



PRODUCER COLLECTIVE



COMMUNITY OPERATIONAL MANUAL



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VAAZHNDHU KAATTUVOM PROJECT

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Abbreviations

AGM	-	ANNUAL GENERAL MEETING
AoA	-	ARTICLES OF ASSOCIATION
APMC	-	AGRICULTURE PRODUCE MARKET COMMITTEE
ATMA	-	AGRICULTURE TECHNOLOGY MANAGEMENT AGENCY
BoD	-	BOARD OF DIRECTORS
BP	-	BUSINESS PLANNING
BTL	-	BLOCK TEAM LEADER
CFS	-	COMMUNITY FARM SCHOOL
DEO	-	DISTRICT EXECUTIVE OFFICER
DPMU	-	DISTRICT PROJECT MANAGEMENT UNIT
DSC	-	DIGITAL SIGNATURE CERTIFICATE
ECPs	-	ENTERPRISE COMMUNITY PERSONS
ESMF	-	ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK
FPO	-	FARMER PRODUCER ORGANISATION
MoA	-	MEMORANDUM OF ASSOCIATION
MGP	-	MATCHING GRANT PROGRAM
MIS	-	MANAGEMENT INFORMATION SYSTEM
NABARD	-	NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
NFSM	-	NATIONAL FOOD SECURITY MISSION
NGO	-	NON GOVERNMENTAL ORGANISATION
NKFL	-	NABKISAN FINANCE LIMITED
OSF	-	ONE STOP FACILITY
PC	-	PRODUCER COLLECTIVES
PDO	-	PROJECT DEVELOPMENT OBJECTIVE
PG	-	PRODUCER GROUPS
RKVY	-	RASHTRIYA KRISHI VIKAS YOJANA
RoC	-	REGISTRAR OF COMPANIES
SERA	-	STATE ENVIRONMENT RESOURCE AGENCY
SHG	-	SELF-HELP GROUP
SFAC	-	SMALL FARMERS AGRI BUSINESS CONSORTIUM
SPMU	-	STATE PROJECT MANAGEMENT UNIT
VKP	-	VAAZHNDHU KAATTUVOM PROJECT
TNSRLM	-	TAMIL NADU STATE RURAL LIVELIHOODS MISSION
TSA	-	TECHNICAL SUPPORT AGENCY
VCA	-	VALUE CHAIN ANALYSIS

Chapter 1

Overview of Producer Collective: Introduction, Concepts

1.1 Introduction

The agriculture policy environment in the country is changing drastically with a paradigm shift from production-driven supply chain to demand-driven value chain thereby facilitating better income to farmers. Building robust primary producer institutions to enable access to markets, information, technology, services and public goods to small, marginal and tenant farmers in the country, is part of the policy shift. A variety of approaches including cooperatives have been tried for collectivising farmers. In the backdrop of the previous experiences of the performance of traditional cooperatives in India, it was felt that there was a need to give more freedom to cooperatives to operate as business entities in a competitive market. This led to the formation of Producer Companies with the amendment of Section 581 of the Companies Act, 1956 on the recommendations of Y K Alagh Committee. The Companies (Amendment) Act 2002 came into effect from February 2003 onwards. Farmer Producer Organisations (FPOs) include the Producer Companies and Cooperatives, registered under various Central and State Cooperative Society Laws, Societies registered under Society Registration Act, 1860 and Trusts registered under the Indian Trusts Act, 1882.

Primarily there have been two major institutional mechanisms by which FPO formation is facilitated. The first one is through Small Farmers' Agribusiness Consortium (SFAC) and the second one is facilitated by National Bank for Agriculture & Rural Development (NABARD). Apart from these two, multiple agencies have been promoting FPOs in the country such as World Bank, Asian Development Bank, Tata Trust, Ford Foundation and various national & International Ngo's. While FPOs are envisaged to enter into the operations of business and market by the aggregation of inputs and output, it is a reality that the aggregation is not possible without community mobilisation and shared responsibilities. Therefore, the process of building the organisation of FPO of any form is not different from any community based organisation. Mobilising homogenous Farmer Producer Groups (FPGs) as the building blocks of FPOs is therefore suggested to ease out the heterogeneity in the form of class and caste that exist normally in any rural community based organisation.

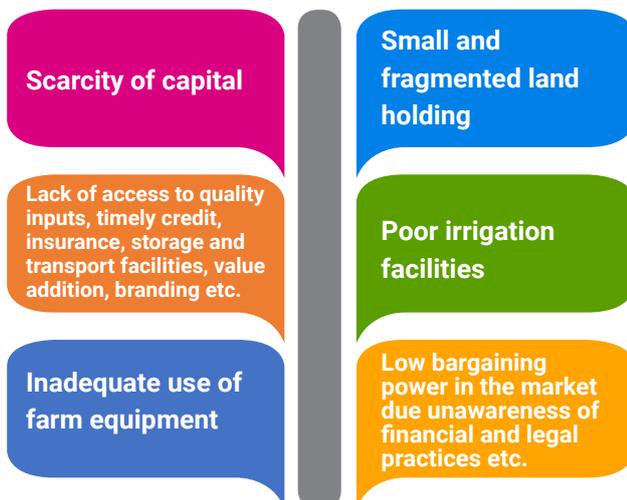
1.1.1. Background

India has about 12.5 crore farmer households of which over 85% are small and marginal farmers with land holdings of less than 2 hectares. The average size of land holding is 1.33 hectare per farmer household. Due to this fragmentation and disorganization,

farmers face constraints such as procuring inputs like seeds and fertilizers at reasonable prices, lack of bargaining power in the market, realizing better value for their produce, access to technology, etc. As a result, majority of the small producers are unable to realize optimal value from their farming operations and make economic progress.

Producers can utilize scale to procure inputs at a lower price, and gain more selling power for their produce. Forming a Producer organization can provide a strong platform to take up collective business activities, build capacity and provide linkages to markets

Indian Agricultural sector is dominated by small and Marginal farmer. About 90 % of Indian farmer are small and marginal and they face many challenges like,



It serves as a good innovative initiative to minimize the problems faced by small and marginal farmers by leveraging the economies of scale, improved inputs and technologies access and bringing the small farmer to larger markets previously out of their reach.

Hence, there is a need to promote member owned and member governed Producer Collective with significant size at which economies of scale confer advantages of bargaining power.

1.1.2. Agriculture Scenario in Tamil Nadu

Tamil Nadu is the sixth most populous State with 6 percent of the Nation's population (2011 Census). Agriculture is the principal source of livelihood for more than 40 percent of the population of the State. According to the 10th Agriculture Census 2015-16

(Provisional), the number of operational land holders in the State is 79.38 Lakh, operating cultivable land 8 of 59.73 Lakh Hectare. Small and Marginal holders account for 93% of the total holdings operating 62% of the area occupied. The remaining 38% of the total Land holdings are occupied by 7% of medium and big farmers. The average size of the land holding in the State is 0.75 hectare which is less than the average size of land holding of the country (1.08 Hectare).

1.1.3. VKP Producer Collective Initiative

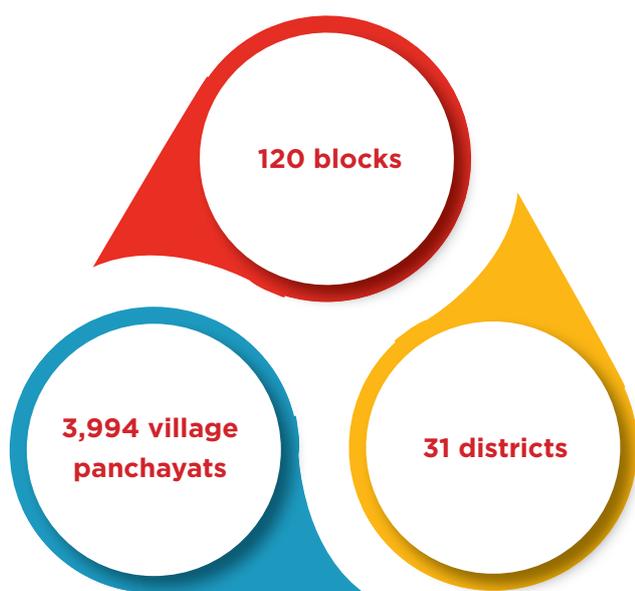
Tamil Nadu Government has been focusing on poverty reduction since 1983 through socio-economic empowerment of women. The key strategies set by the government is organizing



poor women into Self Help Groups (SHGs) through financial and livelihood access. Many projects are formulated to support the empowerment of the poor and improving their livelihoods by developing, strengthening and synergizing poor community groups; enhancing skills and capacities of the poor (especially women, youth, differently-abled, and the vulnerable); and financing productive demand driven investments in economic activities. But still there finds a gap in sustainability and studies concluded that there is need for women based institution building which will envisage business eco system development, enterprises promotion, business plan financing and skilling and employment generation. Thus the Vaazhndhu Kaattuvom Project (VKP) on Producer Collective emerged which will leverage the strategies and investments to harness the institutional and knowledge capital for promoting inclusive economic development and growth.

Vaazhndhu Kaattuvom Project (VKP) is an innovative World Bank assisted Project that aims at rural transformation through strategies that look beyond poverty alleviation by building sustainability and prosperity of rural communities through rural enterprise promotion, access to finance and employment opportunities in the selected blocks of Tamil Nadu.

The Project will build on existing institutional capital and investments made by TNEPRP, TNSRLM and NRLP.



To set up a strong institution building, VKP aims to promote Producer Group (PG's), Enterprises Group (EG's) and to federate PG's into Producer collective in selected VKP blocks and districts of Tamil Nadu. The VKP Project will promote the PC in their operating districts and act as promotion organisation.

1.1.4. VKP Project Objectives of Producer Collective

The Project Development Objective (PDO) is to "Promote rural enterprises, access to finance and employment opportunities in selected blocks of Tamil Nadu. This project aims at vulnerability reduction through building strong community institutional structures. It is an initiative towards

- Building value chain development interventions with focus on sustainable agriculture, livestock and village-based enterprises to enable small and marginal farmers, SHG women to gain better price realization, access to markets, improved technologies for value addition and technical support.

- Mobilizing farmers into groups of 10 - 20 members at the village level (called Farmer Interest Group / Sub Groups) and building up their associations to an appropriate federating point i.e., Producer Collective (PCs) so as to plan and implement product specific cluster/commercial crop cycles.
- Strengthening farmer capacity through community farm school (CFS). CFS seeks to develop a cadre of self-employed technical service providers (Sparks) in selected agriculture and allied sub-sectors, who will in turn build skills amongst the community members in selected value chains through the use of Farm Schools run by well-trained community professionals called Sparks. Sparks are community members with unusually high interest in the trade, who also show keenness to teach to the community.
- Ensuring access to and usage of quality inputs and services for intensive agriculture production and enhancing cluster competitiveness.
- Facilitating access to fair and remunerative markets including linking of producer groups to marketing opportunities through market aggregators.

1.1.5. What is a Producer Collective (PC)?

A PC is a collective of individual producers coming together for a commonly perceived objective. In the present context, it is a collective of individual farmers who are already the members of farmer groups. In other words, PC serves as a structure that connects several groups so that they strengthen and gain a greater voice. PC also facilitates information flow, enables collective action, business and lobbies for local infrastructure.

Producer Collective (PC) is a "formal higher-level collective of producers for aggregation, value addition, marketing and service provisioning for economies of scale". The membership is usually ranging between 300 - 3000 producers and for certain commodities and in sparsely populated tribal areas the size of the PC with in the range of 150 - 300 producers.

The PGs will be federated into producer company for the up scaling of Group activities to the higher order activities like post-harvest management, value addition and marketing unit with specific branding, Packing and grading unit, etc.

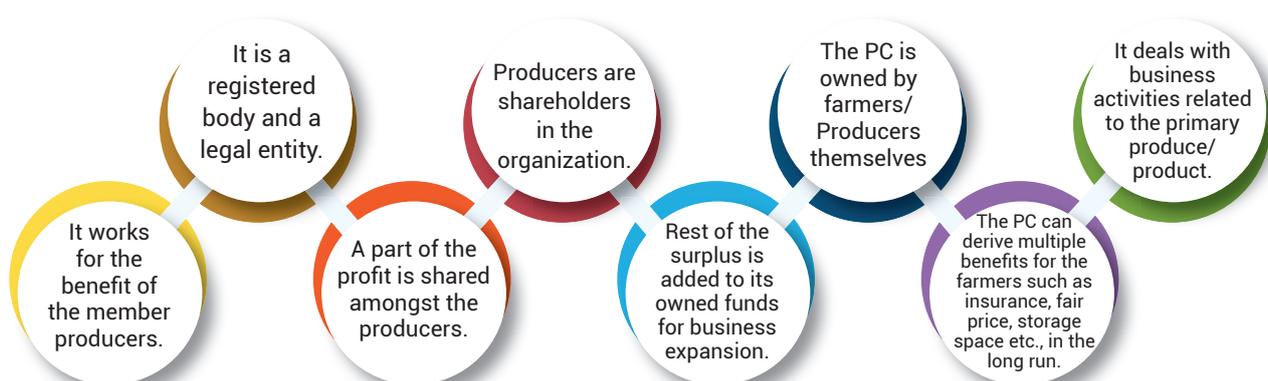
The Producer Groups which have been formed at village level are usually small and also disaggregated. Therefore, they cannot individually engage effectively in large scale economic interventions and exploit the market potential. To achieve goal of maximum price realisation to the producer (farmer) a larger professionally managed and community owned institution would be more effective. Hence Producer Collective (PC) which is a formal higher level collective of producers is formed. This will undertake aggregation, value addition, marketing activities for economies of scale.

According to NABARD definition, Farmer Producer Organization is an entity formed by primary producers, viz. farmers, milk producers, fishermen, weavers, rural artisans, craftsmen for sharing of profits/benefits among the members. (source- Farmer producer organization-FAQ-NABARD 2015). It shows reciprocal desire to meet its common economic need through jointly owned and democratically managed enterprises. It also shows its commitment to self-help, mutual aid, self-reliance and fair play values-special column.

1.2 Objectives of Producer Collective

Objectives of Producer Collective

- Promoting economically viable, democratic, and self-governing Producer Collectives.
- Building value chain development interventions with focus on sustainable agriculture, livestock



and village-based enterprises to enable small and marginal farmers, SHG women to gain better price realization, access to markets, improved technologies for value addition and technical support.

- Strengthening farmer capacity through agricultural best practices for enhanced productivity.
- Ensuring access to and usage of quality inputs and services for intensive agriculture production and enhancing cluster competitiveness.

Role of Producer Collective (PC):

- Enhance value by enabling access to new technology
- Technical and quality physical inputs
- Formal finances
- Market driven extension service
- Accessing remunerative markets
- Trade either in single or multiple commodities.

Facilitating access to fair and remunerative markets including linking of producer groups to marketing opportunities through market aggregators.

1.2.1 Characteristics of Producer Collective

It is formed by a group of producers or involved in production such as production, harvesting, processing, procurement, grading, pooling, handling, marketing, selling, export of primary produce of the Members or import of goods or services for their benefit.

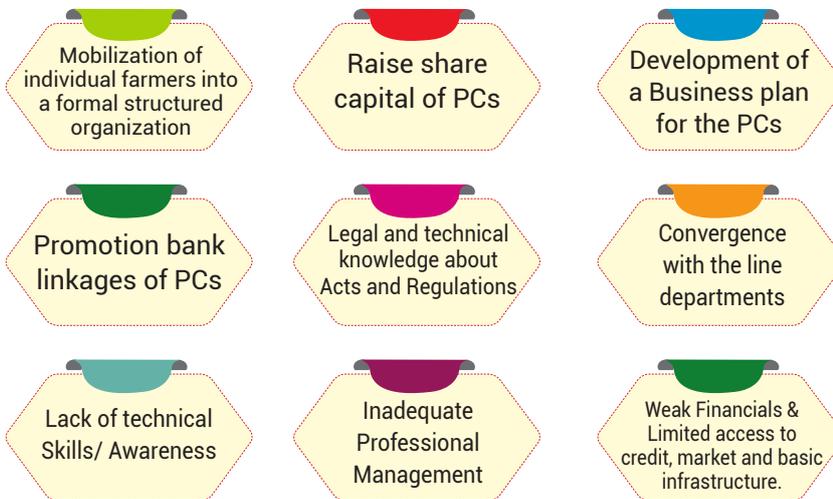
Features of PC

To make an effective PCs

1. Members should be able to participate and share the responsibilities with a sense of ownership.
2. The PC also should be able to know the needs of its members and try to meet them.
3. For this, the PC should have good communication systems and the scale of activities should be manageable.
4. The rules and regulations will be written down and circulated to all members.

1.2.2 Challenges of PC

The important challenges and confronting issues in building sustainable PCs, are as under:



1.3 Function of Producer Collective

The PCs will leverage scale of economies for the PGs. They will be actively engaged in aggregation, quality input supply, higher order of value addition (like primary and secondary processing), branding, and marketing and wholesale/ retail selling. The example activities to be taken up by PCs are follows,

- **Input provision:** PCs can buy inputs in bulk, at lower prices, and then supply it to the members. However, input supply should be only one of the many activities of the PC.
- **Production services:** As small-scale producers generally have limited assets and skills, they can provide extension services and access to equipment, such as tractors and other farm equipment, to help members increase their productivity and improve the quality of their produce. PCs provide production related technical and technological services including input services, conduct training and capacity building activities.
- **Quality control:** to meet the demanding quality standards of some markets, PCs would monitor

and control the production process and the quality of the final product they sell.

- **Coordinating production:** To take advantage of different market opportunities and respond to the needs of buyers, PCs may have to coordinate the individual production of their members. For example, PCs can meet the demand of buyers, who expect a continuous supply of fresh produce (Eg: vegetables) throughout the season, by organising members to plant their crops at different stages during the planting season.
- **Processing:** Some PCs can engage in processing activities in order to add value to the produce and access markets further up the market or value chain.
- **Marketing:** Marketing members' produce is the core service provided by PCs and to perform a range of tasks, including understanding market information, identifying market opportunities, sorting & grading, packaging, branding, quality assurance and standardization, pricing, certification, negotiating sales, storing (cold storage & warehousing), distribution and logistics.
- **Trading:** Depending on the commodity, some PCs can also do trading, buying and selling produce from producers other than just their own members, in order to meet the quantity, variety, or consistency of supply demanded by certain markets. Eg. delayed marketing of millets. They can procure millets / pulses in bulk during peak production season, store and sell when the price becomes high. While trading value additions too can be undertaken based on market demand. Online trading of produces through e-platforms will also be undertaken.
- **Retailing:** They can also get involved in retailing activities and also have retail shops in the cities. The cities have a high demand for niche products and the consumers are willing to pay high prices for it.

Example services to be taken up by the PCs are described as follows

Agriculture Related

- Collective procurement and distribution of inputs
- Facilitation of technical education and guidance
- Linkages with agricultural and allied departments
- Seed multiplication, seed banks, bee-keeping, nursery raising etc.
- Livestock development, animal husbandry, goatery, poultry, etc.];
- Cattle-feed sales



Processing and Marketing

- Collective procurement of produce
- Market linkages
- Market information updating
- Flour-mill and grain shop;
- Small retail businesses/general store etc.



Insurance



- It is always good to motivate farmers to join different insurance schemes that can cover different types of risks they usually face.
- Different insurance schemes could be like this –
 - Individual insurance scheme
 - General Insurance Scheme
 - Health Insurance scheme
 - Asset insurance scheme
 - Crop-security insurance scheme
 - Animal insurance scheme
 - Stock insurance scheme

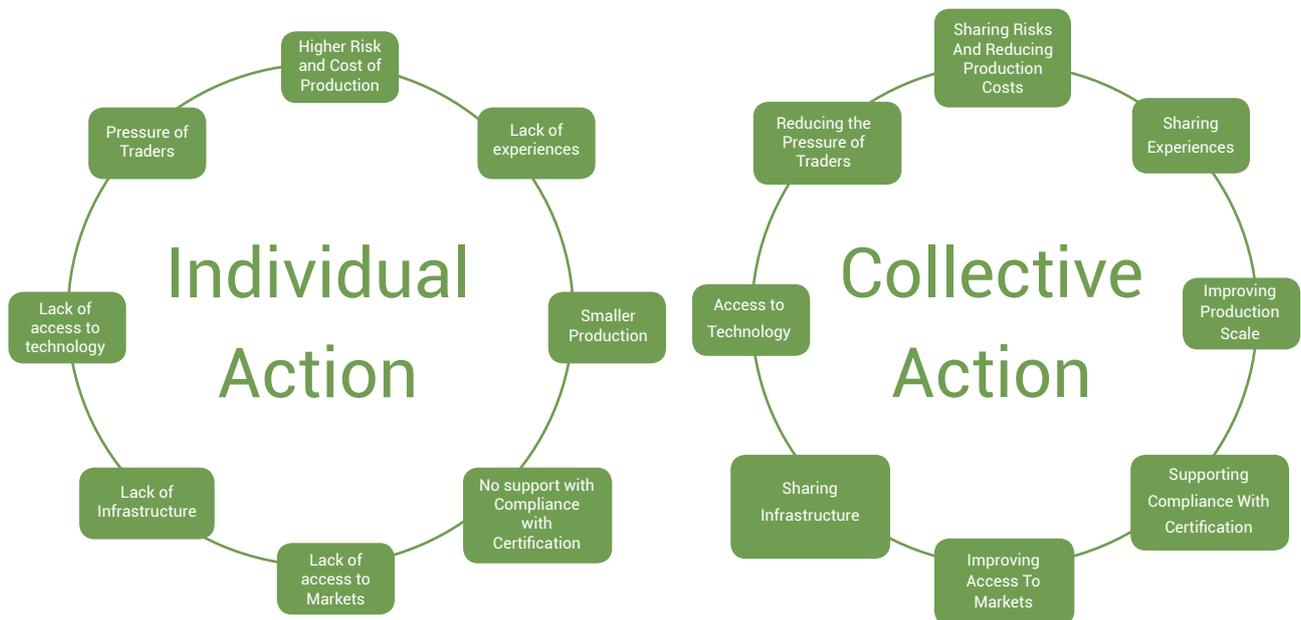
Member education and capacity building

PC, since it is a member owned and member managed institution, needs to give education to its members constantly. For this, it may also need to be in touch with promoting and other development agencies and take their support for monitoring, training and education of members.



1.3.1 Benefits of Producer Collective

The Benefits of individual action vs collective action mention in the below figure



Benefits of Producer Collective

The formation of Producer Collective would benefit the small and marginal farmers through

Increased scale of operation

- PCs bring together the business activities of many individual small-scale producers and thereby increase the overall scale which would lower business costs and enable high volume, improved quality, and consistency in supply. PCs can increase small-scale producers' bargaining power by achieving large volume and therefore negotiate better prices.

Improved market access

- Most small-scale producers are unable to get a good price for their produce because they are unable to access markets where prices are higher. PCs can enable them to access remunerative markets by achieving the scale necessary to deal with buyers in these markets, or by value addition to the commodities to access higher value markets.

Access to finance

- Financing is a key challenge for small and marginal farmers, PCs can access institutional finance.

Risk Mitigation

- With the increased bargaining power and access to better markets, PCs can help small and marginal farmers mitigate market risks by offering competitive price for the commodities.

Improved access to extension services

- PCs provide production related technical and technological services including input services, conduct training and capacity building activities.

Professional Management

- PC are professionally managed entities; hence the management has the technical and managerial expertise which would help the management of the PCs in ensuring better returns.

Chapter 2

Strengthening & Promotion of VKP Producer Collectives

The VKP project strategies, approaches, registrations process for producer collective detailed out in this chapter.

2.1 VKP Project Strategies for PC promotion

In the VKP project, the following two strategies would be adopted for working with PCs

1. The predominate one will be to work with existing producer collectives to strengthening further. However, the District project team & TSA needs to understand whether the work of the existing PC is in sync with the prioritised commodity & project basic eligibility criteria.
2. The other strategy would to form new PC. In this the process of mobilising community bottoms up and going through the process of registering

the new PC. The detailed steps for integration of Existing PCs & formation of new PC is as mentioned below

2.1.2 Strengthening support for Existing PC

A list of the existing PCs in the district and blocks should be obtained from the relevant Government departments (Agricultural marketing Department, NABARD and other NGOs). An assessment of the PC (promoted by SFAC and other NGOs) should be undertaken by the district project and TSA team. The existing PCs willingness to join VKP should also be obtained. Assessment is done against the project eligibility criteria, which are as follows:

The Project team has to understand whether the work of the existing PC is in sync with the prioritised commodity. If yes, identify its' commodity value chain. And find out if the PC has interest and capacity to take on further agendas.

Is the PC showing interest in working in the chosen format - adding more membership, adding women as board members and shareholders, digitising data, transactions, etc?

Quickly evaluate how the PC is performing

The district team & TSA should do a Grading exercise as explained in the next section to assess strengths and gaps of the existing PCs. Capacity building trainings, technical and financial support will be based on the grading outcomes.

The existing PCs should also be encouraged to enhance the membership of women if it short of 65% of women.

2.1.2 Grading of PCs

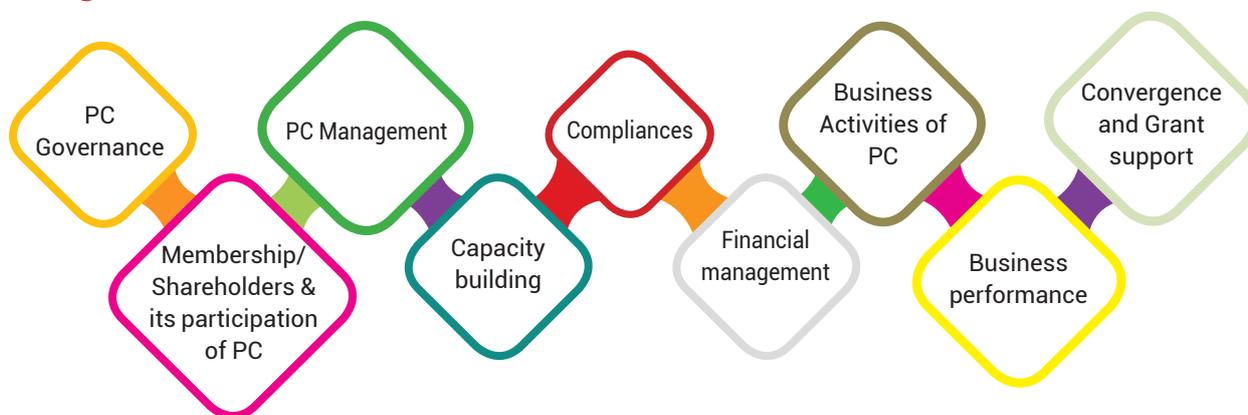
A grading mechanism is required to assess / diagnosis the current institution status and gaps to strengthen the producer collectives for financial, market and technical convergence to sustain their business. This grading tool may serve as a self-assessment tool and also increase their creditworthiness amongst the financial institutions. The PC grading tool developed by SPMU / TSA is attached in the annexure 1.

The purpose of PC Grading tool is to understand PCs performance on the regularity in conduct of meetings, attendance, Book keeping systems, Governance, financial management, member's participation in the PC business etc., The grading will be useful for further strengthening and obtaining financial & market linkages.

Objectives of PC Grading

- To identify the institutional status and training needs for further strengthening and capacitating of PC for viable and sustainable businesses.
- To support and facilitate the PC in accessing finance or other benefits from financial, marketing and technological institutions.

Grading Parameters



Following are the broad parameters on which the Grading is to be done:

Eligibility Criteria for Grading and frequency of Grading

- The PC should have completed at least 18 months of operation from the date of formation to be eligible for Grading.
- PCs formed by the project and already PCs integrated with project are eligible for the grading.
- In the project, grading exercise will be organized regularly once in a year.

- For the PCs which are graded as C & D the lacking parameters shall be further strengthened and they can reappear for grading within six months.

Grading team

The grading team will be constituted of DEO, District Co-ordinator- TSA, Executive Officer(ED), Executive Officer (BPF) and a Block Team Leader (BTL).

Grading Process

Before the conduct of Grading an orientation has to be given to the grading team with the support of TSA. a

The Block team has to prepare the eligible PC list for Grading and submit it to the district

The DPMU will prepare a schedule to conduct the Grading exercise

The PC will be intimated on the grading date at least one week before the grading.

The grading will be conducted during the PC meetings only. The Quorum for the Grading is 80% of the BOD.

- If there is the attendance is less than 80% of the BOD members, Grading should not be performed and it has to be postponed to another date.
- The Grading team has to submit the report within 3 days of date of completion of Grading.

VKP Project support

- PCs Graded as A and B will be eligible for project start up grant support with achieving the PC Financing milestones.
- The PCs can utilize the project fund for any business development activities as the PC finance guidelines.

- PCs Graded as C and D will be provided with necessary capacity building training and handholding support to improve their governance, business performance and Grade.

2.2 New Producer Collective Formation

The project forming new PC, the entire process of mobilising community bottoms up and going through the process of registering the new PC would be the strategy. In VKP two different approaches can be adopted to form New PCs:

VKP promoted PC formation approaches

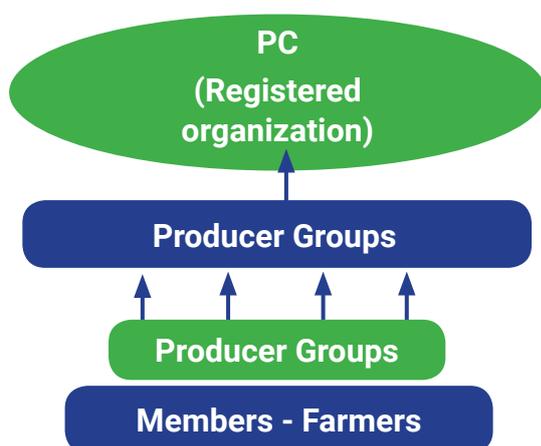
There is various possible institutional structure for PC, however in the VKP Project the following two approaches will be adopted for forming a new PCs,

- PG federated Approach
- Direct approach

The DPMU & TSA will take into consideration the possibility to form a new PC by either of the approaches.

Federated Approach

- PC will be a membership-based organization having member of PGs and as individual shareholders.
- The Producer Groups (PGs) which are formed at the village level will be federated in the form of Producer Collectives (PC) at the appropriate (Block/District) level as per the requirement of the commodity/ sub sector, business potential and the type of activities.
- All PCs in the project will be legally registered bodies.
- The Producer Collectives can initiate with a single commodity and then over a period of time can diversify into multiple commodities.
- Majority of the PC Formed in VKP project should follow this approach.



Direct Approach

- The individual producers will be directly formed into the procedure collectives
- PC will be a membership-based organization having individual producers as its shareholders.
- Individual producers at village level will be the shareholders of the Producer Collectives (PC) at the appropriate (Block/District) level as per the requirement of the commodity/ sub sector, business potential and the type of activities.
- The approaches can be adopted in hilly areas / tribal area/ based on the need.

2.2.1 Steps for Integration of existing PGs into new PC

- A list of existing Producer Groups formed by Agriculture, Horticulture, TNSRLM, NABARD and NGOs or self-promoted in the districts and blocks would be identified.
- From this list of those Producer Groups which are already linked / federated into PC and so far not linked will be prepared.
- The existing PGs willingness to join VKP will be assessed & select the PG based on the project eligibility criteria. The orientation meeting will be conducted by the DPMU & TSA.
- The first & foremost task is that the Project team has to understand whether the work of the existing PG is in sync with the prioritised commodity. If Yes, which of the commodity value chain the PG is currently engaged and whether they have the interest and capacity to take on further agendas like forming new PC.
- The second task is to quickly evaluate how the PG is performing and Third will be to understand their interest to work in the chosen format of the project (adding more, adding women as board members and shareholders, digitising data, and transactions, etc)
- The District team along with the TSA will organize a series of consultative meetings at the block level with the member PGs willing to federate into a producer collective. Two to three consultative meetings will take place in a period of two months to facilitate visioning, frame objectives, discuss and decide stake of members, legal form, member constitution etc.
- The existing producer collectives would be encouraged to enhance the membership of women. (65 Percent of women membership).

2.3 Legal Status of Producer Collectives

There are different legal options available for the producer organizations in Tamil Nadu state. The current legal options available in the state for PC registration are Cooperatives Act, 1983, Societies Registration Act, 1975, Mutual and Companies Act, 2013. However, the VKP project recommends to register PC under Companies Act, 2013 (under chapter XXI A of Companies Act, 2013). The advantage of producer companies act over other available various legal options are discussed as under.

The PC register under company's act has several advantages compared to other acts for undertaking producer collective. The producer company act infuses a professional attitude into the management. It takes care of the flaws in the cooperative societies but keeps its strengths. It has also borrowed the strengths of the corporate companies. However, the management of Producer Companies are more difficult and cost intensive.

In 2002, though an amendment in the Indian Companies Act, 1956, the Government of India (GoI) enacted the Companies Act, by incorporating a new Part IX-A in the Indian Companies Act, 1956 based on the recommendations of the Y.K. Alagh Committee

set up for this purpose. Later, The Companies (Amendment) Act, 2020 received the assent of the President on the 28th September, 2020 to amend the Companies Act 2013 where in new chapter XXIA was inserted for Producer Companies. The producer companies are incorporated with the Registrar of Companies (RoC). The objective of Government of India for this initiative was to formulate a legislation that would enable the incorporation of new cooperatives as companies and also conversion of existing cooperatives into companies, while ensuring that the unique elements of cooperative business remain intact in the new legislation.

The concept of Producer Company in India was introduced to allow cooperatives to function as a corporate entity under the Ministry of Corporate Affairs. The Companies Act (section 378 A (k)) defines Producer as any person engaged in any activity connected with or relatable to any primary produce (Produce: "things that have been produced or grown, especially by farming").

The Companies Act (section 378 A (m)) defines "Producer Company" as a body corporate having objects or activities specified in section 378B and registered as Producer Company under the Companies Act, 2013.

Criteria	Legal Form					
	society	Public Trust	Cooperative	Producer Commercial	Sec 25 Company	Private Company
Basis Orientation	Welfare	Mutual benefit	Patronage/ Welfare	Patronage/ commercial	Welfare	Commercial
Accountability towards	Promoters	Members	Members	Members	Promoters	Shareholders
Registration under	Societies Registration Act, 1860	Indian Trusts Act, 1882	Cooperatives Act, under different states	Section 581 companies Act, 1956	Section 25, Companies Act, 1956	Companies Act, 1956
Registration Authority	Registrar of Societies At least	Charity Commissioner	Registrar of Cooperatives	Registrar of Companies	Registrar of Companies	Registrar of Companies
Minimum number of promoters	seven members for registration	At least two trustees for registration	At least five directors for registration	At least five directors for registration	two directors for registration	At least two directors

Benefits to the PCs by registering under Companies Act

- By declaring PCs at par with cooperatives registered under the relevant State legislation and self-help groups/federations for all benefits and facilities that are extended to member-owned institutions from time to time.
- By making provisions for easy issue of licenses to PCs to trade inputs (seed, fertilizer, farm machinery, pesticides etc.) for use of their members as well as routing the supply of agricultural inputs through PCs at par with cooperatives.
- By using PCs as producers of certified seed, saplings and other planting material and

Financial Corporations etc., for working capital, storage, processing infrastructure and other investments.

- By promulgating State level policies to support and strengthen PCs to make them vibrant, sustainable, and self-governing bodies.

2.4 New Producer Collectives (PC) formation Process Flow:

The steps in the formation process are described as follows:

Step 1. Preparatory meetings with PGs/Producers

The DPMU/block & TSA will be proactive and organize meetings with PG Representatives / member at the village level with the support of BTLs / ECPs on



extending production and marketing subsidies at par with cooperatives.

- By suitable amendments in the APMC Act, to allow direct sale of farm produce by PCs at the farm gate, through PC owned procurement and marketing centers and for facilitating contract farming arrangements between PCs and bulk buyers.
- By appointing PCs as procurement agents for MSP operations for various crops.
- By using PCs as implementing agencies for various agricultural development programme, especially RKVY, NFSM, ATMA etc. and extending the benefits of Central and State funded programme in agriculture and allied departments to members of PCs on a preferential basis.
- By linking PCs to financial institutions like cooperative banks, commercial banks, State

formation of new collectives. The PC Orientation meetings will be explained the following points:

The interested PG Representative / member will be taken on an exposure visit to successful producer companies to strengthen their understanding and to develop trust for forming new PC.

Step 2. Consultative meetings with Producers/PG representatives

The district team along with the TSA will organize a consultative meeting at the block level with the PGs member/ representative willing to federate into a producer collective. One or two consultative meetings will take place in a period of one or two weeks to facilitate boarded vision, frame objectives, discuss and decide stake of members, legal form, member constitution etc.

The formation process proposed for PCs during the consultative meetings are detailed out below:

Membership & Annual Service fee:

Federated Approach: Each PG has to contribute a one-time membership fee of Rs 1000 & an annual service fee of Rs 1000. Both should be transferred from a PG account to PC account.

Direct Approach: Each member has to contribute the one-time membership fee of Rs.100 with an annual service fee of Rs.100. From field functionaries, members get services such as book keeping, auditing etc., from the fee.

Share capital:

- Each member should contribute a share capital of Rs.1000 to PC.
- The share capital contribution will be applicable for forming PC by both the approaches.
- **Organization set up:** The appropriate organizational structures will be introduced to them. The functions of the General Body, BOD, modalities of the legal structure, framing of bye laws etc. will also be discussed and decided by the members. This is detailed in the coming sections.
- **Discussion for selecting BOD, Chairman:** The General Body members will discuss the identifying BOD, Chairman and also the Auditor. The roles and responsibilities of the BOD, Auditor, placing of PC staff will be discussed and clarified in the meeting. The DPMU & TSA will assist the BODs to identify the relevant Chartered Accountant / Company Secretary.

Step 3. Preparing the draft MoA & AoA

The DPMU/ TSA in consultation and support from the key representative members to develops the draft 'Memorandum and Articles of Association' specifying the roles and responsibilities of each of the office bearers of PC. The shareholders have also to finalize the authorized capital of the company and the cost of each share. While finalizing the cost of share and the number of shares per member, the paying capacity of the economically deprived shareholders should also be considered. The identified Auditor will assist for drafting MOA & AOA.

The MOA (Memorandum of Association) has covers the following aspects,

- Name of the company shall end with the words "Producer Company Limited".
- MoA is a document that indicates what activities the company can undertake.
- MoA explains constitution & rights of Company.
- It guides shareholders of company, lenders, bankers, and third party to know the mandate of the company.
- MoA comprises Name of company, Address, objectives, promoters, scope of work, no. of shares & its value etc. It is to be signed by requisite no. of subscribers/Promoters.
- The AON (Articles of Association) has covers the following aspects
- AoA is a document that specifies the rules for company's operations.
- It defines the company's purpose and lays out how tasks are to be accomplished within the organization.
- It includes the process for appointing Directors and how financial records are handled.
- AoA specifies Membership, voting rights, BoD, funding, Dividend distribution, AGM, quorum for AGM, election of chairman & directors.
- It is to be signed by requisite no. of subscribers/Promoters. The example model MoA and AOA is attached in the annexure 3 & 4.

Step 4. First Shareholders meeting

Once these documents are in place, the first formal meeting of the shareholders should be organized. The basic agenda of this meeting is to get the approval on the Memorandum and Articles of Association as well as select the Board of Directors of the company. 10 -15 board of directors should be selected during the shareholder meeting.

Step 5: Registration (Certificate of incorporation)

In the VKP project suggest to register PC under company act 2013. A separate meeting will be conducted for registration of PC. The chairman of PC will preside over the meeting.

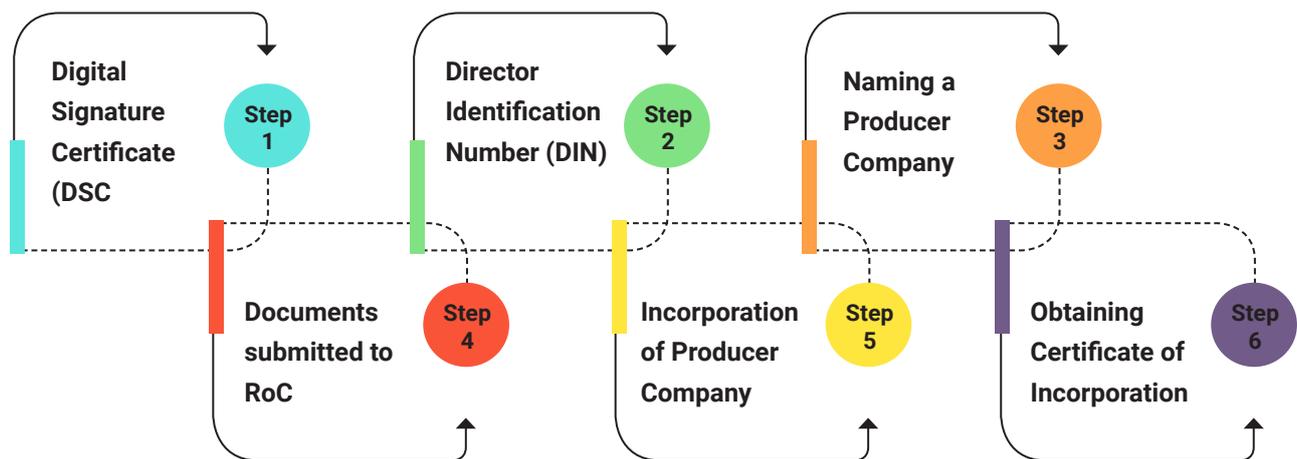
The DEO, BTL along with the TSA will guide the representatives about the registration process, documents required etc. and initiate the statutory

process required for formation of PC. The Estimated cost for incorporation of a producer company under company act may varies between Rs 39000 to Rs 45000, however this will depend on the Fees of Chartered Accountant or Company Secretary. The PC Incorporation expense will be incurred by the BOD.

The following are the steps to be followed for registration of a company

After this process, the PC will be assisted to register under producer company act and the PC will be able to avail funds through the project only when the governing board is in place and the formal registration is completed.

The Step-by-Step Approach for Registration of PCs as Producer Company & the VKP district project & TSA role & responsibilities has attached in the annexure 2



Appointment of Professional CEO/other key staff as per business needs

The PC has to appoint professional CEO & Key staff as per business needs soon after the registration of PC. The DPMU, BTL & TSA will assist for recruitment of the CEO and key staffs. The Human resource section in the manual has detailed out the CEO recruitment process.

Tasks to be completed immediately after incorporation of PC

After completion of registration of the company, the first General meeting of the shareholders should

be conducted mandatorily within 90 days of the registration. Other than discussing the business plan, the General Body has to elect the Board of Directors for the next tenure. The proceedings of the meeting should be sent to the Registrar of Company (RoC) within 60 days of the meeting along with the list of finalized BoD. The entire new PC formation process might take 2 to 3 months, depending upon the motivation and inclination of the producers. The post Incorporation of producer company check list is attached in the annexure: 4

Opening of PC Bank Account

The Bank account will be opened in the name of the PC by submitting the bye-laws and a resolution for authorising the Chairman and CEO as the signature authorities. PC have to open two bank account, one account for maintaining share capital transfers and

another one for current account for PC business operations.

Transfer of Share, membership & service fee amount to PC bank account

Each PG must collect share amount, membership & service fee amount from their member. The amount collected by PG should be transferred wholly to the PC account. The amount collected through shareholders could be used for registration fees and other processing related expenditures like fees for Company secretary, stationary, travel etc.

Chapter 3

Business Plan and Resource Mobilisation for PC

3.1 Vision Building

Vision building exercise should be done for both new and an existing PC, Once the exercise is completed, it needs to be documented and periodically reviewed.

Visioning is a method that can be used at various levels in a PC to help the producers imagine envisage what their business situation could be like in the future and the steps they need to take to achieve that future goal. Through visioning, the producers imagine what they would like their enterprise to be like in the long term, then decide what steps to take in the short term to achieve this. Vision is a big picture of "what" the PC wants to achieve in the long future.

The objectives of vision building in a PC are as follows:

- To enable the PC to identify the future it wants
- To identify the steps, the members need to take to reach this desired situation.

The vision building of PCs should elaborate on the commodities it wants to work on, relevance of those commodities in the lives of the shareholders, part of the commodity value chain it should intervene to maximise income for the shareholders, understanding the commodity value chain and the different actors, understanding the market, developing a broad vision in terms of activities, shareholder number, corpus/

share capital, business turnover with some clear time line and finally how they visualise the PC in the next 5-10 years.

This will have done with the participation of the selected Board of directors of PC and 2-3 representatives from the Producer Group / Member. The district project team with the support of TSA should facilitate this visioning exercise for the PCs. A series of 2-3 consultative meetings spanning



about 2-3 days should be held with BODs of the PCs facilitating the visioning exercise and to arrive at the vision statement of the PC.

Some of the example vision Building exercise questions is attached in the annexure 6.

The following three steps are essential before the PC comes to conclusion about their short term, medium term & Long term goals of the PC. They are detailed as below:

1. Selection of Commodities: The PC should discuss on different commodities that they work on based on the geographical scope, market opportunities, government priorities, scale of operation, Opportunity for value addition and higher income/returns for the produce. The selection of the commodity should also be based on the numbers of member producers involved in the production of that commodity

2. Situational analysis: The challenges and opportunities in the PC ecosystem with respect to organising production, marketing, accessing finance and technology has to be discussed in detail. The list of questions for discussions is given in the annexure. An understanding of the market situation will help the PC in understanding the scope, competitors, different market players, the market opportunities and where the PC can be positioned in the market

Example of a Vision statement could be like - *To improve the income of its member producers to an average of Rs. 1,00,000 per annum per household by in five years starting from 2020" or to increase the membership from 500 out to 2000 producers in three years*

Example for visioning from Current to a desired situation of the PC are as follows

CURRENT SITUATION	SHORT-TERM ACTIVITIES	MEDIUM-TERM	LONG-TERM	LONG-TERM GOAL
Where we are now	In next year	In next 5 years	In next 10–15 years	Where we want to be in 10–15 years
Sell traditional products Income of pulse is low value, few high-value options Production of most income crops sold at low prices by individuals Partners not well organized Farmer plots have low fertility, do not have access to irrigation or	Review production practices and explore alternative options Undertake a market survey for alternative products Obtain seed of new varieties; multiply seed of new varieties Explore improved practices on irrigation and fertilizer	Work with other groups and link to external / formal financial institution Get advice from research station on production Gain advice from specialized technical institute on local irrigation	Provide annual business plans to lending agencies to access formal finance Work with community to improve watershed management Seek links with other	Regular access to formal lending options to finance enterprise options Produce a range of higher value crop/ livestock products Sell at least 200 tons of pulses to a known buyer Select the best product for market and sell to local hotels Group well organized,

CURRENT SITUATION	SHORT-TERM ACTIVITIES	MEDIUM-TERM	LONG-TERM	LONG-TERM GOAL
fertilizer Group not organized for business, no links to service providers for input/output markets	management Reorganize group structure to accelerate benefits of innovation Strengthen and build capacities on record keeping	options Start to test new technologies as part of group learning Plan for higher value market options	collective marketing groups Strengthen links to local service providers	with functional committees for marketing, credit, and experimentation Group linked with service providers and other production groups
No experimentation done by the community No record keeping by the groups No plans to use local assets and organizations	Review and prepare a good business plan	Register group, seek links with other groups with similar interests		Group maintains regular production and financial records to evaluate its own performance

3.2 Developing the Plan

Once the PC has developed their vision, they should focus on developing their short, medium, and long-term plans. Every plan has their own utility. Short term plans would help the navigate operations effectively in the coming futures while medium- and long-term plan will not only provide direction but will help to deal with external stakeholder about their broad plan of action. The plan should always flow from the vision developed. The plan document should articulate the process of planning, the actors involved, the key elements of planning. This planning process also may spread over a longer time period of 2-3 days. The developed plan needs to be revisited every month or quarter and changes made accordingly. All planning related documents need to be available at the PC level.

The short term and medium term plan can be set as Goals.

Example:

- To identify suitable corporates / private players / buyers
- Build capacities of farmers to improve productivity and quality Streamline the procurement system

List of short term and medium term goals

Short – term goals (6 months to 1 year) (Examples)	Medium term goals (3 to 5 years) (Examples)
<ul style="list-style-type: none"> • Economic • Collective procurement of inputs and selling output. Example 500 MT of millets procurement 	<ul style="list-style-type: none"> • Economic • access external funding resources • Income level of all members would have doubled. Example: Income from 50 K to 1 Lakh during Summer season harvest.
<ul style="list-style-type: none"> • Members will be regular in meetings 	<ul style="list-style-type: none"> • All members will take insurance
<ul style="list-style-type: none"> • Capacity building • Capacity of members will be upgraded to maintain proper records. 	<ul style="list-style-type: none"> • building • Will gain managerial skills to manage the people's Institution

Based on the Goals the PC should start prepare the Business plan based on the nature of the business.

3.2.1 Business Planning

Business Plan is a written document that describes in detail how a business, usually a new one, is going to achieve its goals. A business plan lays out a written

roadmap for the firm from each of a marketing, financial, and operational standpoint. Business plans are important documents used to attract investment before a company has established a proven track

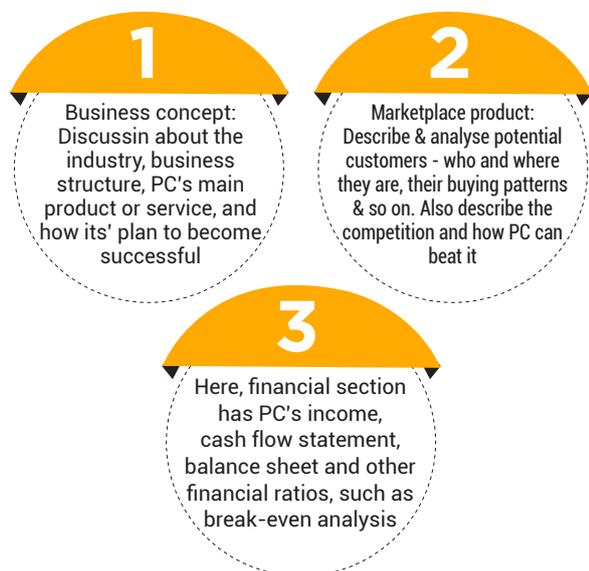
record. They are also a good way for companies to keep themselves on target going forward.



It specifies the components of a strategy with regard to the business mission, external and internal environments and problems identified in earlier analysis.

A business plan conveys PCs business goals, the strategies you'll use to meet them, potential problems that may confront PCs business and ways to solve them, the organizational structure of PCs business (including titles and responsibilities), and finally, the amount of capital required to finance PCs venture and keep it going until it breaks even. A business plan is not written each time a modification to a strategy is made. In case of an PC, it should be written before the cropping season for the whole year.

A good business plan follows generally accepted guidelines for both form and content. There are three primary parts to a business plan.



A business plan consists of the following six key components:

- I. Executive summary
- II. Business description
- III. Marketing Plan
- IV. Production Plan
- V. Operation and Management Plan
- VI. Financial Analysis

I Executive Summary:

Within the overall outline of the business plan, the Executive Summary will follow the title page. The Executive Summary should get straight to the point and in a nutshell convey the value of PCs proposition.

Key elements that should be included are:

1. **Business Concept, the business and market:** Describes the business, its product and the market it will serve. It should point out just exactly what will be sold, to whom and why the bushiness will hold a competitive advantage.
2. **The management team:** A brief summary of the business team composition, special skills required to operate the proposed business successfully should be provided in the executive summary of the business plan. The nature and type of deployment of the key personnel and in case of specialized needs who would support the key business preposition.
3. **Business rationale - why the proposal is different:** A statement of business rationale establishing how and why the proposal is different than other businesses of the same nature in the prevailing industry. This will prompt the financial institutions and others watching and planning to support the business.
4. **The proposal:** State clearly the intent of the proposal and what precisely you are planning to do and achieve the intended output.
5. **Basis for its success:** State logic as to why you think the proposed business would succeed in the present circumstances and how it will meet the intended outputs. Strength – Opportunity matrix may help summarize the logic.

