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Organisational Structure of Farmer Producer Organisation in India

Karmjit Singh[1] and Dr. Rakesh Kumar[2]

1. Karmjit Singh, Research Scholar, Punjabi University, Patiala
2. Dr. Rakesh Kumar, Professor at Centre for Research in Economic Change, Punjabi University Patiala

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Abstract

The concept of Farmer producer organization is introduced in Indian agriculture given the problem of small and marginal farmers such as lack of access to input marketing, output marketing, agriculture extension services, and so on. Subsequently, small and marginal farmers face high transaction costs and diseconomies of scale instead of economies of scale due to their small surplus and buying small amounts of inputs. Therefore, to address the abovementioned problem, centre government has introduced a new institution in the form of the Farmer Producer Organisation.Hence, this study highlights the organisational structure of FPO to understand the procedure to establish FPO and how is it different from the existing setup of the cooperative model of farming.

KEYWORDS: Farmer Producer Organisation, Organisational Structure, Small and Marginal Farmers

I. Introduction

It has been established in the literature of developmentthat sectoral growth and employmentmovein tandem, that is, the growth in output is expected to generate employment (Okun 1962), however, its elasticity may be less than one. Indian agriculture has witnessed a declining share in GDP over time in consonance with the economic theory, as the agriculture sector is expected to register a falling share(Dev, 2012; Gulati & Juneja, 2022).However, the population depending on agriculture did not observe any significant decline (Yadav, 2021; Dev, 2012). This is, basically, a structural bottleneck and has always been the central agenda for policymakers, academicians, farmers, researchers, and so on. Besides, within the agriculture sector, the farmers do not fall into any single homogenous category, as, there exists acute diversityin the pattern of land holdings' ownership. Large, medium, small, and marginal farmers operate and coexist in Indian agriculture,nonetheless are dominated by the category of small and marginal farmers (85 percent of total farmers)(Hedge, 2013; Chand et. al, 2011; Agriculture Census, 2015-16).

Owing to the small and marginal landholding nature, their operation of scale is, obviously,very small and turned out to be, largely, non-viable (Dev, 2012; Datt et. al. 2016); as they are devoid of taking benefits of scale economies, rather diseconomies become dominant. As a consequence, the production cost of small farmers remains relatively high as compared to other categories of farmers (weak backward linkages), besides, they suffer in the marketing of produce due to less bargaining power and consequently, are unable to fetch adequate prices in the market (weak forward linkages) (Kumar et. al., 2022). Therefore, the farmers are being exploited in the hands of the malicious corporate sector as buyers as well as sellers (Dev, 2012).

Due to the nature of small landholdings, the quantity these farmers sell and the inputs they buy fromthe market are relatively small which increases their transaction costand further renders their agriculture non-viable, and substantially reduces their market participation (Barrett, 2008; Key et. al. 2000; Omamo, 1998). Hence, in an environment of inadequate physical and economic infrastructure, the survival of small and marginal farmers seems difficult. Nonetheless, traditional, institutional, and technological reforms were introduced to resolve such issues, small and marginal farmers could not benefit substantially and continued to stay on the margin. It means, small and marginal farmers, due to their specific problems, are required to be handled specifically beyond such reforms (Barham and Chitemi, 2009;Bienabe and Sautier, 2005;Mercoiert and Mfouou, 2006; Teshhome et. al, 2009). Therefore, this paper highlights theorganisational structure of the Farmer Producer Organisations that emerged as a new institution that would address the problem of small and marginal farmers and explains how the institution is established.

II. Methodology

To ascertain the objectives of the FPOs, the capital base, voting right, management patterns, government institutions' role to promote and facilitate FPOs, the procedure to establish FPO, the Structure of FPOs, FPOs service model, FPO act how different from the private and public limited companies, Memorandum of producer companies, election process, tenure of BoD, powers, and functions of the board and general meeting, CEO, and account, audit, and loans, the study has collected secondary data from the several institutions such as Small Agri-business and Consortium, National Bank for Agriculture and Rural Development, Ministry of Agriculture and Farmer Welfare and so on.

