require sharing of resources among each other. This can be done by pulling the resources. Also, to better negotiate with the bigger market, all the smaller FPOs need to come together so a federated structure is required. The federation can be organized based on geography or on commodity but whatever they need to come together for their sustenance.



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# Glossary

AE - Agri Entrepreneur	FD - Fixed Deposit
AGM - Annual General Meeting	FIFO - First In First Out
AM- Ajeevika Mitra	FIG - Farmers Interest Group
AoA - Article of Association	FPC - Farmer Producer Company
APMAS- Mahila Abhivrutti Society, Andhra Pradesh	FPCL - Farmer Producer Company Limited
APMC- Agriculture Produce Market Committee	FPO - Farmer Producer Organization
B2B - Business to Business	FRP- Fair and Remunerative Price
BEP - Breakeven Point	FSS - Food Safety and Standards
BIRD - Bankers Institute of Rural Development	FSSAI - Food Safety and Standards Authority of India
BLF - Block Level Federation	GB - General Body
BOD - Board of Directors	GD - Group Discussion
BRC - Business Resource Centre	GDP - Gross Domestic Product
BRS - Bank Reconciliation statement	GSIF - Genpact, Social Impact Fellowship Program
BWI - Better World Initiative	GST - Goods and Services Tax
CA - Chartered Accountant	GSTR - Goods and Services Tax Return
CACP - Commission for Agricultural Costs & Prices	HR - Human Resource
CB - Cost & Benefit	HRMS - Human Resource Management System
CBBO - Cluster Based Business Organizations	HSN - Harmonized System of Nomenclature
CBO - Community Based Organization	ICDS - Integrated Child Development Services
CEO - Chief Executive Officer	ICEGATE - Indian Customs Electronic Gateway
CGST - Central Goods and Service Tax	IE - Import Export
CLF - Cluster level Federation	IFF - Invoice Furnishing Facility
CRP - Community Resource Person	IFFCO - Indian Farmers Fertilizer Cooperative
CS - Company Secretary	IFSC - Indian Financial System Code
CSO - Civil Society Organization	IGST - Integrated Goods and Service Tax
CSP - Community Support Person	IRR - Internal Rate of Return
CSR - Corporate Social Responsibility	ISOPAM - Integrated Scheme of Oilseeds, Pulses, Oil palm and Maize
CTC - Cost to Company	JD - Job Description
CV - Curriculum vitae	KAP - Knowledge - Attitude - Practice
D2C - Direct to Consumers	KPI - Key Performance Indicators
DBT - Direct Benefit Transfer	KRA - Key Responsibility Areas
DGFT - Directorate General of Foreign Trade	KRIBHCO - Krishak Bharati Cooperative
DIN - Director Identification Number	KYC - Know your customer
DSC - Digital Signature	LAMPS - Large Area Multipurpose Societies
DT- Design Thinking	LSS - Lean Six Sigma
EBITDA- Earnings Before Interest, Taxes, Depreciation and Amortization	LXBXH - Length X Breadth X Height
EGF - Equity Grant Fund	MANAGE - National Centre for Management of Agricultural Extension
EMI - Equated Monthly Instalment	MARKFED - MP state Cooperative Marketing Federation Limited
e-NAM - National Agriculture Market (eNAM)	MAT - Minimum Alternate Tax
EOU - Export Oriented Units	MCA - Ministry of Corporate Affairs
ERP - Enterprise resource planning	
EVC - Electronic Verification Code	
FBO- Food Business Operators	



MD - Managing Director	RFID - Radio Frequency Identification
MHR - Management and Human Resources	RKVY - Rashtriya Krishi Vikas Yojana
MIS - Management Information System	RoC - Registrar of Companies
MoA - Memorandum of Association	SDG - Sustainable Development Goal
MPA - Micro Production Arrangement	SDS - Safety Data Sheet
MSP - Minimum Support Price	SEZ - Special Economic Zone
NABARD - National Bank for Agriculture and Rural Development	SFAC - Small Farmers' Agri Business Consortium
NABCONS - NABARD Consultancy Services	SGST - State Goods and Services Tax
NAFPO - National Association of Farmer Producer Organization	SHG - Self Help Group
NC - Non- Compliance	SME - Subject Matter Expert
NCDEX-National Commodity & Derivatives Exchange Limited	T&C - Terms and Conditions
NEFT - National Electronic Funds Transfer	TAN-Tax deduction and Collection Account Number
NFSM - National Food Security Mission	TAT - Turnaround Time
NGO - Non-Government Organization	TDS - Tax Deducted at Source
NOC - No Objection Certificate	TEFC - Totally Enclosed, Fan Cooled
NPO - Non-Profit Organization	TFC - Total Fixed Cost
NPV - Net Present Value	TNA - Training Need Assessment
NRLM - National Rural Livelihood Mission	TRN - Temporary Reference Number
NSC - National Seed Corporation	UPI - Unified Payment Interface
NSSO - National Sample Survey Office	UT - Union Territory
OTP - One time Password	VO - Village Organization
P&L - Profit and Loss	WOTR - Watershed Organisation Trust
PACS - Primary Agricultural Credit Societies	
PAN - Permanent Account Number	
PC - Producer Company	
PCL - Producer Company Limited	
PF - Provident Fund	
PG - Producer Group	
PI - Pro-forma Invoice	
PIA - Promoting Implementing Agency	
POP - Package of practices	
POSH - Prevention of Sexual Harassment	
PRADAN- Professional Assistance for Development Action	
PRI - Panchayati Raj Institute	
QC - Quality Control	
QR - Quick Response	
QRMP- Quarterly Return Filing and Monthly Payment of Taxes	
RC - Recruitment Committee	
RCM - Revenue Cycle Management	

The FPO Toolkit, a collaborative effort by Genpact, Better World Initiative (BWI), and PRADAN, is an essential resource tailored to elevate the operational and business acumen of Farmer Producer Organizations (FPOs) across India. Built on the principles of Lean Six Sigma and Design Thinking, this comprehensive guide features 13 expertly crafted modules that support FPOs through every stage of their journey—from inception to market integration and financial management.

Whether you're at the foundational level or leading a mature FPO, this toolkit is designed to meet your specific needs. It emphasizes data-driven decision-making and the implementation of efficient business processes, ensuring that FPOs not only survive but thrive. With customizable templates and clear guidelines, FPOs can streamline operations, enhance governance, and effectively monitor performance.

By equipping FPOs and all stakeholders within the ecosystem with the tools for sustainable growth, this toolkit plays a pivotal role in strengthening India's agricultural sector. It's more than just a guide; it's a pathway to operational excellence, improved livelihoods, and a prosperous future for small and marginalized farmers

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