6. **Profitability and financial feature:** Highlights the important financial points of the business including sales, profits, cash flows and return on investment.
7. **Financial requirements:** Clearly state the capital needed to start the business and to expand. It should detail how the capital will be used, and the equity, if any, that will be provided for funding. If the loan for initial capital will be based on security instead of equity, you should also specify the source of collateral.
8. **Risk assessment and mitigation strategies:** The executive summary may also include a brief sketch of the potential and killer risks assessed while analyzing the business proposition vis-à-vis industry and the potential competitors. How the risks would be mitigated should form the body of the risk mitigation or aversion strategy.
9. **Current business position and prospects:** Provides an overview of the market in which the startup is to function. In brief, it focuses on the proposed strategy to beat the competition.
10. **Future Prediction** as to the targeted market share, profitability and return on investment
11. **Key conclusions:** Based on above the key conclusions may be drawn for a quick snapshot vision of the whole business plan.
12. **Statement of Purpose:**

The Executive Summary is followed by the Statement of Purpose. When writing PC statement of purpose, convey what PC expect from the funding institution.

II Business Description:

1. **The business background:** The business description is an extended version of the Executive Summary, where you must convey the crux of the PC business proposition and should provide some depth of knowledge regarding the PC plan.
2. **Location and operational area:** The business description usually begins with a short description of the industry. When describing the industry, discuss the present outlook as well as future possibilities. You should

also provide information on all the various markets within the industry, including any new products or developments that will benefit or adversely affect PCs business. Base all of observations on reliable data and be sure to footnote sources of information as appropriate.

3. **Method of operation:** When describing the business, the first thing you need to concentrate on is its structure. By structure we mean the type of operation, i.e. wholesales, retail, food service, manufacturing or service oriented. Also state whether the business is new or already established.
4. **Defining the prospective market and the customers:** It should also mention, to whom the PC will sell to, how the product will be distributed, and the business's support systems. Support may come in the form of advertising, promotions and customer services.
5. **Type of business and services offered:** Once you've described the business, the PC needs to describe the products or services it intends to market. The product description statement should be specific in showing how the PC will give its business a competitive edge. The revenue model it proposes must also be included in the business description.
6. **Statement of viability:** This section deals with financial analysis of the proposal and depicts the viability of the business which enables the resource institutions, shareholders and others assess and allocate resources.

III Marketing plan:

1. The marketing plan is the result of the meticulous analysis of the market analysis. A market analysis forces the business entity to become familiar with all aspects of the market so that the target market can be defined and the company can position its product and or services in order to garner its share of market.
2. The market analysis also helps to understand market dynamics, enables to work out pricing, packaging, promotion and positioning strategy vis-à-vis its potential competitors. It helps to understand and apprise competitive

environment and competitive advantage it could have or generate through strategic business decisions.

3. Begin the market analysis by defining the potential target market its size, structure, growth prospects, trends and the potential for foreseeable future. The aggregate business volume of the competitors may provide a fairly accurate estimate of the potential market and shall help precisely define the proposed market share.
4. The target market narrows down the total market by concentrating on the segmentation factor that will determine the total addressable market – the total number of users within the sphere of the business' influence. The segmentation factor can be geographic, customer-attribute or product oriented.

Competition analysis:

1. The competition analysis is a statement of the business strategy and how it relates to the competition. The purpose of the competitive analysis is to determine the strength and the weaknesses of the competitors within the proposed market, the strategies that will provide the proposed business a distinct advantage the barriers that can be developed in order to prevent competition from entering market, and any weakness that can be exploited within the product development cycle.
2. The first step in a competitor's analysis is to identify the current and potential competition. There are essentially two ways you can identify your competitors. The first is to look at the market from the customer' view point and the group all your competitors by the degree to which they contend for buyers' perception value in terms of money or satisfaction by its use. The second method is to group competitors according to their various competitive strategies so you understand what motivates them.
3. Once competitors are grouped, the PC can analysing their strategies and identify the areas where they're most vulnerable. The aim is to get a competitive advantage over them. The analysis could be carried out on the parameters like

(1) reasons behind their success or failure;

(2) prime customer motivator;

(3) major component costs and

(4) industry mobility barriers.

4. The strategy for negotiating the proposed market share may focus on



Arriving at a projection of the market share for a business plan is very much subjective estimate. It is based on not only an analysis of the market share but on highly targeted and competitive distribution, pricing and promotional strategy. The market share should have a time horizon, to estimate this, factors like industry growth which will increase the total number of users and conversion of users from the total feasible marketing.

5. This section of business plan should include strategies for successful positioning of the business in the competitive business environment. The strategic issues like how the competitors are positioning themselves, what specific attribute the PC product have that competitors' do not and what customers' needs does the Product fulfil.
6. The success of the business significantly depends on pricing policy, to keep the pricing policy competitive either of the following method could be used:
 7. Cost-plus pricing- it assures that all costs both fixed and recurring or variable are attained with desired percentage of profit;
 8. Demand pricing- the pricing based on demand;
 9. Competitive pricing – this strategy is implied by the companies that are entering in to the market where there are already established pricing exists and it is difficult to differentiate one product from another;

10. Mark-up pricing – used mainly by retailers, mark-up pricing is calculated by adding the PC's desired profit to the cost of the products. Each method listed above has several strengths as well as weakness.
11. Distribution includes the entire process of moving the product from the place of manufacturing to the end users. The type of distribution network chosen will upon the industry and the size of the market. A good way to make your decision is to analyze the competitors to determine the channels they are using, and then decide whether to use the same type of the channel or an alternative that may provide you with a strategic advantage. Some of the more common distribution channels include direct sales, retailers, wholesalers etc....
12. The promotion strategy in its most basic form is the controlled distribution of the communication designed to sell the PC's product or services. In order to accomplish this, the promotion strategy encompass every marketing tool utilize in the communication efforts. This includes advertising, packaging, public relations, sales promotion etc.

1 The purpose of the production plan section is to provide a detailed overview of how the actual production will be carried out.

The production plan should include – production process adopted, capacity planning and task scheduling and cost estimation.

2

IV. Production plan

1. The purpose of the production plan section is to provide a detailed overview of how the actual production will be carried out.
2. The production plan should include – production process adopted, capacity planning and task scheduling and cost estimation.

V. Operation and management plan

1. The operation and management plan is designed to describe just how the business

functions on a continuing basis. The operation and management plan will highlight the logistics of the organization such as the various responsibilities of the management team, the tasks assigned to each division within the company, and capital and expense requirements related to the operation and management of the business.

2. There are two areas that need to be accounted for when planning the operations of your company. The first area is the organizational structure of the company, and the second is the expense and capital requirement associated with its operation.
3. Organizational structure: The proposed organizational structure of the producer's company. The organization structure of the company is an essential element within a business plan. In the present structure, there are three cadres of personnel supporting the Producers Company. The personnel



deployed by the producer's company like Chief Executive Officer, Accountant, Service Providers, the personnel from the supporting agency for the technical skills like agriculture technologies and marketing.

3.3 Business Plan Preparation for existing & new PC

The plan should always flow from the vision developed. The BOD, CEO, Expert producer will develop the business planning. TSA & DPMU will coordinate the planning and support for preparing the Business Plan for both new and existing PC. The business planning exercise may take a time period of 2-3 days. Once the PC is ready with the business

plan, the application will be submitted to DPMU, Financial institutions, relevant Government department to access finance. This following key steps in the business planning process also may support the PC assessing, quantifying the business from bottom up level.

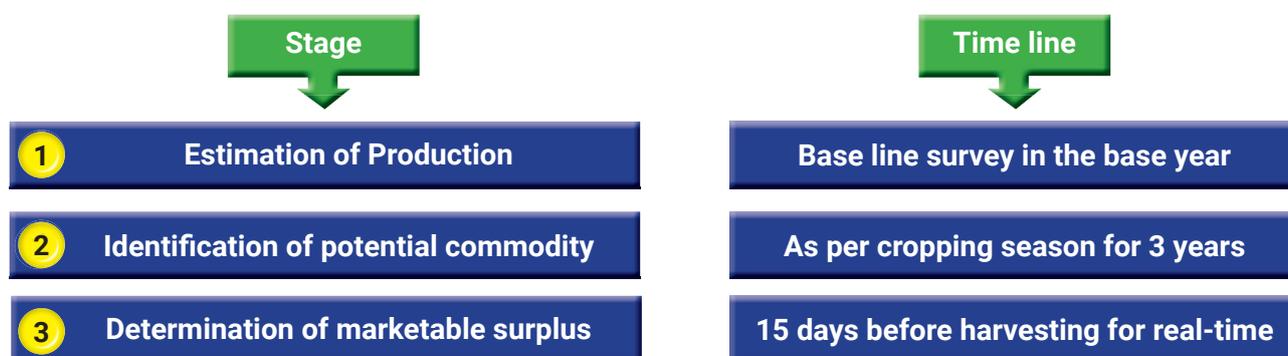
3.3.1 Micro Planning for Existing & New PC

Micro Plan is the foundation block of Business plan. It should be bottom up from producer(shareholder) household to the PG and eventually to the PC.

In preparing plan of each producer household, we will be gathering information about how many acres are under cultivation, their requirement of seeds, fertilizers, chemicals and other input services like tractor or sprayer etc. The information regarding expected crop wise yield, amount of yield set aside for domestic consumption and the amount the household can supply to the PC pool for marketing collectively will be collected for this producer level plan.

This micro plan is basically divided in to following two topics to prepare the profitable PC business plan, 1. Business assessment & 2. Quantification of Business Plan

3.3.2 Business Assessment



The business assessment exercise aims to have approximate data regarding various commodities produce by farmer members, to ensure potential and availability of marketable surplus for successful PC business. Assessment exercise would be performed in three stages.

1. Estimation of production

An approximate calculation or judgement of the value, number, quantity, or extent of available produce with farmer at particular point of time or in a cropping season.

Estimating production at a producer level helps the PC in the following ways

- To take decision on long term capital expenditure
- Arranging resources and finalizing trade / legal agreements.
- Infrastructure Planning (aggregation center, warehouses, procurement centers etc.)
- Logistical arrangements and planning (transportation, manpower, procurement material etc.)
- Budget making

Steps to be followed while workout estimation of production and data collection from farmer's template attached in the Annexure: 8.

2. Identification of potential commodities

A commodity which have latent qualities, abilities and enough quantity that may be developed and lead to future usefulness in PC business potential. This is important for the following reasons:

- To boost up PC business
- Development of value addition facility
- Better market development
- More focus on a particular commodity
- Introduce appropriate production technology
- To facilitate post-harvest and storage capacity
- To create awareness among farmers
- To make easy approach for buyers
- Helps in developing a special commodity zone

Criteria for identifying potential commodity from the list of production estimates

Market accessibility & marketable surplus

Better income returns to farmers

Adequate facility for post harvest & value addition

Production capability of farmers

Market competitiveness

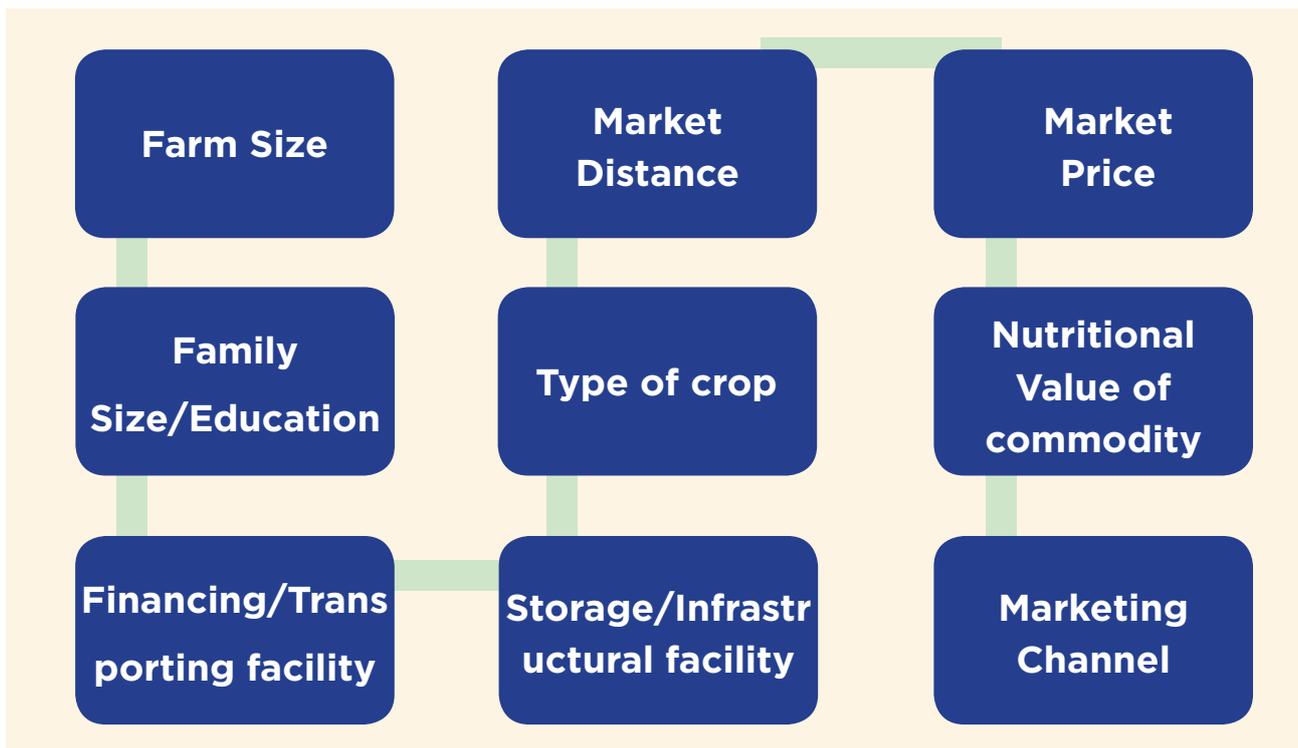
3. Determination of marketable surplus

Marketable surplus refers to the difference between the total outputs produced by a farmer minus his on farm consumption. Or, we can say, the portion of agricultural produce which is sold in the market by the farmers is called marketable surplus or produce ready for sale.

It is important for the following reasons

- To ensure operational efficiency & profitability
- Execution and planning of procurement strategy
- To finalise buyer arrangements, aggregation points, logistical arrangements

3. Determination of marketable surplus- Factors



Risk Management

The internal and external environment influence business through many factors such as climate (determines the quality & quantity of produce), market factors (demand-supply, price etc), availability of manpower with PC to plan and execute the business, funds availability (loans/ advances).

It is therefore important to identify these factors, understand how they affect the business and come-up with ways to mitigate/ manage the effects of these factors at the business planning stage.

Some of the risks and their mitigation mechanisms are illustrated below:

Risks	Mitigation
Working capital availability	Approaching various financial institutions (e.g. SME financiers) Active support from promoters Spot trading-hand to hand Advance from buyers
Interest payment	Robust price discovery mechanism Higher rotating frequency (W C rotation)
Material availability	Community engagement Encouraging BoD/Lead farmers Increasing farmer coverage area
Quality variation	Through quality assessment process Penalty clause Physical assessment from buyer at source
Price fluctuation	Predetermined price Spot sale
Payment delay	Advance from buyer Cushion period for farmer payment
Buyer's default	Legal agreement Post-dated cheques

3.3.3 Quantification of Business Plan

The business planning exercise aim to have concrete business plan regarding various commodities produce by farmer members, to ensure profit, meet expenses and run successful PC business. Planning exercise would be performed in 3 stages.



Finalization of Business Assumptions

The assumptions should be made on the following:

Production requirement	Operational cost	Revenue	Human resources	Asset
<ul style="list-style-type: none"> Total No. of Farmers Total Area Productivity Total Production Avg. Marketable Surplus Avg. Volume to be Procured 	<ul style="list-style-type: none"> Material Purchase cost Transportation cost Packing cost Commission Labor cost Warehouse cost 	<ul style="list-style-type: none"> Quantity procured Loss (cleaning & drying) Loss (rejection after storage) Wastage during storage/processing Season sale Off season sale Quantity stored 	<ul style="list-style-type: none"> CEO Operation manager Accountant Cluster manager Filed staff 	<ul style="list-style-type: none"> Weighing balance Moisture meter Tarpaulins sheet Table chair stationary

Finalisation of financial requirement explained in the next section. Financial Viability Analysis: is explained in the Chapter 7 of this manual.

3.4 Resource mobilisation:

Financing the activities/ Raising capital

The capital requirement will depend on the nature and volume of business which would vary from case to case. The cost will include both fixed, running cost and term loans

Financial Requirement can be broadly classified into:

Finance required for Capital Investment

- Required to initially to invest in the assets (Land, Building, Plant & Machinery etc) and establish the business

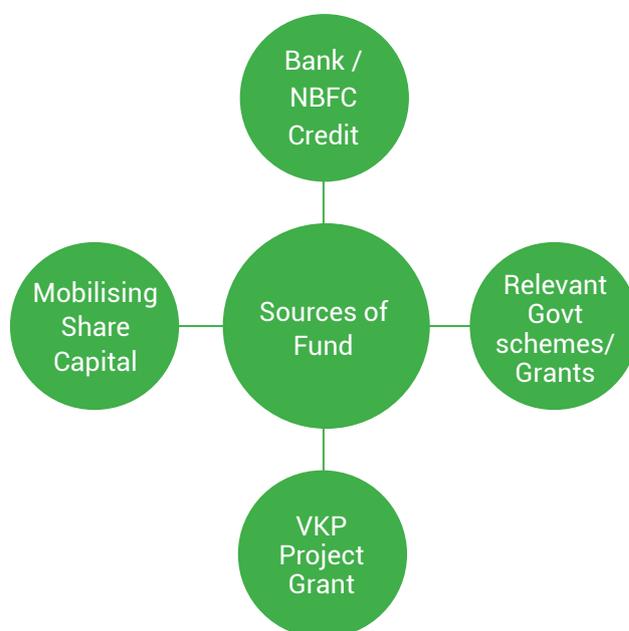
Working Capital Requirement

- Required to deal with short term cash requirement - due to the mismatch between Current Assets (receivables, inventory, work-in-progress) and Current Liabilities (advances received from buyers, creditors etc.)
- Needed for smooth day-to-day business operations

Without access to adequate capital, it will not be possible for the PC to achieve its vision and plan. There are several ways to raise capital.

1. Mobilising Share capital from members: First and foremost is mobilising share capital from members.

Share Capital: Share capital is the foundation financial resource for the company. It denotes the first form of equity, meaning the company's first own financial resource. It comprises payments received from shareholders towards purchase of



shares. which are either individual farmer of their PC. Share capital is the most critical indicator to denote member's commitment to PC and its stake in the PC. However, this is challenging in a PC as most of the shareholders may be small marginal producers and many of them may not be convinced to part significant amount,

Hence the strategies that may be adopted are

1. Setting a share capital amount at an optimum level INR 1000 allowing instalment payments (may be 2-4).
2. Enhancing the capital limit over a period as business grows and as members have developed their trust on the PC.

The individual shareholders in PG are contribute towards share capital for forming the new PCs, the entire process of share capital collection must be well documented by the ECPs & Block Team. Share capital is the most critical indicator to denote member's commitment to PC and its stake in the PC.

First and foremost is mobilising share capital from members. However, this is a tricky business as most of the shareholders may be small marginal producers and many of them may not be convinced to part significant amount with an entity which has yet to provide its mantle. Strategies that may be adopted are – setting a share capital amount at an optimum level INR 1000 allowing instalment payments (may be 2-4), enhancing the capital limit over a period as business grows and as members have developed their trust on the PC.

Share capital collection process :

The BOD members and the ECP will support in mobilising the share capital from the PGs. The share money collection must be well documented and the status must be shared in the BOD & AGM meetings. The collected share capital has to be transferred in the PC bank account. The DPMU and TSA must ensure the documentation process, transparency and immediate transfer of the share capital to bank account.

The DPMU/BPMU, TSA & ECP should explain the share capital and benefits & raising it with PG members during PC formation.

The project team has to convince shareholders for raising the share capital.

The District team & TSA should address PG members' queries on share capital and consciously follow up with them.

The project team will explain the collection process and documentation with shareholders.

2) Mobilisation from Relevant Government schemes / Grant:

The PC being a small holders' organization may seek capital support and other assistance from the Government under certain government schemes viz., Department of Rural Development and Panchayats, Ministries of Agriculture and Cooperation or Horticulture or Food Processing GoI and or state Governments under various schemes like National and State Horticulture Mission, Small farmer Agribusiness Consortium, NABKISAN, World Bank, bilateral/ multilateral donor agencies and corporates under CSR. Most of these capitals would come as matching equity grants. The terms & condition to avail these grants are mentioned in the chapter 8 PC Convergence schemes of the manual.

3) Project Start Up fund: The third option for the PC is to avail VKP start up fund grant support. There are several milestones as designed by the project to avail this grant. Many of the PCs may have received the CAP fund support. PC start up milestones as attached in the annexure. The Project funding support mention in the coming section.

3.4.1 VKP funds support to Producer Collectives

The VKP Project will support Start up Grant and matching Grant for the project promoted PC.

Matching Grant

The project is set up, to incentivize the repayment of borrowers and generate momentum amongst the financial institutions to lend to the PC. Matching Grant will be available, to the PCs, together with the loans sanctioned by the bank. On prompt repayment of 70% of the loan amount, the borrower is eligible for 30% waiver off which will be contributed by the Project. For example, if the loan sanctioned by bank is Rs.1,00,000/- on prompt repayment of 70% of the loan (Rs. 70,000/-) balance 30% (Rs. 30,000) will be waived off being contributed by the project. The maximum amount for the Matching Grant is 40 Lakhs per eligible PC. The detailed Matching grant information is available in the VKP project Matching Grant Program Operational Guidelines.

Matching Grant Program Process flow



VKP Start Up Grant

The project funds will support PCs to address the gaps in terms of finance to initiate its business activities and meet its operational expenses. This will include the operating costs, meeting working capital requirements, long term infrastructure, risk fund and investment in equity. Each of the new PC is entitled to get maximum amount up to Rs 30 lakhs from the project start up grant based on the category & achieving the milestones.

The details of the milestones to be achieved for release of start-up funds in various category. The project start-up funding details for existing and new PC is as below

VKP Project funding details

Category I – New PCs (within 2 years of operational experience)

1. Establishment grant – 5 lakhs (single tranche)
2. Business expansion viability grant - Upto 8 lakh (single tranche) for grade A, Upto 6 lakhs for Grade B

3. Leverage fund grant – Upto 12 lakh (single tranche) for grade A, Upto 10 lakhs for Grade B
4. Innovation/ Inclusion incentive grant – 5 lakh (single tranche) for grade A & 3 lakhs for Grade B

Category II - For growing PCs (2 years to 3 years of operational experience)

1. Establishment grant - 3 lakhs (single tranche) (single tranche)
2. Business expansion viability grant - Upto 10 lakh (single tranche) for grade A, Upto 8 lakhs for Grade B
3. Leverage fund grant - Upto 12 lakh (single tranche) for grade A, Upto 10 lakhs for Grade B
4. Innovation/ Inclusion incentive grant - 5 lakh (single tranche) for grade, 3 lakhs for Grade B

III. Category C - For mature PCs (with more than 3 years of operational experience)

1. Business expansion capex/ Market positioning grant - Upto 10 lakh (single tranche) for grade A; Upto 8 lakhs for Grade B
2. Leverage fund grant - 15 lakh (single tranche) for grade A, Upto 12 lakhs for Grade B
3. Innovation/ Inclusion incentive grant - 5 lakh (single tranche) for grade, 3 lakhs for Grade B

The Detailed project funding with category wise milestone mentioned in the below table

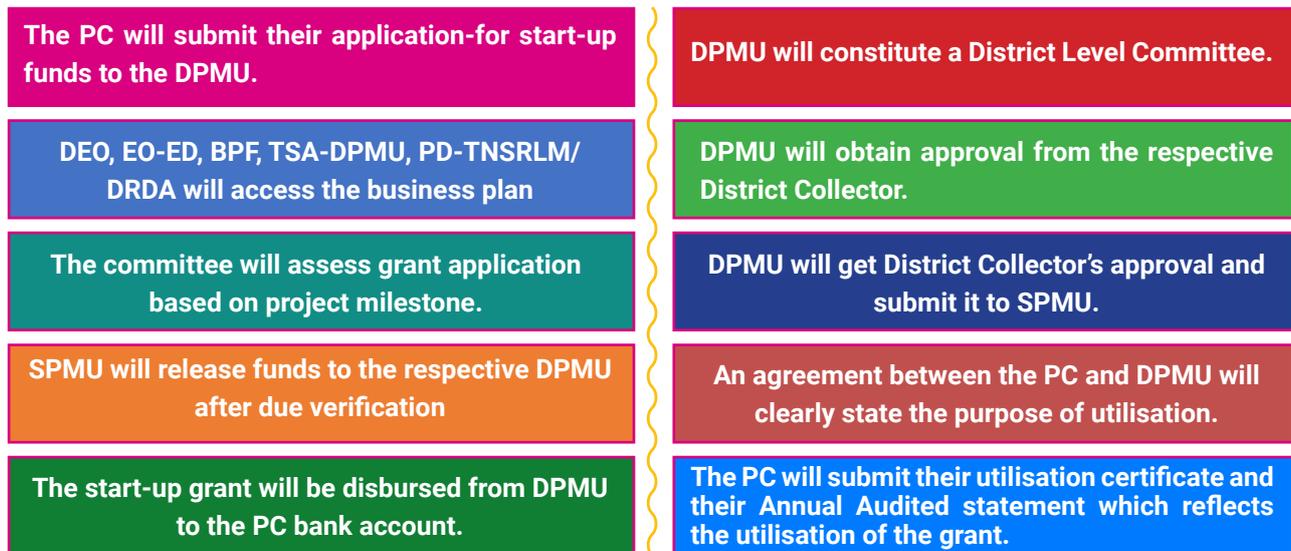
Tranche Name	Definition	Category I – For New PCs (within 2 years of operational experience)	Category II - For growing PCs (2 years – 3 years of operational experience)	Category III - For mature PCs (with more than 3 years of operational experience)
		<ul style="list-style-type: none"> Without any grant support from any agency Or a max grant support of 5 lakhs from any other agency (SFAC/ NABARD/ NGOs/ Other projects) with & without any credit linkage from formal financial institutions 	<ul style="list-style-type: none"> With grant support from any agency to the tune of 5-10 lakhs (SFAC/ NABARD/ NGOs/ Other projects) With or Without credit linkage from formal financial institutions (or availed a credit of maximum 10 Lakh one time) 	<ul style="list-style-type: none"> With grant support from any agency to the tune of more than 10 lakhs (SFAC/ NABARD/ NGOs/ Other projects) with credit linkage from formal financial institutions (more than one time, more than 20 lakh)
Establishment grant <ul style="list-style-type: none"> To meet out the establishment expenses like setting up of office, training, admin expenses, salaries etc., This grand will be used for establishing the PC in the initial days. 	Untied fund that can be used for any purpose but should be based on a business plan.	Amount 5 lakhs <ul style="list-style-type: none"> Bank account PC registration Basic minimum staff (CEO and accountant at least) onboard. Minimum 25% of the members share capital amount mobilised women representation in Board of Directors should be 50% 	Amount 3 lakhs <ul style="list-style-type: none"> Bank account PC registration Basic minimum staff (CEO and accountant at least) onboard Minimum 40% of the members share capital amount mobilised Share certificate issued to 40% of the members. Women representation in Board of Director should be 50% If receiver of CAP fund, then submit utilisation certificate. If VKP has initiated PC digitisation, then data entry must be completed. 	**Not Applicable

Tranche Name	Definition	Category I – For New PCs (within 2 years of operational experience)	Category II - For growing PCs (2 years – 3 years of operational experience)	Category III - For mature PCs (with more than 3 years of operational experience)
Business expansion viability grant <ul style="list-style-type: none"> To meet out the business working capital & expanding the business operations. For example, Procurement & raw material purchase etc, 	Fund can be utilised for capex; or margin money for cap ex development through convergence; working capital for input/ output procurement and for other operational expenses (Excluding salary of staff, training, honorarium to BoD, etc). Fund can be availed only after approval of a business plan	Amount – A grade- 8 Lakhs (maximum) B grade – 6 lakhs (maximum) <ul style="list-style-type: none"> Completion of two production cycle (or) one year of actual operation whichever is less. Minimum 50 % of members share capital amount mobilized and share certificate issued to 50 % of the members. Last business turnover – at least INR 10 lakh (Audit Statement should be submitted). (Fund can be availed only after approval of a business plan) 	Amount – A Grade 10 Lakhs (maximum) B Grade 8 Lakhs (maximum) <ul style="list-style-type: none"> Completion of 2 years of actual operation (submission of one year of audited statement) Last business turnover 25 lakhs Minimum 60% of the members share capital mobilized and share certificate issued to 60% of the members. Graded A or B as per the VKP grading parameter. Able to meet out 50% of the cost of operation from the business operations (If VKP has initiated PC digitisation, then data entry must be completed) 	**Not Applicable

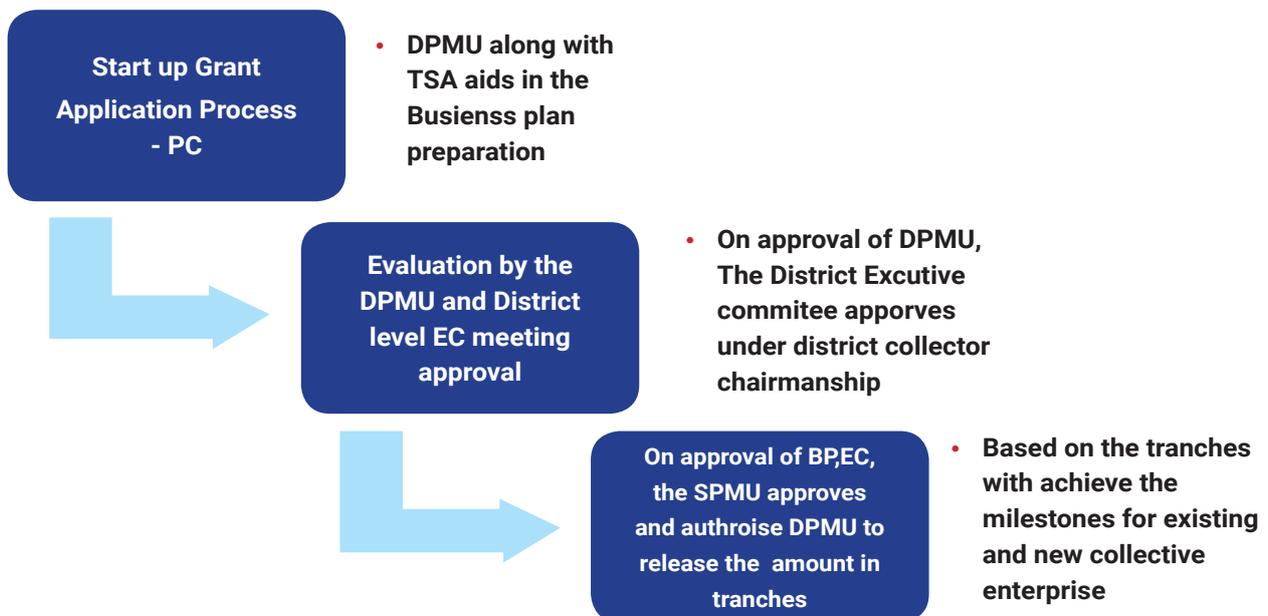
Tranche Name	Definition	Category I – For New PCs (within 2 years of operational experience)	Category II - For growing PCs (2 years – 3 years of operational experience)	Category III - For mature PCs (with more than 3 years of operational experience)
Business expansion capex / Market positioning Grant <ul style="list-style-type: none"> To meet out the business expansion operations related to marketing activities. For example, Promotion expenses including, branding, Packing, labelling and other marketing activities. 	<p>Fund can be utilised for capex; or margin money for cap ex development through convergence; for branding and packaging if engaged in secondary/ tertiary processing This fund cannot be used as working capital or to bear operational cost.</p> <p>Fund can be availed only after approval of a business plan</p>	**Not Applicable	**Not Applicable	<p>Amount -</p> <p>A Grade 10 Lakhs (maximum)</p> <p>B Grade 8 Lakhs (maximum)</p> <ul style="list-style-type: none"> Completion of 3 years of actual operation (2 years of audited statement submission). Last business turnover 50 lakhs and above Minimum 80% of the members share capital mobilized and share certificate issued to the members. Graded A or B as per the VKP grading parameter. Able to meet out 70% of the cost of operation from the business operations. If VKP has initiated PC digitisation, then data entry must be completed. Women representation in BoD should be 50 %
Leverage fund grant <ul style="list-style-type: none"> This grant can be utilized in the form of security and mobilized the banking credit at least 2 times (Overdraft or term loan). 	<p>Mostly to be used as working capital but it is advisable to use the fund as a collateral (in the form of an FD with bank) for overdraft facility.</p>	<p>Amount -</p> <p>A GRADE 12 LAKHS (MAXIMUM)</p> <p>B GRADE 10 LAKHS (MAXIMUM)</p> <p>An additional 2 lakhs maximum (reimbursable amount) may be provided if the FPO has done a third party credit rating</p>	<p>Amount -</p> <p>A GRADE 12 LAKHS (MAXIMUM)</p> <p>B GRADE 10 LAKHS (MAXIMUM)</p> <p>An additional 2 lakhs maximum (reimbursable amount) may be provided if the FPO has done a third party credit rating</p> <ul style="list-style-type: none"> Completion of 3 years of actual operation 	<p>Amount -</p> <p>A GRADE 15 LAKHS (MAXIMUM)</p> <p>B GRADE 12 LAKHS (MAXIMUM)</p> <p>An additional 2 lakhs maximum (reimbursable amount) may be provided if the FPO has done a</p>

Tranche Name	Definition	Category I – For New PCs (within 2 years of operational experience)	Category II - For growing PCs (2 years – 3 years of operational experience)	Category III - For mature PCs (with more than 3 years of operational experience)
	<p>The fund cannot be used for operational expenses (including salary of staff, training, honorarium to BoD, etc)</p> <p>Funds to be accessed based on a business plan.</p>	<ul style="list-style-type: none"> • Completion of 2 years of actual operation (one year audited financial statement). • Last business turnover - Minimum 25 lakhs. • Minimum 70% of the members share capital mobilized and share certificate issued to the members. • Graded A or B as per the VKP grading parameter. • Able to meet out 40% of the cost of operation from the business operations. • If VKP has initiated PC digitisation, then data entry must be completed. 	<p>(submission of 2 years of audited statement)</p> <ul style="list-style-type: none"> • Last business turnover - Minimum 50 lakhs and above • Minimum 80% of the members share capital mobilized and share certificate issued the members. • Graded A or B as per the VKP grading parameter. • Able to meet out 60% of the cost of operation from the business revenue. • If VKP has initiated PC digitisation, then data entry must be completed. 	<p>third party credit rating</p> <ul style="list-style-type: none"> • Completion of 3 years of actual operation. • Last business turnover - minimum 60 lakhs. • Minimum 80% of the members share capital mobilized and share certificate issued the members. • Graded A or B as per the VKP grading parameter. • Able to meet out 70% of the cost of operation from the business revenue. • If VKP has initiated PC digitisation, then data entry must be completed.
<p>Innovation/ Inclusion incentive grant</p> <ul style="list-style-type: none"> • This grant can be used for innovative business activities or including more than 65 % women & Vulnerable category. • For example, Drone used for farm fields, Drip irrigation, Climate smart technologies etc., 	<p>Fund can be availed after verification of the eligibility criteria by the SPMU.</p>	<p>Amount –</p> <p>A Grade 5 Lakhs B Grade 3 Lakhs</p> <ul style="list-style-type: none"> • at least 1 years of operation. (1 years of audited statement). • Minimum 50% of the members share capital mobilized and share certificate issued the members. • Received A or B in the green PC rating. • If VKP has initiated PC digitization, then data entry must be completed <p>(And)</p> <ol style="list-style-type: none"> 1. Has deployed innovative technology for production/ processing technology. (Or) 2. Engaged in an innovative product development. (Or) 3. 100% of the shareholders/ members are women/ women SHG members. (Or) 4. 60% of the members belong to SC+ST+PTG category. (Or) 5. 20% of the shareholders/ members belong to vulnerable section (PwD/ transgender). 	<p>Amount –</p> <p>A Grade 5 Lakhs B Grade 3 Lakhs</p> <ul style="list-style-type: none"> • Completed at least 2 years of operation. • Minimum 50% of the members share capital mobilized and share certificate issued the members. • Received A or B in the green PC rating. • If VKP has initiated PC digitisation, then data entry must be completed <p>(And)</p> <ol style="list-style-type: none"> 1. Has deployed innovative technology for production/ processing technology. (Or) 2. Engaged in an innovative product development. (Or) 3. 100% of the shareholders/ members are women/ women SHG members. (Or) 4. 60% of the members belong to ST/PTG category. (Or) 5. 20% of the shareholders/ members belong to vulnerable section (PwD/ transgender). 	<p>Amount –</p> <p>A Grade 5 Lakhs B Grade 3 Lakhs</p> <ul style="list-style-type: none"> • Completed at least 2 years of operation. • Minimum 50% of the members share capital mobilized and share certificate issued the members. • Received A or B in the green PC rating. • If VKP has initiated PC digitisation, then data entry must be completed <p>(And)</p> <ol style="list-style-type: none"> 1. Has deployed innovative technology for production/ processing technology. (Or) 2. Engaged in an innovative product development. (Or) 3. 100% of the shareholders/ members are women/ women SHG members. (Or) 4. 60% of the members belongs to ST / PTG category (Or) 5. 20% of the shareholders/ members belong to vulnerable section (PwD/ transgender).

3.4.2 VKP Start-up Fund flow and utilization



The process and fund flow mechanism for Start-up grant assistance to PCs is depicted below:



4) Accessing credit from Formal Financial Institutions: Formal financial institutions the most preferred destinations for availing bigger dosages of credit. However, some of the PCs may have already linked with banks and NABKISAN. It is extremely important to understand the repayment performance of these loans. The loans may be availed to meet working capital expenses or for long term investment capital.

NABARD is a Development Bank set up in 1982 by GoI to provide and regulate credit and other facilities for the promotion and development of agriculture, small scale industries, and other rural crafts and allied economic activities.

NABKISAN Finance Limited (NKFL), registered as an NBFC, is a subsidiary of NABARD. The main objective of NABKISAN is to provide credit for promotion, expansion and commercialization of enterprises engaged in agriculture, allied and rural non-farm activities. One focus area of NABKISAN is extending term loans and working capital loans to PCs.

To ensure sustainability and economic viability of PCs/POs, their nurturing plays an important role in taking up viable business activities like aggregation of produce, collective marketing, bulk procurement of inputs, primary processing, etc. he NABKISAN is providing both working capital loans and term loan for creation of infrastructure for storage,

processing, marketing etc. to PCs. To meet the credit requirements of PCs in various stages of their life viz. Initial phase, growing phase, and Maturity phase, the loan products mentioned below have been introduced:

I. Loan Products with availability of Collateral/ Guarantee Cover

- Loans to PCs that are eligible for assistance from SFAC towards equity/credit guarantee cover.
- Loans to PCs and other FPOs that are not eligible for assistance from SFAC towards equity/credit guarantee cover and offering collaterals.
- Loans to Promoting Institutions, for on lending to FPOs.

II. Loan Products without Collateral/Guarantee Cover

- Loans to PCs that are not in position to provide collaterals.
- Loans to start up PCs with small size of business activities.

The items eligible for assistance broadly include capital cost such as cost of building, machinery and equipment for processing, specially designed vehicles for transportation etc. and / or working capital requirements for input supply, procurement, collective marketing, and other recurring costs connected with the project.

Important Web URL link <https://www.nabkisan.org/fpoonline.php>

3.4.3 Major types of Loans

Working capital: is a short-term loan, required for running existing operations of the Producer

Organization. Taken to overcome short-term shortage of cash by PCs, it is generally used to when cash in the business is not enough to take care of the day-to-day operations of the PC. It can be used for the following:

Example: Gomuki Farmer producer company using its working capital limit for purchase of millets from its members.

Term loans are the standard loans, which PC can apply to meet the specific purpose and get a lump sum amount.

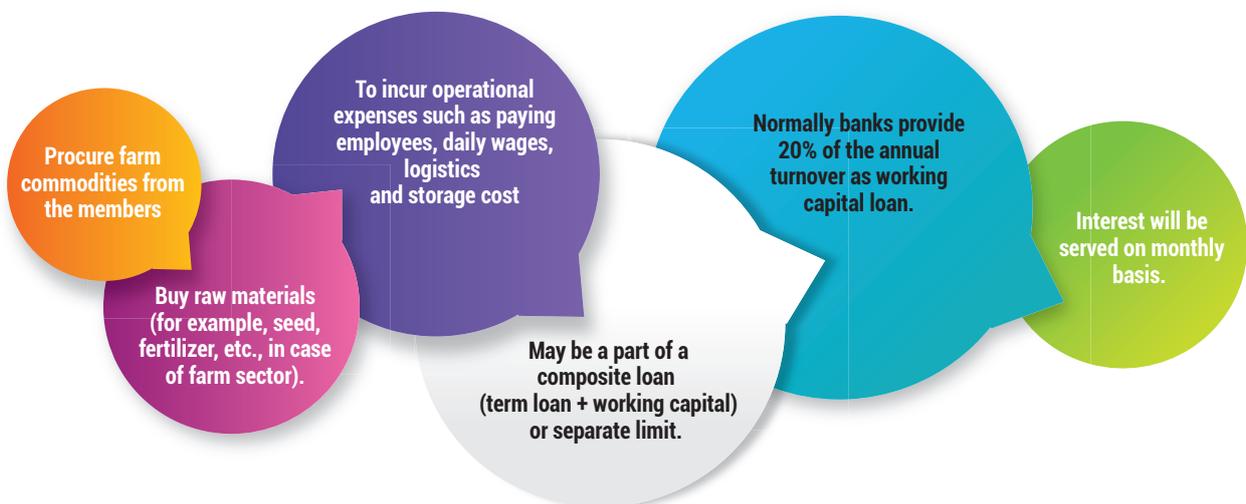
Example: Sankarapuram Collective Farmer Producer Company availed a term loan of Rs.60 lakhs for establishing Seed Processing Unit (Construction of premises and purchase of Seed processing machineries)

Other types of loan facilitated available for PC

Invoice financing

Invoice discounting and financing is a powerful tool to raise capital for the PCs in credit sale of commodities. This can provide a great way for small businesses to find working capital. There is often a time lag between when a PC raises a business invoice and when it finally gets paid by the buyer. In such a situation PCs can approach a bank or a financial institution to provide you a loan against the invoice. About 80% of the invoice amount is given as a loan and the remaining 15% becomes due when the invoice.

Example: Gomuki Farmer Producer Company supplied the Millets to M/s.Rajesh Exports to the value of Rs.35 lakhs with a credit period of 60 days. The invoice can be submitted with M/s. Samunnati



Long-term in nature

Often utilised for capital expenditure such as buying machinery, and/or construction of processing units, storage facilities, purchase machineries, and etc.,

Repayment will be in scheduled as EMI, which includes both principal and interest.

Financial Intermediation and Services Private Limited and availing the loan amount of Rs.28 lakhs (80% of the invoice value).

Commodity financing:

Commodity financing is a loan facility against farm commodities stored in Warehouses, at attractive interest rates with speedy processing. Up to 80% value of the commodity can be availed as loan by

occurs through a series of scheduled payments, also known as EMIs, which include both principal and interest. The timely repayment provides the following advantages to the PCs.

- Enhances the creditworthiness of the PC
- Avoids charges, Penal interest rate, penalties and other added cost
- Reduces the liability burden
- Enriches the relationship with the financial institute
- Creates the possibility of enhance the limit
- Attracts other financial institutions for new facilities
- Increase the bargaining power on interest rate and processing charges

OSF (One Stop Facility)

OSF is a unique initiative and fee based model of VKP to catalyse enterprise promotion in rural areas. OSF is a small business facilitation cum incubation centre,



the PCs, which will create a liquidity to the PCs to go for a subsequent procurement. The interest rate is lesser compared with other modes of finance. Partial payments are allowed and respective quantity of commodity can be releases to proceed the sale process.

Example: Kalanjyam Farmers Producer Company kept the Paddy to the market value of Rs. 100 lakhs in the Warehouses of State Warehouses Corporation and received the Warehouses receipt. It is pledged M/s. Samunnati Financial Intermediation and Services Private Limited and availing the loan amount of Rs.80 lakhs (80% of the value of Warehouses receipt)

Guidelines for timely repayment

Importance of timely repayment:

Loan repayment is the act of paying back the borrowed money to the lender such as Banks, Cooperative society, NBFCs and etc., The repayment

will be established at the block level, through which the rural entrepreneurs and enterprises can get access to a range of business development support services viz., business ideation and conceptualization, business plan preparation, appraisal of business plans, hand holding support to initiate the business, facilitation support to access required finance, technology, skills, regulation compliances, market intelligence/information and linkages, mentoring etc. The OSF will be professionally managed by two business professionals in which one among them is women with proven expertise in small business development and required analytical 36 skill set in preparing business plans. The Enterprise CPs will actively scope and plan the enterprise promotion in the designated blocks and prepare a roll out plan for OSFs. The TSA will also ensure successful establishment and operations of the OSFs, as per prefixed success criteria defined in the TOR (To be developed) and validate the business model of OSF.

Key Functions of OSF

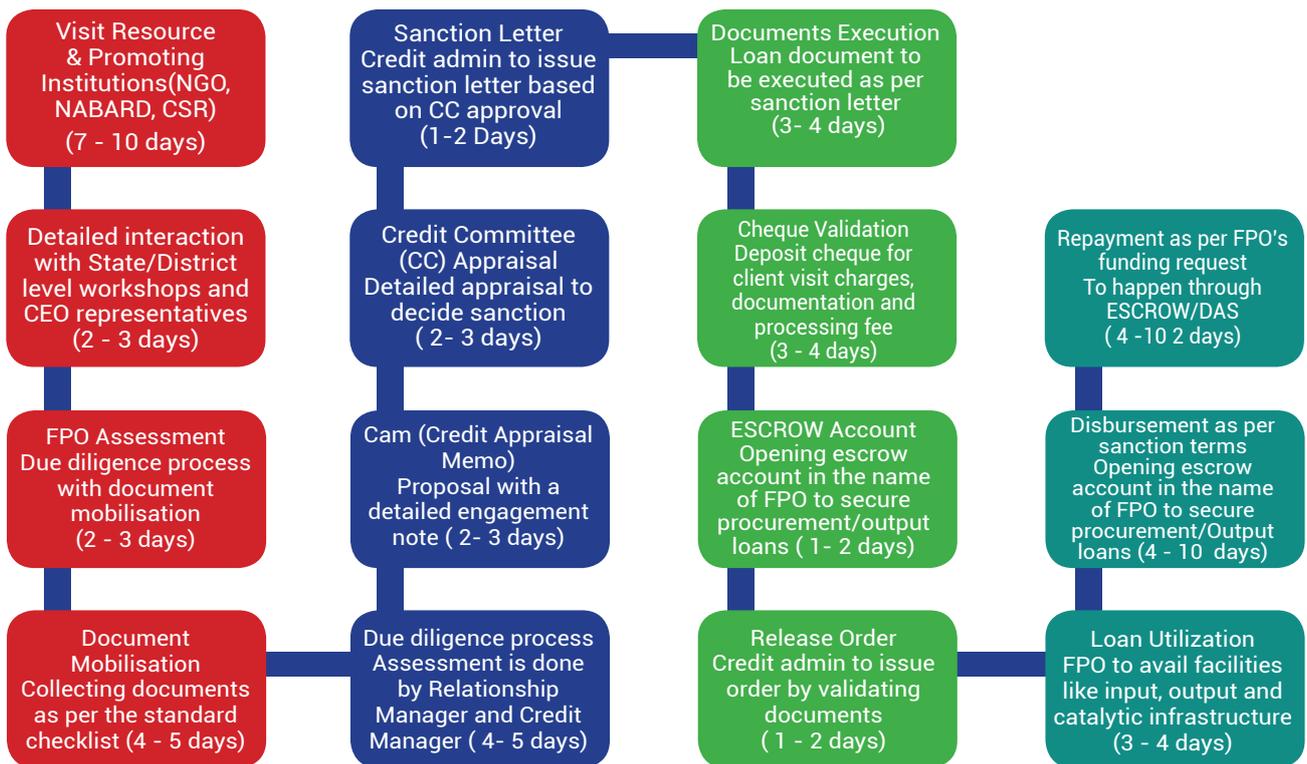
- Mapping of entrepreneurs
- Assist in business planning
- Securing supporting documents relevant for enterprise promotion
- Filing of loan applications
- Providing linkages to raw material suppliers, packaging, labelling, etc
- Facilitate supply of man power, skilled where possible.
- Regular follow up and monitoring of funded entrepreneurs
- Assist them to Access loans from THADCO, Backward Class, Mudra, Needs, UYEGP programs, Start-up / Stand up programs, NHFDC/ Provide additional funding support from VKP Through financial products.

Non – Banking Financial Institutions are referred to as a company that deals in all types of finance related businesses. They are different from banks and play a very important part in broadening the financial services for Producer collectives (PCs). They provide a very attractive rate of returns to individual, Nano, Micro and small enterprises & Producer Collective in comparison to government-centric banks. It deals in loans, advances and also specializes in some specified sectors like hire purchases and leasing etc.

New generation NBFCs:

Currently, PCs lending is majorly led by three Non-Banking Finance Companies (NBFCs) viz, NABKISAN, Samunnati and Ananya. Other NBFC lenders are NABARD Financial Services Limited (NABFINS), Maanaveeya and Caspian. The following example will provide the Samunnati Loan disbursement process.

Non - Banking Financial Institutions (NBFC)



Chapter 4

Legal Compliance for Producer Collectives

The PC legal compliances to be followed by an PCs registered as Producer Company under Companies Act 2013. It is important that all the required legal compliances are followed in stipulated time otherwise it will lead to penalties. The PC ensuring legal compliances in the most important component of governance.

The details of compliances and penalties may change from time to time based on Companies Act Rules. Thus, the BoD members should take services of a registered Company Secretary to ensure all compliances from time to time.

The DPMU / BPMU, TSA should ensure the mandatory PC compliance legal compliances are met on time by the VKP promoted PC.

4.1 Statutory Compliances in the First Year of Incorporation under Producer Company Act.

- a) Hold first Board Meeting within 30 days from the date of incorporation.
 - Arrange for Printing of Share Certificate Books/Combined Statutory Register/Letter heads /Rubber Stamps, etc.,
 - Name and address of the Registered Office along with CIN no./phone no./email/website
- b) address should be printed on all letter heads, bill heads, notices and correspondence of the Company
- Name and address of the Registered Office should be painted or affixed on the outside of every office of the Company in a very conspicuous manner.
- b) Appoint first auditors at the first Board Meeting or within 3 months from the date of incorporation.
- c) Hold first AGM within 90 days from the date of incorporation for adoption of AOA (Articles of Association) and appointment of first directors.
- d) Ensure that 4 Board Meetings are held during a calendar year and gap between two Board Meetings is not more than 3 months.
- e) Ensure that the gap between two AGMs is not more than 15 months.
- f) The first Auditors will hold office till the next AGM where they have to be appointed for a period of 5 years each time and their appointment is ratified at each AGM.
- g) Appoint Chief Executive Officer (CEO) of the Company and he shall not be a member of the Company.

- h) Share Certificates shall be issued to the first 10 subscribers of the company within 2 months of the date of incorporation.
- i) All routine decisions like opening of bank account, authorization to any director for dealing with all government departments for licenses/permits/registrations can be done by resolutions passed at Board Meetings or by resolutions passed by circulation.
- j) Minimum paid-up capital of PC is Rs. 1,00,000 (1 Lakhs).
- k) Authorized capital of PC can be more than Rs. 25,00,000 (25-Lakhs).
- l) Members' equity shares cannot be traded but can be transferred.

4.1.1. Other statutory compliances during the running of the organization

- a) The AOA should contain, apart from other matters, the following:
 - i. the manner of ascertaining the patronage and the voting right based on patronage;
 - ii. the manner of distribution of withheld price and patronage bonus
 - iii. limited return (maximum dividend payable)
 - iv. intervals of conducting internal audit of the accounts by a Chartered Accountant
 - v. amount to be transferred for maintaining general reserve
- b) Any amendment to AOA or MOA can be carried out only by special resolution in a general meeting i.e., 75% of the members present and voting should approve the resolution.
- c) Ensure that proper attendance is taken at Board and General Meetings with requisite quorum.
- d) In general meetings, a member can appoint a proxy to attend and vote on his behalf after depositing proxy form 48 hours before the meeting in form MGT-11. The proxy need not be a member of the company but is not allowed to speak at the meeting.
- e) After auditing of the accounts, Board has to approve the same and place before the AGM before 30th September of every year for adoption by the Shareholders.
- f) Within 60 days of the date of the second and subsequent Annual General Meetings, Annual Report and Annual Return shall be filed with ROC in AOC-4 and MGT-7 respectively.