Foundation of the Farmer Producer Organisations

The government of India in its endeavor to support the small and marginal farmers conceived the idea of Farmers Producer Organisations (FPOs). Such organizations are intended to incorporate the business inclination among small and marginal farmers (Singh, 2008). The cooperative agriculture model was already in existence. FPOs accommodate the unique elements of cooperative businesses within a regulatory framework similar to that of a private limited company. Hence, FPO has mixed elements of privateand public companies. FPOs support small and marginal farmers through backward and forward linkages.

The concept of the Farmer Producer Company emerged in 2002 on the recommendations of the committee headed by Y.K. Alagh set up by the then Ministry of Law, Justice and Company Affairs (Department of Company Affairs). This committee also recommended the appropriate legislation and regulatory framework. Consequently, the ‘Farmer Producer Company’ new concept emerged in 2002, by incorporating part IX of the first chapter into the 1956 company act(Dwivedi and Joshi 2007).The main objective of this act was to give the legislation form to the cooperative model of agriculture which would support the small and marginal farmers towards collective business in agriculture. Moreover, the main purpose of this law is to increase the reach of small and marginal farmers in terms of backward linkages (inputs such as seeds, fertilizers, etc.), forward linkages (marketing, processing, retailing etc.), and so on. Hence, this act has mixed elements of a private[1] and public company[2] (SFAC, 2013).

As per this act, at least ten or more than ten individual farmers must be together or two producer institutions[3] to collaborate or combination of both is necessary to form the new farmer producer organization, provided, each of them is a primary[4] producer. There is no maximum limit of

[1]**Private Limited Company:** is a joint stock company. Minimum 2 members are required to establish company privately owned firm. Private companies may issue stock and have shareholders. But company does not share trading on public exchange and are not issued through IPO (Initial Public offering), because of that, private company do not need to meet SEC (Securities and Exchange Commission's) strict filing requirements for Public Company.

[2]**Public Limited Company**: is a corporation whose ownership distributed among general public shareholders through open trading of shares and stock on market basis. Public company issues shares through an IPO and trading through at least one stock exchange. To raise capital, most private companies go public. On the other hand, if public company want gain control over the company’s decision. Then, many public companies go private.

[3]**Limited Return:** means producer companies will pay limited return on capital share of members which would be mentioned in article of Producer companies.

[4]**Primary Produce**:
I Produce of farmers, arising from agriculture (including animal husbandry, horticulture, floriculture, pisciculture, viticulture, forestry, forest products, re-vegetation, bee raising and farming plantation products), or from any other primary activity or service which promotes the interest of the farmers or consumers; or
II Produce of persons engaged in handloom, handicraft and other cottage industries;

members in company (SFAC, 2013). Though, evidences are there that prevailing organisations comprise 800 to 1000 member farmers. Moreover, 1000 to 1500 acre is a good size for a company in initial years.

4.2: Objectives of FPOs

(1) Production, harvesting, procurement, grading, pooling, handling, marketing, selling, export of primary produce of the members or import goods for their benefits.

(2) Processing including preserving, drying, distilling, brewing, venting, canning and packaging of produce of its members.

(3) Manufacture, sale or supply of machinery, equipment or consumables mainly to its members.

(4) Providing education on the mutual assistance principles to its members and others.

(5) Rendering technical services, consultancy services, training, research and development and all other activities for the promotion of interest of its members.

(6) Generation, transmission and distribution of power, revitalization of land and water resources, their use, conservation and communications relatable to primary producer's welfare measures, financial services, insurance of producers or their primary produce (SFAC, 2013; NABARD, 2015; Ministry of agriculture, 2015).

4.3: Capital Base

The minimum authorized capital[5], as per the act, is Rs. 05 lakh and paid-up capital[6]to form PO must be Rs. one lakh. For an FPO, this capital is collected through equity shares; each member is required to purchase at least one share to become a member of the FPO. Hence, the power of the company is to be in balance for an FPO. Moreover, membership will be issued as per the memorandum of the company. Besides, capital should be sufficient to cover the FPO objectives which are mentioned in the memorandum of PC. The liability of FPO is limited to the issued share capital. The member liability is also limited to the value of share capital (NABARD, 2015).

