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Farmers Producers Organizations (FPOs)- An Overview

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In India, there are many legal forms of organizations into primary producer can organize themselves. A Producer Company (PC) is one such and relatively new legal entity of the producers of any kind, viz., agricultural produce, forest produce, artisanal products, or any other local produce, where the members are primary producers. PC as a legal entity was enacted in 2003 as per section IXA of the Indian Companies Act 1956. Since the above enactment, the PC has been hailed as the organizational form that will empower and improve the bargaining power, net incomes, and quality of life of small and marginal farmers/ producers in India.

A Producer Organization (PO) is a legal entity formed by primary producers, viz. farmers, milk producers, fishermen, weavers, rural artisans, craftsmen. A PO can be a producer company, a cooperative society or any other legal form which provides for sharing of profits/benefits among the members. In some forms like producer companies, institutions of primary producers can also become member of PO. The main aim of PO is to ensure better income for the producers through an organization of their own. Small producers do not have the volume individually (both inputs and produce) to get the benefit of economies of scale (Singh and Singh, 2013)

Essential features of a PO

It is formed by a group of producers for either farm or non-farm activities. It is a registered body and a legal entity. Producers are shareholders in the organization. It deals with business activities related to the primary produce/product. It works for the benefit of the member producers. A part of the profit is shared amongst the producers. Rest of the surplus is added to its owned funds for business expansion.

The ownership of the PO is with its members. It is an organization of the producers, by the producers and for the producers. One or more institutions and/or individuals may have promoted the PO by way of assisting in mobilization, registration, business planning and operations. Collectivization of producers, especially small and marginal farmers, into producer organisations has emerged as one of the most

Table1: Key differences between cooperative and Producer Company

Parameters	Cooperative	Producer company
Registration	Cooperative Societies Act.	Indian Companies Act
Objectives	Single object	Multi-object
Area of Operation	Restricted, discretionary	Entire Union of India
Membership	Individuals and cooperatives	Any individual, group, association, producer of the goods or services
Share	Non-tradable	Non-tradable But transferable limited to members on par value
Profit sharing	Limited dividends on shares	Commensurate with volume of business
Voting rights	One member, one vote, but Government and Registrar of Cooperatives hold veto power	One member, one vote. Members not having transactions with the company cannot vote
Government control	Highly patronized to the extent of interference	Minimal, limited to statutory requirements
Extent of Autonomy	Limited in "real world scenario	Fully autonomous, self-ruled within the provisions of Act
Reserves	Created if there are profits	Mandatory to create every year
Borrowing power	Restricted	More freedom and alternatives
Relationship with other corporate/ business houses/NGOs	Transaction based	Producers and corporate entity can together float a producer company

(Source: www.sfacindia.in)

effective pathways to address the many challenges of agriculture but most importantly, improved access to investments, technology and inputs and markets. Department of Agriculture and Cooperation, Ministry of Agriculture, Govt. of India has identified farmer producer organization registered under the special provisions of the Companies Act, 1956 as the most appropriate institutional form around which to mobilize farmers and build their capacity to collectively leverage their production and marketing strength. This policy document is meant to serve as a reference and guide to Central and State Government agencies which seek to promote and support Farmer Producer Organisations, especially producer companies and link them to benefits under various programme and schemes of the Central and State Governments

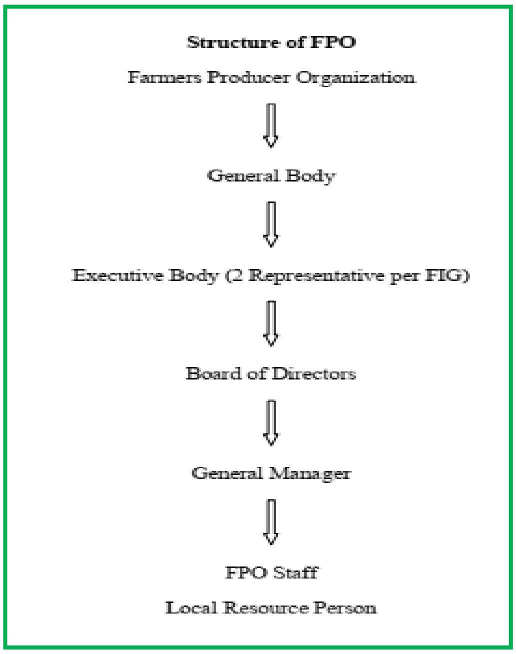
Role of Farmers Producer Organisation (FPO)

To promote economically viable, democratic and self governing Farmer Producer Organisations (FPOs); To provide support for the promotion of such FPOs by qualified and experienced Resource Institutions (RIs); To provide the required assistance and resources – policy action, inputs, technical knowledge, financial resources, and infrastructure – to strengthen these FPOs; To remove hurdles in enabling farmers access the markets through their FPOs, both as buyers and sellers; To create an enabling policy environment for investments in FPOs to leverage their collective production and marketing power.

Members of a Producer Company and their position in a company : In a producer company, only primary producers or producer organisations can become members Membership is acquired by purchase of shares in a Producer Company A Producer Company can act only through its members Members create the company Members can also wind up the company Members act through their General Meeting.

Minimum share capital for a producer company: The minimum Authorized Capital of Producer Company is Rs.5 lakh. The Authorized Capital of the company can be more than Rs. 5 lakh as indicated in the memorandum of Association. The authorized share capital should be sufficient for carrying out the objects mentioned in the memorandum. The authorized share capital should be realistic. The minimum paid up capital for Producer Company is Rs. 1 Lakh

The legal formalities for formation of a Producer Company: Obtain Digital Signature of the Nominated Director, who will be affixing DSC on all the documents to be submitted to RoC online, on behalf of the company. Chose maximum 4 names for the Producer Company in order of preference. Apply for the name availability in Form – INC1. Once name is available, a letter is received from RoC indicating it. The documents to be submitted to ROC thereafter are: Articles of Association (AoA), Memorandum of Association (MoA), Form No. INC-22 for Registered Office, Form No. DIR-12 for Directors' Appointment, Apply on-line for Directors Identification Number (DIN) for the proposed Director, INC-7 – Affidavits by subscribers to Memorandum of Association to be filed, in case, if they have signed in Hindi, Power of Attorney in favour of a consultant to authorize him to make necessary changes in MoA and AoA as required by the RoC and Submit the documents to RoC for Incorporation of Producer Company. Expenses will be incurred for registration of a PO



Expenditure towards registration fee, stamp duty, preparation of documents and facilitation charges etc., will depend on the legal structure of the PO. In general, establishment of a producer company is more expensive than other legal forms. The estimated cost of incorporating a producer company is given below:

Estimated cost for incorporation of a producer company

Particulars	Item of expenditure	Amount (Rs.)
Application for Name of PC	Fees	500
Digital signature	Fees	2600
Stamp duty	Memorandum of Association and Articles of Association	1500
Registration/Filing fees	MoA, AoA, Form-1, Form-18, Form-32	17200
Fees of Chartered Accountant or Company Secretary	Consultancy charges	10000
Stamps cancellation		300
Affidavit expenses	Fees of Notary	500
Share transfer fees and processing		5000
Miscellaneous expenses		2000
Total		**39600**

In conclusion to build a prosperous and sustainable agriculture sector by promoting and supporting member-owned Producer Organisations, that enable farmers to enhance productivity through efficient, cost-effective and sustainable resource use and realize higher returns for their produce, through collective action supported by the government and fruitful collaboration with academia, research agencies, civil society and the private sector.

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