4.2 Producer Collective Share Capital & Authorised Capital

Share capital:

Share capital or equity means the total of the payments made to the company by all the shareholders Members (farmer producers/ institutions of farmer producers) on their shares. It represents a form of member commitment to the group and it defines each member's stake in the group. In a Producer Company it shall consist of only equity shares.

Special aspects of equity share capital in case of PCs:

- a) While finalizing the cost of share and the number of shares per member, the paying capacity of the economically deprived shareholders should also be considered. However, in the VKP project The project has proposed a minimum contribution of the share.
- b) There is no bar on the number of shares per member in the company Act.
- c) It is suggested to have equal number of shares among the members to maintain a balance in the power structure of the PC.
- d) The norms for distribution of share should be mentioned in the Articles of Association.
- e) The eligible community members may apply through a membership application form (specified in the Act.) to the BoD. The General Body (GB) is the final authority to approve or reject the membership application.
- f) Transfer of share capital is limited to members on par value in a PC
- g) The amount collected through membership & annual service fee from the shareholders could be used for registration fees and other processing related expenditures like fees for Company secretary, stationary, travel etc.
- h) Minimum number of producers required to form a PC is 10, while there is no limit for maximum number of members, and it can be increased as per feasibility and need.

- i) There cannot be any government or private equity stake in the producer companies, which implies that PC cannot become a public or deemed public limited company.

Authorized capital

Capital that a company/Organisation has been authorized to raise by way of equity shares through the Articles of Association/Memorandum of Association.

Process for increasing the Authorized capital:

- a) The authorized capital could be increased keeping in view the requirements of the Company, by creation of new shares by passing an ordinary resolution in general meeting. The resolution cannot compel the existing shareholders to take the additional shares.
- b) The alteration does not affect the company's issued capital.
- c) The Articles of Association of the company should confer this power, if not it should be suitably amended.
- d) The changes will cost registration fee and notice of increase in share capital should be filed in Form No. 5 within 30 days of passing resolution for increasing the share capital along with the filing fee.
- e) Amendment should be noted in every copy of Memorandum and Articles.

Procedure for Consolidation/Division/ Cancellation of Share into Larger/Smaller Amount

- a) For the consolidation / division / cancellation of shares, at first, it should be considered and approved by the Board in its meeting. In the same meeting, the date/time for the general meeting and the notice of the meeting containing the necessary resolutions and explanatory statements may also be finalised and approved.
- b) At the general meeting: - The necessary resolution should be passed, - Form No.23 has to be filed within 30 days of passing the resolutions along with the filing fees and enclosures as prescribed in Schedule to the Act with the Registrar of Companies.
- c) In case of consolidation/division, the Members must be issued new certificates in lieu of

the existing share certificates, by making appropriate entries in the register of members. Whereas, in cancellation of shares, a notice to the Registrar of Companies in Form No. 5, along with the fees as prescribed in Schedule to the Act.

Share certificate

A share Certificate refers to a document which is issued by a company evidencing that a person named in such certificate is the owner of the shares of Company as stated in the share certificate. The Indian Companies Act mandates companies for issuing share certificates post their incorporation.

Process of issuing share certificate

DPMU AND TSA will facilitate the above through a Concerned Professional Company Secretary / CA

1. To ensure the transfer of funds collected from members to Producer Company Share Capital Account
2. Call for a Board Meeting and approve the amount transferred from Producer Groups to Company Account as Share service fee money and pass a board resolution for allotment of shares.
3. Collect and file the required shareholder's details, with the help of the Professional, with Registrar of Companies and update list in form PAS-3 (Prospectus and Allotment of Securities).
4. Share Certificates should be issued within 60 days from passing the resolution to all members

The detailed share certificate issuing process attached in the Annexure: 8 and the model share certificate template attached in annexure 9.

Procedure for issue of Bonus Shares

- a) Any Producer Company may, upon recommendation of the Board and passing of resolution in the general meeting, issue bonus shares by capitalization of amounts from general reserves in proportion to the shares held by the Members on the date of the issue of such shares.
- b) Proposed Bonus Shares should be well within the authorized capital of the Company.
- c) If not, necessary steps should be taken to increase the authorized capital, by amending the capital clause of the Memorandum of Association.

- d) A resolution should be passed in the general meeting duly convened and filed with the Registrar within 30 days together with requisite documents and fees.
- e) Where the Company has availed of any loan facility from term lending institutions, prior permission is to be obtained from the institution as per the term lending agreement.
- f) Form 2 should be filed with the Registrar within 30 days also with requisite fees.

Important provisions relating to Share Capital

- a) The share capital of a producer company shall consist of equity shares only.
- b) The shares held by a member, shall to the extent possible, be in proportion to the patronage of the Company.
- c) Every member shall have only a single vote
- d) Shares generally are not transferable but if transfer is approved by the Board, it should preferably be transferred to an active member.
- e) Active members can be given special user rights relating to the produce supplied to the company.
- f) The amount of share capital that can be raised from the members cannot exceed the authorized capital mentioned in the MOA unless a special resolution is passed at a general meeting to increase the authorized capital of the Company.

Further Issue of Capital

- a) The initial capital subscribed by the promoters in the MOA shall be brought in by them only and deposited in the Company's bank account.
- b) If the amount of share capital brought in by new members including the existing capital exceeds the authorized capital mentioned in MOA, then following process has to be followed:
 - i. Call a Board Meeting by giving seven days' notice and pass a resolution for amendment of MOA/AOA increasing the authorised capital of the company subject to the approval of shareholders in a general meeting.
 - ii. Hold a general meeting for passing special resolution to approve amendment of MOA/AOA to increase the authorised capital.
 - iii. File form MGT-14 and SH-7 with ROC within 30 days from the date of the General Meeting.

- c) For registering new members, two methods can be followed:
 - i. by transfer of shares from the existing members or
 - ii. through rights issue.
- d) For transferring shares, transfer form SH-4 should be signed by both transferor and transferee after filling all the details mentioned therein. Prescribed transfer fee stamp to be affixed. The transfer form along with the share certificate has to be sent to the Company which will be approved at the ensuing Board Meeting.
- e) In a rights issue, further shares will be offered to the existing shareholders in proportion to their shareholding who can renounce in favor of the new members. The rights issue form will be in three parts; Part A is the offer to the existing member based on his existing shareholding, Part B is for renouncing in favor of any other person (including a new member) and the last Part C is for accepting of the renounced shares by the new member. The offer is open for 15 to 30 days and once the process is complete, shares will be allotted on the basis of the application forms received.
- f) Allotment of further shares shall be done at a Board Meeting and thereafter, a return of allotment in PAS-3 is filed with the ROC within 30 days of the Board Meeting.
- g) All e-filings with ROC is done electronically using digital signature along with prescribed fees paid online.

4.3 Statutory provisions of the Producer Companies

The Board of Directors and staff should have an understanding of the constitution of the Producer Companies, statutory provisions under which it is formed, various other requirements under the statute and compliance. The Statutory provisions of the Producer Companies pursuant to Companies Act, 2013 has attached in the annexure: 9.

The mandatory yearly compliances for the Producer Collectives are attached in the annexure 10. Except above there may be event-based compliances for the Company. The following table mentioned regular compliances for PC

S. No.	Events	Compliances
1.	Appointment of Directors	<ol style="list-style-type: none"> Digital Signature and Director Identification Number need to be obtained. Consent to act as Director to be obtained from the proposed Director. General Meeting to be convened for appointing Directors. Board will have the power to appoint additional Directors or to fill the casual vacancy. However, the said appointment shall be subject to approval from shareholders. Form MBP 1 and DIR 8 to be obtained from the appointed Director. Form DIR 12 for the appointment of Directors to be filed within 30 days of such appointment. Register of Directors to be updated.
2.	Cessation of Directors	<p>In case of Resignation:</p> <ol style="list-style-type: none"> Resignation letter to be obtained from the respective Director. Resignation to be approved by the Board. Form DIR 12 to be filed within 30 days from the date of resignation. In case of removal: <ol style="list-style-type: none"> There should be proper justification for removal according to the law. Board/General Meeting to be convened by giving proper notice including an opportunity to be heard for the respective Director. Form DIR 12 to be filed attaching the decision of Board/Company with proper justification. Obtain approval from the Registrar of Companies.
3.	Allotment of Shares	<ol style="list-style-type: none"> To check whether Authorized Capital Limit is there for the proposed allotment. To offer shares on rights basis. To receive application with application money. To convene Board Meeting for allotment of shares. To file form PAS 3 before the Ministry of Corporate Affairs. To issue share certificate. To update register of members.
4.	Increasing Authorized Capital Limit	<ol style="list-style-type: none"> Convene Board Meeting to approve the proposal. Alter the Memorandum of Association. Convene the General Meeting (Shareholders Meeting) to approve the same. File form MGT 14 and SH 7 before the Ministry of Corporate Affairs within 30 days from the General Meeting. Obtain approval for the eforms filed accordingly.

Statutory Registers and Compliances are in the table below

S. No.	Name of the statutory register	Form no.	Who fills	how often
1	Register of Members	MGT-1	CEO / Any Director who is authorised by the Board	As and when PAS-3 is filed
2	Register of Directors and their Shareholding		CEO / Any Director who is authorised by the Board	On appointment of Director
3	Register of Renewed and Duplicate Share Certificates	SH-2	CEO / Any Director who is authorised by the Board	On issue of such certificate
4	Register of Charges	CHG-7	CEO / Any Director who is authorised by the Board	Immediately on creation of charge
5	Register of Loans and investments made by the Company	MBP-2	CEO / Any Director who is authorised by the Board	Date of Board meeting for approval of such loans and investment
6	Register of Related Party Transactions	MBP-4	CEO / Any Director who is authorised by the Board	Date of Board / Shareholder approval for such RPT

Due Dates for other Statutory Filing

The Due dates for the statutory filling has mentioned in the below Table,

TDS		
1st Quarter	1st April to 30th June	31st July
2nd Quarter	1st July to 30th September	31st Oct
3rd Quarter	1st October to 31st December	31st Jan
4th Quarter	1st January to 31st March	31st May
ADVANCE TAX		
1st Quarter	On or before 15th June	15% of advance tax less advance tax already paid
2nd Quarter	On or before 15th September	45% of advance tax less advance tax already paid
3rd Quarter	On or before 15th December	75% of advance tax less advance tax already paid
4th Quarter	On or before 15th March	100% of advance tax less advance tax already paid
TDS PAYMENT		
Every month except March		7th of the following month
For March month		30th April
GST		
for regular dealer		
GSTR1 monthly		10th of the following month
GSTR1 quarterly (if opted)		30th of the month following the quarter
GSTR 3B monthly		20th of the following month
Annual Return		31st December
Professional Tax		
for employer		30th April (yearly)
for employee		20th of the following month (monthly)
Amount		Rs 200 per employee per month
		(if gross salary is > Rs 15,000pm)
		(to be remitted by employer only)
Provident fund if applicable		
Monthly payment		15th of the following month
ESI if applicable		
Monthly payment		20th of the following month
INCOME TAX FILING		
If tax audit applies		30th September
If tax audit does not apply		31st July
If Transfer Pricing audit applies		30th November

4.4. Holding of Meetings as per company act 2013

The Companies Act, 2013 has given elaborate provisions for holding and conducting meetings. It is necessary to observe those provisions; These meetings include:

- Meetings of the Board of Directors
- First General Body Meeting
- Annual General Meeting (AGM)
- Extra Ordinary General Body Meeting

In the context of an PC, a meeting is 'a gathering of members with a specific agenda, at a particular place and time'. The meeting provides a platform to highlight the issues and matters of concern and follow up on the progress in next meeting.

4.4.1. Meeting process

The following process should be followed while conducting a meeting.

- Sit as per proper arrangement
- Nominate a chairperson for the meeting
- Record the attendance
- Set the agenda
- Review the previous meeting's minutes
- Maintain discipline throughout – Follow norms
- Ensure that all issues on the agenda are discussed.
- Ensure that all members participate in the decision making
- Record proceedings during the meeting itself and read them out to all the members.
- All members must sign in the resolution book
- Suggestions of the facilitators/guests
- Vote of thanks

4.4.2. Board meetings and Quorum

The board meeting is the most critical exercise for the Producer company to steadily progress. The best practices recommended are as follows,

- Conduct board meeting every month without fail though it is once in quarter minimum as per law and four such meetings should be held in a year.
- 1 weeks' notice in writing, should be given by CEO for holding a Board Meeting to all the Directors.
- The quorum for a Board Meeting is 1/3rd of the total strength or 3 whichever is higher.

- At least 65% women members BOD should be in the board meeting.
- Minutes of the proceedings of the Board Meetings shall be prepared and entered in to Minutes Books within 30 days of the meeting.
- Minutes pages shall be consecutively numbered, and each page shall be initialled, and the last page signed and dated by the Chairman of the same meeting or the next meeting.
- Minutes register shall be kept at the Registered Office of the Company and is maintained permanently under the custody of Company Secretary or authorized director.
- Decisions are taken by resolutions passed by majority and routine resolutions can be passed by circulation.
- Resolution by circulation involves sending the resolution by post or through electronic means to be signed by majority of directors present in India. This resolution will form part of minutes at the next Board Meeting.



- c) The gap between two Annual General Meetings shall not exceed 15 months' subject to extension by 3 months granted on application by the Registrar of Companies.
- d) At least 65% women members should be in the Annual General meeting.
- e) 14 days' notice shall be given for calling a general meeting to all the members and auditors of the company informing the date, time and place of the meeting. (in case of conduct of EGM, mere telephonic confirmation is enough, and quorum is not necessary. But, in the next BoD meeting, this needs to be documented in the meetings book with the names of the BoDs who attended and resolution passed)
- f) The notice of the AGM shall be accompanied by the following documents:

- i. Agenda of the AGM
 - ii. Minutes of the previous AGM/EGM
 - iii. Names of directors to be appointed
 - iv. Balance Sheet, Profit & Loss Account, Report of Board of Directors and Auditors' of the company and subsidiary company
 - v. Draft resolutions appointing auditors and amending MOA/AOA
- g) Quorum for the General Meetings shall be 1/4th of the total no. of members of the Company.
- h) Minutes should be prepared and entered in Minutes books, dated and signed by the Chairman of the same meeting within 30 days from the date of the General Meeting. Audited

financial statements to be filed with ROC within 60 days of AGM.

Note: The Chairman in consultation with BoDs may convene a special / emergency meeting of BoD or AGM if needed.

Important matters to be transacted at the Annual General Body Meeting

- i. approval of Budget, adoption of annual accounts
- ii. approval of patronage bonus
- iii. issue of bonus shares
- iv. declaration of limited return and decision on distribution of patronage
- v. Loans to directors

4.4.4. Types of meeting and its importance

Meeting	Frequency	Importance
Regular meetings	Once every month Key Participant : BOD member	<ul style="list-style-type: none"> • Periodic monitoring and follow-up of transactions • Explore scope for regular transactions, such as collective buying and selling. • To identify, discuss and take up activities & programs. • Provides opportunity for the capacity building of the board members and for developing their communication skills.
Board meetings	Once in every 3 months Key Participant : BOD member	<ul style="list-style-type: none"> • Review of PC business activities • Approval of transaction and resolutions.
Annual general body meeting	Gap between 2 AGMs should not exceed 15 months Key Participant : All Shareholders (Members, BOD member), CEO, PC Staff	<ul style="list-style-type: none"> • Confirm the proceedings of the previous General Meeting. • Declare the names of Board of Directors elected as per the election rules. • Approve the expenditure, budget and reports. • Appoint auditors and fix their remunerations. • Take note of admission of new member and removal of members during the year.
Emergency meetings	As and when required Key Participant : BOD,CEO	<ul style="list-style-type: none"> • To address the urgent requirement related with business and compliance.
Committee meetings- Examples:- marketing committee, procurement committee, monitoring committee etc.	As and when required Key Participant: Committee members	<ul style="list-style-type: none"> • vital to effective functioning of PC and its ability to carry out its role. This is need based. For smooth functioning and sharing of responsibilities committees can be formed. The decision to form committees is accepted by the board unless it requires further review.

4.4.5. Necessary conditions of meeting

Meeting	Necessary condition
1. Regular meetings	<ul style="list-style-type: none"> The Chairman of the PC shall preside over the general meeting. In case of his absence, the members present and entitled to vote shall elect one of them as Chairman for the meeting. All board members need to be present Any person competent/authorized to represent and act on behalf of the PC can also present.
2. Board meetings	<ul style="list-style-type: none"> Quorum i.e. minimum number of directors required to be personally present at the meeting – Two or one-third of the total number of directors, whichever is greater. Board meeting can be held anywhere. (No restriction of registered office)
3. Annual general body meeting	<ul style="list-style-type: none"> Annual general meeting is required to be held at the registered office or at any other place within the same city where registered office is situated. One third of the total number of active members shall form a quorum for the general meeting. The notice of the annual general meeting shall be sent to each member along with meeting agenda and audited report before 14 days of meeting.
4. Emergency meetings	<ul style="list-style-type: none"> Fixed day and fixed time An accessible and convenient place for all. Presence of all members and representatives Books of documents An agenda to be discussed in the meeting
5. Committee meetings- Examples:- marketing committee, procurement committee etc.,	<ul style="list-style-type: none"> Fixed day and fixed time An accessible and convenient place for all. Presence of all members and representatives Books of documents An agenda to be discussed in the meeting

4.5 Legal licenses/ permits for PCs

Apart from different compliances under the registered Act, PCs need to have required licenses/ permits for their business.

The DPMU, BTLs and TSA along with ECPs facilitate to obtaining required licenses and permits for functioning of PC.

Based on the plan of the PC, there will be need for several licences and associated permits be it for input supply, for bulk selling in mandi, for processing and packing, etc. The section will provide a list of all relevant licenses and permits required and the process to apply for them.

The process of obtaining registration and license changes from one type of business to the other, based on various determining factors like the number of employees, sector, the type of business, the place of business etc.

Registration: A business needs to register with relevant authorities/government departments in order to function smoothly in accordance to the rules and regulations of the government and also conduct its business.

Licenses: Licenses are needed for trade, procurement, processing and operations of the business.

Most businesses need a combination of licenses and permits from relevant authorities at state and central level. The requirements and fees vary based

on PCs business activities, location, and government rules.

PC needs to be registered with various departments and agencies depending on the nature of their business operations in order to conduct their business legally.

Need for registration/licenses:

- Make the PC authorized to operate
- Are recognized by the relevant authorities to conduct business
- Make them credible
- Allow trade, purchase, trading, processing, etc.

Apart from different compliances under the registered Act, PCs need to have required licenses/ permits for their business. These are listed in the following tables.

Tax related registrations

PC has to procure a PAN number from the Income Tax Department and GSTIN from the Commercial Tax Department to carry out business (for selling / offering the chargeable goods and services). In the wake of Budget announcement of 2018-19, PCs registered under Companies Act with an annual turnover upto Rs. 100 crore, are eligible for 100% Tax exemption for a period of five years from financial year 2018-19. The limits of GST exemption for a PC is upto Rs 40 Lakhs.

Certification/ License	Description	Issuing Department	Renewal Frequency	Cost (Rs)
PAN	Applications for allotment of new PAN https://www.tinnsdl.com/download/pan/form49a.pdf . The application can be made either online or through any recognized PAN Facilitation center.	IT Department (will come with PC ROC)	One time	1000
TAN	TAN is applied through "Form No. 49B" (prescribed under Indian Income Tax Law). A completed form can be submitted online at the NSDL website or at the "Tax Information Network Facilitation Centre" (TIN-FC). Application form: https://www.tinnsdl.com/download/tan/form49b.pdf	Commercial Tax Department (will come with PC ROC)	One time	65
GST	Goods and service tax applicable to any entity that deals in sales and purchases Documents to be submitted 1. PC CIN MoA, AoA Board resolution 2. Registered Office and Business Office rent Agreement 3. House tax receipt and EB bill, E-mail id For the BoD, applying on behalf of the PC, his 1. Passport size photo, 2. PAN, 3. Identity proof—Voter ID, 4. Address proof—Aadhaar 5. DSC and his E-Mail id, Duration: 3-5 days	GST Department	One time	NIL for GST Registration Rs. 1000-5000 for CA

Input Licenses - Licenses are needed for input business

Certification / License	Description	Issuing Department	Renewal Frequency	Cost (Rs)
Seed licence	<p>If you buy seed from another grower or company to re-sell, then a Seed dealer licence is required for selling seeds.</p> <p>Documents required are</p> <ol style="list-style-type: none"> 1.PC CIN,MoA,AOA,Board Resolution 2.Building rent agreement(3 years),EB Bill, House Tax receipt,route Map, Building Map 3.Graduation with Agri or approved Agri certificate 4.Pay Rs.1000/-in treasury account 5. Verification to be done by Seed Inspector. 6. Duration-15 to 30 days 	Agriculture Department	Once in three years	1000
Fertilizer licence	<p>If the PC buy fertilizer from company to re-sell, then Fertilizer licence is required</p> <p>To apply After Getting GST Number</p> <p>Documents required are</p> <ol style="list-style-type: none"> 1.PC CIN,MoA,AOA,Board resolution 2.Building rent agreement(3 years),EB Bill, House Tax receipt,route Map, Building Map 3.Graduation with Agri or approved Agri certificate 4.Pay Rs.1250/-in treasury account 5. " O" form 5. Verification to be done by ADA QC. 6. Duration- 30 days 	Agriculture Department	varies	1250
Pesticide licence	<p>Any person desiring to manufacture or to sell, stock or exhibit for sale or distribute any pesticide, or to undertake commercial pest control operations with the use of any pesticide is eligible to make an application to the licensing officer for the grant of a licence. To apply After Getting GST Number</p> <p>Documents required are</p> <ol style="list-style-type: none"> 1.PC CIN,MoA,AOA,Board Resolution 2.Building rent agreement(3 years),EB Bill, House Tax receipt,route Map, Building Map, 3.Graduation with Agri or approved Agri certificate 4.Pay Rs.1500/- (Rural) and Rs.7500 (Urban) in treasury account 5. Form -6 (Principal Certificates) 5. Verification to be done by ADA at Block level. 6.Duration :10 to 20 days 	Agriculture Department	varies for different products	500-7500 (insecticide)

Processed and packaged foods - Licenses are needed for all processed and packaged foods

Certification/ License	Description	Issuing Department	Renewal Frequency	Cost (Rs.)
FSSAI	for all processed and packaged foods	Ministry of Food Processing	1-5 years varying on product	5000
AGMARK	A certification mark employed on agricultural products, assuring that they conform to a set of standards approved	Directorate of Marketing & Inspection, Ministry of Agriculture and Farmers Welfare		1000
HALAL	applicable for poultry and meat based FPCs	different sections under FSSAI and ISO	not specified	50000

Organic Produce - Licenses are needed for all type of Organic business

Certification/ License	Description	Issuing Department	Renewal Frequency	Cost
Fair Trade Certificate	(applicable to FPCs who aspires to do organic product exports)	Independent body	No details	
PGS certification	(applicable for organic produce)		No details	
Third party organic certification	(applicable for organic produce)	Varies for produce	Varies	
NPOP	(applicable for organic produce)	Varies for produce	No details	15000 per man day + 7000

Trading - To trade produce through APMC market & e trading portal

Certification/ License	Description	Issuing Department	Renewal Frequency	Cost (Rs.)
APMC Trading License	To trade produce through APMC mandis	APMC	5 years	5000
e-NAM Portal	To trade the produce through online platform	e-NAM	Lifetime	
e-spicebazaar	To sell spices online	Spice Board	Lifetime	

General Permits and Licenses – Genreal Permits / Licenses are needed for doing Business

Certification/ License	Description	Issuing Department	Renewal Frequency
Form D under ESI act	(for employing more than 10 Employees)	Respective state labour department	Updated when required
Apprentice act	For appointing apprentice for training	Labour department	
Licence for environment aspects like land, water etc.	(applicable for processing, storage of chemicals etc)	Relevant authorities Pollution Control Board	No details

Certification/ License	Description	Issuing Department	Renewal Frequency
ESI, PF, Child Labour policy		Labour Department	One time
Weights and Measure licence		Department of Meteorology	
Equal opportunities act	For employing women employees		
Professional act registration	Concerned Panchayat / Municipality / corporation		
Stock Insurance/ Vehicle insurance		Insurance companies	
No objection certificate	To setup business	From local Gram Panchayat/ Municipality	Depends on business
Shops and establishment	Shop license is required to be obtained from state/ municipal bodies. For more details refer to the applicable law of the particular state.	Local Gram Panchayat/ Municipality	

Import/Export Related – Licenses are needed for Import and Export business

Certification/ License	Description	Issuing Department	Renewal Frequency	Cost (Rs.)
Minimal Residue Levels	for every exported	National Accredited Labs.	Varies	
Import Export Certificate (IEC)	Director General Foreign Trade	(need to check)		500
APEDA	refers to AGMARK standards for importing and exporting fruit and vegetables	Ministry of Agriculture	not specified	5000 (5900 with tax)

4.6. Environmental & Social Safeguards Requirements for the PCs

The project Environmental and Social Safeguard measures should be followed by the PC as per the project requirement.

There is need for empowering farmers with knowledge, skills and necessary inputs to adapt to changing climate as well as for increasing production and income. The activities, which may be harmful to the society or environment will not be considered by the VKP Project. Proactive measures would be taken to integrate the greening principles in the value chain for all the activities like production (e.g. organic production-application of bio pesticides); processing (e.g. solar power units for bulk milk chillers) or packaging (e.g. bio degradable packaging).

Environmental and Social Management Framework (ESMF): The framework for ensuring the compliance with legal and regulatory requirements, safeguards and mitigations for the potential environmental and social impacts in the selected value chain and enterprise activities in project locations.

As a PC, sustainability of the initiative should be of paramount interest and sustainability is not only around economic sustainability but also around environmental dimensions also. There are several environmental safeguards that the PC need to bring in while production, storage, processing, etc.

Environmental Safeguards

All Producer collectives promoted by VKP and value chain interventions should be compliant with the laws and regulations of the country and the state

i.e. the legal and regulatory frameworks based on Government of India and Government of Tamil Nadu and Safeguard policies of World Bank. Compliance with these rules and regulations will ensure alignment of these investments with sustainable management of concerned natural resources. Ensuring compliance is important for all Producer Collectives that are promoted by VKP. The Project ESMF component will provide the guidelines and checklist to adopt the Safeguards and mitigation measures. The following compliance the PC should follow for the environmental safe guard aspects,

4.6.1. Compliances related to Production:

- Sale, stock or exhibition of sale or distribution of any insecticide cannot be done without license as per Insecticide Act 1968
- Sale or distribution of seed should comply with The Seed Act, 1966
- Purchase, stock, sale, distribution or exhibition of pesticides and chemical fertilizers without license as per The Fertilizer (Control) Order, 1985 is not allowed
- Avoid use of banned and restricted pesticides by Government of India and the pesticides that are non-permissible according to Pest Management Policy of World Bank (WHO class 1a, 1b and II)
- Use of forest land or any portion of it (for cultivation, aggregation, processing activities etc.) without prior approval is not permitted
- Stopping or diverting water flow in to or from any wild life sanctuary (for irrigation, processing etc.) should not be done

4.6.2. Compliances related to Enterprises/Value chain activities

- Industrial activity (related to food processing or cottage industries) should take necessary approval and license from Pollution Control Board (green, orange, red category), FSSAI etc. wherever applicable. Examples are given below: (detailed list available in ESMF hand book vol 2)

Orange Category (High Impact)	
1	Food and food processing including fruits and vegetable processing
2	Jute processing without dyeing
3	Dairy and dairy products (small scale)
4	Coffee seed processing
Green Category (Low Impact)	
1	Dal Mills
2	Flour mills (dry process)
3	Poultry, Hatchery and piggery
4	Rice mill (Rice hullers only)
White Category (Low Impact)	
1	Bio fertilizer and bio-pesticides without using inorganic chemicals
2	Organic and inorganic nutrients (by physical mixing)
3	Organic manure (manual mixing)
4	Manufacturing of coir items from coconut husks

- Avoid use of non-permissible food colors
- Avoid use of water for processing that does not prescribe to drinking water standards according to (IS 10500-2012)
- Avoid activities/projects causing water pollution or letting waste water into water bodies nearby or open places
- Avoid sale and use of recycled and colored plastic carry bags less than 50 microns in thickness.

4.7 Green Certification for Producer Collectives (PCs)

Promoting climate smart agriculture that reduces Green House Gas (GHG) emissions is the need of the hour for sustainable production and food security. One of the critical impacts of climate change is reducing the capacity of natural resources (biodiversity, soil and water) in supporting food production; hence the interlinked challenges of food security and climate change need to be addressed simultaneously. This implies towards a significant transformation of food/crop production, with definite actions and coordinated involvement of all stakeholders. There is need for empowering farmers with knowledge, skills and necessary inputs to adapt to changing climate as well as for increasing production and income.

Producer Collectives (PC) are increasingly becoming the key institutions in supporting the farmer livelihoods

(especially that of small and marginal farmers) and promoting food security in an environmentally sustainable manner. The PC s in a way can impact the use of natural capital by shaping the decisions on crop selection, crop management practices, input use etc. that might result in reduction of input costs as well as GHG emissions. This would also result in production of safe food and may result in better incomes through premium price. The PC s need to be encouraged towards generating awareness and bringing in the behavioural changes among farmers in production and consumption practices for promoting sustainable, climate resilient systems.

4.7.1. Greening the PCs of VKP

VKP aims to promote 50 PC s in 120 blocks of 30 districts with an objective to promote rural enterprises, ensure access to finance and create employment opportunities.

In VKP the FPCs are also to be graded around certain indicator and provided with a green rating. These are detailed out in the PC grading format attached in the annexure.

Applicability of Safeguard Requirements to PC Interventions

The following safeguard requirements are applicable to the PC activities:

1. Compliance with Pest Management Policy (OP/BP 4.09): The key requirements under this policy are:

avoid the use, stock, sale & distribution of non-permissible pesticides such as class Ia, Ib and II of WHO classification

promote safe storage, transport, application of pesticides and safe disposal of wastes and containers.

2. Compliance with Insecticides Act, 1968, Insecticides (Amendment) Act, 1977 (24 of 1977):

A license is required for the sale, stock or exhibition of sale or distribution of any insecticide.

PCs cannot sell or distribute any of the prohibited or restricted insecticides under this Act.

4.7.2 Promotion of Green Practices

The PC intervention offers the scope for promoting the sustainable, climate resilient agriculture through trainings, awareness programs, demonstrations and supply of green inputs etc. For encouraging the same a 'green rating/award' is proposed for the PC s that perform well in encouraging the farmers to adopt climate resilient practices and sustainable agricultural practices.

Assessment for 'Green Rating'

The performance of PC s can be assessed by evaluating their efforts in promoting climate resilient and sustainable agricultural practices through awareness programs, trainings, demonstrations, supply of green inputs and produce certification. The impacts of the efforts on field will also be evaluated for the same. The assessment will be done on annual basis and the green rating/award will be given based on the extent of work done by PC s in the given area. The rating may differ between 1-5 star ratings, based on the level of efforts and impact.

Criteria for Green Rating

The criteria for green rating will be as follows:

1. Efforts in promotion of sustainable/climate resilient practices: the trainings and awareness programs, demonstrations etc. by PC s will be accounted under this criterion
2. Supply of green inputs: supply of bio fertilizers, bio pesticides, organic manures etc. will be accounted under this criterion
3. Certification of produce: organic certification of the farmers produces and produce within the Maximum Residue Limits (MRL) of Pesticides will be accounted under this criterion
4. Promotion of water conservation practices (optional): practices such as water harvesting, water use efficiency etc.

The weightage under each criterion will be as follows:

Criteria	Actions	Points
<p>Efforts in promotion of sustainable/climate resilient practices</p> <p>5 key messages promoted – 1 point each</p> <ul style="list-style-type: none"> • Importance of crop selection/variety selection according climate suitability, water availability etc. and water conservation • Importance of Non-chemical pest management methods • Importance of organic manures, bio fertilizers, green manures, soil testing • Importance of water conservation practices • Advantages of organic farming and certification 	<ul style="list-style-type: none"> • Awareness campaigns • Trainings/exposure visits/FFS • Demonstrations • Any other efforts <p>Covering all the farmers in all of the PGs</p>	<p>5 points.</p> <p>One point for each message.</p>
<p>Proportion of 'Green Inputs' supplied to the total inputs. The inputs should include the following as minimum:</p> <ul style="list-style-type: none"> • 2 types of bio pesticide/bio control agents • 2 types of bio fertilizers • 2 types of bio fungicide • 2 types of organic manure (including green manures) • 2 types of tradition/improved varieties of traditional crop or a climate resilient variety and water conservation practices 	<ul style="list-style-type: none"> • Supply of organic manures (eg: vermicompost) • Supply of bio fertilizers • Supply of bio pesticides • Supply of biological control agents • Supply of bio fungicides 	<p>10 points.</p> <p>1 point each for 10% of total area or acreage (acreage is to be calculated with respect to recommended dosages)</p>
<p>Proportion of certified produce out of total produce</p> <p>OR</p> <p>Proportion of area under certification out of total OR</p> <p>Percentage of farmers going for organic/PGS certification (whichever is highest)</p>	<ul style="list-style-type: none"> • PGS or Organic certification 	<p>7 points.</p> <p>1 point each for 10% of the produce</p> <p>OR</p> <p>1 point each for 10% of acreage</p> <p>OR</p> <p>1 point each for 10 % of farmers</p> <p>Whichever is the highest.</p>
<p>Production of safe food that is in compliance with pesticide residue limits (MRL)</p>	<p>Keeping the pesticide residues below the Maximum Residue Limits (MRL)</p>	<p>3 points.</p> <p>Produce samples tested randomly from farmers field should be below MRL</p>
<p>Water Conservation (optional, but additional points will be accounted in case of shortage to reach a certain criteria)</p>	<ul style="list-style-type: none"> • Promotion of water harvesting (eg: farm ponds) • Promotion of micro irrigation and use of renewable energy • Promotion of moisture conservation practices like mulching 	<p>5 points.</p> <p>5% of field operational area under water conservation practices.</p>

Green Rating:

Based on the performance of the PCs according to the above mentioned criteria, a rating of 1-5 stars will be awarded, as mentioned under. The assessment can change every year based on the year's performance. The award will include a financial incentive of Rs. 1,00,000 per each star in the rating. The incentive fund needs to be further invested in promotion of green, climate resilient practices. The plan for the same would be included in the action plan of subsequent year.

Weightage and rating:

Points	Rating
0-5	1 star
5-10	2 star
10-15	3 star
15-20	4 star
20-25	5 star

Means of verification:

The following will be the means of verification for the activities/interventions taken up by the PCs

Means of Verification for Compliance

Action points/Criteria	Means of verification	Remarks
Exclusion of stocking, distribution and sale of non-permissible pesticides	Procurement registers with receipts, sales receipts, stock registers etc.	Compliance should be 100%
Maximum Residue Limits (MRL) in food crops	MRL testing for all types of food crops grown by farmers. The sample size is 50 samples (randomly selected) under each type of crop in each season (or a crop cycle in case of horticultural crops)	100% of the samples tested should be below MRL

Means of Verification for 'Green Rating'

Action Points	Means of verification	Remarks
Efforts in promotion of sustainable/climate resilient practices	<ul style="list-style-type: none"> • Verification of training records • Detailed reports on awareness programs, exposure visits, demonstrations etc. with details of participant farmers • Interaction with individual farmers (field visits, House visits covering 10 farmers) and FDGs with PGs (4-5 nos) 	Putting in place a system of documentation is the key for verification
Proportion of 'Green Inputs' supplied to the total inputs.	<ul style="list-style-type: none"> • Verification of stock registers, purchase receipts, sales registers etc • Interaction with individual farmers (field visits, House visits covering 10 farmers) and FDGs with PGs (4-5 nos) – can be same group as above. 	Putting in place a system of documentation is the key for verification. Interactions can be clubbed with regular field visits.
Organic certification (to be measured in terms of – proportion of total produce, proportion under total area or percentage of farmers) Safe food production – MRL limits	<ul style="list-style-type: none"> • Verification of certificates (organic or PGS), records, produce sales registers etc. • Random sample testing of produce across the operational area covering all types of crops in all crop cycles. 	Putting in place a system of documentation is the key for verification. Reports of sample testing should be available.
Water Conservation	<ul style="list-style-type: none"> • Verification of documentation of water conservation initiatives 	

4.7.3 Roles and Responsibilities of project team in ESMF

Given below are the roles and responsibilities of the key players/stakeholders in the project on the environmental safeguard aspects

VKP:

- Introduce the system of rating; issue guidelines/circular and provide necessary support to PC s and State Environment Resource Agency (SERA).
- Organize trainings to PCs with support of SERA

DPMUs working with PCs:

- ➔ *Ensure PC's activities are in compliance with environmental safeguards. Provide necessary information on the same.*
- ➔ *Enable PC to come up with an action plan as part of business plan (format attached as Annexure 1).*
- ➔ *Organise awareness & training programmes, exposure visits and demonstrations on the action points covering all PGs and farmers preferably.*
- ➔ *Encourage PC to scope assessment for green inputs. Select and procure them and ensure equitable supply across the seasons.*
- ➔ *Support in maintaining detailed reports on training/exposure visits/demonstrations and awareness programmes along with participants lists, land holding details, crop records, maintaining stock and sales registers, procurement and sales receipts, etc.*
- ➔ *Aid PCs in getting organic certification, and also in maintaining records/certificates and sales details.*

State Environment Resource Agency :

- Conducting the audit and issuing the rating to all the eligible PCs who have submitted the report for the rating
- The SERA will conduct the means of verification and issue rating

Processes involved in 'green rating':

Step 1: The PC s who are interested in 'green rating' will include an action in the business plan (those who have already completed for the current year can attach a plan) with the support of TSAs based on guidelines issued by the VKP. The actions plans will be shared with the SPMU and SERA.

Step 2: SPMU and DPMUs will support the PCs in implementation of action plan and support in preparation of reports and maintaining registers, procurement and sales receipts etc.

Step 3: A report will be submitted at the end of every year (covering from kharif to summer crop/crop cycle in case of horticulture areas) along with photographic and documentation evidences in the suggested format (format attached as annexure).

Step 4: The SERA will desk review the reports and conducts field visits and gives the rating as per the suggested criteria following the means of verification.

Step 5: The rating will be announced and a certificate will be awarded by VKP. Along with the certification an incentive of Rs.1-5 lakh (depending on the rating, i.e. Rs. 1,00,000 per one star) will be awarded to the PC s for further investing on promotion of green, climate resilient practices.

ESMF Social Screening Check List for Construction of Infrastructure (In case the PC is renting land for its activities) template attached in the annexure: 12

Externally rating of PC in addition to internal PC grading and green rating will be planned as per the need of the PC for financial credit linkages.



Chapter 5

Producer Collectives Governance, Management & Business Operations

5.1 Strengthening Governance in PC

Governance refers to establishment of required policies and norms, and their proper implementation by required arrangements of systems, staff etc in the organisation. Governance also ensures compliance with rule of law and accountability to concerned stakeholders. Good governance is important to functioning of any organisation including the PC and it is the responsibility of the Board of Directors in PCs. BoDs have the authority and responsibility to conduct the policy, actions and affairs of the organization. Good governance is the single most important functioning of the Board.

Why is good governance important in a PC?

Good governance is at the heart of any successful business. It is essential for an PC to achieve its objectives and drive improvement, as well as maintain legal and ethical standing in the eyes of shareholders, regulators and the wider community. Good governance is a term that describes how public institutions conduct public affairs and manage public resources in the preferred way. Governance is “the process of decision-making and the process by which decisions are implemented (or not implemented)”.

To help the farmers to develop collective spirit and put their strengths together to work on the weaknesses they have, individually or collectively.

An PC is the common property of all the members. It is like their family as affinity is the binding principle. It is also their business – the business of earning better income, better social facilities and increased support from the programs meant for them. But for these things to be possible each member should fulfil her/his responsibilities to the association. Otherwise, the association will collapse and their time and effort will be wasted.



The Governance of PC refers to the ways of conducting its activity by a PC, includes

- 1) Board of Directors- Composition, terms and selection.
- 2) Governance arrangement in a PC - Allocation of authority & responsibility among the management.
- 3) Systems, processes & procedures.
- 4) Transparency and accountability.
- 5) Good Governance Practices in PCs.

Over a period of time, PC should build/develop a strong governance to safeguard interest of shareholders, particularly farmers/members associated with a PC. Principles in any organization are drawn from its practices and any organization without principles cannot function in a sustainable manner. The principles that govern the Producer collectives are as follows:

Transparency and Accountability are the pillars for proper functioning of any organization. In PCs particular where large number of members and other stakeholders exist with diversity of operations and functions, it assumes high significance.

The Board members have to primarily ensure Transparency (in operations) and Accountability (to members and external stakeholders) in their PCs.

Transparency in operations can be ensured by proper systems, audits, business rules, efficient operations etc. Every decision taken by PC need to be transparent so that all shareholders are aware.

The BoD members can be accountable to their members by activities like providing needful services, taking members feedback and improving accordingly, GB meetings, presenting progress to members, distributing annual reports to members, making the necessary information available to members from time to time etc.

The BoD members are also accountable to external stakeholders like Bankers, supporting government departments, Networks/ Federations, legal authorities etc. They can be accountable to external

stakeholders by giving the necessary reports, meetings etc from time to time.

Member-centered goals:

The Producers Association must have member-centered goals. All objectives should be centered on the livelihood development of the farmers.

Voluntary affiliation :

The collectives are meant for the growth and development of producer groups, therefore joining it must be voluntary.

Democracy and Autonomy :

The Producers' Collectives should not operate under the control of any one individual or group, but should be a platform in which all members can democratically participate and discuss their needs and must act in accordance with the rules and regulation framed by the members and aligned with the government norms.

Working with integration approaches :

The Producers collectives needs to be inclusive and integrate all its members depending on their needs.

Planning with the participation of members :

Without participation of all its members, no organization can carry out constructive development. without proper planning failure is inevitable.

Self-governance is lifeline of collective organisations managed by the people. The fact is that no organization can function sustainably unless the foundation is laid strong and resourceful, and in that sense the foundation of the Producers 'Collectives must be good. Only if this self-management works well the collectives will emerge stronger and move towards realizing the goal.

Strengthening governance process of Producer collective

Governance is the system by which entities are directed and controlled. It is concerned with structure and processes for decision making, accountability, control and behaviour at the top of an entity. The following table will describe the Strengthening governance process of the PCs.

Strengthening governance Process	Responsibilities
<p>Institutional Strengthening</p> <ul style="list-style-type: none"> Ensuring that the PC's organization structures (GB, BoD, Subcommittee, Office bearers) and processes (Quarterly meetings, AGMs,) are in place. Sharing the vision and goals with the members of the PC Providing opportunities for frequent interactions among the BOD & subcommittee meetings Sensitising on the role of members and motivating the participation of all members to attend AGM and ensure BODs to attend monthly & quarterly meetings. Regular update on the PC business activities to the PG members in the regular meetings & AGM. Facilitating selection of Chairmen and ensuring rotation of chairmen Enhancing the business and technical competency of BOD, CEO by training and handholding Ensuring the regular conduct of GB, AGM and systems & procedures are in place. Distribution of benefits /Profits to shareholder (in terms of business) 	BOD, CEO, DPMU, TSA - PC Handholding)
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<p>Voting Rights</p> <ul style="list-style-type: none"> There shall be only a single vote for every shareholder irrespective of his shareholding. Any Producer Company may, if so authorized by its articles, restrict the voting rights to active Members, in any special or general meeting. 	BODs
<p>Professionals</p> <ul style="list-style-type: none"> Appointment of CEO is mandatory and on full time basis He/she should be Other than Members Qualification / experience / terms & conditions of appointment – determined by Board Entrusted with substantial powers of management Will function under general superintendence, direction and control of Board Accountable for performance of the PC 	BODs, DPMU & TSA

Strengthening governance Process	Responsibilities
Sub Committee <ul style="list-style-type: none"> Forming Sub Committees & make sue the subcommittees are functioning as per their assigned role & responsibilities 	CEO/BODs, DPMU, TSA
BOD meeting <ul style="list-style-type: none"> Once in every three months and at least four meetings should be conducted every year 	CEO & BODs, DPMU, TSA
AGM <ul style="list-style-type: none"> Mandatory every year – gap of not more than 15 months between two AGMs extension can be given by Registrar of Companies (ROC) (except for 1st AGM) – not more than 3 months First AGM – within 90 days from incorporation 	CEO & BODs, DPMU, TSA
Annual Compliance & Record keeping <ul style="list-style-type: none"> Annual accounts – With the ROC within 30 days from the conclusion of the AGM Annual Return – With the ROC within 60 days form the conclusion of the AGM Event Based filing with ROC. The company is also required to maintain all records including its statutory register and Minutes book up to date to avoid penalty. 	CEO / Accountant, DPMU, TSA

What is self-governance?

Self-governance is the process by which elected leaders, along with the participation of members, who have framed rules and norms, implement the decisions they made for themselves, in a transparent manner, with autonomy and self-regulatory methods. Following are the elements of self-governance.

I) Participation and non -discrimination:

The success of a community organization depends on how well its members participate in the functioning of the organization. No organization has ever succeeded without community participation. A good self-governance warrants participation of all members regardless of caste, creed or ethnicity. The onus is on the administration to create an enabling climate to practice self-governance. The Producers' Collectives will emerge as an outstanding institution with ownership and participation of its members.

II) Defined rules and regulations:

Defined laws are mechanisms developed by the Collective for better management. The registered company must evolve rules complying to the legal requirements in accordance with government guidelines.

III) Shared powers:

Wherever powers are devolved it can be assumed that self-governance takes place impartially, as well as responsibilities shall be shared within

the Producers' Collectives, which will reduce the workload and increase the involvement of members.

IV) Accountability:

Governance is not just a ceremonial component of a collective, rather it is a driver of the collective, which directs the Collective in a clearly defined path of progress. When the members in governance, realise their responsibilities, they will create lasting changes in the members' lives. The planned activities of the Producers' Collectives will take place without hindrance if the members of the BOD of the Producers' Collectives realize their responsibilities and act accordingly.

V) Transparency:

Transparency is the hallmark of the good governance. Transparency shall be embedded in every aspect of the institutional systems of processes. Transparency should be devised within the ambit of the institutional rules and norms.

VI) Proper Documentation:

Documentation is a big gap in many community-based organizations, and many do not realize its necessity and importance. Documentation is the process of disclosing the activities and effects of an organization with evidence. It can be done in multiple ways, for example the minute's book, the account registers, which can also be documented on a computer, in records and files. Documentation will benefit the governance today and in the future.

Impacts of Self-Governance:

Self-Governance leads to increased participation of directors / shareholders. This will create most favourable environment for all activities to take place with the participation of the people. Increasing the active involvement and direct participation of members in the company's activities would increase the sense of ownership among the members.

This will elevate the respect for the rules framed by the members themselves, and create an internal

pressure to adhere to it. Members will feel that the power to make decisions remains with them. The feeling of shared responsibility in the organization will develop. Activities, accounts, impacts, decisions would have been documented and known to all

What is the core function of Board of PCs?

The answer, certainly, is Governance i.e. the norms and policies and their operationalization for effective functioning of the PC. To understand this, let's look at the cases of following two PCs.

PC 1	PC 2
In this PC, the Board is sensitive to the needs of members and ensure required services to members. They have ensured required systems like accounting & bookkeeping, quality control, monitoring etc. and ensure transparency and accountability in their operations. They also comply with all statutory requirements from time to time.	This FPO is not adequately represented by the Board. In view of lack of proper systems, there is mismanagement of funds without the monitoring by the BoD. The legal compliances like Board meetings, AGM, audit and returns filing are not done regularly.

By the comparative analysis of the above two FPOs, which one is governed better and thus function better? From the above analysis, it is evident that good governance is the key for effective management and functioning of PCs.

The DPMU, BTLs & TSA must to ensure different good governance practices have to be taken up as depicted below in the VKP Promoted PC.

Legal compliances	<ul style="list-style-type: none"> • All and in time • Under the registered Act and also all other Acts concerning the activities of FPO • Required legal licenses/ permits
Focus on overall purpose	<ul style="list-style-type: none"> • Mission and strategies • Interests of members • Viability and sustainability of FPO
Board Meetings & GB meetings	<ul style="list-style-type: none"> • Regular • Participation • Compliance to meeting decisions
Decision making	<ul style="list-style-type: none"> • Timeliness • Participation in decision making • Internal control
Audit	<ul style="list-style-type: none"> • Regular • Compliance to audit recommendations
Reporting	<ul style="list-style-type: none"> • Transparency • Accountability
Systems & Policies	<ul style="list-style-type: none"> • Robust systems & policies in place

5.2 Organizational set up of VKP Promoted Producer Collectives:

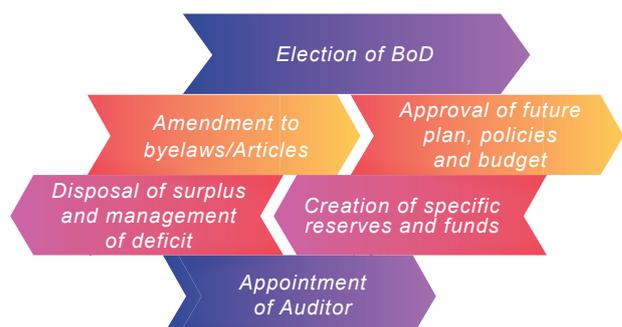
- The members of the PCs could either be PGs or individual producers. In case of PGs it would be represented by the PG members.
- The PC should have a BOD and General Body. Members, Board of Directors and Staff are the three constituents in any PC.
- PCs are directed and controlled by a governing body commonly called Board of Directors. The board has a legal, moral, and executor responsibility for the organisation.
- BOD are minimum 10 members or 2-institutional members but no limit on maximum number and the Board of Directors of PC ranges between 5 to 15.
- The Board of Directors may appoint one or more directors as expert directors. The expert director need not be a member and provide technical advisories to the board. but the expert director not exceeding 20% of the total strength.
- The Board elect the chairperson and other office bearers.
- All the members of the PC will be considered as members of the General Body which will review the policy decisions taken by the BOD.
- The GB will elect the office bearers and other members of the BOD and sub committees. The GB will approve the business plan, annual budget and accounts.
- The BOD meetings will be conducted every month. Minimum 1/3 of members will form quorum for every meeting.
- The Board of Directors can constitute a committee to assist them. The CEO or director of the Board should be a member of the committee.
- The BOD is a functional wing of the GB. It will have a Chairperson to lead/ support / guide the Board.
- The following sub committees will be formed to support the functioning of the Producer Collectives (PCs): The sub - committee will consist of 1 member from BOD & 2 member from GB.
 - Procurement sub-committee (3 members)
 - Production sub- committee (3 members)
 - Quality Assurance sub- committee (3 members)

- Marketing sub-committee (3 members)
- Finance sub-committee (3 members)
- Tenure of all sub committees will be two years. They will be selected in the General Body. The General Body can decide to have more sub-committees, in future, based on the requirement of t///he PC activities apart from the above sub committees.
- PC Registered by company act & legal entity.
- Producer are shareholders in the organization & deals with business activities of Primary Produce.
- The governance will be supported by a professional management structure comprising of a CEO and support staff. The support staff will be decided based on the business nature.
- The project will ensure 65 % of women of the total PC members
- To ensure inclusion of socially vulnerable groups in the collectives.
- The PC will also ensure that 65% of women members are in BOD.
- The Project should be inclusive membership

5.2.1 Roles & Responsibilities of General body, BoD & Chairman

Role & responsibilities of General body

- All the members together are called General Body and have an equal right to participate and be heard.
- Only general body will have the powers to take all final decisions relating to PC
- Powers of the General Body
- General Body is supreme with all required powers as they are the owners of the PC. - to take all crucial decisions like long term plans, dissolution of the PC, dismiss Board's decisions etc.



Roles & Responsibilities of Board of Directors

Governance

- Pursue and formulate the organizational policy, objectives, establish long-term and annual objectives, and approve corporate strategies and financial plans.
- Ensure that annual accounts are placed before the annual general meeting with the auditor's report.
- Take such measures or do such other acts as may be required in the discharge of its functions or exercise of its powers.
- Conflict resolution and problem solving.
- Exercise superintendence, direction, and control over CEO and other officers.
- Get Approval of decisions taken by the Board of Directors in the General Body Meeting, and implement activities as per the decision of General Body.