4.4: Management Pattern and Voting Rights of Members

FPOs are based on democratic practices to run a company. Hence, they operate with independence and autonomy. Every member is equipped with voting right. If a company consists of only individual members only,then each member of the Producer Company will have a single vote irrespective of shareholding and patronage[7]. On the other hand, if the company is formed with producer institutions[8] only, then voting right is provided accordingto the previous year's business. But during the first year of registration of PC, voting rights will be provided on the basis of shareholding of the Producer Company. If a company is a collaboration of individual members and producer institutions, each member will have one vote irrespective of shareholding and use of patronage. In addition, the Producer Company may restrict to voting right to active member[9] in any general meeting.Besides, minimum 5 directors and maximum 15 directors are required to start company. But, if inter-state cooperative incorporated as Producer Company, then company can have more than fifteen directors for one year from the inception. In addition, the board of a company can hire expert directors but not

III Any product resulting from any of the above activities, including by-products of such products;

IV Any product resulting from an ancillary activity that would assist or promote any of the aforesaid activities or anything ancillary thereto;

V Any activity which is intended to increase the production of anything referred to in sub-clauses (i) to (iv) or improve the quality thereof;

[5]**Authorized Capital**: maximum amount of share capital that is authorized to the company by constitutional documents to issue share.

[6]**Paid up Capital**: An amount of share capital that company allotted to members in terms of shares and received money by company.

[7]**Patronage:** means thathow much contribution of members in producer company business.

[8]**Producer institution**" means a Producer Company or any other institution having onlyproducer or producers or Producer Company or Producer Companies as its member whether incorporated or not having any of the objects referred to in section 581B and which agrees to make use of the services of the Producer Company or Producer Companies as provided in its articles.

[9]**Active Member:** means that who fulfill the requirement of Producer companies in terms of quantum and period of patronage what decided by producer company in their article.

exceeding than one-fifth of total directors (NABARD, 2015).

4.5: Government Institutions to Promote and Facilitate FPOs

The Government has established some institutions to provide support to establish Farmer Producer Organisations, but SFAC[10] (Small Farmer Agri-business Consortium) and NABARD (National Bank for Agriculture and Rural Development) are most important. SFAC, an institution of 'Ministry of Agriculture' provides support to facilitate technical training needs, research and knowledge and management along with establishment of FPOs. SFAC is helpful to create linkages between FPOs and input suppliers, technology providers, extension and research agencies and marketing and processing players. Credit institutions which provide credit facility to FPOs without collateral security get support from SFAC through its 'credit guarantee fund scheme'. This scheme mitigates the risk of credit institutions through matching equity grant up to Rs 10 lakh to enhance the borrowing power of FPOs. Besides, NABARD[11] (National Agriculture Bank for Rural Development) provides financial support to establish FPO in two ways. First, NABARD lends money toFPOs based on equity matching (1:1) to enable the FPO to get loans from other financial institutions. This loan can be up to Rs. 25 lakh (per member up to Rs. 25000) but it would be returnable by FPO in stipulated time. Second, credit scheme of NABARD is also available against collateral for the business operation. Besides, NCDC (National Cooperative Development Corporation) includes FPO as eligible institution which can take advantage of all programmes of corporation. NAFED[12] (National Agriculture cooperation of Marketing Federation of India) also provide authority to FPO to do 'price support purchase operations'. Food Corporation of India and state government will work with FPO to ensure MSP to member's produce and on behalf of FCI[13], FPO can work as a procurement agency. Recently, in budget 2019-20, the government of India has decided to promote 10000 FPOs in the next five years. The government has brought some changes in the existing approach such as the introduction of two new agencies CBBO (Cluster Based Business Organisation) and NPMA (National Programme Management Agency). The government argued that presently working 'Resource Institutions' are not mandatory to create market and credit linkages and even they do not have expertise. So, NPMA and CBBO will work to assist SFAC to execute and monitoring the project. Besides, they will provide incubation services to FPO members (SFAC, 2013, NABARD, 2015).

4.6: Procedure to establish a Farmer Producer Organisation

SFAC, initially, finds a 'resource institution' (RI) that helps to form a company from organizing farmers to the business end. Even, the state government can directly approach the 'resource institution'. To identify the credibility of resource institutions, the government may seek

[10]**SFAC** is a nodal agency to Promote FPOs and increase the income of small and marginal farmers through aggregation and development of Agribusiness. It has been established by Department of Agriculture & Farmer Welfare.