Performance of PC

- Investment of funds of the PC in its ordinary course of its business.
- Acquisition and disposal of property and assets of the PC in the normal course of its business.
- Establish amicable relationships with the rest of the village community including the panchayat.
- Establish good coordination with public institutions and banks.

Management of PC

- Appointment of CEO and other officers, as may be specified in the Articles.
- Admission of new members.

 *Preside over the meeting. The chairman must be ensured that the resolutions made and the decisions taken by the board are implemented.*

 *To always be aware and conscious that the operations of the PC are carried out effectively and efficiently as per the guidelines and take necessary actions for the same*

 *Implement decisions taken in the General and Special meetings of members*

 *Implement decisions taken by the BoD meetings*

 *To oversee all the matters of the PC including the legal compliances Supervise the staff*

 *To direct the progress for the PC and plan its line of action*

 *Represent the PC in the outside world*

 *To understand the problems, complaints of members/ staff through the Secretary, solve them, take decisions and actions.*

- Check that proper books of accounts are maintained.
- Sanction any loan or advance, in connection with the business activities of the PC to any member, not being a Director or his relative.

Roles and Responsibilities of Chairman

5.2.2 Roles & Responsibilities of Chief Executive Officer (CEO)

Governance

- Manages the Board's due diligence process to assure timely attention to core issues.
- Works with Board to ensure financing to support short- and long-term goals.
- Keeps board informed of developments in human services, profit management, governance and fund generation.

Performance

- Recommends Experts / Technical persons to participate in the Board and its committees.
- Promotes programs and services that are produced in a cost-effective manner, employing economy while maintaining an acceptable level of quality.
- Helps the Board and its development committee design, implement and monitor a viable business development plan.
- Assures program quality and organizational stability through development and implementation of standards, controls, systems, procedures and regular monitoring & evaluation.
- Assures a work environment that recruits, retains and supports quality staffs. Assures

process for selecting, development, motivating, and evaluating staffs.

- Specifies accountabilities for management personnel's and evaluates performance regularly.
- Initiates, develops, and maintains cooperative relationships with key stakeholders.

Administration/Management of PC

- Oversees the fiscal activities of the organization including budgeting, reporting and audit.
- Assures an effective fund development program by framing specific policies.
- Helps the Board monitor and evaluate PC relevancy to the community, its effectiveness, and its results.
- Provides general oversight of all PC activities, manages the day-to-day operations, and assures a smoothly functioning, efficient organization.
- Recommends staffing and financing to the Board of Directors. In accordance with Board action, recruit's personnel, negotiates professional contracts, and sees that appropriate salary structures are developed and maintained.
- Facilitates the integration of PC with the community by using effective marketing and communications activities.
- Listens to staffs, community, clients and stakeholders, in order to improve services and generate community involvement
- Serves as chief spokesperson for PC, assuring proper representation before community.

5.2.3 Role and responsibilities of Management Committee

Management committee have ultimate responsibility for directing the activity of the PC, ensuring it is well run and delivering the outcomes for which it has been set up.

Every management committee should provide leadership to the PC by:

- Setting the strategic direction to guide and direct the activities of the PC;
- Ensuring the effective management of the PC and its activities; and
- Monitoring the activities of the PC to ensure they are in keeping with the founding principles, objects and values.

Legal duties:

The Management Committee ensures compliance with all relevant legal and regulatory requirements and seeks guidance around any uncertainties. Everything the Management Committee and the PC do must also be in line with its governing document, e.g. constitution or memorandum and articles of association.

Financial oversight:

The Management Committee ensures that all money, property and resources are properly used, managed and accounted for. In order to be accountable, suitable systems must be in place and kept up to date.

Managing staff and volunteers:

They must ensure that appropriate policies and procedures are in place for staff/ Volunteers and that they are properly managed and supported.

Sub- committees and their roles

The Functional sub committees on procurement & Marketing, Finance, and Production & Quality assurance will be formed. These are essential for the successful, profitable and sustainable functioning of the PC. The members of the sub-committee will either be from the General Body or BOD.

Procurement sub-committee

The procurement committee will overlook the procurement functions of the PC.

They will ensure the quality of the materials procured and also decide on the price of the materials.

Production sub-committee

The Production subcommittee will overlook the production functions of the PC.

Organising Technical trainings

Quality Assurance Sub committee

They will ensure the quality of the production and the quality standards of the produce from members.

Marketing sub-committee

The marketing sub-committee will ensure proper marketing of the products to earn more Profit.

It will negotiate good price for the produce and identify different means of marketing.

Financial sub-committee

The financial sub-committee will supervise the Supervise all financial functions of the federation.

It will ensure the submission of books of accounts for annual audit.



The PCs will also have a business plan operations sub-committee to overlook the business development functions of the PC.

5.3 Streamlining management in PC:

Effective management of Producer collectives will lead to the development of the PC. It helps to achieve the goals and objectives of the PC; it helps to make optimum use of the available resources. Also it helps to establish a strong organization and equilibrium. Streamlining management of producer collective is an import process in PC development, some of the principles of PC management are as follows

Planning: Strong Planning process helps to

So Proper planning and based on monitoring and evaluation necessary changes need to make in the plan. The planning should be a participatory one and it should be very transparent in all levels. So the efficiency of the execution will be strong.

Organizing: Efficiency in the area requires the ability and resources to develop and effectively communicate design/redesign plans and realistic schedules, while maintaining a balance between the broad view and day to day operation. The existing organization structure in the case of a redesign is all-important to the success of the plan, as is the ability for leadership to delegate responsibility, while continuing to monitor and control outcomes. Structure, though transitional, must take precedence, often a challenge in an atmosphere of change.

Staffing: It's an operation of recruiting the employees by evaluating their skills and knowledge before offering them specific job roles accordingly. Suitable, experienced staffing will increase the work efficiency. The staffing model refers to data that measures work activities, how many labour hours are needed, and how employee time is spent.

Systems development :

Operating system: Facilitate detailing of the Operating system, including the accounting system and document in the form of a manual and digital. The Operating system of such organizations would include different elements, indications.

Information system: A manual/semi-automated MIS will have to be developed for the PC, as customized software may not be available for different activities.

HR system: In case the PC has hired significant number of staff, the HR system will have to be developed as well. Otherwise the system for roles and responsibilities, authority, compensation/remuneration etc. of the sub-committee members who run the day-to-day operations should be developed.

Planning and review: Formulate a process and template for Business planning. Also develop a system of reviewing the performance against the plan.

Monitoring and review: Monitor the operations and governance of the institution closely through reports and visits. Review the performance jointly provide guidance for overcoming problems.

5.3.1 Management Practices

Management practices usually refers to the working methods and innovations that PC use to improve the effectiveness of work systems.

Importance of management practices

- To foster clear, accurate and detailed communication.
- To practice consistency.
- To encourage teamwork.
- To practice transparency.
- To focus team effort.

The following Management practices would enhance the effective functioning of PC

- Organizational Structure policy / Systems
- Human Resources Management
- Monitoring and reporting
- Management Information System (MIS)

5.3.2 Organizational structure / policies / systems:

Organizational structure / policies / systems: -

An organizational structure is a system that outlines how certain activities are directed in order to achieve the goals of an organization.

- These activities can include rules, roles, and responsibilities.
- The organizational structure also determines how information flows between levels within the company. This has explained in the previous section.

What is Organizational policy?

An organizational policy is a set of guidelines and best practices put in place to protect the company, employees, and customers.

- Organizational policies may cover employment practices, employee conduct, disciplinary procedures, Internet and e-mail use.
- Company policies and procedures establish the rules of conduct within an organization, outlining the responsibilities of both employees and employers.
- Company policies and procedures are in place to protect the rights of workers as well as the business interests of employers.

Organizational policies will include

The TSAs will support the DPMU in nurturing and handholding the PCs by placing systems framing guidelines and policies on HR, Financial, Procurement and Marketing. The TSA with the PC BOD & CEO will develop the above SOP/ policy for their respective PCs in their districts.

Systems strengthening : The TSA will facilitate for system strengthening of the VKP Promoted PC. To ensure organizational principles are followed. To ensure the Annual General Body meet conducting at least once in a year. The BoD of PC shall meet at least once in a month. The DPMU with the support of TSA may handhold or facilitate the PC in conducting the meetings.

5.3.3 Human Resource Management

The success of any organization can be attributed to the human resources who are driving the operations and decision making on a day-to-day basis. Hence, it is essential that the PC must have dedicated and professional manpower with relevant experience for each business vertical. The Human resource structure may be divided into

Core Staff – The core staff would be minimal staff on the payroll of the PE and would handle the key decision for each business activities.



Non-core Staff – The non-core staff would consist of field manpower who are hired for specific tasks/jobs on retainer basis to handle the

operations of the PC.

The PC must recruit dedicated manpower from the beginning and the costing of the salaries of core and non-core staff must be part of the business plan. The PC must recruit the following human resource for their PC,

1. CEO – The CEO is an expert professional with proven track record in handling PC businesses. The CEO would look after the end-to-end operations of the commodity. The functions would include commodity handling, procurement, quality, trading/ marketing. The commodity expert would be responsible for the P&L of the PC. The CEO should have had prior

experience in dealing with agriculture commodities and markets preferably in commercial organizations.

2. Accountant – One person for managing the finances of the PC with relevant experience would be responsible for commercial activities, logistics, maintaining books of accounts and legal compliances of the PC.

3. Support Staff – Depends up on the nature of the business

Human resource management is the strategic approach to the effective management of people in a PC such that they help their business gain a competitive advantage and includes :



Requirement of PC staff

Identification and placing of staff : The PC will have a team of staff comprising of a CEO and support staff in carrying out the business activities. The number of staff and support staff will be based on the business volume/ transaction. The BOD committee would be involved in the identification and the selection process of the CEO, Staff and support staff. The BoD / EC will be trained on the selection and recruitment process. TSA & DPMU will Facilitate in identifying right office bearers for PC and work in close coordination with CEO and BOD for handholding support.

Recruitment procedure : The PC will follow the following recruitment procedure with assistance from DPMU, BPMU & TSA

The requirement process starts with Job description of the role for the PC: The example job description is as below,



Example CEO Job Description

Position: CEO

Reporting to: Board of Directors

About the position: As CEO of Farmer Producers Organization, the qualified candidate needs to utilize their skills in developing and establishing the administrative, accounting, institutional building and other procedural systems. The qualified candidate should perfectly balance the input and output Agri. business of PC by using multi-tasking, partner management and resource management skills, considering external and internal limitations.

Notice for the recruitment of the staff would be given through advertisement in local papers. The selection procedure would involve a process of interview done by the BoD/EC members. A resolution will be passed into the BoD/ EC meeting after the selection process is completed.

Setting clear objective for the staff

Clear PC Staff objectives create a performance evaluation framework that is aligned with PCs objectives. Clear SMART Objective are,

- Specific: well defined, clear, and unambiguous
- Measurable: with specific criteria that measure progress towards accomplishment of the goal

- Achievable: attainable and not impossible to achieve
- Realistic: within reach, realistic and relevant
- Timely: with a clearly defined timeline, including a start date and a target end date

A SMART object must have criteria for measuring progress. If there are no criteria, the PC will not be able to determine staff progress and staff are on track to reach their goal.

Performance based remuneration structure

The remuneration structure for all staff (core and non-core) should have a fixed component and a variable component that is linked to performance. Depending on the level and type of operations handled.

Creating Annual Work Plan

An annual work plan identifies the activities, timeline, targets, and responsible person that are needed in order to accomplish the PC Business Plan goals.

The DPMU, TSA will design the setting of work schedule, monitoring their work, incentivising with consulting discussion with the BOD. This will include in the human resource policy of the PC document.

5.3.4 Building capacity of the staff & Grooming

Capacity building is the process by which individuals and organizations obtain, improve, and retain the skills and knowledge needed to perform their jobs competently. The BOD & CEO will take a responsible for providing their staff capacity building.

Capacity building is accomplished through:

- Perform a training needs assessment
- Identification of internal or external trainer to provide needed training
- Execute capacity building trainings
- Follow up and refresher trainings if needed



The PCs will require systematic capacity building training inputs at various levels to execute the functions effectively and efficiently. The Board of directors, CEO and support staff will require various Technical inputs to develop their knowledge, skills and attitudes and build their capacity to manage the business activities. Induction program and other trainings for PC staff would also be planned for the VKP project. **The BOD will attend the Governance and Business development trainings.** CEO and Staffs will attend Business planning, Product and Market development trainings. The VKP Project planned the following capacity building training program for the PC. The same COM content will be delivered during the training programme.

The training events will be facilitated and coordinated by the DPMU, BTLs & TSA. These capacity building trainings would result in strengthening of PCs on Governance, finance, business technical and management aspects.

5.4 Monitoring progress and relevance to shareholders

Monitoring progress and relevance to shareholders: It is extremely essential for the PCs to monitor operational and financial progress as against a pre decided plan at regular intervals.

Monitoring can be defined as a systematic collection and analysis of information of an ongoing project. It is aimed at improving the efficiency and effectiveness of the project implementation so as to derive maximum benefits for the producers/PC.

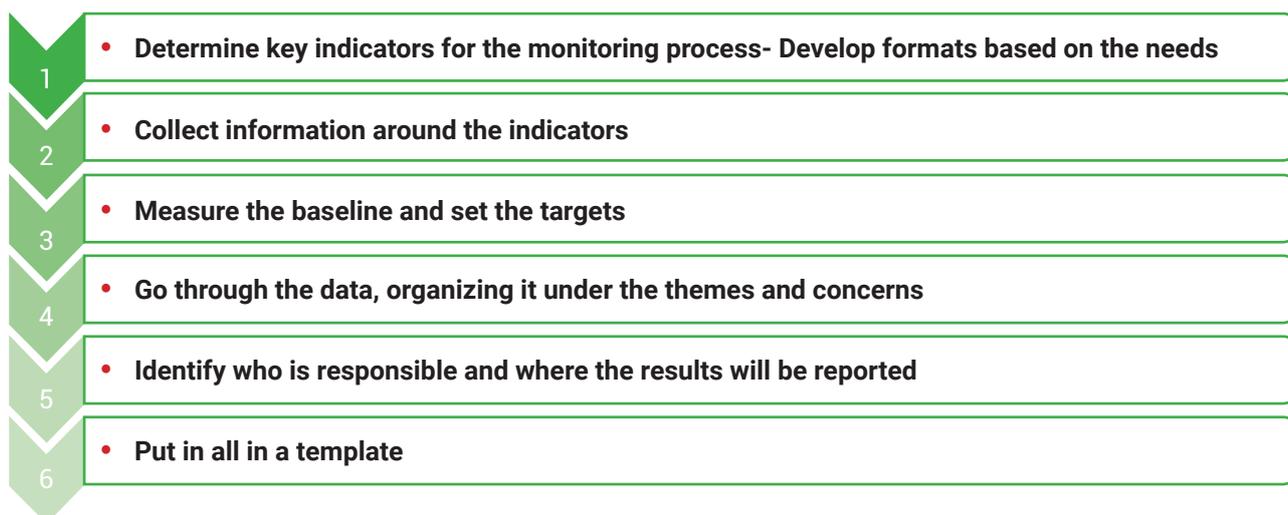
Who will formulate monitoring mechanism?

- The Board is responsible for formulating, supervising and monitoring the performance of the Producer Company.
- An PC should have a monitoring team which will be responsible for monitoring the implementation of the project and also the outcomes / impact of targeted activities.

Why monitoring is essential?

- The PC has to satisfy itself that it is able to function in a sound manner for meeting the expectations of all the stakeholders.
- It also needs to monitor work execution at the producer level.
- The PC has to prepare a work schedule/time line for procurement of inputs, execution of works, marketing of produce.
- Accordingly, at each stage, review and monitoring has to be done by the PC.

Steps to design a monitoring system



Monitoring of PC



In PCs, how can we ensure proper running of various activities like as follows

The VKP BPMU / TSA can ensure proper implementation of various such activities in PC by effective monitoring.

Monitoring is an important institutional process in PCs. Without proper monitoring, it is not possible to have required controls and to ensure smooth functioning of the organization.

It is an important responsibility of BoD members to monitor the progress and results of their PC from time to time. Apart from Board Meetings, the BoD members can have periodic review meetings – weekly, monthly based on business operations. The concerned sub-committee members of the Board can visit the operational area of different activities (for eg, marketing sub-committee members to a procurement centre) and do onsite monitoring. The Board can place feedback system to have required feedback from different stakeholders – members, customers, suppliers, staff etc and make necessary corrections.

Since PC is a member centric organization, the relevance of PC activity for the member is extremely essential to understand. The PC BoD need to talk to PG members, individual shareholders, and others at regular intervals to gauge the relevancy of the PC activity as also to understand whether the benefits to the members are substantial.

The following table mention examples of key indicator, MIS, who in the PC should do the monitoring and also what interval the monitoring have to done at the PC. The BOD should develop certain example indicators to measure the monitoring based on the monitoring indicator.

S.No	Criteria/ Variable	Indicators	How to develop MIS & Track	Who in the PC	Interval
1	Institutional Development	<ul style="list-style-type: none"> Number of producers actively participating in PC Attendance in BODs meetings Attendance in Annual general body meeting Women participation in governing body and general body Attendance in the trainings No. of PGs linked to Institutional credit Participation rate in elections, by members 	<ul style="list-style-type: none"> Periodical assessment and analysis Resolutions and Books of Records Database of Available institutions in the district 	<ul style="list-style-type: none"> CEO, BODs & Promoting Organization 	<ul style="list-style-type: none"> Half yearly basis

S.No	Criteria/ Variable	Indicators	How to develop MIS & Track	Who in the PC	Interval
2	Operational Indicators	<ul style="list-style-type: none"> No. of field staff No. of administration staff Regularity of staff Total salaries in a month Incentives for members Rent and stationery No. of Internal Audits in a year Other expenditure 	<ul style="list-style-type: none"> Employee Register Salary Register Attendance Register Members incentive Registers Expense Register 	<ul style="list-style-type: none"> CEO & Accountant 	<ul style="list-style-type: none"> Monthly basis
3	Social Development	<ul style="list-style-type: none"> No. of SC/ST families in PC No. of backward community members No. of women-headed households 	<ul style="list-style-type: none"> Standard Shareholders data base will be developed and maintain it. 	<ul style="list-style-type: none"> BODs & Office bearers 	<ul style="list-style-type: none"> Annual basis
4	Technical Development (Depends on the PC)	<ul style="list-style-type: none"> Increase in area under sustainable agriculture practices Increase in efficient irrigation methods Increased usage of proper post-harvest practices 	<ul style="list-style-type: none"> Data base will be prepared and maintained regularly 	<ul style="list-style-type: none"> CEO & Office bearers 	<ul style="list-style-type: none"> Once in a 6 month's (Based on cropping season)
5	Economic Development	<ul style="list-style-type: none"> Increase in net income per acre Decrease on cost of production Increase in employment Increase in wage rates for the labour Increase in number of micro/nano-enterprises Financial inclusion of tenant farmers and share-croppers Increase in employment Increase in wage rates for the labour Increase in number of micro/nano-enterprises Financial inclusion of tenant farmers and share-croppers 	<ul style="list-style-type: none"> Data base will be prepared and maintained regularly Periodical Assessment with the Standard tool 	<ul style="list-style-type: none"> Shareholders & BODs 	<ul style="list-style-type: none"> Once in a 6 month (Based on cropping season)
6	Business Performance Indicator	<ul style="list-style-type: none"> Annual Net profit Annual Turnover Corpus fund Financial self sufficiency 	<ul style="list-style-type: none"> Annual Auditing report 	<ul style="list-style-type: none"> CEO , Accountant, BODs & Company auditor 	<ul style="list-style-type: none"> Annual Basis
7	Input & Output Business Monitoring indicator	<ul style="list-style-type: none"> Input Purchase sale and stock Monitoring Quantity Procured from farmers, sale and stock Quantity produce taken for Vale addition 	<ul style="list-style-type: none"> Purchase, sale, procurement , stock Registers 	<ul style="list-style-type: none"> Accountant & CEO 	<ul style="list-style-type: none"> Monthly Basis / Time to time basis

S.No	Criteria/ Variable	Indicators	How to develop MIS & Track	Who in the PC	Interval
8	PC Outreach Indicators	<ul style="list-style-type: none"> No. of, Block/sub-block, villages, No. of primary producer families No. of PGs No. of primary producers enrolled in PGs 	<ul style="list-style-type: none"> Shareholders database 	<ul style="list-style-type: none"> BODs & Office bearers 	<ul style="list-style-type: none"> Annual Basis
9	Financial Indicators	<ul style="list-style-type: none"> A. Shareholders Total number of active PGs Total share capital Deposits No. of non-shareholder PGs Average share capital per PG Average share capital per PG members Dividend on share capital Patronage Bonus per PG B. Loans: Total amount of loan availed by PC Cumulative amount invested No. of loans outstanding (portfolio) to bankers Amount of loan outstanding to bankers Average loan size Total income earned on loan fund investment Total interest paid on borrowings Average interest amount on bulk loans borrowed Annual Turnover Profit & lose 	<ul style="list-style-type: none"> Using Talley for account maintenances Auditing Process Resolution and books of records. 	<ul style="list-style-type: none"> Accountant & CEO Company Auditor BODs 	<ul style="list-style-type: none"> Monthly basis Annual Basis
10	Convergence Indicators	<ul style="list-style-type: none"> No of Convergence done No of Schemes leveraged for PC development No of Network created with other producer collectives Total Shareholders benefited 	<ul style="list-style-type: none"> Resolution and Books of records. 	<ul style="list-style-type: none"> BODs, CEO and Business promoter 	<ul style="list-style-type: none"> Quarterly basis

5.5 Management Information System (MIS)

What is MIS and its objective?

MIS is the acronym for Management Information Systems. In a nutshell, MIS is a collection of systems, hardware, procedures and people that all work together to process, store, and produce information that is useful to the organization.

A management information system (MIS) is an information system used for decision making, and for the coordination, control, analysis, and visualization of information in an organization.

MIS is a collection of systems, hardware, procedures and people that all work together to process, store, and produce information that is useful to the organization.

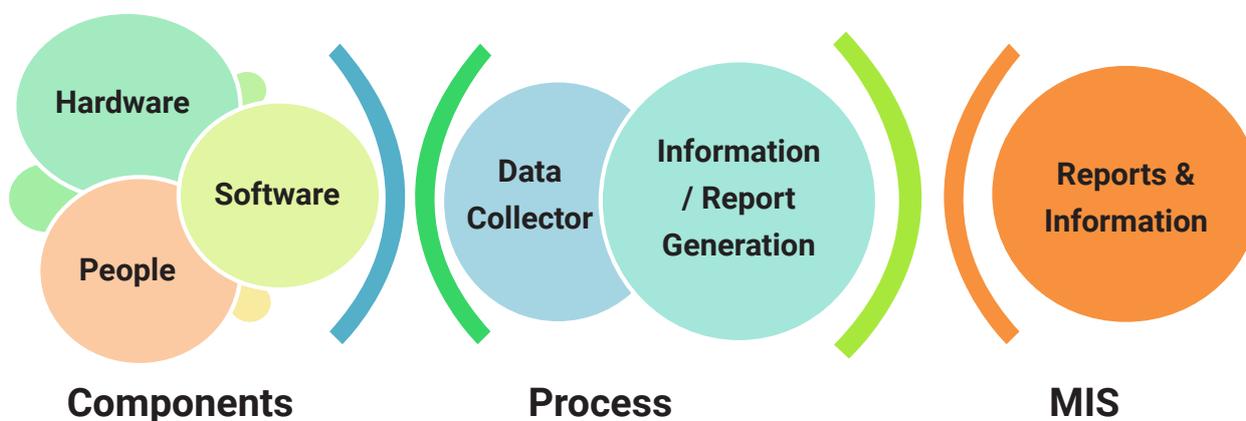
The objective of MIS is to provide information for decision making on planning, initiating, organizing, and controlling the operations of the sub systems of the firm and to provide a synergistic organization in the process. It facilitates the decisions-making process by furnishing information in the proper time frame.

Examples of reports to be generated based on MIS

Reports	When	Reviewed by
Financial reports	Monthly	CEO/Management
HR reports	Monthly	CEO/Management
Procurement reports	Based on cropping season and work plan	CEO/Management
Membership reports	Monthly	CEO/Management
Monthly reports	Monthly	CEO/Management

5.5.1 VKP Project MIS systems & Digitalisation

The VKP Project will develop digitised MIS platform systems. The digital platform will provide a centralised platform for PCs to create and maintain a complete digital database of farmers along with land and crop profile digitisation and ensure the PC to maintain digital accounting of financial transactions within the PCs. The component, process and MIS mentioned below,



Capturing cash flows of PC Bank account using digital payments: VKP envisages and make provisions to ensure that transactions between farmer-PG-PC should happen through respective bank accounts not necessarily restricted to payment by cheques and VKP should encourage use of digital payments. This would help the PC to capture the real-time transaction volumes (cash flows) and hence increasing the chance of bank financing.

Digitalisation

The MIS integrated platform to monitor and evaluate the performance of the PCs promoted by the VKP project. Additionally, this process of digitising enables better data management to derive valuable insights and generation of MIS reports.

The PC should have full information on its members, production and business/sales data to meet its objectives. Interaction of the Farm Level, producer level and the PG Level data can help in strengthening the PCs and their business. The producer and producer level data are usually maintained in physical registers. PGs as an entity is one of the most effective ways of aggregating demand and supply at a farmer level, digitization will help PG & PCs to digitally connect/transact with member farmers on time.

The digitization of the manual **records and updating of the PC** activities will:

- Efficiently perform its daily operations
- Aggregate input demand and reduce the cost of production

- Sell the collectivized produce of their producer members and ensure that the member farmers get better prices, thereby, improving the engagement between the members and the PG
- Integrating with PG and PC Management system enable simplicity in management while ensuring data-driven high quality decision making.
- Can supports in delivery framework of PCs update their data on a real-time basis.

Thus digitization could act as an enabler for PCs and three sets PC data are important:

- Farm-level
- Farmer-level
- PC-level

Digitisation could act as an enabler for PC. The Digital MIS data can be Excel based or software based. The DPMU team along with TSA will assist / facilitate for developing the following MIS template and the BOD / CEO shall take a responsibility to update the MIS on regular basis. The BPMU and DPMU should consolidate the PC generated Excel based MIS and share the Google spread sheet to SPMU on monthly basis. The following MIS will be designed to the PCs

Farmer Level MIS

Information of farmer name, Age, land holding

Farm Level MIS

Yield estimation, weather alerts, buying-selling, packaging of produce and custom hiring

PC Level MIS

Information collected during PC Registration (PC code can be generated after PC is on-boarded in the program) Information collected for Business Plan Tracker, Information collected for Capacity Building trainings , Information collected for access to finance tracker, Buyer profile MIS, PC Sales MIS, Farmer Procurement MIS

At the Farmer-Level and PC level, the information such as location, staff details, management team

details, farmer name, age, land holding, etc. does not change month-on-month, hence this as mostly static data. However, the Farm-level data is more dynamic in nature, which includes information on the PCs daily operations such as Yield estimation, weather alerts, buying-selling, warehousing, inventory keeping, packaging of produce and custom hiring etc., that needs to be updated based on the frequency of the activities. Farmer-Level and the PC Level data can help in strengthening the PCs and their business. The digitisation provides complete digital software solution for the above data including PC financial transactions and Create a digital ecosystem.

Few of the PC in Tamil Nadu already digitized the operations for example farmers managed their operations and financial transactions using digital solutions. The agriculture inputs sold and transactions captured digitally and also captured loan & repayments.

Traceability system

The traceability system provides unparalleled visibility and transparency to the value chain. With touchpoints across every stage – from farm to retail. The traceability app / software enables tracing back the provenance of the produce to its origin, with details of farmer, farm location, date and time of harvest as well as and complete visibility into logistics, conditions of storage, chain of custody and more. The traceability system enables supply chain traceability more robust and like never before. Traceability to source, along with accurate certification and product labelling, provides agri-enterprises with a competitive edge that helps improve their access to local and international markets and leads to better price realisation for the smallholder farmers.

The VKP District project team & TSA looking for opportunities for digitalization in their working PC. Some of the digital technology company working for PC Digitisation with their solution are as follows as an example,

S.NO	COMPANY NAME	SOLUTIONS	DESCRIPTION
1	Sourcetrace	Farm Management, Farm Advisory Services, Certification, Monitoring & Evaluation, Traceability, Supply Chain Management, Market Linkage, Financial Services	SourceTrace's advanced technology platform DATAGREEN provides comprehensive solutions to manage all aspects of the agricultural value chain.
2	Kanchi	Farm Data Repository, Farmer Investor Service, Inventory and invoice Management of Input shops, Farm Equipment Leasing, Produce Aggregation, Market Access	KANCHI is a web and mobile based platform digitizing typical activities of an FPO such as input-output aggregation, milk collection, farm equipment leasing, lending and repayment and market linkage. KANCHI supports digital payments and seeks to throw light on rural households' income generation capabilities and their credit worthiness. Example: A few PCs in TN had sold agri-products through Kanchikart, a market-linkage module software solutions.
3	Cropin	Complete Farm Management Solution, Risk Mitigation and Forecasting Intelligence Solution, Pack house Solution for Traceability & Compliance, CRM & Input Channel Management Solution.	SmartFarm is CropIn's flagship smart farming solution that captures crop data straight from the fields. mWarehouse is a digital packhouse solution that establishes farm-to-fork traceability, quality control and compliance with international trade regulations.
4	Farm ERP	Farm Management Software, Small Farm Management Software Platform, Science based intelligent advisory solutions and services to agribusinesses, financial data management and analysis.	FarmERP software platform is most advanced, successful and best farm management software platform being widely used globally for farm, farmer, procurement, processing, supply chain and financial data management and analysis.
5	pay Agri	Forward and backward linkage, Tech Driven Products (Farmer credit Appraisal, Farmer Financial Report, Inclusive Fintech Solutions, Agri AI & Expert System, Agri Decision support system	payAgri constantly strive to ensure that the farmers reduce cost of cultivation & wastages, get better price and do cashless transactions so as to build their financial profile based on real time data.

5.6 Management of PC funds

1. All decisions pertaining to the funds have to be taken by the BoD where at least 90% of the members are present, thus ensuring the involvement of all the members in managing the PC funds. However, care must be taken to avoid unnecessary expenditure.
2. The PC has to ensure that all books of account are maintained to ensure transparency and accuracy.
3. Payments to be made to members or the external agencies should be done promptly.
4. All assets and goods acquired by the PC should be managed properly. Assets can be insured so that losses from risks are minimized.

5. PC accountant manage all transactions with the bank e.g., receiving the cheques from the party, securing payments to the members etc.

Problems and conflicts are natural in any association. It is possible to discuss the problems and conflicts openly and to resolve them. Unsolved problems and conflicts are harmful to the association.

5.7 Leadership

Leaders play a very important role in the effective functioning of a PC. However, it is the responsibility of the members to select good leaders to manage their group.

The choice of leaders should be based whether or not individual members have the qualities, skills and abilities needed to carry out these positions rather than their positions or status.

Leadership styles can be in different forms. The four most basic forms of leadership are:

- **Telling (directive)** – Leadership style based on instruction/supervision
- **Selling (persuading)** – Leadership style based on explanation of reasons, welcoming suggestions + support
- **Sharing (consultation)** – Suggestion-based leadership style; some experimentation welcomed

Delegation – Responsibility for decisions passed to others while leader continues to “monitor” (and could intervene).

5.8 Conflict management

Conflicts: Difference of opinion / view among persons over a subject

Types of conflict

Make separate chart for each conflict and ask members to paste the conflict into the chart they think that the conflict belongs to. Once done, describe each type of conflict as mentioned below:

- **Inter personal conflict:** Due to personality difference

- **Intra organizational conflict:** Within PC
- **Societal conflict:** With PC and community
- **Goal conflict:** some member may focus on social goals whereas others may focus on economic goals. So, conflict arises.
- **Role conflict:** There are conflicting expectations for a given position from various members.

Capacity building need for PC board members on conflict resolution

- Leadership quality
- Coordination capacity
- Problem analysing skills
- Skill to identify problem solving methods
- Communication skills
- Ability to resolve conflicts
- Listening

Reasons for conflicts

Steps for conflict management:

- Identify the problem
- Define the problem
- Analyse what happened in the problem
- Who are involved?
- How it happened



- What is the reason behind it?
- Is there any hidden agenda?
- After seeing the root causes openly discuss and brain storm on the possible solution
- Listening to everybody's point of view / ideas
- List down the pros and cons of each option
- Choose the most effective option through negotiation (ability to implement the option, whether the option is favourable to all members, available opportunities)
- Decide about the implementation of option, timeframe, who will do what / when etc.
- Get feedback whether the problem is resolved amicably
- Otherwise review the option and follow up

Conflict management

The following approaches are followed for conflict management:

- Withdrawal: Avoiding the conflict situation and refusing to talk further about the conflict
- Covering up / smoothing: Covering up differences and claiming that everything is fine, when it is not. Refusing to acknowledge conflict.
- Bargaining: Negotiating to arrive at a compromise, or bargaining to maximize each person's gains.
- Forcing: Forcing a person to do something by using authority
- Problem solving: Accepting differences, resolving them in a collaborative way.

5.9 PC Business operations.

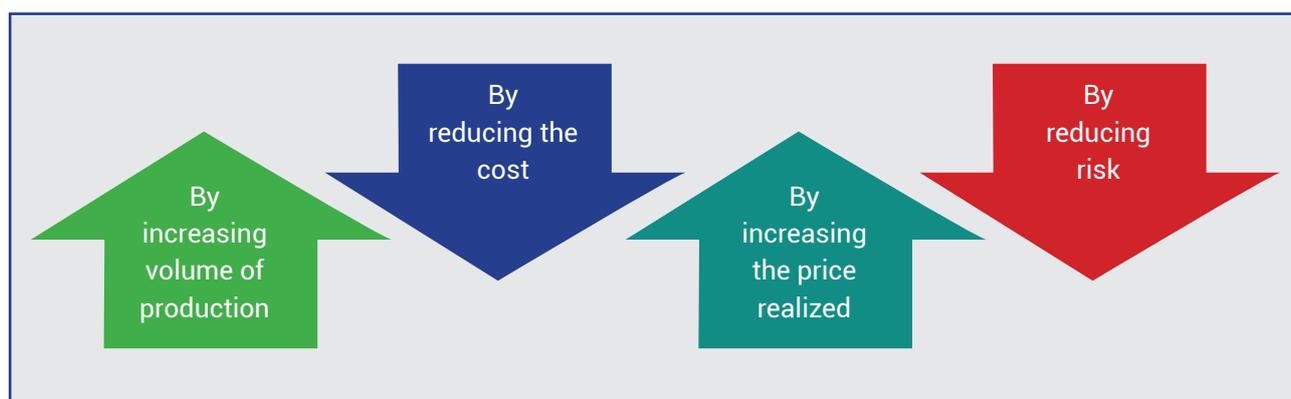
Managing PC business Operations

The PC runs its business to enhance producer income and profit for the company and its individual shareholders.

This can be achieved by the following:

1. Increasing Volume of Production

- Increase SCALE – Area under cultivation/ Number of animal's/ Shop space



Increased productivity through

- Better technology
- Improved package of practices
- Training
- Better seeds
- Diversify into other things

2. Reducing Costs by

- Improved productivity from efficient use of resources
- Collective purchase of inputs
- Shared 'fixed costs'

3. Increasing Price Realized by

- Exploring alternate markets and market channels
- Adding value at the local level
 - Selling to a bigger market

- Selling directly to a processing company in place of trader
- Selling grain in place of the cob (for example, for millets)
- Getting ASSURED price (non-necessarily increased)
 - Forward sales
 - Commodity trading operations
 - Contract farming arrangements
- Improved quality of product

4. Reducing Risks by undertaking

- Physical measures
 - Deep ploughing in summer
 - Timely sowing
 - Protective irrigation
 - Pest control measures



- Financial measures
 - Insurance
 - “hedging” through contracts

5.9.1 PC Activities and process designing

Each PC needs to determine and plan the activities to be carried out, design approval process for each activity and ensure approvals in place before commissioning the activity. As discussed in the first chapter of this manual the scope of PC business activities ranges from aggregation, quality input supply, higher order of value addition (like primary and secondary processing), branding, and marketing and wholesale/ retail selling. The PCs have to design, organise, plan and manage the business activities effectively to earn income and profit for the PCs. They are discussed as under.

1. Input provision

PCs can buy inputs in bulk, at lower prices, and then supply it to the members Through the Producer Groups (PGs) The procedure to be adopted for procurement and of agriculture Inputs are as follows:

- Demand assessment shall be accomplished by producer group (PG), on the basis of compilation of demand collected from individual members/ farmers of the Company.
- An indent should be made by producer group to the procurement committee of the producer company initially on the basis of either shareholder farmer’s confirmed demand collected by PGs, or demand articulated by marketing committee for the supply of specific product/material demanded by buyers/ processors; for that specific parent material like seeds and variety/ fertilizers /pesticides/feeds in case of livestock are prerequisite, and it has to be demanded by PGs through written indent which shall be also approved by marketing committee.

- This demand collection exercise should ideally be completed within one-and-half months in advance of the season (e.g. Aadi Pattam/ Samba/ Kharif demand should be collected and confirmed before May and Karthikai pattam/ Kuruvai/ Rabi demand before September each year).
- This should be intimated to procurement committee in a written Indent Letter (in prescribed format) signed by the office bearers of PGs or any other person authorized for the same.
- The procurement committee should ensure the supply of all indented material especially seeds, fertilizers, pesticides and farm machinery to its members well in time. The authorized dealership from the supplier producers or manufacturer companies should seek following the stipulated procedure laid down by the PCs.
- In case of very limited quantity or unavailability of dealership due to unavoidable circumstances (Justifiable explanation should be given), procurement committee shall follow the process of quotation if limit is more than limit described below.
- For procurement of agriculture inputs already demanded by PGs and approved by procurement committee, amounting to more than Rs. 25000/- , 3 quotations of a similar type are required from supplier/companies. However, for the procurement of the material costing less than Rs. 25000/, no quotations are required.
- Collection of quotation or cross verification of rates shall be the responsibility of procurement committee.
- In case of procurement of seeds/fertilizers/ farm machineries or other agriculture inputs from recognized State/National Agriculture Research Centres/ SAUs or ICAR’S institutions, no quotation is required.

- Similarly, for the procurement of goods/material and technical services of any particular Brand (well established in market for a minimum of 15 years and internationally certified from any certification bodies like ISO etc) preferred by the member's producers, and proper justification and demand given by PGs to the procurement committee, in such cases quotation requirement can be exempted. In these circumstances, only supply price alone shall not be the criteria for the finalization of supplier.
- In cases where suppliers are not available for any particular goods or services, the purchasing norms can be liberated by the Chief Executive Officer with prior consultation of BoD or minimum 3 members of BoD as the case may be.
- The purchasing procedure will be initiated by procurement committee that must include the accounts section and 2-3 persons from the BoD, total person not less than 5 in any case. This constituted committee shall finalize the purchase agreements.
- A comparative chart has to be prepared before finalization of input supplier/ company as described in the following table. Evaluation shall be done by procurement committee in parameters mentioned in the table.
- Final purchase approval will be given by the Chief Executive Officer or by the person nominated by BoD. Manual for Producer Company:
- In general, the project staff would not be allowed to get involved in the purchasing except when extraordinary situations arise and the same is decided by either BoD or by Chief Executive Officer, with the written consent and or approval of the BoD.

2. Production streamlining

This section looks at how PCs can produce products that meet the demands of the market, in terms of quantity, quality, and continuity.

Co-ordinating production Co-ordinating the production of individual members is important as it enables PCs to: **Coordinating production:** To take advantage of different market opportunities and respond to the needs of buyers, PCs may have to coordinate the individual production of their

members. For example, PCs can meet the demand of buyers, who expect a continuous supply of fresh produce (Eg: vegetables) throughout the season, by organising members to plant their crops at different stages during the planting season.

- **Meet supply contracts:** PCs have to often make advance contracts with buyers to supply a certain amount, and PCs have to co-ordinate with member producers and the associated PGs in order to adhere to the contract.

It requires facilitating and supporting the associated PGs in organising the production and procurement process to ensure they can fulfil the contract by incorporating the PC plan into the plan of the PGs and reaching the producers through the PGs. This becomes more important especially in case of horticultural and non-farm activities where the where production outputs need to sync with market demand. Thus, there may be a need to synchronise production system. This includes numerous village level meetings, convincing producers, raw material collection, processing and close monitoring.

- **Increase the range and seasonal coverage of production:**

This could be done by organising individual members to produce different products or to produce the same product at different times, PCs can increase the range of products they can offer buyers and ensure a constant supply throughout the season.

- **Reduce business costs:** Co-ordinating members' production can enable PCs to use their resources more efficiently and reduce wastages. The project team/TSAs can help PCs develop the logistical skills and systems to co-ordinate members' production to meet market demands.

Increasing output: Most PCs have to find ways to increase their total output, i.e. the total quantity they are able to market, in order to reduce their business costs (per unit sold), or to increase their bargaining power with buyers. PCs can increase their output by:

- Increasing the number of members: for example, increased its bargaining power by attracting new members.
- Increasing the productivity of individual members: Valanadu FPC for example, provides training and input services to members, and encourages competition between PGs, offering prizes to the most productive groups. The

technological dissemination part is described in the subsequent sections

- Buying produce from non-members: PCs such as Agathiyar Farmer producer company are buying produce from members and non-members to meet the quantities demanded by buyers.

3. Custom Hire Centres: As small-scale producers generally have limited assets and skills, PCs can provide custom hire centres to ease access to equipment, such as tractors and other farm equipment. This would help members increase their productivity and improve the quality of their produce.

4. Knowledge and Technological dissemination

PCs can provide production related technical and technological services including input services, conduct training and capacity building activities. This may involve supporting producers through FIGs/Producer Groups (PGs) with the necessary technical trainings. The technical trainings can be given with tie up with technical institutions. Technical experts having specific domain expertise & skills and experience on a product or commodity can be brought into for imparting trainings.

The DPMU /TSA can also help to mobilise the necessary services from government agencies, research centres, technical institutions like KVKs, NBRC (National Banana Research Centre), IIFPT(Indian Institute for food processing and technology) or private companies. The project team need to support PCs pay particular attention to the training needs of different members and especially the different needs of men and women.

CFS will identify specific skills gaps in farming related occupations

It brings technical expertise to analyse these gaps and recommends appropriate solutions

It identifies and trains Sparks to deliver these to the community

It conducts regular 'Farm Schools' by Sparks for transmission of identified technical solutions and services to the community.

The skills can also be addressed by integrating the PCs with the CFS (Community Farm School) and

CSS (Community Skill School) of VKP. The VKP project aims to assist the producers in addressing the skill gaps through setting up of these community based schools – Community Farm School (CFS) and Community Skill Schools (CSS) focused on skills and livelihoods. CFS seeks to develop a cadre of self-employed technical service providers (Sparks) in selected agriculture and allied sub-sectors, who will in turn build skills amongst the community members in selected value chains through the use of Farm Schools run by well-trained community professionals called Sparks.

The CFS initiative will work in close conjunction and synergy with the PGs and the members of the PCs. CFS initiatives will be aligned to those value chains short listed by the project and that are farm-based (includes off-farm).



agriculture



horticulture (Floriculture & Olericulture)



fisheries



dairy



goat rearing



poultry

The Community Farm School (CFS) model will identify specific skill gaps in farming related occupations and will also address the specific needs of women and Tribal communities. There are sectors which are traditional and have region specific demand but such skilling is not offered i.e. weaving, basket making, pottery, etc. and skilling will only be done for skills that are scalable and has potential for earning higher incomes. Across communities there is high demand

for certain remunerative traditional skills which are socially and culturally acceptable for both men and women to undertake; and the community has master practitioners involved with traditional occupation for many decades. Constraints to skilling the rural youth is a challenge. Community Skills School (CSS) will address these skills gaps in these sectors. Imparting of skills in nonfarm sector can be facilitated by CSS well. The premise of both CSS and CFS is the same, that communities have much of the requisite skills to solve their skilling and livelihood problems.

5. Quality control and management to meet the demanding quality standards of some markets, PCs would monitor and control the production process and the quality of the final product they sell.

Improving product quality is an important strategy for PCs to access higher value markets and increase their bargaining power. Product quality depends on a range of subjective and objective criteria, including:

- **Market acceptance:** the subjective preferences of consumers in terms of the product's appearance, taste, or nutritional value.
- **Health and safety:** these requirements are usually expressed in standards, covering the level of permitted pesticide residues on agricultural produce or additives in processed foods.
- **Consistency:** buyers want consistent quality so they do not have to check every item, and consumers often favour products that have a predictable quality.
- **Shelf-life:** Many agricultural products deteriorate over time, and their quality therefore depends on transport and storage conditions and on how long it takes to get the product to the consumer.
- **Packaging and labelling:** Packaging and labelling are considered an integral part of a product's quality in most export markets. PCs need to conduct market research to understand the preferences of buyers and consumers and the standards that their products have to meet.

The project team with the support of TSA can help PCs meet buyers or exporters at trade fairs and commodity markets so that PCs can discuss buyers' preferences and the relevant quality standards. Once the demands of the market are understood, PCs may need to:

- Develop the capacity of their members to improve the quality of their produce;

- Create appropriate incentive systems that reward members for quality products;
- Develop a quality-management system to ensure that the PC's produce meets the necessary standards and expectations. PCs will often need support to help their members improve product quality.

The project team should mobilise relevant market services and converge with the technical institutions, exporters, or other agencies to improve members' production techniques and productive assets.

Quality-management systems are often essential if PCs want to access export markets or supply demanding local markets. These involve either quality control (testing the quality of finished products) or quality assurance (controlling and monitoring product quality at each stage of the production process). Few markets and their suppliers usually may demand PC's quality management system to be approved by an independent agency to ensure it meets the necessary standards independent certifications also.

Obtaining Independent certifications: PCs may have to develop internal management and monitoring systems so that the certifying agency can certify the whole PC. PCs often face difficulties in accessing independent certification as they lack the resources and expertise to invest in appropriate internal monitoring systems. For example, producers usually have to use organic methods for three years before they can obtain organic certification and sell products with an organic label. This conversion period can create problems for many PCs as they may produce less during this period while also not receiving higher prices.

Where certification is a key part of a PC's business strategy, the project team/TSA can support PCs overcome these challenges by facilitating access to specialists and mobilising funds for investments and fees from private companies or government agencies.

6. Monitoring:

PCs may need to employ or train staff to monitor and control product quality or pay for laboratory tests.

- **Cost of product losses:** PC members may not be able to sell all their produce to the PC if it does not meet the required standards or if members have not followed the required production process.

- Increased production costs: individual members will often have to invest in improved technology or more labour-intensive production techniques to meet the required quality standards.

The project team with the support of TSAs should play an important role facilitating access to the specialists required to advise the PC and train its staff.

7. Processing : Some PCs can engage in processing activities in order to add value to the produce and access markets further up the market or value chain.

Processing enables PCs to add value to their product and to avoid potentially exploitative buyers in the market for unprocessed products.

The Mango growers' association in Natham, for example, processes members' mango fruits to extract pulp which it can sell at a much higher price in the local market.

Cotton grower's society in Coimbatore buys and processes members' seed cotton in order to cut out exploitative traders in the local market and sell processed cotton directly to the weaving industry.

PC may act as the pivotal centre of storage, aggregation and processing raw farm/non-farm produce while providing village level basic primary processing infrastructure for post-harvest handling like cleaning and grading of food grains while washing, sorting, packing of fruits and vegetables in more hygienic conditions. The activities at the village level can be taken up the PGs.

The type of processing varies for each product and different commodity would need different treatment. PCs have considerable scope for expansion and value-addition from primary processing to secondary and tertiary processing. Following is the tabulation of primary processed products being manufactured by some PCs with respect to the commodities being handled by them along with the potential expansion activities for the same:

Processing and Value added activities by PCs in Few Select commodities

S.No	Category of commodity	Commodities	Primary Processing	Possible Secondary/Tertiary
1.	Pulses	Tur, Urad, Moong, Gram	Cleaning & Grading unit , Mini dhal unit	Pulse flours(Besan), Extruded/Fried/ Baked snacks/Namkeens
2.	Millet	Bajra, Sorghum, Maize	Post-harvest Drying unit	Maize flour, Roasted bajra, Cornflakes
3.	Grain	Rice	Rice mill	Rice flour, Rice papad, Rice flakes
4.	Oilseed	Groundnut	Decortication, Cleaning and grading unit, Roasted G.nut	Groundnut powder, Spiced and peeled G.nut, Oil unit
5.	Fruit	Banana	Ripening, Grading and Packaging	Chips, Powder
6.	Vegetable	Tomato	Grading and Packaging	Puree, Ketchup, Pulp
7.	Dry fruit	Cashew	Grading	Cashew Nuts
8.	Spice	Turmeric	Turmeric powder	Turmeric essential oil
9.	Vegetable	Potato	Cleaning, Grading and Packaging	Potato chips, papad
10.	Vegetable	Onion	Grading and Packaging	Dehydrated powder, Spices

Processing can therefore offer real benefits to producers but also involves considerable challenges like that PCs need to consider carefully which are discussed as follows:

Minimum scale: Investing in processing equipment or using independent processing services (i.e. sub-

contracting) is usually only profitable above a certain minimum scale of activity.

For example, Mango producer's association in Natham invested in a large pulp-processing plant, but initially the members could only supply around a third of the quantity of mango needed to operate the

plant at full capacity, lower the operating costs, and make the processing activity competitive.

To achieve the necessary scale, PCs may need to expand their membership or buy produce from non-members, which will increase their costs and maybe also their business risks.

Investment and Business risk: Processing involves considerable risks, especially if the PC invests in its own processing equipment. Processing equipment is often expensive and has to be used efficiently to reduce costs and ensure the PC is competitive.

Management capacity: Managing a processing business is such more challenging than simply collecting and marketing a commodity. The PCs require considerably more management capacity to manage such a project successfully.

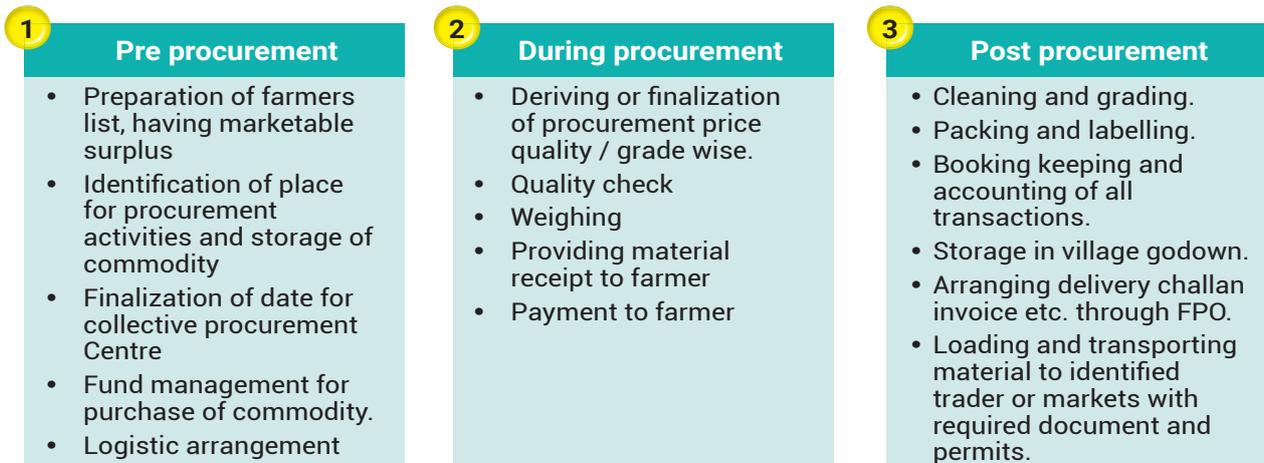
The project team with the help of TSAs should support the PCs to hire technical business experts to ensure the business is managed effectively for ensuring quality of raw materials, grading

parameters and for other technical aspects of the business. The project team should also support the PC for obtaining necessary finances and permits for establishing processing infrastructures through convergences with existing schemes of line departments (Agricultural marketing, Agricultural engineering etc.)

8. Branding

By creating a brand for one or more of the PC's products or creating a recognizable identity for the whole business, PCs may be able to increase the perceived value of their products, in the eyes of buyers, and thereby charge higher prices. With the necessary packaging and branding, PCs may also be able to access supermarkets and other retail markets and receive a much higher share of the retail price for their products,

For example, Illuppur Farmer producer company sold packaged pulse with the by creating a brand named as Pattikadu in supermarkets in Chennai and Trichy.



In most cases, the main benefit of a brand for PCs is to build buyers' confidence in the PC and the quality of their product. However, creating and maintaining a brand is a challenging and risky strategy for PCs. It involves considerable investments and risks including:

Investing in product quality: Branding only works if PCs can consistently produce products of the same quality and can consistently satisfy the demands of buyers or consumers, in terms of reliability, quantity, or quality. It may take a number of years for a PC to achieve this consistency and reliability but only one bad delivery to damage the PC's reputation and its brand. PCs therefore need to make significant investments in

1. Production capacity,
2. Quality management and, where necessary, in
3. Appropriate packaging to preserve the quality of the product.

Steps for Brand and Brand promotion in a PC:

5.9.2 Collective Procurement and trading

Procurement involves identifying company needs, identifying and evaluating potential farmers/suppliers, and negotiating with them over price and quantity to find the best fit for the company.

Importance of Procurement

- To improve the farmers and organization's profitability.
- To streamline processes.
- To reduce cultivation costs and increase producer share in consumer rupee.

Procurement phases & activities: - Entire procurement and trading processes are broadly divided in three phases based on the activities required to be undertaken.

The **procedure** to carryout procurement and trading **efficient and profitable business** of PC given in below slide

Handholding the PC to undertake the business in the initial years is very crucial and the TSA/OSF and DPMU will handhold the PC in the initial years on the following aspects:

- efficient backward and forward linkages like procurement of raw materials, commodities and services, Product sales and distribution, Packaging, Branding, Marketing etc.,
- Facilitating the PC in arriving at the costing and pricing of products (production, service or retail).
- Placing systems to ensure quality assurance mechanisms and address quality concerns.
- Supporting to prepare standard operating procedures and to implement them.
- Helping in accessing efficient storage, logistics / transportation of goods.
- Participating in the PC review meetings in order to identify issues and take up corrective measures.

5.10 Exploring market and developing relationship

PCs Stakeholders are individuals, institutions that are directly or indirectly engaged or who can influence the PC positively or negatively.

Stakeholder Classification Examples

Primary	Secondary	Tertiary
Users/Beneficiaries (Male, Females, Children, Elderly, etc.)	Local Authority Direction of Municipality Technical Services Traditional Authorities NGO and Development Projects Businesses and Suppliers Decentralized Government Services Research Institutions School and University Services Providers	Financial Institutions and Donors National Authorities (at all levels) Opinion Leaders Civil Society Foreign Cooperation Agencies Media

No organisation or institution is independent; it is interdependent on other organisations/ institutions for the fulfilment of its objectives/ for the growth of the institution (PC). Some of the reasons why the PC needs to link up with other institutions are:

1. To mobilise essential resources like finance, agricultural inputs, information, marketing & liaison, value addition and other services required for the activities of PC and its members.
2. To take up some of the services which the Resource Organisations provide after their withdrawal.
3. To have access to new technologies from private and government institutions, academic institutions.

It is also important to recognise those that have a negative influence or who are competitors of the PC. This enables the board to be alert and monitor regularly to minimise any harmful effects or outcomes.

Special situations where networking skills are required for Marketing.

One important step to be taken up by the PC is to explore markets both for inputs as well as for outputs. Finding partners/ vendors for inputs is relatively easy as PC is the buyer in that case. Exploration needs to happen along the dimension of quality, cost as well as supply reliability including easiness of delivery.

Situation - 1 - Input Procurement

- An PC is preparing the action plan for the cropping season in consultation with BoD and FIGs. Farmers require inputs like DAP, Urea, Vermicompost, Seed etc., within the next 2 months.
- As per the latest Government regulations, for the PC to get inputs License, they must have a graduate (BSc Agriculture) in their PC. The PC identifies a consultant who will support them.
- The PC identifies companies from whom they will purchase inputs – they sign agreements with Kribco, IFFCO for supply of fertilisers and negotiate the terms (Price, when the payment will be made etc.).
- They talk to the department of agriculture for supply for sprayers, available on subsidy.
- Other PCs in the area, also requires inputs, but they do not have licence, so our PC decides to supply inputs to those PCs- BoDs have a meeting with other PCs BoDs to decide the terms (what inputs, quantity, price, how payment will be made etc).
- The PC talks to a transportation company, for an agreement to transport the inputs from the company godown to the village, at an agreed rate and the transporter agrees to provide trucks on time and with labourer to load, unload the material.
- The PC needs money – the share capital amount is too low to pay the advance to companies. They approach banks and agencies like NABARD and Micro-Finance institutions for loans.
- At the time of delivery, the PC faced some challenges like farmers requiring different types of fertilisers as compared to what was available, IFFCO/KRIBCO requires thumb impression of farmers, which farmers raised questions as the PC had assured doorstep delivery of inputs (for that, after negotiation, IFFCO/KRIBCO agreed to set up a stall in PC office). Though PC wanted the fertilisers within 2 months, they arrived late and some farmers had purchased from other sources and there were some unsold fertilisers which had to be returned to the company.

Situation - 2 - Output Marketing

For output market, the exploration needs to be of a different order. Depending on the type of final products, the market frontier would also change.

- PC is planning to sell maize, Ragi grown by its members to buyers directly.
- For this, PC requires APMC marketing license, which its gets after applying and paying a bank deposit (Rs.10,000). As per rules, PC has to pay 1.5% cess for every sale, to the APMC.
- The PC contacts several buyer's companies like 24 letters Mantra, Safe Harvest, Way Cool, Pazhamudhir Nilayam etc, and negotiates the terms (quantity, price, delivery, payment etc.)
- The PC realizes that the quantity required by the buyers cannot be supplied by members alone, so they approach non-member farmers to supply produce to the PC. However, while member farmers can wait for 2 weeks for payment, non-members require spot payment. To arrange for money, some of the members give loans to the PC, which is to be repaid, as soon as PC receives money from the buyer.
- The PC negotiates with a transporter, who agrees to provide trucks in time at agreed rates and also will arrange for labour to load, unload the truck. Since it is a known transporter, there

is no need for anyone from PC to go along with the truck.

- The PC assigns responsibility to the CEO to handle the procurement, payment collection etc. smoothly. The PC also asks the CEO to try and develop long term partnerships with buyers so that PC can get better terms and assured market.

Based on the above mention two situation participants will Systematically identify situations in PCs where stakeholder engagement is required according to PC functions likely PC formation, Input business, Output Business, accessing schemes from Government, Raising funds etc..

After identify the importance of network then we need Identify skills required for effective networking in such situations. Leadership, Unity, no partiality, always keeping best interests of PC in mind, communication, regular involvement of stakeholders in PC events etc. These are the skills required to be good at networking to handle situations faced by PCs. It must be clarified that everyone need not have all the skills, but the BoD had to identify directors/ staff with required skills.

5.10.1 Vendor selection and Negotiation - Farm Inputs

Selection of vendor is a key component in procurement strategy. List of vendors need to be prepared with available information from Purchase team, market enquiry, online search and from the department of Agriculture. The larger the list gives a wider option for selection. The selection of vendor is based on the input requirement plan of the producer

collective. The consolidated list of inputs required such as seed, fertilizer, weedicide and pesticides has to be prepared along with the timeframe.

it is important for a Producer collective to choose vendors who are able to meet their requirements. Most of the firms use a process known as vendor analysis to assess the ability of existing or prospective vendors. Factors such as depth of the product range, volume of business, capacity of supply, quality of the materials, price and other services like logistic services, technical guidelines have to be considered while analysing the vendor. Based on the priority of the producer collective vendors can be prioritized to finalize the list of vendors.

Negotiating the right deal with the vendors doesn't necessarily mean getting the inputs at the cheapest possible price alone, Producer collective may want to negotiate other factors such as delivery times, payment terms and the quality of the goods. Both vendor and Producer collective should conclude a negotiation feeling comfortable and happy with the agreement. Negotiations can be successful only when either side feels forced into a corner. Steps to be followed in negotiation is given below.

Selling process:

The selling process is the series of steps followed by a salesperson while selling a product. Selling Process is a complete cycle which starts from identifying the customers to closing the deal with them. It is more relevant is B2B business sales where the sales cycle is not short and might take a longer duration to close. In B2C the selling process may be transient and shorter.



The process of selling a product covers various steps like Prospecting and qualifying, Preparation/pre-approach, approach, sales discussion and Closing the sale & follow-up with buyers. The steps of selling process are explained below in detail:

Step 1: Prospecting and qualifying

Before planning a sale, it is essential to identify the people or companies who might be interested in the product of the PC. This step is called prospecting, and it's the foundational step for the rest of the sales process. A lead is a potential buyer. A prospect is a lead that is qualified or determined to be ready, willing and able to buy. The prospecting and qualifying step relates to the needs awareness step in the buying process.

Step 2: Preparation/pre-approach

After locating a prospect, it is essential to find out the needs, problems, preferences and behaviour of the prospects. The product may have to be segregated to the specifications of the buyer. On the basis of adequate information of the buyers need and desires, PC can prepare the plan of sales presentation or discussion. The sales presentation should match to the needs of the individual prospect. It should enable the salesman to handle his prospect smoothly through the buying process, i.e., during, the sales talk.

Step 3: Approach

This is where PC can make a first impression. Sales team has to do this by introducing its potential. First impressions are crucial to building the buyer's trust. PC need to work to establish a rapport with the buyer. This usually involves introductions, making

small talk, asking warm-up questions, and generally explaining potential of the PC. Giving the prospect a sample or a free trial to review and evaluate the product is an effective approach.

Step 4: Sales Discussion

The research and preparation pays off during the sales discussion. Discussion has to be lead by the sales team of the PC, which have the decision making abilities. During the discussion PC has to explain its production potential, quality standards, pricing and timeline of supply. Price negotiation and payment terms are the key areas of the discussion, which need to be discussed in detail to conclude the final stage. Cash on carry to be more focused by the PC. While fixing the selling price all the cost incurred and the margin proposed to be kept in mind.

Step 6: Closing the sale

The important – and sometimes challenging – part of the sale is closing it. This is where PC actually understands that the potential buyer is willing to make the purchase. If the buyer has been convinced with the product quality, pricing and delivery timeline the PC can close the sale by agreeing on the terms of the sale and finishing up the transaction.

Step 7: Follow up

It is essential for the PC to make the buyer journey continues. Follow-up is an important part of assuring buyer satisfaction, retaining and prospecting for new customers. This might mean sending a thank you note, calling the customer to make sure the product was received in satisfactory condition, or checking in to make sure a service has met the customer's expectations.



Chapter 6

Marketing Management

6.1 Basics of Marketing

The common understanding of a market is as a physical place where the buyer and seller meet and transact in different fields (economics, business, and development). In Non-Physical/Virtual Markets, buyers purchase goods and services through internet.

The CEO is responsible for business operations. He is expected to prepare plan and execute it with the help of farmer leaders of the FPO. It is his/her responsibility to ensure that quality and quantity as demanded by the buyers is met without fail. He/she is responsible for keeping an account of complete execution of the orders received from the buyers.

6.2 Types of agricultural markets and their classification

Market for agricultural produce may broadly be divided into three categories

1. Wholesale market
2. Retail market
3. Fairs

Wholesale Markets: These markets are subdivided into

I. Primary wholesale markets: These markets are periodically held, either ones or twice a week. Agricultural produce comes from neighbouring

villages. These markets deal in the sale of fruits, vegetables, food grains, all household requisites etc. for e.g., Village market

II. Secondary wholesale market: These are also known as mandis and the market are situated generally at district or taluka headquarters. Small merchants purchase from primary wholesale market and sale in this market. Some cultivators directly sell their produce in these markets. Each market comprises area with a 10-20 miles radius. For e.g., District and taluka market.

III. Terminal markets: These are the markets in which the produce is either finally dispose of, direct to consumer or processors or assemble for shipment to foreign countries. These markets are the parts where warehouses and storages are available/ cover a wide area, may be state

Retail markets:

These markets are spread all over the city or town subject to municipal control.

They generally deal in all types of produce and serve the needs of the city people as well as of the surrounding villages. Particular type of market is located in particular locality. Cloth market is one locality and grain; vegetables is in different localities. There is direct selling to consumer.

Fairs:

These are held on religious occasions, at pilgrim centre. These markets deal in livestock, agricultural produce etc. There are various dimensions of markets. Any market may be classified on the basis of this Dimensions. This will be used to promote the product to the consumers. DPMU/TSA will inform / guide the PCs on the fairs / exhibitions / events.

There are various dimensions of markets. Any market may be classified on the basis of this Dimensions

Based on the business flow the model can be classified into two categories as follows

- i. Perishable Commodities
- ii. Processed Commodities

Perishable commodity:

Perishable commodities, which may not require processing such as fruits and vegetables. Commodities are aggregated at production points and traded. Wholesalers are distributing the commodity to the retailers and finally it reaches the consumers without any value addition or change in the form of the commodity. Temporary storage of commodities at cold storage facilities is possible, which costing significant. For such commodities timely business decisions are vital. Updated knowledge and analysis on major wholesale markets, distance between the aggregation point to different whole sale markets, daily price fluctuations, logistics services are essential.

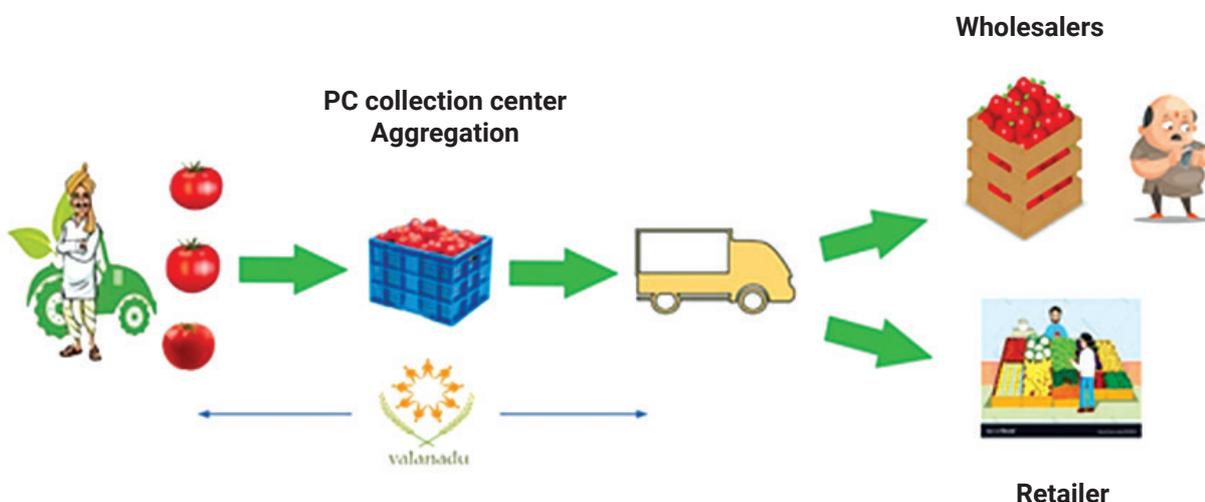
Bulk trading:

The TSA & DPMU has to identify the major wholesalers and the price trend analysis for selected commodities. Cost effective and timely operating logistic service providers need to be identified and service agreement has to be established by the BODs with the guidelines of the project team.

The volume of production need to be estimated by the procurement committee of the PC (Example: Valanadu Farmer Producer Company Ltd) on the previous day of transaction and the formal discussion with wholesalers has to be conducted by the marketing committee of the PC to finalize the pricing and payment related decisions. Payment may be on credit for maximum of 7 days. Once the decision reached preparatory work on aggregation of commodities, grading, packing and logistics has to be completed by the PC at timely manner.

Retail Trading:

Direct retail marketing also possible for the available commodities. Grading and retail packing can be done by the PC and sold through local vendors or retail stores. BODs and TSA has to identifying the local vendors and the business discussions has to be carried out by the PC. It's mostly a cash and carry business and the price realization is on daily basis. The profit margin is more in case of retail marketing but the volume may not be larger when compared with wholesalers.



Processed commodity:

Non Perishable commodities, which may require processing such as grains (Paddy), millets (Ragi, Cumbu & Thenai), pulses (Black gram & green gram), oilseeds (Groundnut & Gingelly) and etc., coming under this category. Such commodities are aggregated at production points and traded with or without processing. Processing playing a vital role in such commodities, which makes the availability of the commodity for the longer period and increases the commercial value of the commodity.

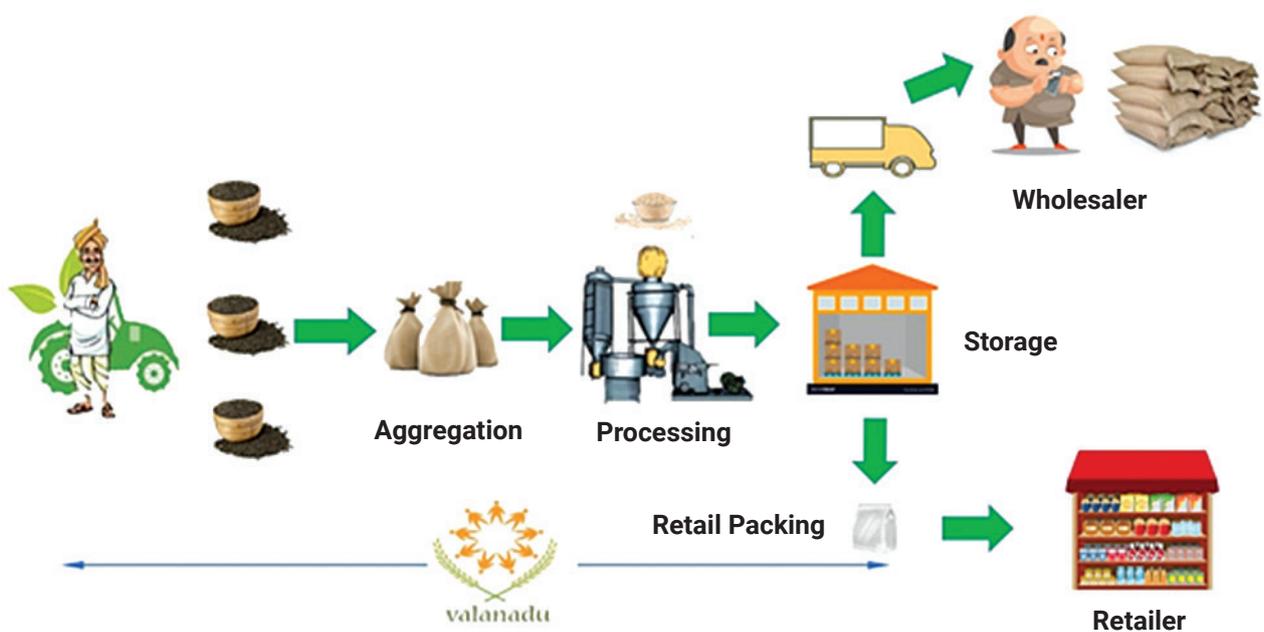
Bulk trading:

Value chain analysis has to be conducted by the TSA & DPMU to identify the market intermediates, demand supply of the commodity, price trend, price spread and margin at different levels. Market study has to be conducted by the TSA to identify the major market players and selection of buyers through buyer seller meet & discussion by the PC (Example: Valanadu Farmer Producer Company Ltd). Annual and seasonal procurement plan has to be prepared by the PC with the support of the TSA. Commodity has to be collected from PC members at collection centres has graded and packed. Commodities may be stored for price appreciation or processed by the PC for value addition. Selection of buyers is depending on the form of the commodity, unprocessed (Paddy, Black gram, groundnut and etc.,) commodity has

to be sold with institutional buyers, processors, exporters and large traders and the processed commodities (Rice, Urad dal, groundnut oil and etc.,) commodities has to be sold to the distributors or retailers or consumers. Processing can be done by the PC through its own processing facility or through outsourced facilities. Wholesalers are distributing the processed commodity to the retailers and finally it reaches the consumers. For such commodities store is possible for the PC to attain time value, place value and form value of the pricing. Knowledge and analysis on major market players, seasonal price analysis of different market storage cost and logistics services are essential. Processed commodities has to be to the wholesalers at timely manner. On credit payments the credit terms should not be more than 60 days.

Retail Trading:

Direct retail marketing also possible for the available commodities. Grading and retail packing can be done by the PC and sold through local vendors or retail stores. BODs and TSA has to identifying the local vendors and the business discussions has to be carried out by the PC. It's mostly a cash and carry business and the price realization is on daily basis. The profit margin is more in case of retail marketing but the volume may not be larger when compared with wholesalers.



6.2.1 Marketing Challenges and Problems for Farmer Organisations

Low marketable surplus of Agricultural goods

The number of small and marginal farmers is more in India. These farmers hardly produce for the market. The market, therefore, depends more on big farmers. The output of these few big farmers will have to reach different markets. The net result is that the quantity of agricultural goods available will be inadequate in relation to the demand.

Producer does not determine the price

In the case of consumer and industrial goods, it is only the producer who determines the basic price of the product. He is also sure of his margin.

In contrast to this, the producer of agricultural goods does not know the price at which his produce would be sold to the ultimate consumer. It is not something decided by the farmer. It is only the intermediaries who determine the final price in marketing agricultural goods. The grower, in fact, is not sure of his revenue also.

Lack of storage

Agricultural goods are easily perishable. Their production is also seasonal. But they are demanded throughout the year. This means that agricultural goods need to be stored in warehouses so that they can be made available at the right time in the market.

The farmers, who are the producers of agricultural goods, may not have their own storage facilities. This is in contrast to the situation in consumer and industrial goods marketing where the producers have their own warehouses.

Absence of storage forces the farmers to sell their produce at the earliest. Sometimes, they sell at a very low price in the market. Thus, the farmers, as the producers, get a very low or even no profit.

Problems in Transportation

Most of the villages in India do not have proper roads. The farmers, as a result, have to rely mainly on bullock carts and such other conventional mode to transport their agricultural goods. This leads to delay in the produce reaching the market.

Although trucks are increasingly used in transporting perishables, the cost of transportation is generally very high. As a result, the farmers get a very low return on their output.

Long chain of middlemen

Agricultural goods, perhaps, have the longest chain of middlemen. There are a number of intermediaries in the market like the wholesalers, brokers, commission agents, retailers and so on.

The agricultural goods pass through all these people before they reach the ultimate consumer. As it passes through each individual, the price increases. So, it is only the consumer who is finally made to bear the burden. Thus, the high price paid by the consumer does not reach the grower. It is pocketed only by the market intermediaries.

Malpractices in the market

In the market, the intermediaries indulge in a number of undesirable practices to make quick money at the cost of the producer and the consumer. The following are some such activities:

- i. Use of false weights and measurements.
- ii. Adulteration.
- iii. Black-marketing and hoarding etc.,

Such malpractices are considered a major problem in marketing agricultural goods.

Lack of Market Information

The producers of consumer and industrial goods get information from various sources both from within and outside the organization.

The availability of Internet now has given every industrialist an easy access to any information. The poor and illiterate farmers have no access to such methods of gathering information about the market for their agricultural goods.

Inelastic demand

The demand for agricultural goods is not influenced by a fall or rise in their price. As a result, the producer will suffer on account of fall in the price during bumper harvest.

Lack of Grading

Standardization enables the producer of consumer or industrial goods to get the right price for his products. Standardization has no relevance for agricultural goods. But they can be graded according to their size, shape and so on. But in the market, little importance is given for grading the produce and as a result the producer gets the same price for different varieties of goods.

Bulky nature

The bulky nature of agricultural goods necessitates packing. Otherwise, they cannot be taken to various market centres. This job has to be done manually and it involves labour. Gunny bags, bamboo baskets etc., are the materials used for packing.

6.3 Explore Marketing Basics and developing relationship:

Ideally, the PC would all charge the highest price possible so that the PC could earn more profit. However, we know if we set the price too high, fewer consumers will “demand” it, and we may not sell anything. In this way, the PC group will need to balance the desired profit with the prices consumers are willing to pay.

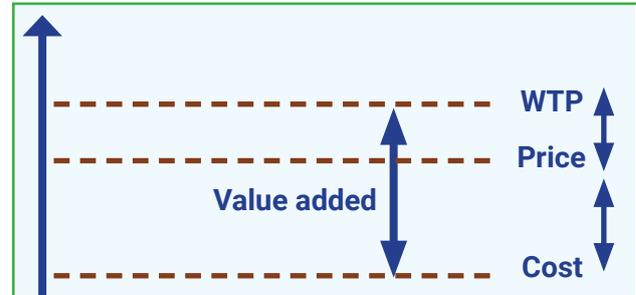
Assessing PC Current Market Information

- Who are your customers?
- Where are they located and how can they be contacted?
- What quantity and quality do they want?
- What is the best time to sell?
- What is the long-term/ approximate price of your product for the last 3 years?
- Is there more demand for the product than supply? Why?

- Prices should be set above the cost
- Prices should be set within a competitive range, so customers will buy the product
- Others?
- Setting good prices important
- A good price ensure that enterprises will make money
- A good price encourages customers to buy product
- Information needed to set a good price are
- The cost of producing the good
- The highest price limits a customer is willing to pay
- Prices competitors are charging

Setting the correct price is very important from both a consumers perspective as well as a producers perspective. The right price allows PC to capture the

value the PC and your product create. By charging a price that is lower than the consumers willingness to pay (WTP) PC are creating value for the consumer. Consumers willingness to pay is identified by the maximum monetary amount a consumer would pay to obtain PC product. By charging a price higher than costs PC are creating value for the organization.



6.4 Learn the 4 Ps of Marketing

Marketing helps the Farmer Organization strategically meet the needs of the buyers and increase incomes for the members. In order to take advantage of the Supply and Demand impacts, along with enterpriser views on good prices, the group should have a good marketing strategy in place.

In traditional business theory, there are 4 marketing items that enterprise (as sellers) can control, with the expectation that enterprise can adjust each of these to improve enterpriser sales.

Product:

- Item to purchase
- Good or Service
- For the Conusmer: Something that fulfills a need or want

Price:

- Cash, credit, or goods given to receive something else
- For the Consumer: Cost of acquiring the good or service
- Place:
- Market location
- Distribution
- Town / District
- For the Conusmer: Convenience or ease of accessing the good or service

Promotion:

- Providing information
- Deals or special prices

4 Ps OF MARKETING



- For the Consumer: Communication of the good or service]

6.5 Understanding the environment (Porter’s Five Forces):

When PC considers existing and new business activities and opportunities, enterprise must be aware of the internal and external environment that will enable enterprise to set goals and reach them.

Businesses often experience setbacks. For example, they may set a goal that it does not achieve.

Porter’s Five Forces:

Enterprise also need to understand the dynamics of the industry and markets in order to compete

effectively in the marketplace. Porter’s five forces analysis is an important tool to understand the market forces which impact any business. It also helps to understand both the strength of a firm’s current competitive position, and the strength of a position a company is looking to move into. It deals with factors outside an industry that influence the nature of competition within it and the forces inside the industry (microenvironment) that influence the way in which firms compete. It is also an important tool for assessing the potential for profitability in an industry.

It works by looking at the strength of five important forces that affect competition:

Supplier Power: The power of suppliers to drive up the prices of enterpriser inputs

Buyer Power: The power of customers to drive down prices

Competitive Rivalry: The strength of competition in the industry

The Threat of Substitution: The extent to which different products and services can be used in place of PC

RIVALRY AMONG

EXISTING COMPETITORS :

- Number of competitors
- Diversity of competitors
- Industry concentration
- Industry growth
- Quality differences
- Brand loyalty
- Barriers to exit
- Switching costs



BARGAINING POWER OF SUPPLIERS :

- Number and size of suppliers
- Uniqueness of each supplier’s product
- Focal company’s ability to substitute

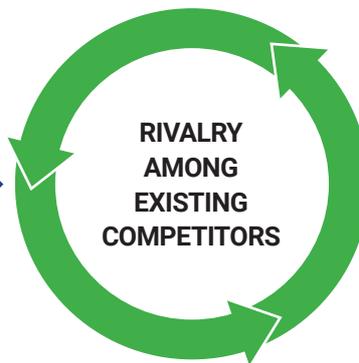
THREAT OF SUBSTITUTE PRODUCTS :

- Number of substitute products available
- Buyer propensity to substitute
- Relative price performance of substitute
- Perceived level of product differentiation
- Switching costs



THREAT OF NEW ENTRANTS :

- Barriers to entry
- Economies of scale
- Brand loyalty
- Capital requirements
- Cumulative experience
- Government policies
- Access to distribution channels
- Switching costs



BARGAINING POWER OF BUYERS :

- Number of customers
- Size of each customer order
- Differences between competitors
- Price sensitivity
- Buyer’s ability to substitute
- Buyer’s information availability
- Switching costs



The Threat of New Entry: The ease with which new competitors can enter the market if they see that enterprise are making good profits (and then drive PC prices down).

By thinking through how each force affects one's business, and by identifying the strength and direction of each force, one can quickly assess the strength of the position and one's ability to make a sustained profit in the industry.

6.6 Market channel

The market channel is the chain of action that a product goes through as it passes from the producer to the consumer. The channels are available to PCs are listed below

- Export
- High-End Domestic
- Domestic/Regional
- Processors

There are different types of marketing channels depending on the type of produce/ commodity.

The important factors that PC must take into consideration while determining the market channel

Main functions of Marketing Channels are Facilitation, Information, Promotion, Negotiation, transfer of the title and ownership, Holding Inventory

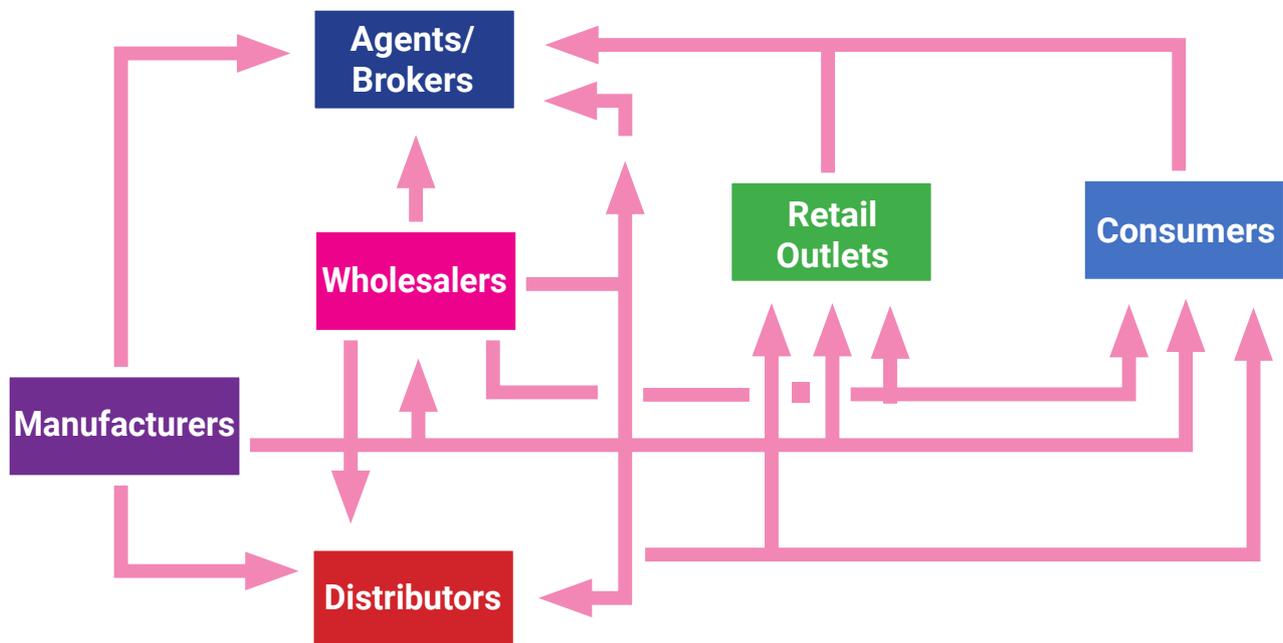
and sharing risk, Finance, Providing Pre and Post sale services, Change Agents, Warehousing and Transportation, Market feedback and Intelligence.

The TSA will identify the market channel for the identified commodities in the District and develop the database of the market player including processor, wholesaler, retailer, traders. The TSA also develop the supply chain mapping of the commodities including the logistic player.

Knowledge of Negotiation: Best Practices

Types of information that can be helpful during a negotiation.

- Production schedule of competitors. Knowing that PC is the only player in the area with that product available, may help to get a better price.
- Regional strengths and weaknesses. For example, PC may offer a slight discount because collection points are less accessible.
- Specifications of PC product, including volume, quality, varieties, harvest dates, number of



for their product? For example, storage is one important factor and the other factors as below

- Product is perishable?
- weight of the product?
- End consumer & consumer location is at village level or in cities?

members, etc. It may be helpful to create a calendar showing weekly projected volume by variety.

- Needs of the buyer. Keep in touch with buyers even during off-season. This builds trust and also will help to identify emergent needs that collectives may be able to meet.



- Target price and lowest acceptable price by variety, as well as data on how these were calculated. These prices should be based on value chain research and current market prices.

A few other negotiation best practices include: honesty, inviting the buyers to office, setting reasonable prices and being realistic about the profit margin the PC can achieve based on current market factors.

6.7 Market Linkages

The TNRTO Project promoted PCs will explore various markets by participating in buyers-sellers meet, exhibitions; trade fairs etc and build suitable partnerships. The TSA will facilitate the PCs in establishing the market linkages with the institutional buyers. The DPMU will facilitate the PCs in establishing the market linkages with the support of TSA. The market linkage model of social enterprise facilitates trade relationships between the target population/clients/customers, small producers, local firms and cooperatives, and the external market. The social enterprise functions as a broker connecting buyers to producers and vice versa, and charging fees for this service. Selling market information and research services is a second type of business common in the market linkage model. Unlike the market intermediary model, this type of social enterprise does not sell or market clients' products; rather it connects clients to markets.

The market linkage model can be either embedded or integrated.

If the enterprise is stand-alone; its mission revolving around linking markets, and its social programs support this objective, the model is embedded. In this case, the social program is the business, income generated from enterprise activities is used as a self-financing mechanism for its social programs.

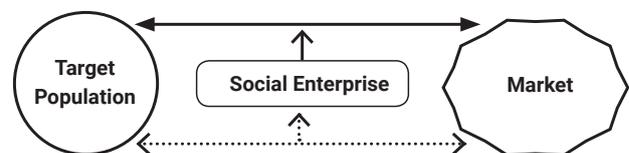
Market linkage social enterprises are also created by commercializing an organization's social services or leveraging its intangible assets, such as trade relationships, and income is used to subsidize its other client services. In this second example, social

program and business activities overlap, hence follows the integrated model.

Many trade associations, cooperatives, private sector partnership and business development programs use the market linkage model of social enterprise. Types of social enterprises include, import-export, market research and broker service.

For the PCs, there is scope to employ both the embedded and integrated model of market linkage. Hence, a hybrid model incorporating the features of both the models in their business operations would generate ideal value to the PCs

Theoretical example: an agricultural cooperative grows fruits, vegetables and horticulture products, which it sells in domestic, and export markets, saw a business opportunity to leverage its exclusive database of agricultural market data. Until this time only cooperative members had access to the comprehensive information market, however, producers and buyers alike could benefit from this valuable information. Therefore, the cooperative launched a market data and research social enterprise as a means to augment its social programs by extending services to nonmembers. The market linkage social enterprise sells information on local and export market for types of agricultural products, including buyers and producers, prices, export duties, shipping, and chemical and fertilizer regulations, storage, etc. The enterprise has two main services: database search and market information updates that can be purchased individually or by service fee; and market research services such as



feasibility analyses and market studies. Most of the social enterprise's clients are farmers, other cooperatives, trade unions, producer groups, small agricultural firms and food processors. The cooperative uses the income generated by its social enterprise to subsidize member services concerning crop improvement, sustainable farming, animal husbandry and agricultural loans.

Market Intelligence

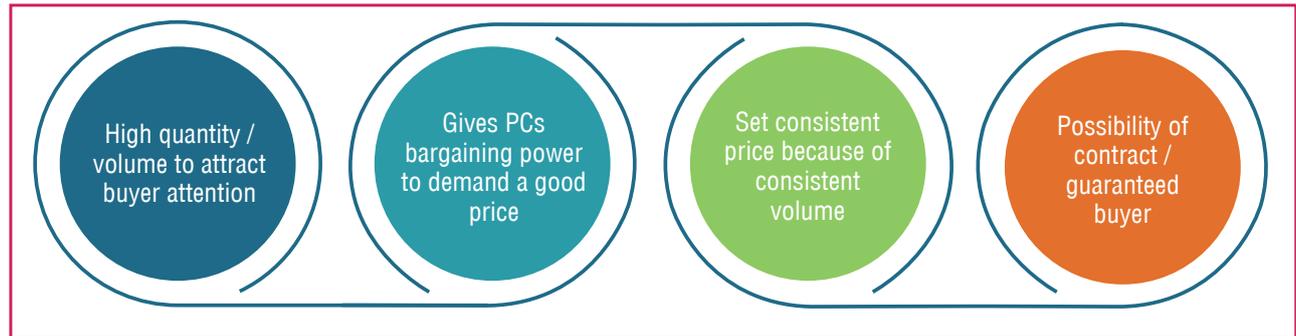
Market Intelligence is a process of giving the insights into what might happen in the near future.

this process requires that we go from market data to information and then to market intelligence. Market intelligence is collected data that provides a broad view of the company's existing market. This view includes information and insights about customers, competitors, problems, regulatory authorities, the potential for new products and any other market information the PC

can guess Furthermore, in our new era of innovations, market intelligence has expanded to incorporate data analysis methods that can help improve PCs business modeling.



A marketing intelligence system is a set of procedures and sources that managers use to obtain everyday information about developments in the marketing environment. The internal records system supplies results data, but the marketing intelligence system



supplies happenings data. Marketing managers collect marketing intelligence in a variety of different ways, such as by reading books, newspapers, and trade publications; talking to customers, suppliers, and distributors; monitoring social media on the Internet; and meeting with other company managers.

6.8. Explore Collective Marketing

Collective Marketing is basically pooling up of different produce of different farmers, so has to enhance their bargaining power and get better price. It brings unity, Cooperation and Psychological similarity among the farmers. It is based on the age old concept of "Unity is Strength"

It serves as a good innovative initiative to minimize the problems faced by small and marginal farmers by leveraging the economies of scale, improved inputs and technologies access and bringing the small farmer to larger markets previously out of their reach.

In Collective Marketing, a large number of PC growers work together to sell their combined Crops, which may require additional storage, processing or storage and the costs are shared by the group. It has the benefits of spreading costs over a large crop volume, creating a larger presence in the market place, and focusing Marketing and Selling efforts.

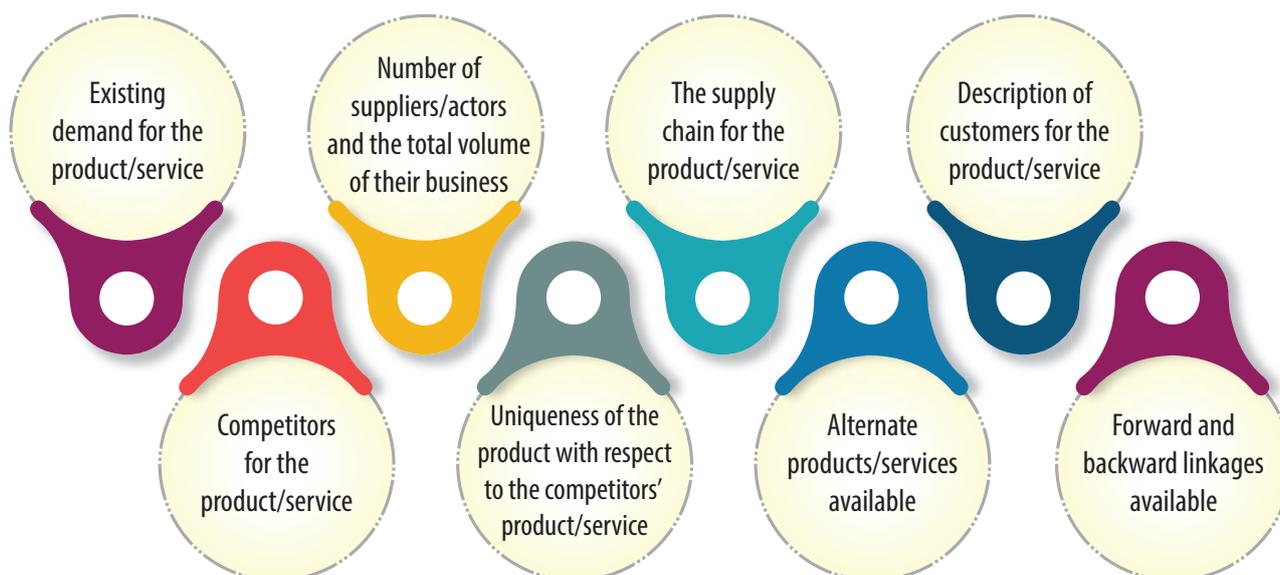
The efforts made by the group will help increase sales by targeting actions around the 4 P's of Marketing. This is the task of the Farmer Organization that focuses on the buyer.

The nature of business is maximizing profit – or earning more money for lower costs. This is true for both buyers and sellers, like your Farmer Org.

Benefits of Collective Marketing for the PC

6.9 Market Analysis

Once a business idea is generated and the corresponding micro-enterprise is identified, market analysis has to be carried out by a) collecting the data from secondary sources such as APMC Markets, super markets, etc. b) conducting a small survey in the village and neighboring villages regarding the potential demand for the particular product or service.



Parameters of Market Analysis

6.9.1 Determining the Pricing for the Commodity

- Pricing is the process of arriving at the selling price of a product. The basic principles to be kept in mind when calculating price are:
- Cost Plus Pricing - The cost of the product/service is calculated initially and a fixed margin is added to the cost in order to arrive at the price of the product. The margin can be in terms of percentage or a fixed amount. E.g. If the total cost of milling flour is ₹ 4/kg and the organisation decides to add ₹ 1/kg or 25 per cent of cost as margin, the selling price is

₹ 5/kg. Note: The downside of this method is that it does not take into account the price that the competitors are charging nor the price that the customers are willing to pay. E.g. In the previous example, if other mills in the area are charging ₹ 3/kg, then the customers will not be willing to use the services of the mill offering service at ₹ 5/kg.

Competitive Pricing - The organisation takes the price charged by the competitors as the reference point and charges either the same rate or slightly higher/lower prices than the competitors. E.g. In the previous example, the new flour mill, if the competitors are charging 3/kg, can decide to charge either the same rate or slightly higher/lower rate. Followed by the market analysis, a market strategy needed to be evolved by the PC

Planning the Market Strategy

The disadvantage of using competitor prices as reference without using the product costs is that the business might end up selling its product/service at loss. In reality, both the cost of product/service and competitor prices need to be taken into consideration while arriving at the price for that product/service. If the price arrived at through cost-based approach is higher than competitor prices, then avenues for cost reduction needs to be found so that prices are brought on par with competitor price.

Marketing strategy is designed based on consumer behaviour and by analysing the behaviour of the consumer. Strategies can be evolved as to how to sustain the consumer to buy the product repeatedly. Marketing strategy also deals with skilled human resources that can be deployed for market penetration.

It is then fixed into specific timelines vis-à-vis the physical, operational and financial outreach.

It is also inter-related to market analysis involving the description of consumers, who are the targeted buyers, who are the other market players who compete with us. It also dwells with market behavioural change from time to time, place to place and season to season.

6.10 Support from Government and Corporates for Market Linkage

The PCs should explore existing schemes of government that facilitate them in marketing their produce. There are many schemes relevant to PCs in National Horticulture Mission, Ministry of Food Processing, NABARD, APEDA and scheme for Organic Farming in the Department of Agriculture. Best results can be achieved if the PC leaders discuss with the concerned line functionaries and take their support in implementing State and Centrally sponsored schemes.

Similarly, corporates need continuous supply of desired quality produce for processing and value addition. Therefore, they prefer to enter into contract with few producer organisations who will meet their requirement. Usually the following mechanisms are adopted:

Retail chains tie up with PCs for procurement, especially for continuous supply of vegetables, fruits and vegetables and processed staples

Corporates extend dealership for farm machinery and inputs like seeds and fertilizers to PCs.

Corporates provide primary processing machinery to PC with buy-back arrangement for the produce

Corporates can initiate contract farming with buy-back arrangement of assured market

Corporates can devise schemes under their CSR thereby clubbing financial support with financial partnerships on particular activity

Chapter 7

Financial Management

7.1 Introduction to Financial Management

Financial Management means planning, organizing, directing and controlling financial activities such as procurement and utilization of funds of the enterprise.

Importance of Financial Management



Financial Planning

Financial Planning is the process of estimating the capital required and determining its competition (nature of fund – working capital and term loan). It is the process of framing financial policies in relation

to procurement, investment and administration of funds of a Producer Collective. This ensures effective and adequate financial and investment policies. It also indicates the sources of funds.

Components of Financial Planning

Determining capital requirements: This will depend upon factors like cost of current and fixed assets, promotional expenses and long range planning. Capital requirements have to be looked with both aspects, short term requirements such as purchase of Farm inputs and long- term requirements like construction of storage facilities.

Determining capital structure: The capital structure is the composition of capital, i.e., the relative kind and proportion of capital required in the business. This includes decisions of debt- equity ratio both short term and long term.

Adequate funds have to be ensured by the financial planning, which helps in ensuring a reasonable balance between outflow and inflow of funds so that stability is maintained. Financial Planning reducing the uncertainties which can be a hindrance to growth of the PC and ensuring stability & profitability of the PC.

Financial committee is responsible for Financial planning, which comprises of selected BODs. In most of the PCs Chainman and the CEO will be supporting the financial committee to develop a financial plan.

Organizing

Properly managing and organizing the business finances can contribute to the success of the PC business and make sure to hitting the profit goals. Organizing the finances described in the following steps.

- i. Track the PC Income: it is tracking the inflow of monthly, weekly, or even daily income from different streams of the PC business. Another benefit of tracking PC income is that it allows to monitor things better and helps in determine the fluctuations.
- ii. Track and audit the expenses: Entrepreneurs have important expenses that must be paid in order to keep the business running, hence tracking is essential. PC can deduct some of the business expenses, which can help in reducing the overall cost. It will allow the PC to audit the expenses regularly as well so can make sure the PC has not overspending on unnecessary costs.
- iii. Updating the Books and records: All the financial transactions should be recorded properly in an appropriate books and records on daily basis, which can give an exact financial status of the PC at particular point of time.
- iv. Sourcing the Finance: Approaching financial partners ahead of time to discuss options of different forms of finance and its cost. Well-prepared projections will reassure financial institutes that the financial management is solid. Chairman of the PC playing a vital role in organizing a fund for the requirements. The nature of the fund should be based on requirements. Working capital has to be availed for operational needs term loan can be availed for creating long term asserts.

Directing & Controlling

Realize a financial plan requires the initiation and direction of numerous actions at implementation. It is a combined responsibility various divisions in the PC. Things rarely go exactly as planned, and PC management must make a concerted effort to monitor and adjust for deviations. The accountant is a major facilitator of this control process, including exploration of alternative corrective strategies to remedy unfavourable situations.

Monitoring

The Financial committee has a vital role in monitoring of fund utility. It has to confirm that the fund has been utilized for the assigned purpose. Regular update of books and records can lead the better monitoring mechanism. Trained people

need to be given the responsibility of accountant and the proper monitoring system should be in place. Accounting software are recommended for effective documentation of accounts. Fund balance report need to be reviewed on daily basis, to take an appropriate decision making on short of fund.

Working Capital Management

The primary purpose of working capital management is to enable the PC to maintain sufficient cash flow to meet its short-term operating costs and short-term debt obligations.

Manage Procurement and Inventory

Prudent inventory management is an important factor in making the most of the working capital. Excessive stocks can place a heavy burden on the cash resources of the business. establishing optimum stock of farm procurements and avoid driving up costs for physical storage through scheduled sale dispatches.

Regulating the Payments:

PC that pay on time develop better relationships with their input suppliers are in a stronger position to negotiate better deals, payment terms and discounts. Cash out flow through payments has to be coordinated with the inflow of payments from buyers. Reduced credit period for the buyers will help in better working capital availability of the PC.

Investing the Excess funds

Agriculture is a time bound business and there is a possibility of having a surplus amount for a shorter period of time, which can be invested the in other short term activities to realize the profit.

Example: An Black gram PC can utilize the available fund during the lean season for trading of Millets.

7.2 Life cycle of Producer Collectives

As the PCs strive to achieve sustainability, there is an urgent need to reorient the funding ecosystem to support the newly formed PC based on the stages in their life-cycles. The issue of access to credit linking the PCs to reliable and affordable sources of financing to meet their working capital, infrastructure development and other needs has assumed center stage. The life-cycle stages are broadly categorized into three phases and in each of these phases, the needs, growth milestones are found to be very different as showed in the figure below. through the various systems and processes, including most importantly governance, for self- management. In the recent years, after SFAC's, NABARD push - to address the challenges facing the small farmers in terms of access to investment, technology and

markets and to act as a nodal agency to coordinate with the State Governments, civil society, private sector, financial institutions, resource persons and with a range of other stakeholders to enhance

production, productivity and profitability of the small farmers - there have been significant efforts made by union government institutions, World bank, International Ngo's and other players.

Phases	Growth Milestones	Timeline
<p>Promotional- Start Up /Early</p> <p>Need : Grant Support for training, exposure & system development.</p>	<ul style="list-style-type: none"> • Legally registered • Governance and Management structure roles defined • Office and Systems established like book- keeping and accounts • Business plan as part of core activity • Initiation of business development functions 	6 - 18 Months
<p>Emerging/Growing</p> <p>Need: Equity Financing & Working Capital</p>	<ul style="list-style-type: none"> • Arrangements with financial and technological institutions, government departments established • Tie ups with Private market players • Support services in Quality control, Procurement, Grading, Storage, Processing, Marketing services initiated 	24 – 60 months
<p>Maturation/ Business expansion.</p> <p>Need : Debt Capital & Term loans</p>	<ul style="list-style-type: none"> • Access to investment, technological and markets • Increased Profitability among members and economic viable • Institution acts as nodal agency for various government schemes • Increased producers/producer group willing to join the PC 	>60 months

A. Promotional and Early Stage: Grant Support for training, exposure & system development

At this stage, the financial need of the PCs revolves around the cost of mobilizing farmers, registration cost, cost of operations and management, training, exposure visits etc. The experience of most promoting institutions supports that there is a need to provide handholding support to PCs for a minimum period so as to initiate their business operations.

B. Emerging and Growing Stage: Equity Financing & Working Capital

Once PCs are incubated with grant support from promoting institutions, there are 3 ways to raise fund to meet their working capital and investment need. They include - Equity Financing, Credit Capital and Debt Financing.

Equity Financing – Given the limited investment capacity of the small and marginal farmers, limited contributions are made by individual farmers to raise

the PCs' equity which often cannot sustain the operations of the PCs. In order to augment the equity base of the PCs by providing matching equity grants. The scheme is known as the Equity Grant Fund and is managed by SFAC. The Scheme supports the nascent and emerging PCs.

Working Capital – As soon as promotional grant support ends, the PC face challenges to meet up the operational expenses of the PCs. In most cases it is found that the PCs hardly reach the breakeven point to achieve commercial viability. As the PCs begin early stage business activities such as bulk purchase of inputs, they need working capital. Though the PCs, at this stage, are expected to generate their own funds, it takes anywhere between four to five years for them to stabilise their activities so as to be able to raise funds to continue with their activities. The PCs dealing with commodities such as pulses and oilseeds - which can be stored - stabilise faster as compared to those that deal with perishables such as fresh vegetables and fruits. It is said that credit capital can also be obtained from potential buyers

who give a grace period before the amount is due or interest is charged. Even, the producers who sell their produce to the PCs do not hesitate in giving credit period to the PC if convinced about the soundness of the business idea. In practice, most PCs struggle to get such credit facilities

It is no wonder that without access to credit, the PCs cannot realize their full potential. To meet credit requirement of the PC. As the PC progresses from being a start-up entity to a more mature organisation, they build themselves trade-ready and have a track record to attract finance from formal financial institutions and commercial banks. The other examples to provide working capital are NABFINS, Ananya Finance etc. Some commercial banks who offer similar financial assistance to FPOs are ICICI Bank, Union Bank of India, Canara Bank, Vijaya Bank, etc. These are very few and exceptional cases where financing has happened on the merit of the case.