[11]**NABARD** came into existence on 12 July 1982 especially to promote sustainable and equitable agriculture and rural development through participative financial and non-financial interventions, innovations, technology and institutional development for securing prosperity.

[12]**NAFED** (National Agriculture cooperation of Marketing Federation of India) is registered under the Multi State Co-operative Societies Act. It was setup with the object to promote Co-operative marketing of agricultural produce to benefit the farmers. Agricultural farmers are the main members of Nafed.

[13]**FCI** (Food Corporation India) The Food Corporation of India was setup under the Food Corporation's Act 1964 , in order to fulfill following objectives of the Food Policy:

- Effective price support operations for safeguarding the interests of the farmers.
- Distribution of foodgrains throughout the country for public distribution system.
- Maintaining satisfactory level of operational and buffer stocks of foodgrains to ensure National Food Security

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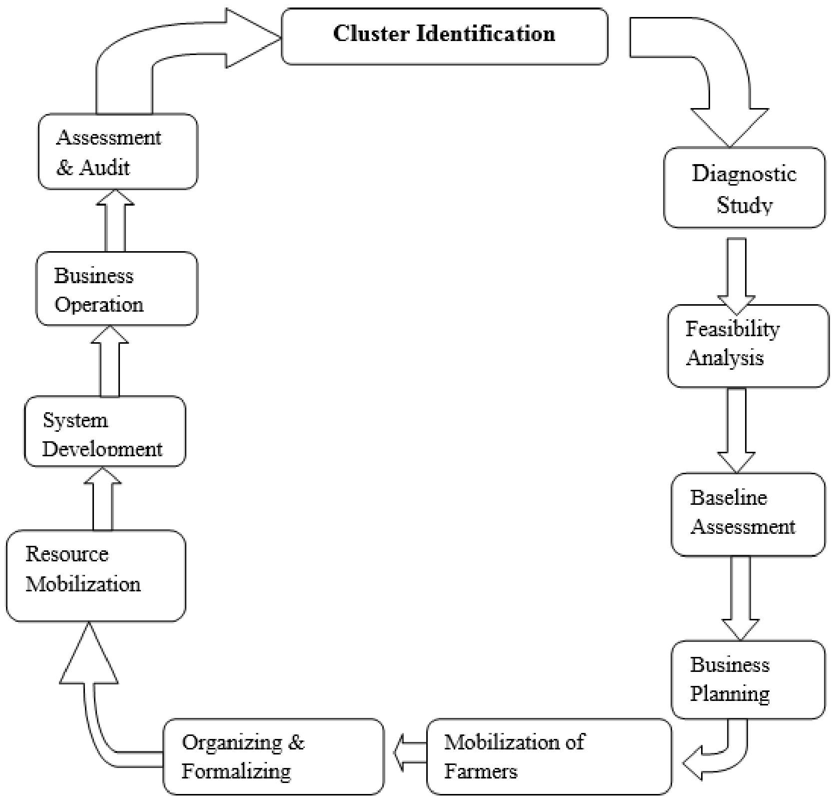
support/report from SFAC. The main function of RI is to find out cluster areas (8000 to 10000 farmers in one or two blocks) with consultation of respective agencies of state government, where FPO can be formed. In addition, this purpose should cover 80 to 120 villages ina district (SFAC, 2013).

*Diagnostic test:*can also be conducted for the area chosen. The responsibility of RI is to assess the preliminary conditions of that area to ascertainthe potential intervention required. After that, all aspects of feasibility should be carried out, to form FPO, by RI such as financial, technical, legal, political, socio-culture, economic, and resource base (SFAC, 2013).

Basement line will have to carry out by RI to reach the current prevailing situation regarding cropping patterns and other indicators of the area and would be helpful in making a business plan and measuring the future changes in indicators. Then, RIs will prepare a business plan with the help of selected farmers' representatives. Through the business plan, FPOs' strategic and operational orientation will be shaped (SFAC, 2013).