C. Matured Stage (Business Expansion): Debt Capital & Term loans

As the PCs move towards expanding their businesses, they need finance for quality improvement in products/ services. Here, finance is required for quality improvement along the value chain of the produce. For example, the PCs dealing with pulses would require loan for small dal mill, cotton ginning units for the PCs in cotton growing areas, decorticators in ground nut and so on. This will also serve to incentivize innovation in the value chain from the PCs and their farmer members Term loans are required to build infrastructure that the PCs want to develop, when they feel the need to create the facilities of their own in order to move up the value chain. Term loans are typically needed to set up processing units, processing/grading/ sorting yards, storage godowns, cold storage, transport facilities, etc. At present, most formal financial institutions provide short-term loans in the form of crop loans to the farmers and working capital limits for marketing of crops. In addition, a few banks have been providing term loans for investment in agriculture. In the case of the PCs, it is necessary that the banks recognise the need for mixture of short term working capital and term loans to enable PCs plan their business development activities. A few commercial banks have been funding agribusiness companies for procurement of raw material. To provide Credit Guarantee Cover to eligible lending institutions to

enable them to provide collateral free credit to PCs by minimizing their lending risks in respect of loans not exceeding INR 1 crore.

7.2.1 Finalization of financial requirement

The capital requirement will depend on the nature and volume of business which would vary from case to case. The cost will include both fixed, running cost and term loans

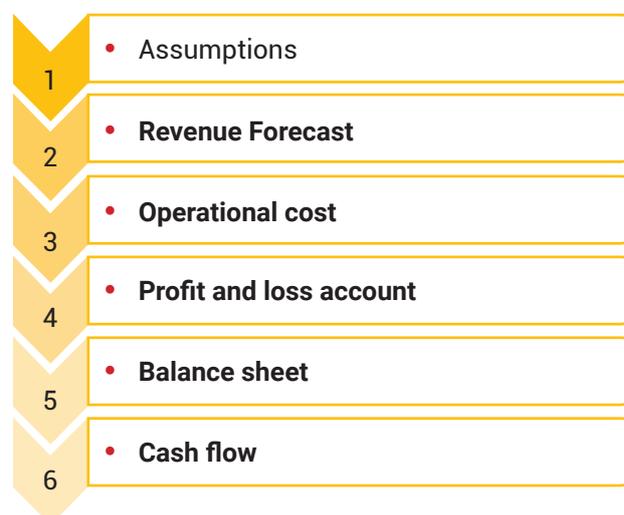
Financial Requirement can be broadly classified into:

- Finance required for Capital Investment
- Required to initially to invest in the assets (Land, Building, Plant & Machinery etc) and establish the business
- Working Capital Requirement
- Required to deal with short term cash requirement - due to the mismatch between Current Assets (receivables, inventory, work-in-progress) and Current Liabilities (advances received from buyers, creditors etc.)
- Needed for smooth day-to-day business operations

7.3 Financial Viability Analysis

After identifying a business activity and finalizing the assumptions related to the activity, it is important to analyse and estimate the financial viability of the activity. The financial analysis suggests whether the business model emerged out of the business plan is viable and financially sound. Revenue and cost are the main determinants of financial viability. A business model is financially viable if revenues exceed cost.

A typical financial viability analysis will contain:



Break-Even Point

Breakeven point is the production/sale level at which total revenues for a product equal total expense. It is calculated by dividing the fixed costs of production by the price per unit minus the variable costs of production.

Fixed cost	Running / working cost
<ul style="list-style-type: none"> Salaries, travel, rent Statutory compliances & License fee Interest costs Depreciation 	<ul style="list-style-type: none"> Procurement of Raw material, storage cost, processing, transportation, insurance, etc. Water, Electricity & Fuel costs

Profit & loss account

An account in the books of an organization to which incomes and gains are credited and expenses and losses debited, so as to show the net profit or loss over a given period.

Balance sheet

A balance sheet is a statement of the financial position of a business which states the assets, liabilities and owner's equity at a particular point in time. The balance sheet is the most important of the three main financial statements used to illustrate the financial health of a business. ₹

Cash flow statement

A cash flow statement is a financial statement that provides aggregate data regarding all cash inflows a company receives from its ongoing operations and external investment sources, as well as all cash outflows that pay for business activities and investments during a given period.

Determination of return to members

The surplus if any, may be disbursed to shareholders/ members in the following ways:

Patronage bonus (after making required provisions) amongst the Members, in proportion to their participation in the business of the Producer Company

Patronage bonus may be by way of allotment of equity shares, as may be decided by the Members at the general meeting.

Dividend to shareholders.

7.3.1 Different cost definitions

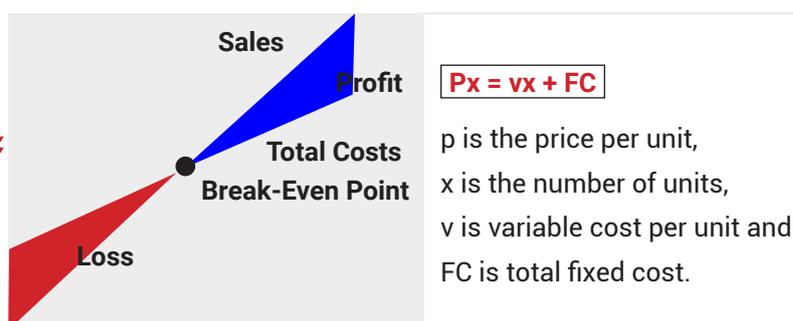
Variable costs, Fixed costs and Breakeven Analysis

Total cost = Fixed cost + (Unit Variable Cost x Number of Units)

- Variable costs** are expenses that change in proportion to the activity of a business entity and tend to be volume related. For example – harvesting, procurement and collection costs will increase in proportion with the total produce
- E.g. Cost of harvest for one Acre Rs.1200/- for Five acres? (Rs.6000/-)
- Fixed costs** are business expenses that are not dependent on the level of goods or services produced by the business entity and are usually time related. For example – rent, electricity, salaries for clerical work.

Break-even analysis

The break-even point (BEP) is the point at which



Units

total costs / expenses and revenue are equal

- Profit can only be realized after the breakeven point is achieved
- It's important to be aware of what the BEP is so that the PC can plan in the short-to-medium term to achieve break-even and then move past. Additionally, BEP analysis is a good exercise to check the feasibility of additional investments (that are likely to produce incremental fixed costs) or higher-quality inputs (which are likely to be more expensive, thereby increasing the variable cost per unit)

Selling Price of Black Gram = Rs.105/Kg

Variable cost per Kg = Rs.94 / Kg

Fixed cost = Rs.2,000

BEP = 2200 kg

7.3.2 Knowledge of income statement components & ratios

What is an income statement?

- Summary of income and expenses
- Determines the profit or loss of a business over a period of time
- Should be prepared at the end of every season (or, every few months for PCs that run all year)
- Income statements cover a specific period of time and reflect the performance of the business during that specific period

How can you use an income statement?

What could your PC do if it found out that it was operating at a loss?

- Push farmers to effectively grow more produce so that volume sold through the PC would increase – either by increasing productivity or increasing membership
- Cut down on expenses where possible
- Raise prices charged to buyers or expand list of buyers
- Recruit more members and generate more membership income
- Increase fees charged to members

Income Statement

Example income statement as below



Income Statement (INR)	2021
Income	
Sales	
Other Income	
Total Income	
Cost of Goods Sold	
Seed Procurement	
Fertilizer Expense	
Pesticide Expense	
Agricultural Machinery	
Gross Profit	
Operating Expenses	
Salary-related payments to Staff	
Produce Aggregation Expenses	
Distribution & Transport Expenses	
Administration, Selling and Other Expenses	
EBITDA (Earnings Before Interest, Taxation, Depreciation & Amortization)	
Depreciation & Amortization	
EBIT (Operating Profit)	
Interest and Finance Charges	
Other non-operating income and expenses	
PBT (Profit before Taxation)	
Tax Expense	
PAT (Profit after taxation)	
Balance brought forward from previous year	
Dividend distribution	
Retained Earnings	

Profitability Ratios

Financial statements serve as a critical tool for monitoring and evaluating the performance of a business. Ratio-analyses facilitate this process. While it is important to remember formulas of different ratios and metrics it is equally critical to assess metrics within the right context. Ratios must ideally be evaluated relative to (i) Competitors & Industry-norms and (ii) Historical data. This enables the PC to spot inconsistencies, competitive-advantages, trends and areas for improvement.

What is net-profit margin?

Net Income Margin % = Net Income / Net Sales

- A ratio of profitability calculated as net income divided by revenues, or net profits divided by sales. It measures what percentage of sales the company retains as profit, after deducting all expenses. This formula can also be applied to Gross Profit, EBITDA, EBIT and other measure of profitability. Profitability metrics can be used to compare performance amongst companies within the same industry, and outside.

Gross Margin % = Gross Profit/ Net Sales

This shows the average amount of profit considering only sales and the cost of the goods sold. This tells us how much profit the product or service is making without considering operating expenses. As such, it indicates the efficiency of operations, concentration of supplier-power as well as the gross mark-up on products over and above the COGS

EBITDA Margin % = EBITDA/ Net Sales

This ratio indicates the profitability of current operations. This ratio does not take into account the company's capital-structure or asset & tax-structure

EBIT Margin % (also referred to as operating profit margin) = EBIT/Net Sales

This ratio indicates the profitability of current operations. This ratio does not take into account the company's capital and tax structure

The objective of margin analysis is to detect consistency or a trend in a company's earnings. It can also be used to compare profitability amongst companies and better understand a company / industry cost structure.

7.3.3 Balance Sheet & Cash Flow Statement

What is a balance sheet?

- Summary of assets (what a business owns) and liabilities (what a business owes) at that point in time
- Details the net worth of a business, i.e., the difference between assets and liabilities
- Represents the financial position of a business at a given date
- Gives details about a company's asset-structure and capital structure

A balance sheet is based on the formula: **Owner's equity + Liabilities = Assets**

What are assets?

Assets are the resources that a business uses to operate its business and are categorized as either current or Fixed assets (non-current assets). A business relies on its assets to generate income. For example – agricultural machinery, land, inventory etc are forms of assets that a business uses productively, to generate revenue.

What is the difference between current assets and fixed/non-current assets?

Current assets:

Are items of value that are expected to be consumed or converted into cash within the next 12 months

Examples include cash, inventory (that turns over within 365 days) and accounts receivable

Fixed assets:

Are not expected to be consumed or converted into cash within the next 12 months

Examples include assets that the business would generally keep for more than one year such as property, plant and equipment, cars and buildings

What are liabilities?

Liabilities are the financial obligations or debts of the business and are amounts owed by the business to external parties. They are categorised as either current or non-current liabilities

What is the difference between current liabilities and non-current liabilities?

Current liabilities:

Are expected to be paid within the next 12 months and include creditors, (accounts payable), inventory purchases, overdraft, short-term loans and credit card debts

Owner's equity + Liabilities = Assets

How can PC use a balance sheet?

- To establish if it has enough assets to meet its current liabilities. A healthy business should always have enough assets to cover its liabilities
- To determine if it has enough money to purchase additional assets
- To assess its credit worthiness and capital structure
- To measure its operational efficiency by tracking ratios such as receivables turnover, inventory turnover, cash-conversion cycle etc.

Liquidity and Efficiency ratios facilitate analysis, monitoring and evaluation of a business's performance

Current Ratio (Current Assets/Current Liabilities)

A good business shall have a current ratio between 1.20 to 2.00 meaning, the business has 1.2 to 2 times more current assets than liabilities to cover its debts. Similarly, a current ratio below 1 indicates that the company does not have enough liquid assets to cover its short-term liabilities. To know whether the PC is making a profit or loss in its day to day operations, one should continuously monitor the current assets at a particular point in time and the liabilities outstanding at that point of time so that one can assess the profit or loss at that particular point of time. It is always advised for PCs to monitor the current ratio at least on fortnightly basis initially and on daily basis once the volume of financial transactions related to sales and purchases grow.

Quick Ratio (Cash+ Marketable Securities + Accounts Receivables)/ Current Liabilities

Cash Ratio = (Cash + Marketable Securities)/Current Liabilities)

1:1 is considered to be the ideal ratio of quick ratio.

What could PC do if you found that was the case?

- Sell equipment to pay off debt
- Sell more produce to increase profit

- Raise fees to increase equity and cash-balance
- Borrow money (last resort option) to pay off debt

1) Return on Assets (RoA): $\text{Net Income} / \text{Average Total Assets}$

Where: Average Total Assets = (previously reported total assets + current total assets) / 2

This ratio measures the operating efficacy of a company without regards to financial structure i.e. for every 1 Re. invested in its asset-base, how many Rs. does the company generate]

2) Return on Equity (RoE):

(Net income - Preferred Dividends) / Average Common Equity

Where: Average Common Equity = (Previously reported common equity + current common equity) / 2

This ratio measures the return generated on the stockholder's equity. The ROE is useful for comparing the productivity of a company to that of other firms in the same industry.

It is important for us to also understand, analyse and track our company's use of debt. This is important as it gives us a better idea of financial risk, which is risk related to the company's financial structure.

7.3.4 Cash Flow Statement and Ratios

What is a cash flow?

- The movement of cash in and out of a business
- Cash that helps to meet the day-to-day expenses of a business
- Helps categorize and understand what functions of the business are helping generate / use cash and then take corrective action
- For relatively early-stage PCs, operating and financing cash flows will be most pertinent as cash outflows due to large investments will come at a much later stage

Components of the cash flow statement

- As an PC, business mainly deals in cash. sell in cash and then pay PC members in cash. PC also pay most of PC expenses in cash
- PC needs to manage its cash so it always has enough money on hand to pay for obligations when they arise
- Since most companies use accrual accounting (An accounting method that measures the

performance and position of a company by recognizing economic events regardless of when cash transactions occur. The general idea is that economic events are recognized by matching revenues to expenses (the matching principle) at the time in which the transaction occurs rather than when payment is made (or received). Therefore, the cash-flow statement helps measure the cash position of the company during the given period without adhering to matching principles. In that respect, it is a true reflection of the cash generated or lost during the financial period.

Why is proper cash-flow management important to PC?

- It ensures that there is cash to pay for obligations when they arise: example: payment to suppliers and other creditors
- It helps PC manage debt and other financial obligations better
- It saves the PC from unnecessary expenses, e.g. late payment charges, interest-rate hikes etc.
- It enables the PC to take advantage of investment opportunities when they arise

PC can benefit by understanding the different sections of a cash flow for better analyse and keep track of its cash position. More importantly, it's crucial to understand how each business function is generating or using up cash

How is the cash-flow statement different from the income statement and balance sheet?

The cash-flow statement is distinct from the income statement in that it reflects purely the cash inflows and outflows during the period, irrespective of revenues and expenses recorded in adherence to the matching principle.

How could PC end up with a negative cash balance?

- Some produce doesn't sell quickly (i.e. Inventory Days are too high that ends up tying up capital)
- Sell on credit and there is a delay in payments
- Inputs are bought on a cash-basis, but produce is sold on credit
- Expenses are higher than income

How can PC prevent this?

- Do not sell produce on credit. If you must, give a definite credit period and, if possible, charge a small interest fee on credit sales. Try and incentivize early collection / payment by offering more attractive rates for your produce (if collection is immediate)
- Increase marketing to trigger sales growth
- Reduce expenses in low-income months and try and keep overheads to a minimum (early-stage businesses need to ensure their overheads are kept to a minimum)
- Don't buy more produce from farmer members than can be sold. try and backend the payment process to after final-sale.

7.3.5 Indicators of Financial Performance of a PC

The financial health of an PC can be gauged with financial indicators. Supporting the financial statements with financial indicators increases the credit worthiness of an PC. Similarly, it helps to promote the goodwill among the suppliers of the PC. There are several financial indicators to assess the financial strength of an organization. Of these, some of the important indicators for an PC are discussed below. The BOD, CEO & Accountant should monitor the following financial indicators for effective functioning of the PC.

1. Net Sales: Turnover of the PC
2. Gross Profit Ratio: The Gross Profit indicates the profit the company makes after paying its cost of goods sold. A higher gross profit ratio indicates higher efficiency of the organization.
3. Gross Profit Ratio = $\frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$
4. Net Profit Ratio: The net profit indicates how much profit the company makes after deducting the administration/operational expenses etc.
5. Net Profit Ratio = $\frac{\text{Net Profit}}{\text{Net Sales}} \times 100$
6. Current Ratio: It measures the ability of the organization to meet its short-term obligations

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

As the business cycles of PC are very well rotated, the PC management will be looking to the day's result by a specific time the next day. It would be a matter of experience to arrive at the current assets and current liabilities on a day to day basis.

7. Working Capital = Current Assets – Current Liabilities

A working capital ratio of less than one indicates that the company has less working capital and vice versa. A ratio of more than one is considered satisfactory. Ideal Current Ratio preferred by the banks is 1.33:1. However, it also depends on the nature of business. Loan for the working capital is normally based on current assets. The working capital loan is required for a better liquidity position.

Maximum Borrowing Limit to an PC as per bankers is normally 20 times the paid-up capital. However, it is to be decided in the AGM and mentioned in AoA.

8. Debt Equity Ratio: It is a measure of the organization's financial leverage. It indicates the portion of equity and long-term debt the organization is using to finance its assets.

Debt Equity Ratio = Total liabilities/ shareholders' equity.

A high debt/equity ratio could indicate that the entity has been aggressive in financing its growth with debt.

A ratio of 1 indicates investors and creditors have an equal stake in the business assets. Lower the ratio, the better it is considered. Practitioners' Guide to Business Plan Development in PCs

9. Break Even Sales: Fixed Expenses/ Contribution margin x100

Contribution margin = 100 - % of Sales (for Ex: 100-80=20). Contribution margin varies depending on the sales percentage.

It is the situation where the organization covers its variable and fixed costs, such as rent, administrative salaries and advertising. Organizations incur some level of fixed costs regardless of the sales volume.

10. Inventory Turn Over Ratio (%): Cost of Goods Sold/Average Inventory Cost of Goods Sold =

Opening Stock+ Purchase – Closing Stock.

Average Inventory = Opening stock + Closing stock /2

Inventory Turn Over Ratio is a good indication of production and purchasing efficiency. A high ratio indicates inventory being sold quickly while low ratio indicates overstocking/obsolete inventory/sale issues.

11. Operational Self-sufficiency (%): Business Revenue/Total expenses

Business Revenue should exclude any non-operating revenue or contributions. Total Expenses should include all expenses (Operating and Non-operating)

Operating Self Sufficiency measures the degree to which the organizations expenses are covered by its core businesses and can function independent of grant support. A ratio of one indicates less dependency on grant revenue or other funding.

12. Financial Self Sufficiency (%): Operating Income (Loans + Investments) /Operating Costs +Loan loss provisions+ financial Costs + Adjusted Costs of Capital

Adjusted Cost of Capital = (Inflation rate * (average equity – average fixed assets) + (average funding liabilities * market rate of debt) actual financing costs)

Financial self-sufficiency indicates whether enough revenue has been earned to cover both, direct costs - including financing costs, provisions for loan losses and operating expenses - and indirect costs - including the adjusted cost of capital. The adjusted cost of capital is the cost of maintaining the value of the equity relative to inflation (or the market rate of equity), and the cost of accessing commercial rate liabilities rather than concessional loans. Unless 100 percent financial self-sufficiency is reached, the long-term provision of credit services will ultimately be undermined by the impact of inflation and the continued necessity to rely on donor funds. Practitioners' Guide to Business Plan Development in PCs

13. Debt Service Coverage Ratio: Net Operating Income/Total Debt service

Net operating income= Company's Revenue – Operating Expenses

Total Debt Service = Current debt obligations

This means any interest, principal, sinking fund and lease payments that are due in the coming year. On a balance sheet, this will include short term debt and the current portion of long-term debt.

The debt-service coverage ratio (DSCR) is a measure of the cash flow available to pay current debt obligations. The ratio states net operating income as a multiple of debt obligations due within one year, including interest, principal, sinking fund and lease payments.

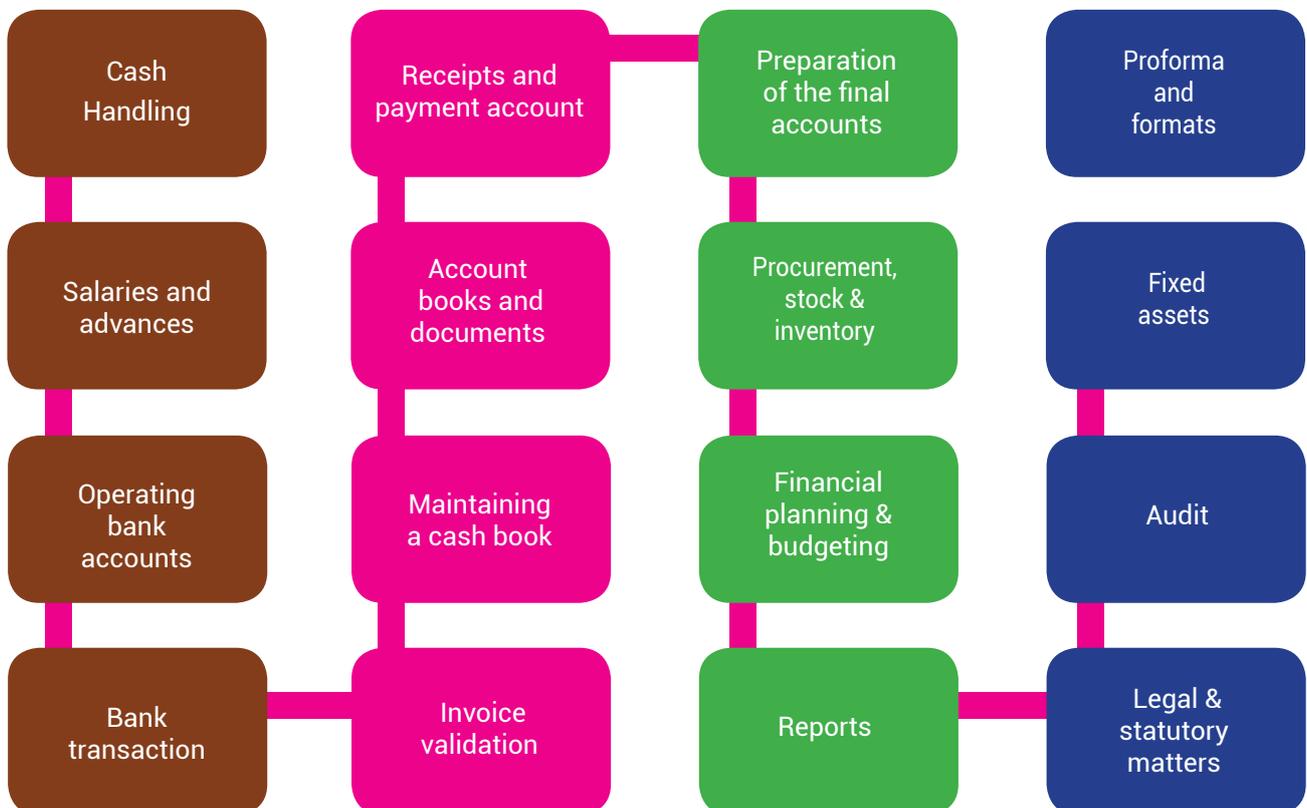
7.4 Financial and Accounting System

The system that maintains the financial records is known as accounting System.

Accounting is the bookkeeping method involved in making a financial record of business transactions and preparing statements describing the assets, liabilities, and operating results of a business. PC must use tally for their account process.

Financial System: - **Accounting** focuses on the day-to-day flow of money in and out of a company, whereas **finance** is a broader term for the management of assets and liabilities of the company and the planning of future growth.

Sustainability of any business entity lies on proper & efficient finance management. For smooth management of finance & accounting system, processes are depicted below.



7.4.1 Record keeping

The process of recording transactions and events in an accounting system or the activity or occupation of keeping records or accounts. VKP promoted PC should at least have some accounting software like Tally ERP 9 for tracking the business activities.

Keeping good records is vital for PC business as:

- It helps to manage PC costs,
- It helps to manage legal, regulatory or tax compliance.
- It helps to manage and improve PC business.
- Is essential for collecting, storing and effectively analyzing PC data.
- Records can identify the source of receipts.
- Separate business taxable income from nontaxable income.
- Keep track of PC expenses.
- Records are must to prepare PC tax returns.

PC should make sure to keep the following 5 types of records regarding its business:

- Business records - Business records dealing with business activities. It is consisting of Purchase, sales, stock, expenses, business contracts etc., Business records support to prepare business statement and reports. These records should be updated as on date by an accountant / concern staff of the PC.
- Accounting records - Accounting records dealing with financial transaction. It is consisting of Cash book, General ledger, receipts, voucher, Bank reconciliation, Asset register.
- Legal documents - Legal documents are very necessary to run the PC.
- Permits and licenses - Licenses are needed for trade, procurement, processing and operations of the business. Most businesses need a combination of licenses and permits from relevant authorities at state and central level.
- Insurance documents - Running a business involves many risks, sometime risk leads to financial loss / asset loss to the PC. To avoid the risk and to protect producer company assets insurance is very important.

Business records comprise:

- Purchase book - Purchase Book is a subsidiary book which records the transactions of credit purchase of goods for trading purpose. Cash purchases are recorded in the Cash Book.
- Sale book - Sales book records all credit sales made by a business. It is one of the secondary book of accounts and unlike cash sales which are recorded in cash book, sales book is only to record credit sales.
- Stock register - A stock register is a records of goods purchased and/or stored.
- Billbook/ Receiptbook - Receipts are a document that represents proof of a financial transaction. A receipt is a written acknowledgment that something of value has been transferred from one party to another.
- Expenses register- The expense register helps PCs to manage expenses, which records all of PCs expense information.

Insurance documents comprise:

- Transit insurance – This insurance covers risk arising due to loss or damage caused to goods or

personal belongings while in the transportation.

- Warehouse insurance - This provides coverage against any monetary loss resulting from any damage of goods, machinery or building in and outside of the premises.
- Members insurance - The PC provide various insurance like Crop Insurance, Electric Motors Insurance and Life Insurance for members.
- Asset insurance – Asset / Property insurance is the kind of insurance that provides protection against certain risks on property such as fire, theft and earthquake.

Accounting records comprise:

Legal records comprise:



Cash Book

A cash book is a financial journal that contains all cash receipts and payments, including bank deposits and withdrawals. Entries in the cash book are then posted into the general ledger. The cash book will be digitised through the book keeping software promoted by the VKP project.

Purchase book

Purchase Book is a subsidiary book which records the transactions of credit purchase of goods for trading purpose. Cash purchases are recorded in the Cash Book. It is also known as purchase register or purchase day book.

Material receipt

Material Receipt is a written record that indicates the receiving details of materials from a supplier to the inventory location. Material receipt note represents a transaction that took place when the items are supplied from a supplier and delivered at the inventory location.

Invoice

An invoice, bill or tab is a commercial document issued by a seller to a buyer, relating to a sale transaction and indicating the products, quantities, and agreed prices for products or services the seller had provided the buyer. Payment terms are usually stated on the invoice.

Fixed Asset Register

A fixed asset register is nothing more than a list of fixed assets that belong to an entity. Traditionally the fixed asset register was maintained in written form by a bookkeeper using a book that was set aside specifically for that purpose. Nowadays, it is

more often held in electronic format in an accounting system.

Shareholder/member & share certificate Register

An PC must make sure to keep and maintain all major details of each shareholder/member in a register.

Record Maintenance

The basic record maintenance is very important for effective and transparent functioning of Producer Company, As per the standard guidelines the following books of records needs to be maintained by the Farmers Producer Company.

All the books of records will be checked and controlled by CEO & BOD. DPMU & TSA will guide and facilitate the PC for Proper record keeping.

S.No	Books of Records	Purpose	Maintained	Frequency of Updating records	Type of record
1	Minutes Book/ Resolution Register	Meetings of shareholders/board of directors/AGM/ General Body meeting minutes will be recorded in the register. Also to record all the important collective decisions will be recorded in a continuous manner for enabling the members to understand them. Decisions taken by the group will be known to all the members from time to time and it will promote them to take always right decisions in their meetings.	CEO & BODs	Monthly / Based on requirement	Digital (Scanned copy)& Manual
2	Members' Profile	A PC having farmers as its members, has to keep record in place for getting basic information about its members	CEO & Office Bearers	Time to Time (on regular basis)	Digital (Excel File)
3	Share Capital Register	Share capital register is for maintaining the record of member who contributed their share amount to the producer company	CEO & Office Bearers	Time to Time (on regular basis)	Digital (Excel Document) & Manual
4	Assert Register	As part of the financial management process, PCs need to maintain a Fixed assert registers.	CEO, BODs & Officer Bearers	Time to Time (on regular basis)	Digital (Excel Document)
5	Cash Book	Cash receipts and cash payments, applicable to PCs will be recorded in cash book against appropriate account heads.	Accountant & CEO	Monthly Basis	Talley
6	Bank Book	All transactions related to receipt of money in Bank and payment made through bank are recorded in the bank book	Accountant	Monthly Basis	Talley

S.No	Books of Records	Purpose	Maintained	Frequency of Updating records	Type of record
7	Bank Reconciliation Statement	Normally, bank balance as per bank book of PCs and that as per pass book of Bank should be similar. However, on a particular day this balance may differ. Therefore, to know the reason for difference in balance as per these books, a reconciliation statement is prepared which is called Bank reconciliation statement.	Accountant	Monthly Basis	Talley
8	Journal	Financial transaction which does not involve immediate receipt or payment through Cash/Bank is recorded in a journal e.g. Credit purchase or credit sale. Besides this, accounting entries pertaining to closing stock/ opening stock, provision for depreciation, provision for outstanding expenses and income, prepaid expenses, income received in advance, adjustment and rectification entries are passed through journal.	Accountant	Monthly Basis	Talley
9	Ledger	Ledger is a summarized record of accounting entries for account heads debited or credited in Cash book, Bank book or Journal for the given period of time (i.e. year). Entries made in prime books (cash book, bank book, journal) are posted in ledger to know the cumulative position under each account head. A separate folio is maintained for each account head. On posting of transaction from prime book (cash/ bank book & journal) into ledger, a reference folio number of prime book is indicated in ledger.	Accountant	Monthly Basis	Talley
10	Input (Purchase, Sale & Stock) Register	The record will be maintain for recording the detail of Purchase of inputs , sale detail and balance stock of PC	CEO & Office bearers	Time to Time (on regular basis)	Digital (Talley) & Manual
11	Produce (Purchase, Sale & Stock) Register	The record will be maintain for recording the detail of Purchase of Produce, sale detail and balance stock of PC	CEO & Office bearers	Time to Time (on regular basis)	Digital (Talley) & Manual

7.5 Auditing

Need for audit

All transactions that take place in PC will be brought to the notice of members after the closing of the financial year. Financial statements of PC relating to the last financial year shall be prepared. These statements shall exactly outline what is recorded in the books of accounts of our PC and reflect the actual position. As all financial transactions are carried

out by PC, there is a possibility of doubts arising on reports submitted by BODs. Hence at the end of every financial year, PC's accounts shall be audited by the Auditors appointed by PC General Body. Once the auditing is completed, The BOD shall submit the audited statements and financial statements to PC General Body and obtain its approval.

Audit - is an official inspection of an organization's (PC) accounts or systematic examination of the books and records of a business in order to verify

and to report upon the facts regarding the financial operations and the result thereof.

Audit is essentially a check that staff, BoD members and GB members exercise properly on those duties that they are entrusted with and whether these duties are performed in line with set policies/ systems/ norms. Thus audits reveal whether different activities are going on in line with set standards/ norms or any deviation from them and required corrective measures for improvements. It is our duty of the Board to get the audits and present the audited statements of accounts to members in the annual GB meeting.

Benefits of Audit:

- Helping protect assets and reduce the possibility of fraud.
- Improving efficiency in operations.
- Increasing financial reliability and integrity.
- Ensuring compliance with laws and statutory regulations.
- Establishing monitoring procedures.

Types of Audit:

1. Internal
2. External

Internal auditor	External auditor
<ul style="list-style-type: none"> • Examine issues related to company business practices and risks • Are conducted throughout the year 	<ul style="list-style-type: none"> • Examine the financial records and issue an opinion regarding the financial statements of the company • Are conducted annually

Companies Act 2013:

Every Producer Company shall have internal audit of its accounts carried out, at such interval and in such manner as may be specified in articles, by a chartered accountant as defined in clause (b) of sub-section (1) of section 2 of the Institute of Chartered Accountants Act, 1949 (38 of 1949).

Who should audit:

The external auditor appointed by the General Body usually does the statutory audit. The Board member expected to protect and promote long term organisational interests. The BODs are not expected

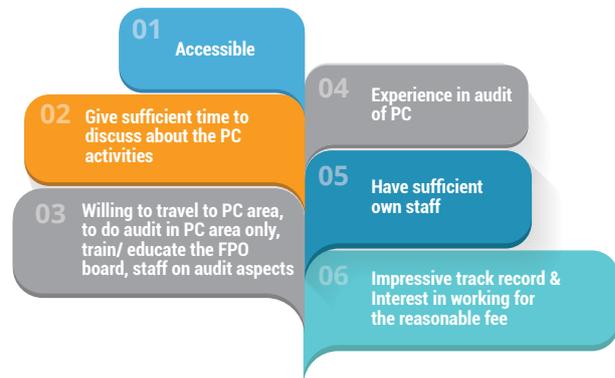
to ignore mistakes within the organisation. The internal audit provides the BODs with a hands-on experience in locating mistakes in PCs systems and practices, and in correcting them.

If the PC had an internal auditor appointed by Board, who could do 'internal audit' of the accounts right through the year, then, when the chartered accountant comes after the close of the year, he/she may find our books in excellent order. The BoDs use internal audit to develop into a very transparent, highly accountable and well managed institution.

Appointment of Auditor

The Auditors can be appointed based on the following suggestive criteria and steps

Example Criteria for Auditor appointment



Steps to be followed in Auditor appointment

- The Company should intimate the Auditor about his appointment within 7 days of the passing of the Resolution appointing him/her.
- Then get the consent letter from the auditor
- The Auditor should inform the Registrar of Companies within one month of the receipt of the intimation from the Company that he has accepted his appointment.

Audits to be performed by PC

Regular audits and compliance to audit recommendation are very important functions of the Board. The PC need to ensure both internal audit (which is their own internal good practice) and external statutory audit (compulsory by law). Internal audit can look into three main areas of Financial, Management and Governance.

The following table depicts the details of required audits to be performed by a PC.

S.No	Particulars	Internal Audit		
		Financial	Management	Governance
1	Need/ Purpose	To ensure all financial transactions are done in a foolproof manner without any leakages	To assess whether the activities are carried on as per systems in an efficient manner so as to serve the members needs with quality and in time	To assess whether the PC is moving in set direction to fulfil the intended purpose by adopting good governance practices
2	Coverage of the audit	Accounts, bookkeeping, BRS, receipts& payments, cost and budgetary control, financial integrity, quarterly financial statements, working capital position, important financial ratios, reporting to financial agencies	HR, progress against annual targets, Data/ information, process monitoring, reporting, cost benefit analysis, linkages, business activities like procurement, processing, storage etc	PC outcomes, legal compliances, board meetings, GB meetings, member satisfaction, roles, transparency, accountability
3	Who has to do	Staff and an external concurrent auditor (may be same auditor of statutory audit)	CEO, Board committee member; an external person also based on scale of business operations	One Representative General Board member and one external expert
4	When	Monthly or quarterly (based on level of transactions)	Quarterly or half yearly based on level of operations; seasonal activities like procurement, processing etc have to be done during the concerned season itself	Yearly
5	Who will review	CEO and Board Committee	CEO and Board Committee	Board
6	Who has to take action on audit report	CEO and Accountant	CEO and concerned staff	Board and CEO

VKP Project Team role in Audit

- The DPMU, BTLs/ TSA should facilitate the audit function
- Ensure the PCs internal & internal auditing are done on the right time.
- Facilitate / guide the BODs for Auditor identification
- Ensuring the Audit is done in transparent and impartial manner
- Ensuring the Audit observations to the General Body
- Ensuring that the Audit recommendations are implemented

BoD member's role in Audit**Pre-audit**

- Deciding on type and time of audit

- Identification of Auditor and Assigning of concerned tasks to staff

Audit

- Ensuring required documents, information available to Auditors
- Ensuring the Audit is done in transparent and impartial manner

Post audit

- Proactively getting recommendations of the Audit
- Discuss the Audit recommendations in Board meetings
- Presenting the Audit observations to the General Body and taking their approval
- Ensuring that the Audit recommendations are implemented



Chapter 8

Partnership, Convergence & Expanding Business Operations

Partnership is an important element of PC growth and effectiveness. It is important that the PC have required linkages/ partnerships for different activities. Partnership can be of different type with individual or institutions, with market players (input or output), with institutional buyer, with government agencies including departments, with research institutions, with NGOs and with other PC in the district/ nearby/ state, etc.

Whereas the decision of which linkages/ whether to enter into partnerships is the role of the Board, the operationalization of linkages has to be done by the staff. Linkage is an association (formal or informal) between two organizations, which mutually benefit each other. For example –linkage between PC and KVK / Agricultural Research Station. KVK/ ARS provides latest seeds & production technology, which enhance the production. ARS, intern, validate its research and achieve it's target for agricultural

extension. If it is the formal partnership, PC needs to enter into a MoU with all necessary terms with the other party. It is of utmost importance to ensure the autonomy and independence of PCs in such partnerships.

The PC members have to be technically sound and updated for quality production methods and the necessary technical skills on a product. DPMU and the TSA would forge wide-ranging partnerships with institutions of national repute such as IIFPT, ICRISAT, TNAU, CFTRI, NBRC, Regional National and state universities. The members of the PCs will be technically trained by Technical Institutes in the field of skilling, value chain management and other Technical aspects related to the product. The DPMU with the support of OSF/TSA will facilitate tie ups with these Technical institutes in that locality on the prioritized value chain commodities for the PCs. The following table provides the partnerships and their benefits for PC.

Sl.No	Partnership Agencies	Type of Partnership	Benefit for PC
1	Input companies & output agencies	Business Partnership	<ul style="list-style-type: none">• Accessibility for inputs without any hurdle• Accessibility for Credit based purchase of inputs
2	PCs	Business Partnership Learning and development partnership	<ul style="list-style-type: none">• Inter marketing commodities• Mutual learnings and development• Increase bargaining power

Sl.No	Partnership Agencies	Type of Partnership	Benefit for PC
3	Line departments	Convergence partnership	<ul style="list-style-type: none"> Leveraging of applicable schemes Long term sustainability & stability
4	Research institutions (KVK,ARS, TNAU, Fisheries University etc)	Knowledge sharing partnership	<ul style="list-style-type: none"> Access to knowledge Technical support and guidance Innovative technologies and demonstrations
5	NGOs & CBOs	Knowledge sharing and business development partnership	<ul style="list-style-type: none"> Increasing customer base Increasing business volume
6	Financial institutions	Access to institutional financial linkage	<ul style="list-style-type: none"> Accessibility for business loans – Working capital & Term loans Accessibility of some grant oriented schemes
7	Institutional Buyers/ corporates	Market linkage	<ul style="list-style-type: none"> Better market price Market tie-up leads to sustainable business

8.1 Strategies for Multiple Stakeholder Convergence and Partnerships

Business plan including financial requirements determines the need for convergence. For example Farm Production gaps (seed selection, variety, seed treatment, Modern production technologies and etc.,) can be overcome through convergence with relevant government departments, Schemes and institutes.

Convergence playing a vital role in bridging the gap of needy PCs and resource institutes for enhancing PC technical, financial and marketing linkages.

Possible convergence activities

- Consultative meeting: Mapping the relevant schemes jointly with the Line department
- Coordination meeting with Line department under the chairperson of District collector for convergence and partnerships with VKP Project.
- At district level all the line departments shall include VKP programme in their annual strategy meeting
- In the Block level such convergence meeting shall be taken up with line departments before onset of the season or commencement of the nonfarm activities.
- The gaps in PC funding can be covered by accessing formal financial Institutions

- The DPMU and BPMU can converge with other government schemes as available for their area.
- Converge agricultural interventions with agriculture schemes like RKVY, Krishi Sinchai Yojna, Paramparagat Krishi Yojna, Organic certification etc.
- Take advantage of various horticultural schemes on fruits and vegetables.
- Ensure the reach of Livestock and fishery department schemes like skill training, vaccination, nutrient management, poultry and egg production, development of fish ponds, provision of nets, insurances etc.
- Take advantage of textile and handloom department schemes to support non-farm activities.
- Opportunities from any other relevant schemes must be tapped for the benefit of PC.
- The above schematic list is not exhaustive. The detailed scheme has mentioned in the subsequent sections.

The PC Business plan, Value chain Interventions and financial requirements determines the need for convergence. The following table describes the convergence activities and the project team responsibilities.

Convergence	Activities	Project team/ PC Responsibilities
Technical Convergence	<ul style="list-style-type: none"> Consultative meeting with line departments such as Department of Agriculture, Horticulture, KVK, research institutes and etc., to discuss about the possibilities of convergence for the gaps identified (Input marketing, seed production, feed making, Processing and etc.,) Organising virtual trainings / Webinar, Demo plots, Field trainings, demonstrations and etc., Arranging the technical training for the selected office barriers of the PC by the Project team Knowledge sharing and implementation of technology at field level by the BODs through consecutive meetings 	<ul style="list-style-type: none"> Arrange the technical meetings – DPMU, BPMU, TSA & Line department Knowledge sharing & implementation – BODs Guiding & Handholding – TSA & DPMU Developing Linkage & partnership: DPMU, TSA

Convergence	Activities	Project team/ PC Responsibilities
Marketing Convergence	<ul style="list-style-type: none"> Convergence with market related departments and institutes such as Department of Agriculture Marketing & Agri Business, Agri Business incubators and etc., can be enhancing the marketing abilities of the PC Data on Production, demand, supply, pricing, market players can provide the market intelligence to the PC Sales through regulated markets and government procurements Project team has to develop a market intelligence system (creating Excel data base, WhatsApp group, and etc.,) 	Meeting with line department – DPMU, TSA Data collection – DPMU, TSA Data analysis – TSA Market intelligence system – DPMU, TSA Developing Linkages & partnership: DPMU, TSA
Financial Convergence	<ul style="list-style-type: none"> Fostering Business Development services Direct & Indirect financial supports can be reached through convergence with line departments Direct: Financial requirements and material requirements (seeds, implements) of the PC can be achieved through various schemes of line departments Indirect: Trainings provided by line departments enabling the PC to avail the financial benefits (Training through KVK on input sale enable the PC to avail loan for input trading from commercial banks) 	Meeting with line department – DPMU, TSA Need assessment of the PC – BODs & TSA Guiding & Handholding – TSA & DPMU Developing Linkage & partnership: DPMU, TSA
Other Possible convergence	<ul style="list-style-type: none"> Linking to a service provider Input suppliers Transporters Major customers Extension services 	TSA / DPMU

PC is endeavoured to reduce cost of production, increase output and market price realisation and result in incremental income to the primary producer. New technology, corporate partnerships and State-sponsored programmes are very essential to accelerate the PC progress & process.

A standalone PC can never go far ahead as agriculture is basically to do with multi-tasking in convergence with multiple stakeholders. The potential convergence partnerships have listed the below section.

Convergence with Corporates

Corporates especially those who are reputed and genuinely interested in working with farmers'

groups have to be identified and partnerships with such corporates should be nurtured.

Agri-business corporate units are looking for good partnerships to promote their produce and also help such partner PCs with their many market and welfare initiatives.

Eg. seed production, marketing of agri-inputs and demonstration plots, extension education

programmes, capacity building programmes for farmers and custom hiring services.

It should be noted that in the value chain corporates take a critical space and strong convergence with them is a win-win choice.

Interestingly, many agri-business corporates are also prepared to unite their CSR initiatives synergising with the agri-business partnerships with PCs. PCs should strategically move to leverage this opportunity.

Convergence with markets

There are new ways to work with markets especially upmarkets which enable better price discovery. One such opportunity is For e.g. NCDEX.

Similarly, PCs can contemplate contract farming where income and price for the produce are assured. A framework for wide range of such convergence and partnerships available to PCs can be built up in consultation with the corporate agri-business houses.

Convergence with Central & State Government Programmes

The Agriculture & Rural development department have large number of programmes are being

implemented to help farmers in their end-to-end farming solutions. PC is a perfect institutional mechanism available to farmers to leverage such schemes for the benefit of its members.

A list of government programmes and their brief description is mentioned in the next section.

Convergence with other departments for technological and infrastructural support

The state and central institutions and departments have many schemes to support the farmers for providing technical and infrastructural support. The project could also leverage the schemes and related institutions such as KVKs, Agriculture Department, Animal Husbandry Department, Horticulture Department, Fisheries department, Soil and Water Conservation, NGOs, Agriculture Universities, Forest Department. DPMU and the TSA would forge wide-ranging partnerships with institutions the resource institution.

VKP project will collaborate with these line departments and universities wherever possible. District and State level workshops will be held to ensure effective convergence and linkages the relevant departments and schemes and to seek support if necessary.

For convergences, a district level meeting for convergence would be held by the DPMU. Based on the meeting, the TSA/DPMU would prepare a database of different schemes benefiting the target PCs. TSA would prepare a possible Convergence plan along with the Block Level Team.

The TSA & Block Team would consult the Producer collective and prepare a database of the different producer groups in the block and the kind of interventions that has been planned for each group based on the schemes available for convergence and the needs of the Producer Collectives (PCs). Once the convergence plan is finalized, the TSA with the assistance of the ECPs would facilitate the convergence with different line departments. The Enterprise ECPs would then mediate the convergence activities between the line departments and the PCs.

8.2 Financial Convergence schemes available for PC

The District team and TSA will identify schemes/ financial linkages for existing PCs based on eligibility criteria and for convergence possibilities. They

also facilitate the PC for convergence with formal technical institutions for technology enhancement.

The TSA will facilitate technical linkages with relevant technical institutions such as

- TNAU
- Agriculture Research Stations
- KVKs
- Veterinary university
- Fisheries university
- IIFPT

Government Agencies Working to Promote PCs

The Government of India has put in place a number of policies, schemes and funds aimed at benefiting the agriculture sector, with particular focus on FPOs through Small Farmers' Agri-Business Consortium (SFAC), and National Bank for Agriculture and Rural Development (NABARD).

8.2.1 Small Farmers Agribusiness Consortium (SFAC) Schemes

Small Farmers Agri-Business Consortium (SFAC) Set up in January 1994, SFAC operates as a Development Institution under the aegis of Department of Agriculture, Cooperation & Farmers Welfare, Ministry of Agriculture & Farmers Welfare. SFAC's mandate is to develop agriculture in India. Its vision is to empower farmers by promoting agri-business through private sector investments and market linkages.

Equity Grant Scheme

Equity Grant Scheme extends support to the equity base of Farmer Producer Companies (PCs) by providing matching equity grants. The EGS shall be operated by Small Farmers' Agri Business Consortium (SFAC). The Equity Grant Scheme enables eligible PCs to receive a grant equivalent in amount to the equity contribution of their shareholder members in the PC subject to a maximum of Rs. 15.00 lakh per PC in two tranches. The Scheme shall address nascent and emerging PCs, which have paid up capital not exceeding Rs. 30 lakh as on the date of application.

Objectives

- Enhancing viability and sustainability of PCs
- Enhancing credit worthiness of PCs
- Enhancing the shareholding of members to increase their ownership and participation in their PC.

Eligibility Criteria for PCs

- It is a duly registered PC as defined under Part IXA of the Indian Companies Act, 1956
- It has raised equity from its Members as laid down in its Articles of Association/ Bye laws.
- The number of its Individual Shareholders is not lower than 50 Its paid up equity does not exceed Rs.30 Lakh.
- Minimum 33% of its shareholders are small, marginal and landless tenant farmers as defined by the Agriculture Census carried out periodically by the Ministry of Agriculture, GOI.
- Maximum shareholding by any one member other than an institutional member is not more than 5% of total equity of the PC.
- Maximum shareholding of an institutional member should not be more than 10% of total equity of the PC.
- It has a duly elected Board of Directors (BoD) with a minimum of five members, with adequate representation from member farmers and minimum one- woman member.
- It has a duly constituted Management Committee responsible for the business of the PC.
- It has a business plan and budget for next 18 months that is based on a sustainable, revenue model as may be determined by the Implementing Agency.
- The PC has an Account with a Scheduled "Bank".
- It has a Statement of Accounts audited by a Chartered Accountant (CA) for at least one full financial year.

Online EG Application Format : Online Application form for Equity Grant Scheme

On-line Check list for EG scheme Checklist for Equity Grant Scheme

Credit Guarantee Fund Scheme

Credit Guarantee Fund Scheme is Central Sector scheme.

The Credit guarantee Fund has been set up with the primary objective of providing a Credit Guarantee Cover to Eligible Lending Institutions (ELI's) which are providing collateral free loans to Farmer Producer Companies (PCs).

The CGF shall be operated by Small Farmer's Agri Business Consortium (SFAC) through lending institutions.

Objectives of Credit Guarantee Fund

2

To provide protection to ELI's by extending credit guarantee and covering their lending risks upto Rs. 100 lakh.

3

To enable PC to get collateral free loan by providing credit guarantee to ELI's.

Online Application Format : Online Application form for Credit Guarantee Fund Scheme

On-line Check list for CG scheme Checklist for Credit Guarantee Fund Scheme

Venture Capital Assistance

SFAC would provide Venture Capital to qualifying projects on the recommendations of the Notified Financial Institution financing the project. This venture capital will be repayable back to SFAC after the repayment of term loan of lending Notified Financial Institution as per original repayment schedule or earlier. SFAC would provide venture capital to agribusiness projects by way of soft loan to supplement the financial gap worked out by the sanctioning authority of term loan under Means of Finance with respect to cost of project subject to the fulfilment of the following conditions:

- Qualifying projects under Venture Capital:
 - Project should be in agriculture or allied sector or related to agricultural services. Poultry and dairy projects will also be covered under the Scheme.
 - Project should provide assured market to farmer's/producer groups.
 - Project should encourage farmers to diversify into high value crops, to increase farm incomes.
 - Project should be accepted by Notified Financial Institution for grant of term loan.
- The quantum of SFAC Venture Capital Assistance will depend on the project cost and will be the lowest of the following:
 - 26% of the promoter's equity and `50.00 lakhs.

The cost of proposed agribusiness project would have to be ₹15 lakh & above, subject to a maximum of ₹500 lakh.

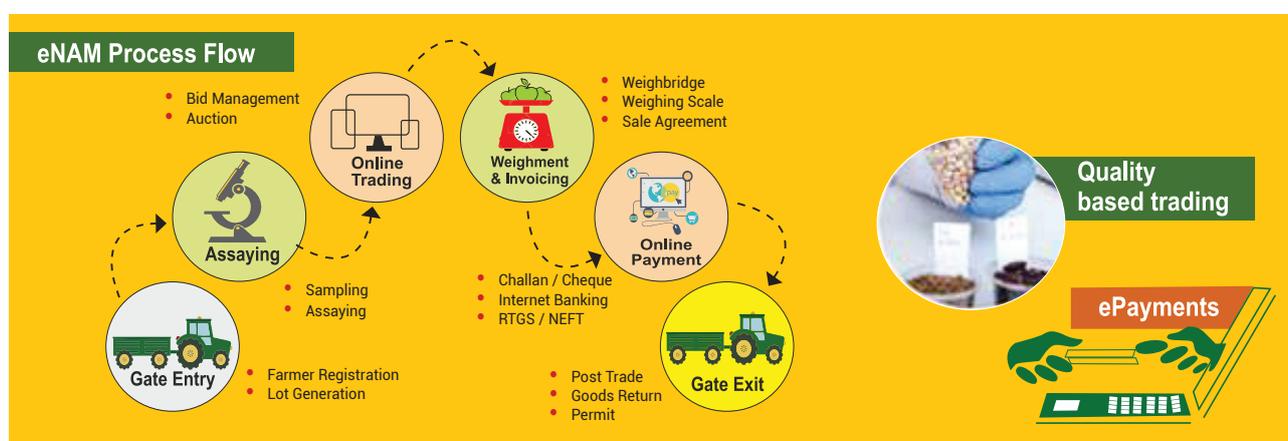
Online Application Format : Online Application form for Venture Capital Assistance Scheme

Online Check list : Checklist for Venture Capital Assistance Scheme

E-NAM

National Agriculture Market (eNAM) is a pan-India electronic trading portal which networks the existing APMC mandis to create a unified national market for agricultural commodities.

- Liberal licensing of traders/buyers and commission agents by State authorities without any pre- condition of physical presence or possession of shop /premises in the market yard.
- One license for a trader valid across all markets in the State.
- Harmonisation of quality standards of agricultural produce and provision for assaying (quality testing) infrastructure in every market to enable informed bidding by buyers. Common tradable parameters have so far been developed for 25 commodities.



Small Farmers Agribusiness Consortium (SFAC) is the lead agency for implementing eNAM under the aegis of Ministry of Agriculture and Farmers' Welfare, Government of India.

To promote uniformity in agriculture marketing by streamlining of procedures across the integrated markets, removing information asymmetry between buyers and sellers and promoting real time price discovery based on actual demand and supply.

Integration of APMCs across the country through a common online market platform to facilitate pan-India trade in agriculture commodities, providing better price discovery through transparent auction process based on quality of produce along with timely online payment.

Objectives

- A national e-market platform for transparent sale transactions and price discovery initially in regulated markets. Willing States to accordingly enact suitable provisions in their APMC Act for promotion of e-trading by their State Agricultural Marketing Board/APMC.

- Single point levy of market fees, i.e. on the first wholesale purchase from the farmer.

Registration of PCs

- FPOs/PCs can register on e-NAM Portal via website (https://enam.gov.in/NAMV2/home/other_register.html) or mobile app or providing following details at nearest eNAM mandi:
- Name of FPOs/ PCs
- Name, address, email Id and contact no. of authorized person (MD/CEO /Manager)
- Bank account Details (Name of Bank, Branch, Account no. IFSC Code)

8.2.2 Central Sector Schemes

Formation & Promotion of 10,000 FPOs scheme

Ministry of Agriculture and Farmers Welfare lunched the Central Sector Scheme titled 'Formation & Promotion of 10,000 Farmer Produce Organizations (FPOs)' with a budgetary provision of Rs. 6865 crores. The scheme operation from 2019 to 2023-24, the government plans to set up and support 10,000 new Farmer Producer Organisations (FPOs) across the country.

FPOs will be provided financial assistance upto Rs 18.00 lakh per PC for a period of 03 years. In addition to this, provision has been made for matching equity grant upto Rs. 2,000 per farmer member of FPO with a limit of Rs. 15.00 lakh per FPO and a credit guarantee facility upto Rs. 2 crore of project loan per FPO from eligible lending institution to ensure institutional credit accessibility to FPOs.

The detailed project scheme related information & Guidelines was available in the SFAC web portal <http://sfacindia.com/FPOS.aspx>

PM Formalisation of Micro Food Processing Enterprises Scheme (PM FME Scheme)

PM FME is a centrally funded sector scheme with an aim to provide financial, technical and business support to micro food processing units in the country. The total outlay of the scheme is \$ 1.3 Bn spread over a span of 5 years from 2020-21 to 2024-25. The scheme details in the below table,

Objectives	Increased access to credit by existing micro food- processing entrepreneurs, FPOs, Self Help Groups and Co- operatives.
Eligible Borrowers	Farmer Producer Organization(FPO), Co-operatives Existing Micro Food Processing Entrepreneurs New Units, whether for individuals or groups would only be supported for One District One Product (ODOP)
Eligible Projects	Eligibility Criteria for Co-operatives/FPOs: It should preferably be engaged in processing of ODOP produce. It should have minimum turnover of Rs. 1 crore. The cost of the project proposed should not be larger than the present turnover. The members should have sufficient knowledge and experience in dealing with the product for a minimum period of 3 years. The cooperative/FPO should have sufficient internal resources or sanction from the State Government to meet 10% of the project cost and margin money for working capital. Support for Common Infrastructure, Marketing and Branding: Eligibility of a project under this category would be decided based on benefit to farmers and industry at large, viability gap, absence of private investment, critically to value chain, etc. Preference would be given for ODOP product.
Quantum of Loan and Margin Money	The project under the PM FME scheme shall be eligible for loan upto 90% of the estimated/ actual project cost on submission of viable projects be eligible beneficiaries.
Credit Linked Grant/Subsidy	Credit linked grant @35 % for the existing Micro food processing enterprises subject to a maximum of Rs.10 lakh. Credit linked capital investment Grant 35 % to FPOs/SHGs/ Cooperatives. Credit linked grant @ 35% for common infrastructure development by groups, government agencies or private entities.

Please refer the PM Formalisation of Micro Food Processing Enterprises Scheme (PM FME Scheme) Guideline for more detailed information <https://mofpi.nic.in/pmfme/docs/SchemeBrochure1.pdf>

Agriculture Infrastructure Fund (AIF)

The Scheme will be operational from 2020-21 to 2029-30. Disbursement in four years starting with sanction of Rs. 10,000 crores in the first year and Rs. 30,000 crores each in next three financial years. Moratorium for repayment under this financing facility may vary subject to minimum of 6 months and maximum of 2 years.

Name of Component	Norms
Interest Subvention Cost	All loans under this financing facility will have interest subvention of 3% per annum up to a limit of Rs. 2 crores. This subvention will be available for a maximum period of 7 years. In case of loans beyond Rs.2 crores, then interest subvention will be limited up to 2 crores. The extent and percentage of funding to private entrepreneurs out of the total financing facility may be fixed by the National Monitoring Committee
Credit Guarantee Cost	Credit guarantee coverage will be available for eligible borrowers from this financing facility under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme for a loan up to Rs. 2 crores. The fee for this coverage will be paid by the Government. In case of PCs the credit guarantee may be availed from the facility created under PC promotion scheme of DACFW.

Eligible Projects

The scheme will facilitate setting up and modernization of key elements of the value chain including

1) Post-Harvest Management Projects like:

- Supply chain services including e-marketing platforms
- Warehouses
- Silos
- Pack houses
- Assaying Units
- Sorting & Grading
- Cold Chains
- Logistics facilities
- Primary processing

2) Viable projects for building community farming assets including

- Organic inputs production
- Bio stimulant production units
- Infrastructure for smart and precision agriculture.
- Projects identified for providing supply chain infrastructure for clusters of crops including export clusters.
- Projects promoted by Central/State/Local Governments or their agencies under PPP for building community farming assets or post-harvest management projects.
- Ripening chamber

Pradhan Mantri Fasal Bima Yojana (PMFBY)

Insurance protection is offered to food crops, oilseeds and annual horticultural/commercial crops notified by the state government; uniform maximum premium for all farmers is allowed.

- Kharif season -2% of sum insured.
- Rabi season: -1.5% of sum insured
- Annual commercial/horticultural crops-5% of sum insured.

The difference between actual premium and rate of insurance payable by farmers is to be shared equally by the Centre and State, claims of full sum Insured (SI) is offered if the sowing is not done due to adverse weather/climate claims up to 25% of sum insured will be paid for prevented sowing/planting risk; When the crop yield is less than the guaranteed yield of notified crops, the claim payment equal to shortfall in yield is payable to all insured farmers; post-harvest losses assessment for damage to crops is cut and spread in the field up to 14 days on account of cyclonic rain and unseasonal rain in the entire country.

Pradhan Mantri Krishi Sinchai Yojana (PMKSY)

Government of India is committed to accord high priority to water conservation and its management. To this effect Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) has been formulated with the vision of extending the coverage of irrigation 'Har Khet ko pani' and improving water use efficiency 'More crop per drop' in a focused manner with end to end solution on source creation, distribution, management, field application and extension activities.

Paramparagat Krishi Vikas Yojana (PKVY)

The Paramparagat Krishi Vikas Yojana (PKVY), an initiative to promote organic farming in the country, was launched by the NDA government in 2015.

According to the scheme, farmers will be encouraged to form groups or clusters and take to organic farming methods over large areas in the country.

The aim is to form 10,000 clusters over the next three years and bring about five lakh acres of agricultural area under organic farming. The government also intends to cover the certification costs and promote organic farming through the use of traditional resources.

To avail the scheme, each cluster or group must have 50 farmers willing to take up organic farming under the PKVY and possess a total area of at least 50 acres. Each farmer enrolling in the scheme will be provided INR 20,000 per acre by the government spread over three years' time.

Agro Processing Cluster Scheme

The Ministry of Food Processing Industries (MOFI) has launched the Agro Processing Cluster Scheme under the guidance of Pradhana Mantri Kisan Sampada Yojana. This scheme aims at the development of modern infrastructure to encourage entrepreneurs for setting up food processing units based on the cluster approach. In this article, we look at the Agro Processing Cluster Scheme in detail.

Objectives of the Scheme

- To build modern infrastructure for setting up food processing units closer to production areas.
- To provide complete preservation infrastructure facilities from the farm gate to the consumer.
- To create backward and forward linkages by linking groups of farmers or producers to the markets through the well-equipped supply chain.

Gramin Bhandaran Yojna

Objective of this Scheme

Create scientific storage capacity with allied facilities in rural areas.

- To meet the requirements of farmers for storing farm produce, processed farm produce and agricultural inputs.
- Promotion of grading, standardization and quality control of agricultural produce to improve their marketability.
- Prevent distress sale immediately after harvest by providing the facility of pledge financing and marketing credit by strengthening agricultural marketing infrastructure in the country.

Micro Irrigation Fund (MIF)

The government approved a dedicated Rs5,000 crore fund to bring more land area under micro-irrigation as part of its objective to boost agriculture production and farmer's income.

The fund has been set up under NABARD, which will provide this amount to states on concessional rate of interest to promote micro-irrigation, which currently has a coverage of only 10 million hectares as against the potential of 70 million.

Mission for Sustainable Dry Land Agriculture (MSDA)

Details of Works under the Scheme

- **Creation of Custom Hiring Centres:** To improve the farm power availability at village level, farm machinery hubs are formed for promotion of suitable machinery for dry land cultivation for custom hiring.

- **Setting up of Value addition machinery:** In order to enhance the value of agriculture produce subsidy assistance is allowed for setting up of value addition machinery to the PC/PG of the dry land clusters.

8.2.3 State Government Schemes

Mezzanine Capital Assistance

The Farmer Producer Companies in India largely constitute membership of small and marginal farmers. During initial stages of formation and nurturing, expenses towards registration, setting up of office, mobilization etc. are given as grant from the nodal agencies like NABARD, SFAC, TNIAMP etc. As such, the capacity of PC to mobilize a reasonable level of equity for the purpose of doing business is limited. To overcome this issue and with a view to create suitable ecosystem for sustainable development of PCs, in addition to assistance from SFAC, it introduced the "Margin fund corpus called Mezzanine capital. NABKISAN has been designated as the implementing partner for administering this scheme for financing the PC's.

Mezzanine Capital Assistance is nothing but the margin fund corpus constituted with a lending agency which will invest in the capital of Farmer Producer Companies. With a view to strengthen the corpus of PCs, Tamil Nadu Government Mezzanine Capital Assistance (MCA) scheme was introduced. The assistance of Rs. 10 lakhs per PC will be provided in the form of non-convertible cumulative redeemable long-term preferential capital or debenture at nominal rates. The preference capital or debenture will be redeemable after five years and repayment will be at the end of fifth year.

Eligibility Criteria

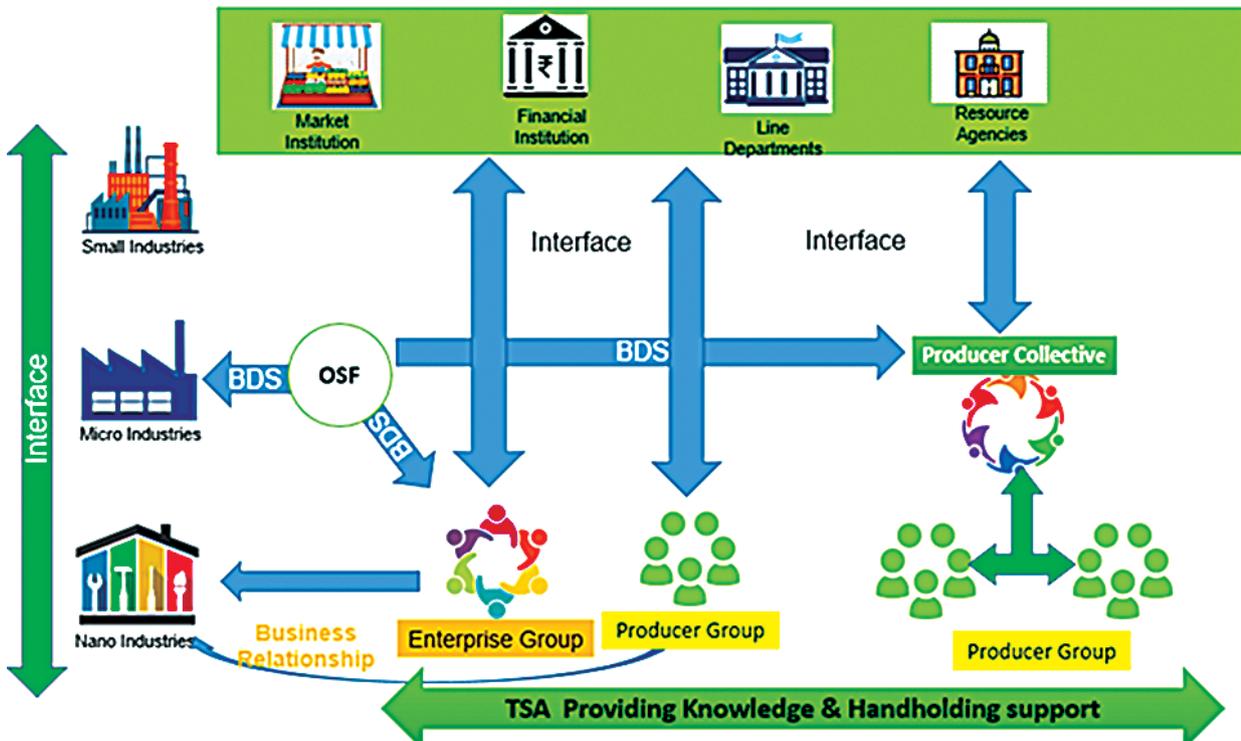
- It is duly registered as defined in Part IX-A of the Indian Companies Act, 2013.
- It has raised equity from its members as laid down in its Articles of Association / Bye laws (PCs MOA & AOA Copy)
- Its Paid up equity does not exceed Rs.30 Lakh (PAS-III Statement)
- Minimum 70% of its shareholders are small and marginal and landless tenant farmers. (Database of farmers with contact details to be enlisted)
- Audited Financial Statements for last financial year (2019-2020)
- The PC should have duly appointed CEO as per Companies Act
- The PC should deal with processing / sale of essential commodities
- It has a duly constituted Management Committee responsible for the business of the PC

- The PC should not be default to any organization (Loan lending details)
- Photocopy of Bank Account Statement for last six months duly authenticated by the Branch Manager of the bank
- It has a business plan and budget for next 18 months that is based on a sustainable, revenue model as may be determined by the Implementing Agency.
- Board resolution & Spiral binding submission.

Non-Farm Sector Schemes

<p>Development Commissioner DC (Handicrafts), Ministry of Textiles, Govt. of India</p>	<ol style="list-style-type: none"> 1. Dastkar Shashktikaran Yojana - Community empowerment for mobilization of artisans into self-help groups (SHGs)/Societies 2. Mega Cluster – Mega cluster approach is a Drive to scale up the infrastructural and production chain at Handicrafts clusters. 3. Marketing Support & Services – Promote and Market Handicrafts financial assistance will be provided to different eligible organizations to organize Craft Exhibitions in metropolitan cities/state capitals / places of tourist or commercial interest/ other places. Publicity and Brand Promotion, Buyer seller meet in India, Marketing workshops and Web Marketing. 4. Research and Development – This scheme was introduced to generate feedback on economic, social, aesthetic and promotional aspects of various crafts and artisans in the sector.
<p>Handlooms, Handicrafts, Textiles and Khadi Department. Government of Tamil Nadu</p>	<p>Integrated Handlooms Development Scheme The major 4 components of Integrated Handlooms Development Scheme are as follows:-</p> <ol style="list-style-type: none"> (i) Cluster Development Programme (ii) Group Approach for Development of Handlooms (iii) Assistance for Handloom Organisations (iv) Assistance for Innovative Ideas and Publicity, Monitoring, Supervision, Training and Evaluation of Scheme. <p>INTEREST SUBSIDY SCHEME Loan as working capital through District Central Co-operative Banks with the 3% interest subsidy scheme.</p>
<p>MSME - Scheme of Fund for Regeneration of Traditional Industries (SFURTI) sfurtti - msme https://sfurtti.msme.gov.in</p>	<p>This scheme will support MSMEs in provisioning of Infrastructure for their development through following 2 components:</p> <ol style="list-style-type: none"> 1. Scheme of Funds for Regeneration of Traditional Industries (SFURTI) 2. Micro and Small Enterprises-Cluster Development Programme (MSECDP) <p>Scheme Intervention</p> <ol style="list-style-type: none"> 1. Soft Interventions – General awareness, Skill development and capacity building for the entire value chain, Institution development, Market promotion initiatives, Design and product development, Workshops etc., 2. Hard Interventions Common facility centres (CFCs) Up-gradation of production infrastructure Warehousing facility Technological up-gradation Training centre Value addition and processing centre/multi-products 3. Thematic interventions, Brand building and promotion campaign, New media marketing, e-Commerce initiatives <p>Innovation, Research & development initiatives, Developing institutional linkages with the existing & proposed clusters</p>

The following diagram would show the overview of various Interrelationship Between Enterprises and Stakeholders for potential partnerships / Convergence. DPMU/TSA should facilitate to create the convergence and partnerships.



8.4 Producer Collective Expansion

Increasing membership/ shareholder drive (including inclusion) for VKP Project

The project focuses on women membership in the PG and PC. As per the project norms minimum women membership at least 65% to be ensured for new PC. There may be special efforts should be to bring more women into PG fold and PC as shareholders. There are possibilities to increase the women members, SC ST and other vulnerable members. This can be done in close discussion with the concerned VPRC/PLF meetings in the panchayats. Habitation level meeting would be planned on PG/PC concept seeding and membership enrolment.

The following process flow at the Panchayat level can be taken by the Block project team along with support of VPRC/PLF to increase the PC membership.

1. Awareness campaign at habitation/panchayat level using with IEC material.
2. Panchayat level SHG animator's orientation on women inclusion in the PG and PC. Eligible left out member's details can be collected from PGP. PGP data can be used for identify the eligible members.

3. SHG level discussion and preparing eligible list for enrolling to new PG/ PC. Eligible members already covered and uncovered list to be prepared by the support of ECP. Eligible with willingness members list can be prepared and submit to ECP/Project team. SHG decision to be recorded in their minutes. Membership fee, service fee and share capital to be paid by the members also discussed during the meeting. SHG can also support for the needy members to pay share capital as a short term loan.
4. SHG wise eligible willingness members profile to be collected for mass enrolment campaign. ECP can conduct an orientation on PG/PC with willingness members listed by the SHGs.
5. After completion of awareness campaign at habitation level, PLF and SHG meeting, fix the date and conduct mass enrolment campaign at panchayat level. Mass enrolment to be conducted by the team with block team and ECPs.
6. New members to be added in the existing PG/ PC as per PG / PC norms and proactively create space for women, SC and ST at leadership and decision-making level in the PG and PC.

Increasing equity share

PC can decide to increase the share capital during BOD meeting/ Annual General body meeting. Sufficient time may be provided to pay the increased share equity. Increasing share capital PC possible to get more leverage fund, equity fund, matching grant etc., based on their share capital. This can only be done in the second/ third year of the PC operation. This enhancement of equity capital will help in expanding the fund base of the PC. PC share capital increasing decision can be discussed at sub group level/ PG level. DPMU, BPMU and ECP would attend the Sub group/PG meeting and explain shareholders to increase the equity share from maybe Rs.1000/ to 2000/ as equity share, this would help the PC Expansion.

Expanding business / activities

Business Expansion is a stage where the business reaches the point for growth and seeks out for additional options to generate more profit. Different forms of business expansion include opening in another location, adding sales employees, increased marketing, adding franchisees, forming an alliance, offering new products or services, entering new markets, merging with or acquiring another business, expanding globally and expanding through the internet.

Expansion through Concentration: is the first level form of Expansion Grand strategy that involves the investment of resources in the product line, catering to the needs of the identified market with the help of proven and tested technology.

Market penetration strategy: The PC focusing intensely on the existing market with its present product.

Market Development type of concentration: Attracting new customers for the existing product.

Product Development type of Concentration: Introducing new products in the existing market.

Expansion through Diversification: The Expansion through Diversification is followed when an PC aims to developing a new product or expanding into a new market, either individually or jointly. A firm adopts the expansion through diversification strategy, to prepare itself to overcome the economic downturns.

Expansion through Integration: The Expansion through Integration means combining one or more

present operation of the business with no change in the customer groups. This combination can be done through a value chain. The value chain comprises of interlinked activities performed by an organization right from the procurement of raw materials to the marketing of finished goods. Thus, a firm may move up or down the value chain to focus more comprehensively on the needs of the existing customers. The expansion through integration widens the scope of the business and thus considered as the grand expansion strategy. There are two ways of integration:

Vertical integration: The vertical integration is of two types: forward and backward. When an organization moves close to the ultimate customers, i.e. facilitate the sale of the finished goods is said to have made a forward integration.

Example: An Black gram PCs can expand its business through various products such as Black gram, split dal and Vada mix.

Horizontal Integration: A firm is said to have made a horizontal integration when it takes over the same kind of product with similar marketing and production levels.

Example: An Black gram PCs can expand its business through different range of value added commodities such as whole black gram, Groundnut and Millets to reach different customers.

Expansion through Cooperation: The Expansion through Cooperation is a strategy followed when an organization enters into a mutual agreement with the competitor to carry out the business operations and compete with one another at the same time, with the objective to expand the market potential.

Expansion through Internationalization: The Expansion through Internationalization is the strategy followed by an organization when it aims to expand beyond the national market. The need for the Expansion through Internationalization arises when an organization has explored all the potential to expand domestically and look for the expansion opportunities beyond the national boundaries. But however, going global is not an easy task, the organization has to comply with the stringent benchmarks of price, quality and timely delivery of goods and services, that may vary from country to country.

8.5 Role & Responsibilities of DPMU, TSA, BPMU and ECP / PE

To summarize the project team Role & Responsibilities of DPMU, TSA and ECP in the table below

S.No	Responsibility	Description of Role
1	DPMU – DEO, EO ED,YP	<ul style="list-style-type: none"> • Coordination with the TSAs for promotion and trainings for PC • Liaising and coordinating with district administration, various government departments and resource institutions, private actors on business and enterprise promotion like the agri- business departments, MSMEs, DIC, etc. • Identification and sourcing of resource persons at district level. • Conducting assessment and reviews on producer collectives promoted by various actors. • Arrange meetings and trainings at district level • Participation in the initial mobilization and formation meetings of PCs. • Assisting, handholding and monitoring of activities of PCs in the district. • Participating in the assessment of health of PCs. • Assisting in PC staff and leaders in their operation. • Participating in the PC meetings regularly. • Monitoring and reporting enterprise activities in the block - month wise
2	BPMU - BTL,PE	<ul style="list-style-type: none"> • Arrange meetings and trainings at block level • Participation in the initial mobilization and formation meetings of PCs. • Assisting, handholding and monitoring of activities of PCs in the district. • Participating in the assessment of health of PCs. • Assisting in PC staff and leaders in their operation. • Participating in the PC meetings regularly. • Monitoring and reporting enterprise activities in the block - month wise
3	TSA	<ul style="list-style-type: none"> • Supporting the state team to developing capacity building materials for the PC. • Handholding the district project staff in promotion of PC • Capacity building and strengthening of PC. • Support the producer collectives in establishing linkages with market and financial institution.
4	ECPs	<ul style="list-style-type: none"> • Facilitating linkages with OSF, banks, technical institutions, markets. • Facilitating convergences at the village level. • Support formation of PC by interfacing with PC and PG. • Collection of shares from the producers

New PCs Formation, Execution and Business Expansion steps with responsibilities

S.No	Activities	Steps	Project team Responsibility
1.	Existing PG Consultations meeting	<ul style="list-style-type: none"> • Consultative process with PG representatives • Facilitating process on Identification of BoD 	DPMU & TSA
2.	Building Vision and Developing Plans	<ul style="list-style-type: none"> • Visioning exercise with PG Representative 	DPMU & TSA

S.No	Activities	Steps	Project team Responsibility
3.	Incorporation of PC	<ul style="list-style-type: none"> • Identification of BOD • DIN no, • PAN no • Mobilisation of share capital • Preparing MoA and AoA • PC registration- CIN • Opening of Bank account 	DPMU, BTLs & TSA
4.	Governance and Management System	<ul style="list-style-type: none"> • First AGM • Appointment of BoD • Appointment of CEO • Roc Compliance filing on First AGM • Obtain permission from RoC for Share collection • Issue the Share certificate • Obtain permission from RoC for initiate the business activities 	DPMU & TSA
5.	Capacity Building training	<ul style="list-style-type: none"> • CB Trainings for BOD & PC Staff Business plan preparation 	DPMU & TSA
6	Resource Mobilisation	<ul style="list-style-type: none"> • Own fund • Linkage the Finance Intuitional and • Convergence with relevant schemes • Apply for VKP Start up fund 	DPMU & TSA
7.	PC Business Activities	<ul style="list-style-type: none"> • Apply the necessary licenses and registrations • Supporting to finalise the product line • Impart knowledge on collective aggregation, establish village level aggregation centres • Facilitate to establish local and central level storage system and management • Facilitated input/output services • Building knowledge on branding, packing and labelling systems • Establish Market linkages like networking buyers, retailers, consumers, establish own retail outlets etc. • Accessing Business development services- technical, managerial, financial and logistics 	DPMU & TSA
8.	Organisation Development	<ul style="list-style-type: none"> • Training & orientation to BoD & staff, CEO about Operational procedure, system etc • Establishing systems of organising, planning and monitoring • Accounting, internal & external auditing and legal compliance procedures followed. • Financial, Marketing and Procurement management systems developed. 	DPMU & TSA
9.	Expansion	<ul style="list-style-type: none"> • Addition of new members • Expansion of business activities/New activities • New Markets penetration • Networking with other PCs in the region • Mobilising additional capital from Government schemes and formal Financial Institutions for business expansion. 	DPMU & TSA

Existing PCs Strengthening & Business Expansion activities with project team responsibility

The Existing PCs will be supported based on the grading and assessment exercise. The existing PCs will be supported based on the following strategies,

Activities	Description (How)	Project team/ PC Responsibilities
Identification & Selection of Existing Producer Collective	<ul style="list-style-type: none"> Basic data for the Existing Producer Collectives have to be collected based on the Project Basic Criteria & scope to work them. Detailed analysis for selected PC 	TSA,DPMU
Assessment / Grading & Preparation of report	<ul style="list-style-type: none"> CAP assisted and Selected PCs has to be graded by using Grading tool developed by VKP . Status analysis of PCs through grading data and preparing Grading Report 	TSA, DPMU & BPMU)
Preparation of Strengthening Plan	<ul style="list-style-type: none"> Based on the Grading report the team will preparing the broad action plan 	TSA & DPMU
Vision Building	<ul style="list-style-type: none"> Conducting Vision building meeting to the BODs & CEO. 	TSA & DPMU
Capacity Building	<ul style="list-style-type: none"> Conducting the capacity building trainings to the BODs and CEOs based on the Gaps. Use the Training Modules developed by VKP 	TSA
Business Planning Preparation,	<ul style="list-style-type: none"> Train the BODs on Business plan Preparation of Business Plan & Developing micro Plan Collection of quotation for machineries as per the required VC intervention plan 	BODs, CEO, TSA
Organisational System strengthening	<ul style="list-style-type: none"> Preparation of SOP Creation of Procurement model for commodities Establishing MIS system Digitalizing the Books and records Use of Accounting software Systems strengthening - planning and monitoring, Financial, HR, Marketing & Compliances. 	BOD,CEO,TSA, DPMU
Financial Linkage	<ul style="list-style-type: none"> Training on Credit awareness to the BODs Strengthen the Credit worthiness of the PCs Identification of Potential Financial institutes Analysing and selection of credit product products Submitting of Credit application & supporting documents (Financial institution and VKP) Follow up with the financial institute for loan disbursement 	TSA, DPMU Implementation – BODs Guiding & Handholding – TSA
Market Linkages	<ul style="list-style-type: none"> Conduct the Market study on different channels, Major Players & Pricings. Identification of Potential private buyers & Logistic service providers & developing Market Linkages Arranging the Buyer Seller meet Finalizing the Buyers and logistics services Concluding the Business Agreement with terms of payment. 	Market study – TSA Implementation of Business transaction – BODs Guiding - TSA

Activities	Description (How)	Project team/ PC Responsibilities
Business strengthening / expansion - Technical, Financial, Market linkages	<ul style="list-style-type: none"> • Increase shareholder membership • Convergences - Developing Technical linkage, Arranging the technical training for the selected office barriers of the PC. • Business strengthening - Collective Procurement of farm inputs and distribution to the members • Establishing Collection centres based on member's intensity and production geography of the commodities • Appointing the subcommittee for aggregation of commodity in Collection centre for weighing, quality assurance and packing • Aggregating the commodities from PC members to reach the required volume and selling to buyer • Monitoring the sub committee's role on Quality assurance including Grading, Packaging etc. • Monitoring / tracking of PC Financial preformation & health of the PC. 	BODs, DPMU & TSA

Annexure: 1 Grading Tool for Producer Collectives



Grading Tool for Producer Collectives

Grading tool Abstract

S.No	Categories	Score	Obtained Score
A.	Profile of PC		
B.	PC Governance	11	
C.	Membership / Shareholders & its participation of PC	11	
D.	PC Management	10	
E.	Capacity building	3	
F.	Compliances (6), Environment safeguards (6) Innovation (1)	14	
G.	Financial management	19	
H.	Business Activities of PC	18	
I.	Business performance	12	
J.	Convergence & Grant Support	2	
	Total	100	

Suggestions:

Remarks:



Grading Tool for Producer Collectives -VKP



A. Profile of PC (Please tick mark the optional questions)

1	Name of the PC:	
2	Name of the district:	
3	Date of Grading of PC:	
4	PC registered under a. which Act b. Registration no c. Date	
5	Operational Since (Year & month)	
6	Date of Formation	
7	Full address of the PC with email ID:	
8	CEO Name: Mobile:	
9	Name of the Chairman /President Mobile:	
10	Name of the Promoting Organization (PO)	SFAC/NABARD/IFAD/VKP/ NGO's/Self Promoted
11	Key Sectors in which PC is involving & commodities	Agri = Agri Allied = Non-Farm =
12	Total Shareholders	Total shareholders (enrolled Shareholders) = Active shareholders (Involved in Business Activities) =
13	No of Board Member	
14	No of Staff	CEO = Accountant = Resource person = other workers =
15	Key PCs business activities	
16	Name of the brand (if any)	
17	Number of the shareholders benefited by PC (At least any one of the services availed from PC)	
18	Number of the non-members benefited by PC (At least any one of the service availed from PC)	
19	Name of the awards received, if any with details enclosed	



Grading Tool for Producer Collectives -VKP



A. Profile of PC (Please tick mark the optional questions)

20	Share Capital Mobilized (in Lakhs)	
21	Average share capital per shareholder	
22	Total women members	
23	Total SHG members	
24	Total SHG Household (family members of SHG member)	
25	Operational area No of village panchayat Cultivable land area in acre	
26	Livestock owned by shareholders	
27	Total turnover of the PC (last year from the audit statement)	
28	Total operation cost (last year from the audit statement)	

B. PC Governance Max Marks 11				
S.No	Particularst	Indicators and Marks	Means of Verification	Score
1	Selection of Board Members (this has to be verified from the meeting register)	The board member selected by shareholder in GB / AGM or in presence of a number of members/ shareholders = 2 Selected by promoter/ supporting agency/ CEO = 0	AGM Minute's book	
2	Composition of Board - Women inclusion (No.of women in the Board/ Total Board members)X 100 = %	If 65 % & above = 2 30 to 64 % = 1 Below 30 = 0	AGM Minute's book	
3	Regularity of Board meeting - Last one year (min 4 meeting on quarterly basis)	4 meetings and above = 2 4 meetings or less = 0	BoD Minute's book	
4	Attendance of Board Members - Last one year (Total no.of meeting X total board members = Total no.of attendees(cumulative), No.of members attended (cumulative)/ Total no.of attendance x 100 =	Above 79% = 2 50 to 79% = 1 Below 50% = 0	BoD Minute's book / Attendance	
5	Rotation of Board Members (As per AOA)	Yes / if the date is not due = 1 No = 0	AGM Minute's book and Compliance filing documents	
6	Regular AGM done since inception (As per company act 2013, AGM has to conduct yearly basis and not more than fifteen months between the AGM)	Yes (more than 90% AGMs as per schedule done) = 2 In between 70 – 89 % =1 Less than 70% AGM organized - 0	AGM Minute's book and RoC compliance file	
C. Membership / Shareholders & its participation of PC - Max Marks 11				Score
1	Inclusion of women in PC (No. of shareholders who are women/ total no. of shareholders*100)	Above 64% =2 30-64% = 1 Below 30% = 0	Member profile – MIS	
2	Inclusion of SHGs members / HH (No of shareholders who are women/ total no. of shareholders*100)	Above 65% =2 30-64 % = 1 Below 30% = 0	Member profile – MIS	

C. Membership / Shareholders & its participation of PC - Max Marks 11				Score
3	% of total member contributing Share Capital (no of member contributed / total member)	Above 75% = 2 50-75 = 1 30-49% = 0.50 Below 30% = 0	Share register	
4	% of share capital amount mobilized as per the number of shareholders (Share amount collected / Share amount to be collected *100)	Above 75% = 2 50-75 = 1 30-49% = 0.50 Below 30% = 0		
5	No of Shareholders increased since formation	Increase 20% and above =3 Increase 10 % and 19% = 2 below 10 % = 1 No increase = 0	Share register	
D. PC Management – Max Marks 10				Score
1	Does the PC have a policies on HR & Finance	Yes = 1 No = 0	Policy documents	
2	Does the PC have adequate professional (minimum one CEO, one accountant? few support staff)	Yes = 1 No = 0	Appointment letters, Attendance	
3	Planning and Monitoring (Does the PC have a process for planning, review and monitoring its activities (Max Score = 4) (Takes up annual activity plan & business plan Quarterly monitoring of activities Documentation of monitoring & follow up the decisions)	Activity Planning Yes/ No If yes = 1 monitoring its activities Yes/ No If yes = 1 Documentation of monitoring Yes/ No If yes = 1 Taking decision based on the documentation = Yes/ No If yes = 1	Approval minutes in the BoD minutes, Documents and files	
4	Does the PC have Management Information System and maintained regularly	Yes =1, No =0	MIS	
5	Does the PC own assets in the name of PC (Land, building, machinery etc...)	Asset worth of Above 40 lakhs – 3 Rs.30 – 40 lakhs – 2 Rs. 20 lakhs to 29.9 lakhs - 1 Rs. 5 lakhs to Rs.19.9 lakhs – 0.50 Below Rs.5 lakhs - 0	Asset register and Audit statementt	

E. Capacity building – Max Marks 3				Score
1	BoD attended Governance and Business development trainings?	Yes =1 No =0	Training register	
2	CEO and Staffs attended Business planning, Product and Market development?	Yes =1 No =0	Training register	
3	Has the PC arranged the 50 % skill trainings for their members? (Production technology transfer for sustainable agriculture Basics of quality standards, market information based on business)	Yes =1 No=0	BoD Minute's book, Training register, Training reports	
F. Compliances – 6, Environmental safeguards – 6 & Innovation – 2. Max Marks 14				Score
1	Legal compliances- Annual audit	Timely Auditing for last FY and placed in AGM / GB If Yes = 2 If only audit and approved by BOD = 1 No audit in last FY = 0	Audit statement	
2	Registrar of Companies (ROC) return filing	Annual return with RoC (Timely filing) If Yes = 1 till the last FY No =0	Compliance register and files	
3	GST return filing (Last 4 quarters)	GST return filing (updated) If yes = 1	GST returns file	
4	Income Tax filing	Income Tax File returns (updated) If Yes = 1	Income tax return file	
5	Key Licenses <ul style="list-style-type: none"> • Marketing / APMC license = 0.25 • Processing license = 0.25 • FSSAI license = 0.25 • Input License (Seed, pesticide &fertilizer) = 0.25 Please refer to the Annexure 2 and having the required licenses according to their Business	Key licenses (PC having key licenses required as per business activities) If yes as per requirement = 1	Copies of the licenses – in display	
6	Environmental safeguards compliance and Green Index <i>Please note that this indicator will be assessed only key / major (60 % & above of PC business) thematic sector / business focus area/commodity of the PC.</i> <i>The maximum score for the sector 3.5, Non-Farm activity score 2.5 and Innovative Score 1, total max score is 7.</i>	Policy compliance (must) If yes = 1	Input centre, Sales register and bills. Verification of relevant certificates /license / field observation	

F. Compliances – 6, Environmental safeguards – 6 & Innovation – 2. Max Marks 14			Score
<p>Agriculture/Horticulture related (score = 3.5)</p> <p>PCs are not supplying non permissible pesticides as per pest management policy (class Ia, Ib and II of WHO classification are to be avoided)</p> <p>PCs are supplying the protective gear for pesticide use (masks, gloves, boots, helmets etc)</p> <p>PCs are supplying a minimum of 2 non-chemical pesticides (eg: botanicals, bio control agents etc.)</p> <p>PCs are supplying a minimum of 2 organic nutrients (eg: vermicopost, bio fertilizers, green manure seeds etc.)</p> <p>The PCs have either got PGS/Organic certification or have maintained chemical residues below MRL for food crops</p> <p>(Or)</p>	<p>Policy compliance (must)</p> <p>If yes = 1 No = 0</p> <p>If yes = 0.5 No = 0</p> <p>If yes = 0.5 No = 0</p> <p>If yes = 0.5 No = 0</p>	<p>Input centre, Sales register and bills.</p> <p>Verification of relevant certificates /license / field observation</p>	
<p>Livestock related (score = 3.5)</p> <p>Vaccination to animals grazing near forest areas against zoonotic diseases</p> <p>Breeds promoted are according to state breeding policy</p> <p>Non use of growth promoters, antibiotics</p> <p>Fodder/fodder tree cultivation promoted</p> <p>Clean sheds and proper manure management practices (pit composting)</p> <p>(or)</p> <p>Fisheries related (score = 3.5)</p> <p>No invasive species like Tilapia, catfish etc, are promoted</p> <p>Soil, water testing done for ponds, reservoirs as applicable</p> <p>Water test based feed application is followed</p> <p>Integrated farming methods are followed (rice –fish, fish-duck etc.)</p> <p>Promotion of native/indigenous species</p> <p>Non-Farm Activities (score = 2.5)</p> <p>Applicable compliances in place (PCB consents). Non use of banned colors/harmful materials etc.</p>	<p>Policy compliance (must)</p> <p>If yes = 1 No = 0</p> <p>Policy compliance (must)</p> <p>If yes = 1 No = 0</p> <p>If yes = 0.50 No = 0</p> <p>If yes = 0.50 No = 0</p> <p>If yes = 0.50 No = 0</p> <p>Policy compliance (must)</p> <p>If yes = 1 No = 0</p> <p>Policy compliance (must)</p> <p>If yes = 1 No = 0</p> <p>If yes = 0.50 No = 0</p> <p>If yes = 0.50 No = 0</p> <p>Policy compliance (must)</p> <p>If yes = 1 No = 0</p> <p>Policy compliance (must)</p> <p>If yes = 0.50 No = 0</p> <p>Policy compliance (must)</p> <p>If yes = 0.50 No = 0</p>		

F. Compliances – 6, Environmental safeguards – 6 & Innovation – 2. Max Marks 14			Score
<p>Applicable worker safety aspects in place (use of PPE, fire safety, basic amenities like water, toilets etc.)</p> <p>Use of natural and safe ingredients, locally sourced raw materials etc.</p> <p>Safe disposal of wastes, alternative use of wastes as applicable</p> <p>Energy and water use efficiency if applicable</p> <p>(The first 2 points in all thematic sectors are mandatory compliances. The next 3 points are on good practices.</p> <p>For green index rating/award - the highest scoring PCs will be considered for in-depth assessment and green rating/award.</p> <p>The criteria for green rating/ award will primarily be the</p> <ul style="list-style-type: none"> • proportion of beneficiaries /PGs and/or • the proportion of area/Or • Proportion of total production under compliances and good practices as deemed fit) 	<p>If yes = 0.50 No = 0</p> <p>Policy compliance (must)</p> <p>If yes = 0.50 No = 0</p> <p>If yes = 0.5 No = 0</p> <p>If yes = 0.5 No = 0</p> <p>If yes = 0.5 No = 0</p>		
<p>Does the PC have adopted any innovative process, system or in the product?</p> <p>If Yes Please, mention the innovative process /systems/ product</p>	<p>Yes =2 No=0</p>		

Total marks obtained by the PC =

Grade of the PC based on the score obtained (Total Max marks = 100)

G. Financial management = Max Marks 19			Score
1	Accounts Maintenance	<p>Online/ Tally accounts / other relevant accounting software updated as on date (max delay of 15 days) = 1</p> <p>Irregular Books of Accounts = 0</p>	MIS
2	Register and Books- As per company act	<p>Share Capital register: 0.5</p> <p>Minutes book: 0.5</p> <p>Returns filed: 0.5</p> <p>Cash book- payments and receipts: 0.5</p> <p>General ledger: 0.5</p> <p>Sale register :0.5</p> <p>Stock register : 0.5</p>	All registers
3	Financial Transparency- Financial decision making	<p>Majority BoDs aware about the financial management = 0.5</p> <p>CEO Only = 0</p>	BoD meeting minutes

G. Financial management = Max Marks 19				Score
4	Business plan prepared	Yes = 1 No = 0	Business projections	
5	Operational self-sufficiency - Covering Overhead Expenses – Salaries, Admin expenses Total Business gross revenue / Operational Expenses X 100 (Last financial year)	Above 75% = 3 50-75% = 2 11-49% = 1 0-10 % = 0	Audited Balance sheet	
6	Working capital - Operational expenditure Available funds / funds need as per BP or Business projections in BOD/GB X100 (Total working capital (Including capital raised through loans/credit advances/govt funds)	Above 75% = 2 50-75% = 1 11-49% = 0.50 0-10 % = 0	Audited Balance sheet	
7	Bank Loans availed Having a bank loan/ having a CC account	Yes = 1 No = 0	Audit statement	
8	If bank Loan availed what % of the total working Capital used by PC	Above 50 = 2 30 to 50 % = 1 Below 30% = 0.5	Audit statement, Bank pass book, sanction letter	
9	Bank loan repayment - As per Repayment schedule	if no overdues beyond 30 days = 3 30-60 days = 2 more than 60 days = 1	Tally	
10	Mode of Payment and receipts (Payment made above Rs 5000 with on line internet payment mode)	Online banking / NEFT/ RTGS = 1 Cheque, DD = 0.50 Cash transaction = 0	Receipts books and files, Bank statement	
11	Profit /Dividend shared with member (In last 2 years)	Yes = 1 No = 0	AGM minutes, Bank statement, Audit statement	
12	Assets insurance	PC assets are insured = 0.5 If not insured = 0	Copy of the insurance certificate	
13	Reserve fund	Does the PC have any sort of reserve fund to cover the risk related to business? If yes = 0.5 If No = 0	Audited balance sheet	
14	Volume of Reserve fund		Minute's book	

H. Business Activities of PC - Max Marks 18			Score
1	No of Business Development service by PC (Max Score = 1)	Input services = 0.25 Productivity enhancement Service = 0.25 Agriculture equipment service = 0.25 Marketing Service = 0.25	Member MIS, Input sales register
2	Use of input services by shareholders (Applicable only if the service is rendered by the PC) No. of shareholders availed input supply services/total no. of shareholder's X 100	More than 40 % = 3 26 – 40 % = 2 10- 25 % = 1 Below 10% = 0	Sales register
3	Use of productivity enhancement services by shareholders (Applicable only if the service is rendered by the PC) (No. of shareholders adopted new technologies for productivity enhancement /total no. of shareholder's) X 100	More than 50% = 3 26-50% = 2 10- 25 % = 1 Below 10% = 0	Training register
4	Use of agricultural equipment services by shareholders (Applicable only if the service is rendered by the PC) No. of shareholders used /hired agricultural equipment services /total no. of shareholder's X 100	More than 40% = 2 21-40% = 1 below 21% = 0	Machinery rental service register
5	Use of marketing services by shareholders (Applicable only if the service is rendered by the PC) No. of shareholders used marketing services /total no. of shareholder's X 100	More than 30% = 2 21-30% = 1 below 21% = 0	Purchase and Market committee minutes book,
6	Use of Crop insurance services (notified crops)/ Livestock insurance services by shareholders (Applicable only if the service is rendered by the PC) No of shareholders enrolled in crop insurance (notified crops) or Livestock insurance / total no of shareholder's cultivated notified crops/no.of shareholders having livestock X 100	More than 50% = 2 26-50% = 1 10-25% = 0.5 below 10% = 0	Acknowledgement for the Crop insurance/ Livestock insurance document and consolidation statement

H. Business Activities of PC - Max Marks 18				Score
7	PC involved in Value addition PC engaged in value addition of produce procured from shareholder, Value addition likely primary processing, secondary / tertiary processing and branding	IF PC engaged in secondary / tertiary processing and branding = 2 IF PC engaged primary processing = 1 IF not = 0	Physical verification, Stock register and licenses	
8	Multiple marketing channel PC having multiple marketing strategies and channels	Aggregation and delayed marketing/ Value addition and marketing = 2 Aggregation and supply = 1	List of buyers	
9	Does the PC has market linkages established (buyer - seller meet, Partnerships deed & Contracts)	Yes = 1 No = 0	List of buyer and sellers, Meeting minutes	
10	PCs involved in export activities – Yes / No If Yes give details	Not for scoring	Export license and relevant documents	
I. Business performance Max Marks 12				Score
1	Annual Business Volume (transaction) Total Capital: share capital + credit + reserve + other income	Total capital used for above 2 times of business transaction = 3 Total capital used for 2 time of business transaction = 2 Total capital used for 1 time of business transaction = 1	Audit statement, Procurement and sales register	
2	Input Business	>40% inputs of shareholders = 3 26-39% inputs of shareholders = 2 10-25% inputs of shareholders = 1 <10% inputs of shareholders = 0	Input centre, Procurement and sales register	
3	Output Business	>30% outputs of selected commodity of shareholders = 3 15-30% outputs of selected commodity of shareholders = 2 <15% outputs of selected commodity of shareholders = 0	Product purchase register and finished goods product	

I. Business performance Max Marks 12				Score
4	Business Time span of the PC activity in a year	More than 9 months = 3 7-9 months = 2 4 - 6 months = 1 Less than 3 months = 0	Purchase and sales register	
J. Convergence & Grant Support -Maximum Marks 2				Score
1	Equity Grant Availed (SFAC)	Fully Availed =1 Partially Availed =0.5 Not Availed=0	Sanction letter, Bank statement, Audit statement	
2	Government agencies like MSDA, NADP, NFSM, AED, PPC, SPU	2 & Above schemes availed=1 Any 2 Scheme Availed=0.50 Any 1 Scheme Availed=0.25 Nil =0	Sanction letter, physical verification.	
3	Total marks	100		

Grade	Based on the score obtained			
	2 years' old (18 to 24 months)	3 years' old PC (25 months to 36 months)	4 years to 5 years' old (37 months to 60 months)	Above 5 years' old (Above 60 months)
A	Above 65	Above 70	Above 75	Above 80
B	55 -64	61-69	65-74	70-79
C	40-54	45-60	45-64	50- 69
D	Below 40	Below 45	Below 45	Below 50

Date of Grading:

Name and signature of the Grading team

Annexure: 2 Step-by-Step Approach for Registration of PCs as Producer Company

Steps	Approach for Registration		Responsible	Role of Project team
Step I	Consolidation of PGs		Block Team & TSA	Meetings & Facilitation
Step II	Selection of 10 Promoters (Promoters) – Get farming proof document for all 10 promoters attested by VAO/AO. Take care to have wide representation of PGs.		Block Team & TSA	Facilitation & Follow up
Step III	Name search, Shortlist of 6 proposed names for the FPO		Selected BODs	Facilitation
Step IV	Prepare MoA and AoA customized to designate commodity or product		Company secretary/ Auditor, TSAs & BODs	Follow up and finalization
Step V	Shortlist 5 initial directors out of 10 promoters		District Team & TSA	Assessment of Proposed BODs and facilitation for selection.
Step VI	Get required documents for 10 promoters		Block Team	Follow up
	a.	Aadhaar Card copy		
	b.	PAN Card copy		
	c.	Address Proof copy		
	d.	Four passport photos of each proposed director		
Step VII	Get			
	a.	Digital Signature for two directors (Chairperson and one BOC) – DSC form with GO attested Aadhaar and PAN card	Company secretary/ Auditor	TSA Follow up with Company secretary/ Auditor
	b.	DIN No. for 5 directors	Company secretary/ Auditor	TSA Follow up with Company secretary/ Auditor
Step VIII	Select premises for the proposed PC and get			
	a.	Address proof for the proposed office building	BODs	Follow up
	b.	Consent letter from landlord if it is hired building	BODs	Follow up
	c.	Tax receipts, electricity bills or water bills as the proof of the building	BODs	Follow up
Step IX	by all 10 subscribers (promoters)		BODs, TSA & Company secretary/ Auditor	Follow up & Submission

Steps	Approach for Registration	Responsible	Role of Project team
	INC-9		
	INC-10		
	PAN card copy (self-attested)		
	Aadhaar card copy (self-attested)		
	Bank statement or latest electricity bill copy (self-attested)		
	last pages of AoA and MoA		
Step X	DIR 2 to be signed by five initial directors	BODs, TSA & Company secretary/ Auditor	Follow up
Step XI	Submit for registration (for TN State it is Chennai or Coimbatore RoC office)	Company secretary/ Auditor	Follow up
Step XII	Open bank account in the name of the PC	Chairman, BOD & TSA	Facilitation & Guidance

Annexure: 3 Model MOA

Incorporated under the Companies Act, 1956 (1 of 1956) Part IX-A (Producer Company) Company Limited by Shares

Memorandum of Association of

.....Producer Company Limited

I Name The name of the Company is Producer Company Limited.

II Location of the registered office

The registered office of the Company will be situated in the State of Tamil Nadu. III Objects The objects for which the Company is incorporated are:

A. The Objects to be pursued by the Company on its incorporation are:

1. To carry on the business of pooling, purchasing, processing, value addition and marketing of primarily of the Members and also of others, marketing of the same and to deal in activities that are part of or incidental to any activity related thereto.
2. To provide or arrange to provide technical and managerial services in the areas of (input, productivity enhancement, information and knowledge) for the benefit of the Members.
3. To provide education, training and other activities which may promote the principles of mutuality and mutual assistance amongst the Members.

4. To arrange that the quality of produce pooled from the members and others and subsequently marketed would meet the standards laid down by the Company and the statutory authorities.
5. To extend various financial services to the Members.

B. Matters which are necessary for furtherance of the Objects specified in clause III A are:

1. To carry on the business and deal in any Primary Produce.
2. To own, hire, arrange for, and set up facilities, including manufacturing and processing thereof, of the Primary Produce which the Company is authorized to deal with.
3. To finance procurement, processing, marketing and other activities that include extending of credit facilities to its Members.
4. To generate, transmit and distribute power from animal waste, other biomass, and renewable energy sources.
5. To own, hold on lease, hire, manage, sell, let on hire, convey, mortgage, assignor otherwise acquire or dispose of, any undertaking, movable or immovable properties and assets.
6. To engage in, support, commission, finance and otherwise engage in research and development.

7. To provide education, organize education and training programmes, seminars and conferences for its members, directors, producers, employees and any other persons associated with the business of the Company.
8. To borrow money or raise or secure the payment of money on such securities or otherwise in such manner as the Company may deem expedient.
9. To draw, make, accept, discount, execute and issue bills of exchange, promissory notes, bills of lading, warrants, and such other negotiable or transferable instruments or securities of all types.
10. To decide to transfer its assets and liabilities, in whole or in part, to any other Producer Company whether by sale or purchase for shares or otherwise, to divide itself into two or more new Producer Companies, to amalgamate and form a new Producer Company, or to merge with any other Producer Company.
11. To enter into partnership, agreement or arrangement with any person or body corporate whether by way of formation of subsidiary company, joint venture, partnership, union of interest or in any other manner, and to promote any other company or companies including Producer Company or Companies, for the purpose of promoting the objects of the Company.
12. To take or hold mortgages, liens, and charges to secure payment or any money due to the Company.
13. To insure any of the properties, undertakings, contracts, risk or obligations of the Company in any manner whatsoever.
14. To make donations or service fee, to any institution for the purposes of promoting the social and economic welfare of the Members or promoting the mutual assistance principles as may be directly or indirectly conducive to any of the objects of the Company or otherwise expedient, subject to the provisions of section 581ZH of the Act.
15. To open and operate accounts with any bank or banks and give any instructions in connection therewith.
16. To accumulate funds, lend, provide financial assistance to any person and institution, with such securities or without securities upon such terms and conditions as may be determined from time to time.
17. To invest in, acquire, hold and deal in shares, stocks, debentures, bonds, negotiable instruments, obligations and securities issued by any producer company, constituted or carrying on business in India or elsewhere and other securities and instruments specified in section 581ZL of the Act.
18. To give any guarantee for the payment of money or the performance of any obligation or undertaking.
19. To apply for, purchase or otherwise, acquire any goodwill, patent, patent right, copyright, trademark, design, brand, formulae, license, lease, concessions, conferring any exclusive or limited right to use, intellectual property rights, or any secret, proprietary or other information as to any invention which may seem capable of being used for any of the purposes of the Company; and to use, exercise, develop or grant licenses in respect of the property rights, or information so acquired which may directly or indirectly to benefit the Company.
20. To establish provident fund, gratuity fund, superannuation fund and other funds, and to create any trust for the benefit of employees.
21. To establish and support or aid in the establishment and support of associations, institutions, funds, trusts and conveniences and to take up such welfare measures or facilities for the benefit of its members, employees and their dependents.
22. To enter into arrangements, and agreements for rendering, and obtaining of technical know-how, services including consultancy, technical and other collaboration with individuals, firms, research laboratories, bodies corporate or any other persons whether in or outside India.
23. To accept gifts, grants, or donations, in cash or in kind or of property, provided that the conditions of such gifts in no way limit or compromise the interests of the Company.

24. To form, float, promote, support or take membership of any professional bodies, other mercantile and public bodies, associations or federations for the protection, advancement, growth of commerce and industry and for protection and welfare of persons engaged therein.
25. To apply for, promote, and obtain any order, regulation, or other authorization or enactment, which may directly or indirectly benefit the Company.
26. To arrange for or obtain insurance for members and their productive assets.
27. To purchase, sell or supply machinery, equipment or consumables.
28. To reimburse all costs associated with the promotion and registration of the Company including registration, legal fees, printing of a memorandum and articles and the payment thereof, subject to the provisions of section 581C(4) of the Act.
29. To carry on all or any of the businesses which the Company is entitled to do, as principals or in any other lawful capacity, and by or

through agents, or otherwise, and either by itself or in conjunction with or through other institutions or persons.

30. To carry on any other business, service and activity, ancillary or incidental to any of the activities referred to above which may seem expedient for the Company to enhance, directly or indirectly, the value or profitability of the Company, and which may promote the principles of mutuality and techniques of mutual assistance amongst the Members in any manner.

IV Territories to which objects extend

The objects of the Company shall extend to the whole of India.

V Liability of Members

The liability of the Members is limited and this liability is limited to the amount unpaid if any on the shares held by them.

VI Share Capital

The Authorized share capital of the Company is Rs..... (Rupees.....Lakhs only) divided into..... equity shares of Rs.500/- (Rupees Five Hundred each).

Annexure: 4 Model AOA

Articles of Association of _Producer Company Limited

Incorporated under Part IX-A of the Companies Act, 1956 (Producer Company) Company Limited by Shares

1. General

- 1.1 Wherever in the Companies Act, 1956 and or Companies Act, 2013 (to the extent applicable) it is provided that the Company shall have any right, privilege or authority if so authorized by its Articles, then by virtue of this Article, the Company is hereby specifically authorized, empowered and entitled to have such right, privilege or authority, as have been permitted by the Act without there being any specific provision and or separate Article in that behalf herein provided.
- 1.2 Regulations contained in Table 'A' of Schedule I of the Companies Act, 1956 and Table F of Schedule I of the Companies Act, 2013 (to the extent applicable) shall not apply to the Company.
- 1.3
 - i. The Company is a producer company within the meaning of Section 581A(l) of the Companies Act, 1956.
 - ii. All the limitations, restrictions and provisions of the Companies Act, 1956 read with Companies Act, 2013 (to the extent applicable), other than those specified in Part IXA of the Companies Act, 1956, applicable to a private company shall, apply to the Company, and as if it is a private limited company in so far as they are not in conflict with the provisions of Part IXA of the Act.
 - iii. The company is deemed to be a private Company within the meaning of the Companies Act, 1956 read with Companies Act, 2013 (to the extent applicable) with such minimum paid up capital as may be prescribed under the applicable provisions of the Companies Act, 2013 and accordingly,
 - a. Restricts the right to transfer its shares in the manner and to the extent here in after provided; &

- b. Prohibits any invitation to the public to subscribe for any shares on, or debentures of, the Company.

2. Definitions

- 2.1 In the Articles and the Memorandum of Association of the Company, unless the context otherwise requires, words or expressions shall have the meanings as provided below.
 - i. 'Act' means the Companies Act, 1956 (1 of 1956) unless specified otherwise.
 - ii. 'Active Member' means a Member who fulfils the quantum and period of patronage of the Company as laid down by the Board.
 - iii. 'Articles' means Articles of Association of the Company for the time being in force.
 - iv. 'Board' or 'Board of Directors' means the board of directors of the Company constituted under the provisions of the Act and the Articles.
 - v. 'Chairman' or 'Chairperson' means Chairman of the Board of Directors, for the time being of the Company.
 - vi. 'Chief Executive' means an individual appointed as such under the provisions of the Act.
 - vii. 'Company' means the Producer Company Limited, registered under Part IXA of the Companies Act, 1956.
 - viii. 'Director' means the Director, for the time being of the Company.
 - ix. 'Financial Year' means the period ending on the 31st day of March every year, and where it has been incorporated on or after the 1st day of January of a year, the period ending on the 31st day of March of the following year, in respect whereof financial statement of the company is made up.
 - x. 'Limited Return' means the maximum dividend, as laid down in the Articles.
 - xi. 'Member' means an individual woman Producer admitted as a Member of the Company.

- xii. 'Officer' includes any Director or Chief Executive or Secretary or any person in accordance with whose directions or instructions part or whole of the business of the Company is carried on.
- xiii. 'Mutual Assistance Principles' means the principles set out in Part IXA of the Act, and as provided in article 3.
- xiv. 'Patronage' means the extent to which a Member participates in the business of the Company by quantity of primary produce supplied and such other criteria as may be decided by the Board from time to time.
- xv. 'Patronage Bonus' means payments made by the Company out of its surplus income to the Members in proportion to the value of their respective Patronage.
- xvi. 'Primary Produce' means milk, vegetables, fruits, Non-Timber Forest Produce, fish, meat, egg or any other produce arising from agriculture, horticulture, pisciculture, NTFP collection and dairy farming (including animal husbandry) and any other product including by-products of such produce, that would assist or promote any of the aforesaid activities or anything ancillary thereto, and any activity which is intended to increase the production or improve the quality thereto.
- xvii. 'Producer' means any person engaged in production of any Primary Produce or collection of NTFP in which the Company is engaged.
- xviii. 'Producer Company' means a body corporate having objects or activities specified in the Act and registered as a Producer Company.
- xix. 'Secretary' means an individual appointed as such under the provisions of the Act read with Companies Act, 2013 (to the extent applicable)
- xx. 'Withheld Price' means part of the price due and payable for the produce supplied by any Member to the Company; and as withheld by the Company for payment on a subsequent date in the manner specified in the articles.

2.2 Interpretation

In the Articles unless the context otherwise requires:

- i. Words importing the masculine gender shall be taken to include feminine; and
- ii. The term 'article' refers to the specified provision(s) of the Articles hereof.

3. Mutual Assistance Principles

- 3.1 The Membership shall be voluntary and available to all eligible persons who agree to make use of the services of the Company and are willing to abide by the provisions of the Memorandum and the Articles of Association of the Company.
- 3.2 The Company shall be administered by a Board consisting of persons elected or appointed as Directors, and the Board shall be accountable to the Members.
- 3.3 There shall be Limited Return on share capital.
- 3.4 The surplus arising out of the operations of the Company shall be distribute amongst the Members as Patronage Bonus after providing for Limited Return on share capital, transfer to reserves, providing for development of business, education of members etc. as may be decided by the Board/General Body of shareholders.
- 3.5 The Company may co-operate actively at local, national and international level with other producer companies, cooperatives, other entities and organizations.

4. Membership

- 4.1 The Company may have individual Producers as its Members.
- 4.2 Qualifications and procedure for obtaining Membership
 - i. An individual woman Producer engaged in production of primary produce or collection of NTFP would be eligible for applying for Membership of the Company. Membership shall be limited to only one producer from each household.
 - ii. An individual woman Producer desirous of becoming a Member of the Company shall apply in prescribed application form to the Company and undertake

in writing to abide by the provisions of the Memorandum and the Articles of Association of the Company. In addition, she will pay a non-refundable admission fee, subscribe to equity shares of the Company and satisfy other conditions laid down by the Board from time to time.

- iii. No person, who has any business interest which is in conflict with business of the Company, shall become a Member of the Company.
- iv. Such an individual woman Producer shall become a Member after the Board of Directors passes a resolution accepting her admission as a Member.

4.3 Conditions for continuation and cancellation of Membership

- i. Membership shall continue as long as a Member does not fail to meet the criteria as may be prescribed by the Board from time to time.
- ii. A Member, who acquires any business interest which is in conflict with the business of the Company, shall cease to be a Member of the Company.
- iii. Any Member who is not eligible to continue as a Member shall be served a written notice by the Company for removal as Member and given an opportunity of being heard. The Member would need to reply to the notice within the stipulated period as specified in the notice. Thereafter, the Board shall take a decision in the matter.
- iv. Voting Rights of Member
- v. Every member shall have a single vote, provided the member remains an active member throughout the year. However, at the first Annual General Meeting of the Company, all members shall have a single vote each.
- vi. Price to be paid to the Members
- vii. The members shall be paid price for the produce supplied as per the guidelines framed by the Board.
- viii. Information to Member

- ix. The Members may obtain information relating to the general business of the Company.
- x. Active Member
- xi. The Board, if so desires, lay down the criteria with respect to quantum and period of patronage for an Active Member. An active member is a member who has patronized the company by supplying a minimum quantity of primary produce in year that is to be decided by the Board of Directors from time to time.

5. Funds

Funds may be raised by (i) issue of equity shares to Members, (ii) admission fee and deposits from Members, (iii) issue of debentures to Members, (iv) loans and advances and (v) grants, aid, subsidies and donations.

6. Share Capital

- 6.1 The authorized share capital of the Company shall be as stated in clause VI of the Memorandum of Association of the Company.
- 6.2 The share capital of the Company shall consist of fully paid-up equity shares only.
- 6.3 The shares held by the Member in the Company, shall as far as may be, be in proportion to her or its patronage.
- 6.4 The share capital of the Company shall be under the control of the Board who may all or otherwise dispose of the same to such members in proportion to the Patronage, as far as may be, and on such terms and conditions against payment in cash or kind or in lieu of the whole or part of the sale proceeds of produce or products supplied by the Members, and at such times and for such consideration as the Board may decide.
- 6.5 The Company may, by Ordinary Resolution:
 - i. increase the share capital;
 - ii. consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
 - iii. sub-divide its existing shares or any of them, into shares of smaller amount

than is fixed by the Memorandum of Association, subject, nevertheless, to the provisions of the Act; and

- iv. Cancel any shares which have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.
- 6.6 The Company may reduce in any manner in accordance with the provisions of the Act, (i) its share capital, (ii) balance in the securities premium account, (iii) capital reserves, and (iv) reserves arising out of amalgamation, merger, division, reorganization, reconstruction or in any other manner.
- 6.7 The Board may at any time decide to issue equity shares in a dematerialized form, and also compulsorily convert the existing equity shares in a dematerialized form.
- 6.8 The Company may purchase its own equity shares in accordance with the provisions made under the Companies Act, 1956 read with Companies Act, 2013 (to the extent applicable).

7. Transfer of equity shares

Subject to the provisions of Sections 581 ZC and 581ZD of the Act, a Member may transfer the whole or part of her shares to a Member after obtaining the prior approval of the Board.

8. Surrender of equity shares

- 8.1 Where the Board is satisfied that any Member has failed to retain the qualifications as a Member, the Board shall direct the Member to surrender her shares to the Company at par value or such other value as determined by the Board.
- 8.2 The Member also, if so desires, apply to the Company to surrender her equity shares. After the receipt of application from the Member, the Board may take a decision in the matter. The Board shall prescribe the procedure for surrender of equity shares.
- 8.3 A surrendered equity share shall be deemed to be the property of the Company and may be sold to members or otherwise cancelled as the Board thinks fit.

Management of Producer Company

9. Board of Directors

- 9.1 The Company shall be governed by the Board consisting of persons elected or appointed as Directors.
- 9.2 The Board of the Company shall have at least five and not more than eleven Directors. The Board may co-opt one or more Expert Directors not exceeding one-fifth of the total number of Directors for such period as the Board may deem fit.
- 9.3 The subscribers who have signed the Memorandum and the Articles of Association have designated Five Directors, who shall govern the affairs of the Company until the directors are elected. The election of Directors shall be conducted within a period of ninety days of the registration of the Company.
- 9.4 The Board shall from time to time with the approval of the General Body of shareholders decide the criteria for categorizing members into different classes based on patronage.
- 9.5
- i. The number of positions on the Board representing each class of members, to the extent possible, shall be based on patronage of the respective class. However, for the first 3 years of the operations of the Company, this requirement can be waived by the Board.
 - ii. Directors representing a particular class of members shall be elected /appointed from amongst and by the respective class of members.
- 9.6
- i. One fourth of total elected Directors shall retire by rotation at every Annual General Meeting of the Company and the position vacated by rotational retirement shall be filled up ensuring the representation in accordance with article 9.5.
 - ii. The vacant position on the Board as per 9.6 (i) shall be filled based on there commendation of the Nominating Committee appointed by the Board.
 - iii. Every Director, who retires in accordance with the articles, shall be eligible for re-appointment as Director. However, no person shall be elected / appointed as Director for more than two consecutive terms.

- 9.7 To fill the vacant position(s) on the Board or otherwise, the Board may co-opt Additional Director(s) and the Director(s) so appointed shall hold office till the next Annual General Meeting of the Company or for a shorter period if the Board decides so at the time of appointment.
- 9.8 The Directors at its meeting shall elect a Chairman from amongst the Directors, other than the Expert Director and the Chief Executive, for a period of four years. For the election of the Chairman of the Company, the Expert Director and the Chief Executive will not have voting rights.
- 9.9 The Chairman shall preside over the meetings of the Board. In her absence, the Directors present shall elect one of the elected Directors to preside over the meeting.
- 9.10 A meeting of the Board shall be held not less than once in every three months and at least four such meetings shall be held every year.
- 9.11 Notice of every meeting of the Board of Directors shall be given in writing to every Director for the time being in India, and at his/her usual address in India to every other Director.
- 9.12 The Chief Executive shall give notice as aforesaid not less than seven days prior to the date of the meeting of the Board. Provided that a meeting of the Board may be called at shorter notice and the reasons thereof shall be recorded in writing by the Board.
- 9.13 The quorum for a meeting of the Board shall be one-third of the total strength of directors, subject to a minimum of three including the presence of at least one elected Director and one Expert Director. Notwithstanding the above, the quorum for the meeting of the Board of Directors shall not require the presence of the Expert Director in case there is no Expert Director on the Board of the Company.
- 9.14 All the decisions of the Board shall be decided by a majority vote. Each Board Member shall have one vote. In the case of equality of votes, the Chairman or the person presiding shall have a casting vote except for election of Chairman.
- 9.15 No Director shall participate on any matter in which she has personal interest except as a member.
- 9.16 An elected Director shall cease to be member of the Board on her losing the status as a Member of the Company. Also, a Member shall not be eligible for appointment as a Director on the Board or the office of the Director shall become vacant if:
- i. she is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months;
 - ii. the Producer Company, in which she is a director, has made a default in repayment of any advances or loans taken from any company or institution or any other person and such default continues for ninety days;
 - iii. she has made a default in repayment of any advances or loans taken from the Producer Company in which she is a director;
 - iv. the Producer Company, in which she is a director:
 - a. has not filed the annual accounts and annual return for any continuous three financial years commencing on or after the 1st day of April 2020; or
 - b. has failed to, repay its deposit or withheld price or patronage bonus or interest thereon on due date, or pay dividend and such failure continues for one year or more;
 - v. default is made in holding election for the office of director, in the Producer Company in which she is a director, in accordance with the provisions of the Act and articles;
 - vi. The member has committed any act which has damaged the interest and reputation of the Company;
 - vii. The member has willfully deceived the Company;
 - viii. the annual General meeting or extraordinary General meeting of the

Producer Company, in which she is a director, is not called in accordance with the provisions of this Act except due to natural calamity or such other reason;

- ix. she has failed to satisfactorily complete the prescribed training programme, as prescribed by the Board from time to time, within six months of being elected/ appointed as a Director. This training programme is intended for equipping her with the requisite skill sets and knowledge to satisfactorily discharge her responsibilities;
 - x. she has not passed at least 10th or equivalent standard from any recognized educational institution.
 - xi. she is or becomes a member of any legislative body such as Parliament, State Legislatures/ District Council, Gram / Village Panchayat; or
 - xii she is or becomes an office bearer of any political party at any level i.e. village, Taluka, District, State or National level.
 - Xiii She is of unsound mind and stands so declared by a competent court.
 - Xiv She is an un-discharged insolvent or has applied to be adjudicated insolvent and such application is pending.
 - Xv She has not been allotted a DIN number.
- 9.17 The Directors may be entitled to such fees and allowances including travelling and hotel expenses for attendance at the meetings of the Board and its Committees, if any constituted by the Board in terms of provisions of section 581U of the Act, as may be decided by the Board.
- 9.18 Powers and Functions of the Board
- i. Subject to the provisions of the Act and the Articles, the Board shall exercise all such powers and to do all such acts and things, as that the Company is authorized so to do.
 - ii. In particular, and without prejudice to the generality of the foregoing powers, such powers may include the following matters, namely:
 - a. determination of the dividend payable;
 - b. determination of the quantum of withheld price;
 - c. recommends patronage bonus to be approved at General Meeting;
 - d. admission of new Members;
 - e. pursue and formulate the organizational policy, objectives, establish specific long-term and annual objectives, and approve corporate strategies and financial plans;
 - f. appointment of a Chief Executive;
 - g. approval of organization structure of the Company;
 - h. acquisition or disposal of property of the Company in its ordinary course of its business;
 - i. investment of the funds of the Company in the ordinary course of its business;
 - j. sanction any loan or advance, in connection with the business activities of the Company to any Member, not being a Director or his/ her relative;
 - k. constitutes a Nominating Committee in terms of the provisions of section 581U of the Act, to scrutinize applications received from eligible Members for positions on the Board based on the defined criteria as approved in the General meeting and as provided in these Articles, and accordingly recommend eligible members to the Board for its consideration. In turn the Board, after due consideration in the Board meeting, shall recommend Members for the position on the Board to be elected or appointed by the Members in the Annual General Meeting; and
 - l. Approve interim budget which shall form integral part of the budget to be approved at Annual General Meeting (AGM);
 - m. Take such other measures or do such other acts as may be required in the discharge of its functions or exercise of its powers.

- iii. The Board shall exercise its powers at its duly convened meeting where the required quorum is present to transact the business.

9.19 Liability of Directors

- i. When the directors vote for a resolution, or approve by any other means, anything done in contravention of the provisions of the Act or any other law for the time being in force or the Articles, they shall be jointly and severally liable to make good any loss or damage suffered by the Company.
- ii. The Company shall have the right to recover from its Directors:
 - a. Where such Director has made any profit as a result of the contravention specified in the Act, an amount equal to the profit so made.
 - b. Where a company incurred a loss or damage as a result of the contravention specified in the Act, an amount equal to that loss or damage.
- iii. The liability imposed under article 9.19 (ii) shall be in addition to and not interrogation of a liability imposed on a Director under any other provision of the Act or any other law for the time being in force.

9.20 Removal of Director: A Director may be removed by simple majority of the Members present and voting at the General Meeting in accordance with the provisions of the Act.

10. Chief Executive and his functions

- 10.1 The Company shall have a full time Chief Executive, by whatever name called, who shall be appointed by the Board.
- 10.2 The Chief Executive shall be Ex officio Director of the Board and such Director shall not retire by rotation.
- 10.3 The qualifications, experience and the terms and conditions of service of the Chief Executive, including the remuneration payable to Chief Executive, shall be such as may be determined by the Board.
- 10.4 The Chief Executive shall be entrusted with substantial powers of management as the

Board may determine. Without prejudice to the generality of the foregoing, he shall also exercise powers and discharge the functions laid down in the Act.

11. General Meetings

- 11.1 The Company shall in each year, hold, in addition to any other meetings, a General Meeting, as its Annual General Meeting and shall specify the meeting as such in the notices calling it, and not more than fifteen months shall elapse between the date of one Annual General Meeting of the Company and that of the next.
- 11.2 Every General Meeting shall be called, for a time during business hours, on a day that is not a public holiday and shall be held at the registered office of the Company or at some other place within the city, town or village in which the registered office of the Company is situated.
- 11.3 A General Meeting of the Company shall be called by giving not less than fourteen days' prior notice in writing.
- 11.4 i. At any General Meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded under the Articles, be decided by show of hands.
 - ii Before or on the declaration of the result of the voting on any resolution on a show of hands, a demand for a poll can be made by one-tenth of the total number of Members or 100 Members, whichever is lower, present in person or by proxy.
- 11.5 The Company may, if permissible, allow the Members of the Company to participate in any General Meeting through electronic mode.
- 11.6 i. a. Attendance of such number of Members as provided in the Act shall form the quorum for the General Meeting.
 - b. Attendance either in person or by proxy shall be considered for the purpose of quorum.
 - c. No person shall be appointed a proxy unless she is a Member.
 - d. A proxy shall be entitled to vote on a show of hands as well as in a poll.

ii. If there is no quorum within half an hour from the scheduled time of meeting, the meeting shall stand adjourned to reassemble on the same day at the same place after three hours from the appointed time. If at the reassembled meeting, the quorum is not present within half an hour, the Members present shall constitute the quorum and may transact the business for which the meeting was called.

11.7 The Company shall hold its first Annual General Meeting within a period of ninety days from the date of its incorporation.

11.8 The Memorandum and Articles of the Company shall be laid before the first Annual General Meeting.

11.9 The Members shall adopt the Articles of the Company and appoint directors of its Board in the first Annual General Meeting.

11.10 The notice calling the Annual General Meeting shall be accompanied by the following documents, as approved by the Board namely:

- i. the agenda of the Annual General Meeting;
- ii. the minutes of the previous Annual General Meeting or the Extra-Ordinary General Meeting;
- iii. the names of candidates, if any, to the office of director including a statement of qualifications in respect of each candidate;
- iv. 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 of the Company with respect to:
 - a. the amount proposed to be carried to reserves;
 - b. the amount to be paid as Limited Return on share capital;
 - c. the amount proposed to be disbursed as Patronage Bonus;
 any other matter of importance relating to energy conservation, environmental protection, expenditure or earnings in foreign exchanges;
- d. any other matter which is required to be, or may be, specified by the Board;

v. the text of the draft resolution for appointment of Auditors; and

vi. the text of any draft resolution proposing amendment to the Memorandum or Articles to be considered at the General Meeting, along with the recommendations of the Board.

11.11 The following powers shall be exercised only at the Annual General Meeting, namely:

- i. approval of budget and adoption of annual accounts of the Company;
- ii. approval of Patronage Bonus;
- iii. issue of Bonus Shares;
- iv. declaration of Limited Return and decision on the distribution of Patronage;
- v. Specify the conditions and limits of loans that may be given by the Board to any Director;
- vi. approval of the criteria for categorizing members into different classes;
- vii. approval of guidelines for constitution of Nominating Committee in order to scrutinize the application for vacant position by eligible members and recommend the same for consideration at the Annual General Meeting through the Board; and
- viii. approval of any transaction of the nature as is to be reserved in the Articles for approval by the Members.

11.12 An Extra-Ordinary General meeting may be called at any time:

- i. By the Board; or by the Board on the requisition made in writing, duly signed and setting out the matters for the consideration, made by one-third of the Members entitled to vote in any General Meeting, proceed to call an Extra Ordinary General Meeting in accordance with the provisions contained in the Act.
- ii. If the meeting is called upon requisition by Members and there is no quorum within half an hour from the appointed time of the meeting, the meeting shall and dissolved.

- iii. All items of business to be transacted at the General Meeting shall be deemed as Ordinary and the provisions of section 102 of the Companies Act, 2013 shall not apply.

12. Investments out of the General reserves

- i. Investments out of the General reserves shall be made in accordance with the provisions of Act and Rules framed there under from time to time.
- ii. Bonus Shares
- iii. The Company may, upon recommendation of the Board and passing of resolution in the General Meeting, issue bonus shares by capitalization of amounts from General reserves in proportion to the shares held by the Members on the date of the issue of such shares.

13. Amalgamation, Merger and Division

As provided under the provisions of the Act, the Company by a resolution passed at its General Meeting may decide to transfer its assets and liabilities, in whole or in part, to any other Producer Company, to divide itself into two or more new Producer Companies, to amalgamate and form a new Producer Company, or to merge with any other Producer Company.

14. Loans and advances etc. to the Members and to any Director or his relative

- 14.1 Subject to the provisions of the Act, the Board may provide financial assistance to the Members by way of (a) credit facility, to any Member, in connection with the business of the Company; (b) loans and advances, with or without security to any Member.
- 14.2 Any loan or advance to any Director of the Company or his/her relative shall be granted only after the approval by the Members at a General meeting.

15. Investment in other companies, formation of subsidiaries, etc. Subject to the provisions of the Act, the Company by previous approval of Members at its General meeting, may make investments and dispose of any such investments in other companies, enter into partnership, agreement or arrangement

with any person or body corporate whether by way of formation of subsidiary company, joint venture, partnership, or in any other manner, and to promote any other company or companies including Producer Company or Companies, for the purpose of promoting and consistent with the objects of the Company.

16. Internal Audit

The Company shall have internal audit of its accounts carried out at such interval and in such manner as may be decided by the Board.

17. Books of account

The books of account shall be kept at the Registered office of the Company in accordance with and as provided under the provisions of the Act. If the Company has any branch office, the books of accounts shall be kept as per the provisions of the Act applicable for keeping the books of accounts of branch office.

18. Common Seal

- 18.1 The Board shall provide for the safe custody of the common seal, if any.
- 18.2 The common seal of the company shall not be affixed to any instrument except by the authority of a resolution of the Board or of a committee of the Board authorized by it in that behalf, and except in the presence of at least two directors and of the secretary or such other person as the Board may appoint for the purpose; and those two directors and the secretary or other person aforesaid shall sign every instrument to which the common seal of the company is so affixed in their presence.
- 18.3 All deeds, agreements, instruments, letters, bonds, affidavits, declaration, indemnities, power of attorney and other documents of any nature whatsoever entered into by the Company shall be executed by such person(s) duly authorized by the Board or the Committee thereof.

20 Secrecy Clause

- 20.1 Every Director, Chief Executive, Officer, manager, secretary, trustee, Member of a committee, servant, agent, accountant or any other person employed in the business

of the Company shall observe strict secrecy respecting all transactions of the Company except when required so to do by a Court of Law and except so far as maybe necessary in order to comply with any of the provisions contained in the Articles.

20.2 No Member shall be entitled to inspect the Company's books or will be given any confidential information relating to

the business of the Company without the permission of the Board of Directors of the Company.

21. Resolution of Disputes

Any dispute relating to the formation, management or business of the Company as provided under the provisions of the Act shall be settled by conciliation or by arbitration as provided under the Arbitration and Conciliation Act, 1996.

Annexure: 5 Post Incorporation Checklist

POST INCORPORATION CHECKLIST FOR PC'S – MANDATORY UNDER COMPANIES ACT		
Sequence	Activity	Timeline
1	Call for a Board Meeting to discuss on a) Bank account opening, b) approval of MOA, AOA, c) taking note of 1st Directors, d) Approving the Common seal and other seals, Company letterhead, logo, e) Appointment of CEO, f) Appointment of Statutory Auditor (Chartered accountant) and g) Appointment of CA / Company Secretary	Within 30 days from the date of incorporation
2	Opening Bank Account - 2 Accounts, the purpose of which will be, one as Capital Account and another as Business account	Within 30 days of incorporation
3	Filing form INC 22 for confirmation of Registered office address with the ROC (Registrar of Companies)	Within 30 days of incorporation
4 (Very Important)	Filing form INC 20A for Declaration of commencement of Business with the ROC (without which the company should not start any Business activity, non-compliance will attract 50,000 penalty on each Director and will also lead in cancellation of Registration)	Within 180 day of incorporation
5	Filing form ADT-1 with ROC for appointment of Statutory Auditor for a period of one year.	within 15 days from the date of appointment
6	Transfer the funds collected in FIG groups to Company Capital account	After filing INC 20A, but within 30 days
7	Call for a Board Meeting and approve the amount transferred from FIG account to Company account as share service fee money and pass a Board resolution for allotment of shares. And also Decide the date of 1st AGM	within 60 days from the date of share service fee amount
8	Filing form PAS-3 with ROC in order to record the increase in number of shareholders in the company.	Within 30 days of Board meeting approving the allotment of shares
9	Print share certificates, for all the members for distribution in the 1st AGM	Within 60 days from the date of allotment of shares

Sequence	Activity	Timeline
10	Call for a Board meeting to decide the date of 1st AGM	Immediately after filing form PAS-3
11	Issue notice calling for 1st AGM in Physical or electronic mode to all the shareholders of the company	Not less than 14 days before the AGM
12	Conduct 1st AGM and approve the 1st Directors, Coming year action plan and budget, Issue share certificates, and any other matter in the interest of the company. (Note: Companies are NOT REQUIRED to make any ROC filing after this AGM) – non-compliance attract a penalty of Rupees One lakh.	Within 90 days from the date of Incorporation
13	Filing form DIR-3 KYC for all Directors - applicable for all companies registered before 31st March, non-filing of this form will de-active the DIN of all Directors and each Director will be liable for a penalty of Rs.5000 each.	Within 30th September, (however it is advisable to complete before 30th June since in the month of September, 2nd AGM and other return works will start)
Below mentioned requirements are Applicable only if your company is incorporated in the previous calendar year.		
14	Ask your auditor to audit your books of accounts for the year ended 31st March.	Audit to be completed by end of July
15	Conduct Board meeting and approve the audited Financial statement and decide a Date for 2nd AGM to submit the audited financials for member's approval. Approve Notice calling for AGM	Immediately on completion of the audit process
16	Issue notice calling for AGM in Physical / Electronic means to all the members	At least 14 days before the AGM
17	Conduct the 2nd AGM and get the approval of members for the following transactions 1. Approval of Audited Financial statement 2. Appointment of Auditor for a period of 5 years 3. Declaration of Dividend (if any) 4. Any other item as may be decided by the Chairman	Within 30th September
18	File form ADT-1 for appointment of Auditor with ROC	Within 15 days from the date of AGM
19	File form AOC-4 – Annual filing of Financial statements and Directors Report with ROC (non-filing will attract a penalty of Rs.100 per day)	Within 30 days from the date of AGM
20.	File form MGT-7 – Annual Return with ROC (non-filing will attract a penalty of Rs.100 per day)	Within 60 days from the date of AGM

Annexure: 6 Vision Building exercise example questions

Questions to Stimulate Discussion



Production

What area of land will each farmer plant? How many animals will each farmer keep?

What tools and equipment will we use?

When do we need to plant crops (or breed animals)?

What management practices do we need to change: seed type, variety, planting density, weeding methods, fertilizer application, irrigation usage, etc.? For livestock, what are the breeding, feeding, veterinary care and housing we need?

How will we monitor production to make sure we get the right amounts and quality?

Production

Planning the area of land each producer will plant, any change in seed type, variety, planting density, weeding methods, fertilizer application, irrigation need for crop production. In case of livestock the planning for breeding, feeding methods, veterinary care at the producer's level needs to be done.

Business development services

What business services will we need? Input supplies, technical advice, financial services, marketing services, transport, etc?

Which services are the most important?

Which services need to be strengthened?

Which services do we need to pay for? How will we pay for them?

Postharvest handling



Marketing

How will we identify buyers? How will we market the product? Who will negotiate on behalf of the group?

What transport will we need? What will the delivery schedule be?

What price range will we negotiate for? What should the payment terms be? Do we need a bank account? Who will be the signatories for the account?

How will the money be shared in the group?

How much of the profit will we invest, and what will we invest in? How will we save money in order to invest?

Annexure: 7 Business Plan Format for PC

Si.No	Table of Contents Particulars	Page No.
1.	Executive Summary	
2.	Introduction	
3.	The Proposal	
4.	About the PC.....	
5.	About PC	
6.	Feasibility Assessment.....	
7.	Risk Assessment and Proposed Management	
8.	Products and Marketing	
9.	Funds and Other Resources	
10.	Plan Implementation; Monitoring and Evaluation.....	
11.	Financials	
12.	Annexes	

Details on BP Structure

Executive Summary

Summary of the Proposal/Plan/DPR

Introduction

About the area and genesis of PC

The Proposal

About the Project of the PC

Support required: Funds (loan/equity, etc.),

Technology, HR (CEO, etc.) and others

About the PC

Details about the Promoting Organisation

- a. PC Management
- b. Natural Disasters (Cyclones, Floods, Earthquake, Twisters, etc.)

Products and Marketing

- c. Output (PC Products)
- d. Sector overview
- e. Demand and supply assessment (market feasibility)
- f. Marketing Strategy/Plans
- g. Business Promotion
- h. Market Linkages

Funds and Other Resources

- i. Funds requirement
- j. Proposed sources of funds
- k. Request under this proposal
 - i. Equity
 - ii. Debt (term loans)
 - iii. Working capital
 - iv. Grants

Plan Implementation; Monitoring and Evaluation

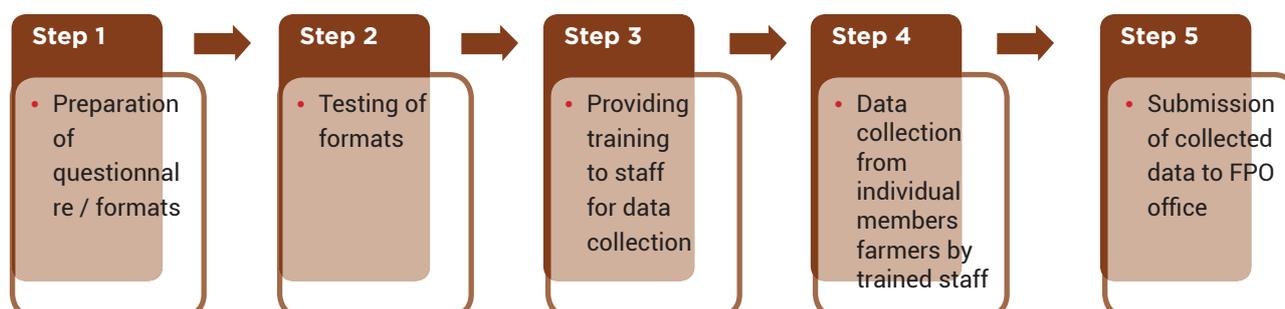
- l. Schedule of implementation
- m. Review and Revision

Financials

- n. Financial Statements (P&L, Funds Flow Statement, Balance Sheets)
(Three years' history and five years' projections are generally preferred; new PCs can have an exception)
- o. Ratio Analysis
- p. Break-even Point Analysis
- q. Sensitivity Analysis, if possible.
- r. Assumptions for the above

Annexure: 8 Steps for estimation of Production & data collection template

Steps to be followed while workout estimation of production



Farmer Name

Village Name

Panchayat Name

Name of data collector

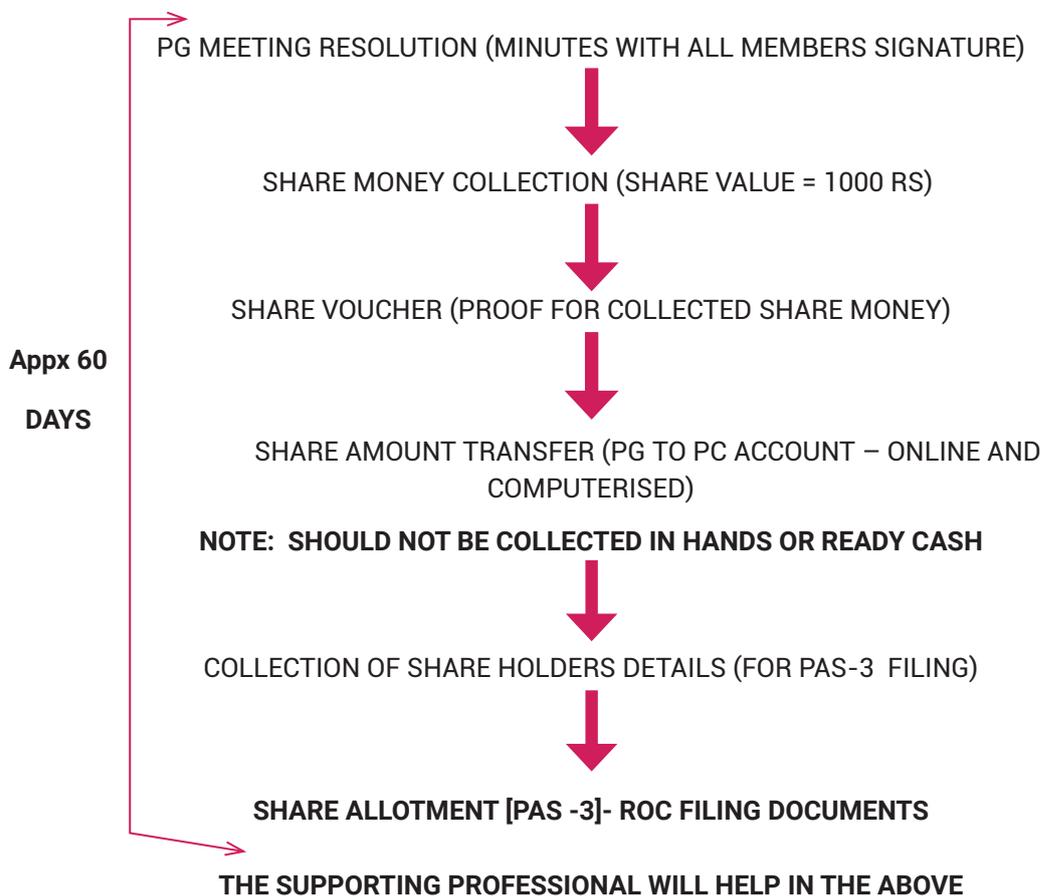
Farmer wise details

Sr. No.	Farmer name	Total area	Area under crop= 1	Estimated yield	Area under crop=2	Estimated yield	Area under crop = 3	Estimated yield	Area under crop = 4	Estimated yield
1										
2										
3										
4										
5										
6										

Annexure: 9 Process of issuing share certificate

Process of issuing Share Certificates

1. SHARE AMOUNT COLLECTION (MOBILIZATION)



Continue

Appx 60
DAYS

2. SHARE ALLOTMENT REQUIRED DETAILS

- FARMERS NAME
- ADDRESS
- NATIONALITY
- NUMBER OF SHARES
- SHARE VALUE

3. AFTER SHARE ALLOTMET – SHARE CERTIFICATE PRINTING**PARTICULARS TO BE MENTIONED IN SHARE CERTIFICATE**

- PC NAME
- COMPANY REGISTRATION DETAILS
- DATE OF ALLOTMENT
- DISTRICT NUMBER
- FOLIO NUMBER
- NUMBER OF SHARE VALUE
- COMMON SEAL
- ROUND SEAL (COMPANY)
- FOR SEAL (DIRECTORS SIGNATURE – AUTHORISED PERSONS)
- STAMP (Rs.1)

4. SHARE CERTIFICATE ISSUING PROCEDURE

- MAINTAINING SHARE CERTIFICATE RECIEPT
- COUNTER FILE RECEIVED AND MAINTAINED BY FPO

Annexure: 10 Model Share Certificate format

FORM NO. SH.1

Share Certificate

[Pursuant to sub-section (3) of section 46 of the Companies Act, 2013 and rule 5(2) of the Companies (Share Capital and Debentures) Rules 2014]

.....Limited/Private Limited

.....(Corporate Identification Number)

(Incorporated under...the Companies Act, 1956/2013)

Registered Office:

This is to certify that the person(s) named in this Certificate is/are the Registered Holder(s) of the within mentioned share(s) bearing the distinctive number(s) herein specified in the above named Company subject to the Memorandum and Articles of Association of the Company and the amount endorsed herein has been paid up on each such share.

EQUITY SHARES EACH OF RUPEES..... (Nominal value)

AMOUNT PAID-UP PER SHARE RUPEES.....

Register Folio No:

Certificate No:

Name(s) of the Holder(s):

No. of shares held :

(in words)

(in figures)

Distinctive No.(s): From To (Both inclusive)

Given under the common seal of the Company this day of 20

(1) Director:

(2) Director:

(3) Secretary/ any other authorized person:

Note: No transfer of the Share(s) comprised in the Certificate can be registered unless accompanied by this Certificate.

Annexure: 11 Legal statutory Provisions for the Producer Companies

S. No	Particulars	Section	Provisions
1	Name of the company	Section 581F(a)	Name of the company shall end with the words "Producer Company Limited"
2	Number of the Directors	Section 581O	Minimum- 5 Directors Maximum- 15 Directors In case of an inter-State co-operative society incorporated as a Producer Company, such company may have more than 15 directors for a period of 1 year from the date of its incorporation as a Producer Company.
3	Election of the Directors	Section 581P(2)	The election of directors shall be conducted within a period of ninety days of the registration of the Producer Company. "Inter-State co-operative society incorporated as Producer Company can avail privileges of 365 days had been substituted instead of 90 days as provided to other companies".
4	Additional Directors and Expert Directors	Section 581P(6)	Expert directors or an additional director may be co-opted but shall not exceed 1/5th of the total number of directors subject to articles of association. Such expert directors shall not have the right to vote in the election of the Chairman but are eligible to be elected as a Chairman.
5	A Private Company	Section 581C(5)	On registration under Section 581 C (1), the Producer Company shall become a body corporate as if it is a private limited company to which the provisions contained in this Part apply. It cannot become or deemed to become a public limited company.
6	Share Capital and transfer of the shares of Producer Company	Section 581ZB Section 581ZC Section 581ZD	The Producer Company shall consist of equity shares only. The active members may have special rights if provided in the Articles. The shares shall not be transferrable. The shares having special rights may be transferred with the approval of the Board to another active member. Every member shall nominate a person within three months on becoming a member of the Company. The nominee shall get all the benefits on the death of the member. If the nominee is not a producer, the Board shall direct the nominee to surrender the shares.
7	Alteration of Memorandum of association and Articles of Association	Section 581H- MoA Section 581I- AoA	By passing Special Resolution after Memorandum or Articles of the company can be altered, but alteration of MoA or AoA shall not be inconsistent with Section 581B. In case of alteration of Articles- It has to be proposed by not less than 2/3rd of the elected directors or by not less than 1/3rd of the Members and adopted by special resolution. Copy of the altered MoA or AOA along with the copy of the special resolution has to be filed with the Registrar within 30days of adoption.

S. No	Particulars	Section	Provisions
8	Annual General Meeting	Section-581ZA Section-581 S Section- 581Y	<p>First AGM shall be conducted within 90 days from the date of incorporation.</p> <p>The Registrar may permit extension of the time for holding Annual General Meeting (not being the first annual general meeting) by a period not exceeding 3 months.</p> <p>The Producer Company shall in each year hold an Annual General Meeting and not more than 15 months shall elapse between the date of one Annual General Meeting to the next.</p> <p>The AGM shall be called by issuing at least 14 days' notice.</p> <p>The proceedings of every AGM along with Directors' Report, the audited Balance Sheet and Profit & Loss Account shall be filed with the Registrar within 60 days of AGM.</p> <p>The shareholders shall have exclusive rights to be exercised in the Annual General Meeting such as:</p> <p>Approval of budget, Adoption of annual accounts, Issue of bonus shares, Approval of patronage bonus, Declaration of limited return and decision on the distribution of patronage, Specify the conditions and limits of loans that may be given by the Board to any director ; and Approval of any transaction of the nature as is to be reserved in the articles for approval by the Members.</p> <p>Quorum:- 1/4th of the total number of members.</p>
9	Meetings of the Board and Quorum.	Section 581V	<p>Board shall meet at least once in every three months and at least four such meetings shall be convened in every year.</p> <p>The Chief Executive shall give notice for the board meeting at least 7 days in advance of the meeting. Meeting can be called with shorter notice but the reasons thereof shall be recorded by the Board.</p> <p>Quorum:- 1/3rd of the total strength of Directors subject to a minimum - 3</p> <p>Penalty: If the Chief Executive fails to comply with the provisions of sending notice, he shall be punishable with a maximum fine of Rs. 1,000/.</p>
10	Chief Executive	Section 581W	<p>Every producer company shall have a full time Chief Executive to be appointed by the Board amongst persons other than the members.</p>
11	Company Secretary	Section 581X	<p>Every Producer Company, having average annual turnover exceeding Rs. 5.00 crores in each of three consecutive financial years shall have a full time Company Secretary.</p> <p>Penalty for not appointing:</p> <p>Company and every officer who is in default, shall be punishable with fine a maximum fine of Rs. 500/- for every day during which the default continues.</p>

S. No	Particulars	Section	Provisions
12	Internal Audit	Section 581ZF	Every Producer Company shall have internal audit of its accounts carried out in such intervals and in such manner as specified by its articles, by a Chartered Accountant.
13	General Reserve and other reserve	Section 581ZI	<p>Every Producer Company shall maintain a general reserve in every year in addition to the Reserves as may be specified in the Articles.</p> <p>If the company does not have sufficient funds in any financial year for transfer to maintain the reserves as may be specified in articles, the contribution to the reserve shall be shared amongst the Members in proportion to their patronage in the business of that company in that year</p>

Annexure: 12 Annual Compliances for Private Limited Company including Producer Company

S. No	Compliance	Section & Rules	Particular of Compliance	
1	Receipt of MBP-1	184(1)	Form MBP- 1	<p>Every Director of the Company in First Meeting of the Board of Director in each Financial Year will disclose his interest in other entities.</p> <p>Every Director is required to submit with the Company fresh MBP-1 whenever there is change in his interest from the earlier given MBP-1.</p>
2	Receipt of DIR- 8	164(2)	Form DIR – 8	Every Director of the Company in each Financial Year will file with the Company disclosure of non-disqualification.
3	E- Forms Filing Requirements	92	E-form: MGT-7	Annual Return: Every Small Company will file its Annual Return within 60 days of holding of Annual General Meeting. Annual Return will be for the period 1st April to 31st March.
4	Additional Directors and Expert Directors	137	E-form: AOC-4	Financial Statement: Company is required to file its Balance Sheet along with statement of Profit and Loss Account and Director Report in this form.
			<p>Attachment:</p> <p>Balance Sheet, Statement of Profit & Loss Account (Including Consolidated Financial Statement), Directors' Report, Auditors' Report, Cash Flow Statement and Notice of AGM.</p>	
5	Annual Return	92	MGT-8	<p>Private Company:</p> <p>Having paid up share capital of 10 Crore or more or turnover of Rs. 50 crore or more shall be certified by a Company Secretary in Practice.</p>

S. No	Compliance	Section & Rules	Particular of Compliance
6	Directors' Report	134	Directors' Report will be prepared by mention of all the information required under Section 134. It should be signed by the "Chairperson" authorized by the Board, where he is not so authorized by at least 2 Directors.
7	Circulation of Financial Statement & other relevant Documents	136	Company will send to the members of the Company approved Financial Statement (including consolidated Financial Statement), Cash Flow Statement, Directors' Report and Auditors' Report at least 21 clear days before the Annual General Meeting. (Except in case of AGM is called on Shorter Notice).
8	Notice of AGM	101 & SS-II	Every Notice of Annual General Meeting will be prepared as per Section 101 of Companies Act 2013 and Secretarial Standard – II.
9	Sending of Notice of AGM	101 & SS	Notice of Annual General Meeting will be sent to following: All Directors; Members; Statutory Auditor; Secretarial Auditor (if any)
10	AGM / EGM	96 & 100	Any other General Meetings other than Annual General Meeting will be called as Extra Ordinary General Meeting (EGM). It is required to follow Secretarial Standards (SS 2) on General Meetings. Minutes to be recorded and signed by Chairman within 30 days and the pages to be consecutively numbered and signed by Chairman. Minutes to be kept permanently. Attendance register to be maintained in the prescribed format and to be signed by all the attendees of the Meeting.
11	Board Meetings	173 & SS-I	Every Company shall hold a minimum number of FOUR meetings of its Board of Directors every calendar year in such a manner that maximum gap between two meetings should not be more than 120 (One hundred twenty) days. Companies shall follow the Secretarial Standards on Board and Committee Meetings (SS 1). The major compliances are as follows: Notice in writing shall be given to all Directors at least 7 days before the Board Meeting. Minutes to be recorded after the Board Meeting and the draft of the same shall be circulated to all the Directors within 1 days from the Meeting. Attendance register to be maintained in the prescribed format and to be signed by all the attendees of the Meeting. Minutes to be properly numbered and the pages to be consecutively numbered and all pages to be signed by the Chairman. Minutes to be recorded in the Minutes book within in 30 days, after providing at least 7 days for Directors comment on the draft Minutes. Minutes to be kept permanently and the notice, agenda and any other annexure placed before the Meeting to be kept for at least 8 years.

S. No	Compliance	Section & Rules	Particular of Compliance	
12	Appointment of Auditor	139	E-form ADT-1	Auditor will be appointed for the 5 (Five) year and form ADT-1 will be filed for 5-year appointment.
13	Maintenance of Registers	88	Company will maintain the following mandatory Registers: Register of Director; Director Shareholding; Members.	
14	Annual Return	92	Annual Return of Every Private Company (Except Small Company) should be signed by Company Secretary in Practice, if there is no whole time Company Secretary.	
15	DIR 3 KYC		Every Director to file DIR 3 KYC every year to keep the DIN active.	
16	MSME 1		Every Company which has any outstanding payments to MSME for more than 45 days have to file form MSME 1 half yearly i.e. on to before 30th April, and 31st October for the corresponding half year end.	
17	DPT3		The Companies which has deposits from shareholders need to file form DPT 3 on or before 30th June, every year.	

Annexure: 13 ESMF Social Screening Check List for Construction of Infrastructure

(In case the PC is renting land for its activities) template

Name of District, Block and Village:

Kind of Infrastructure to Be Created:

Safety for Women

Access to and from the land specially for women travelling alone (please give some details about roads, lighting, transport etc.)

Ownership Details of the Land:

How is the land procured: Donation/Lease/ Purchased

If taken on lease, number of years _____ rate _____:

If purchased, from whom

Land usage before construction

<i>Agriculture</i>		<i>Under vegetation cover</i>	
<i>Animal grazing</i>		<i>Lying fallow</i>	
<i>Squatter or Encroachment</i>		<i>Any other please mention</i>	

Consultation Process

- Consultation with GP/PG/VO etc. and or Village Council
- Consultation with other members of the community
- Consultation with individual and family members (in case of private donation)

Documentation of The Procured Land

- For Panchayat/Government Land: No Objection Certificate or Memorandum of Understanding (MOU) given by GP
- For Private Individual Land: Rental Lease, Purchase Agreement, Voluntary Land Donation Document

Fill This Section Only in Case of Private Land

Details of The Land Owner

Name: _____ M/F

- General/SC/ST/Vulnerable community /SHG/PG/EG MEMBER, /others
- % of total land holding being used under this construction
- Documentation of voluntary nature of land donation (notarized or witnessed statements etc.)



VAAZHNDHU KAATTUVOM PROJECT

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