The basement line supports ascertainingthe current situation and what needs to be developed in terms of input marketing, output marketing, services for members, and what would be a future vision of the FPO. After preparinga business plan with the help of a selected group of farmers, resource institution needs to mobilize farmers into FPO. This can be done through several ways such as pamphlets, documentary movies, posters, village-level meetings, and proper vision development of promoter farmer members. On the other hand, organizing and formalizing are necessary parts to start FPO. For this, Farmer Interest Group (FIG), at least 50-70 FIG are needed, should be together to form a FPO. In addition, FPO can be registered under the Producer company law. Before starting the operation of FPO, resource mobilization is a major requirement. Consider the business plan; RIs with the help of representatives of farmers will have to carefully arrange the resources to meet the needs of FPO. Moreover, the management system development of the company is also a considerable aspect, which addresses all requirements related to financial, input, output and technical services so on. Then, business operation is started in terms of procurement, production, processing and marketing, and financial service activities of FPO. RIs have an important role to keep the smooth functioning of business operations (SFAC, 2013).



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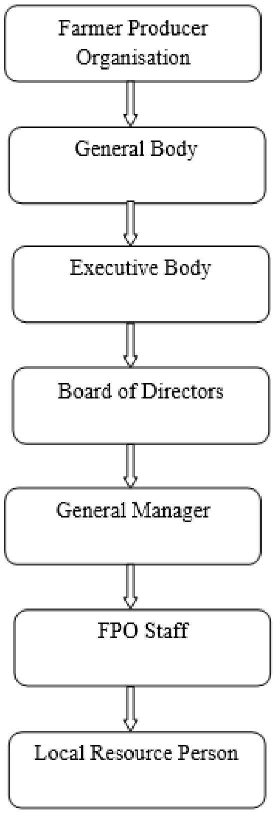
Lastly, assessment and audit are a necessary part of the company to evaluate the performance of the company, members, directors, and service providers. When farmers agreeto form a company and contribute share capital which is allotted bythecompany, then they prepare a MoA (Memorandum of Association) and draft an AoA (Association of Article) (SFAC, 2013).

4.7: Structure of FPOs



These all above parts showed the hierarchy set-up of the Farmer Producer Company. To run the company, they all are necessary. If we start from the bottom, first comesthe local resource person. Local resource persons are potential farmers whocontribute so much to organizing farmers. Secondly, FPO staff has an important role to maintain the daily work of the company. General Manager does his own field work such as marketing, production, processing, etc. The Board of Directors (BoD) has an important position in FPO. The Board of Directors takes decisions on the behalf of general body. Besides, BoD has the authority to take a decision in some areas without the advice of the general body which is decided by the constitutional document of FPO. Two representatives per (FIG) Farmer Interest Group constitute the executive body. The general body (GB) includes all members. A meeting of the General body is necessary at least once a year. GB has the power to elect directors and many more decisions including the determination of Patronage bonuses[14], removal of directors, and so on (SFAC, 2013).

4.8: FPO Service Model

The main function of FPO is to offer a variety of services to member farmers. FPO almost covers all aspects of cultivation (from input, and technical services to Processing and Marketing). The FPO will help to create a linkage between Farmers, processors, traders, and retailers to coordinate demand and supply and provide key business development services such as market information, input supplies, transport, marketing and based on emerging needs (SFAC, 2013 and NABARD, 2015).

[14]**Patronage Bonus:** means remaining profit of producer companies pays to members respective in proportion to their patronage.

Services	To provide members in terms of
Financial Services	Loans for crops, purchase of tractor, pump sets, construction of wells, laying of pipelines and others
Input Supply Services	Low cost and quality inputs such as seeds, fertilizer, pesticides, sprayers, pump sets, accessories, pipeline and others
Procurement and Packaging Services	FPO facilitates procurement service for the member's produce and provides storage, value addition and packaging.
Marketing Services	The FPO will do direct sale after procurement of farmer's produce. besides, it will help to member farmers in terms of time saving, lower transaction costs, avoid distress sales, price fluctuation, weighing losses, transportation and quality maintenance etc.
Insurance Services	Crop insurance, electric motor insurance and life insurance
Technical services	To promote best practice of farming, maintain marketing information system, diversifying and raising levels of knowledge and skills in agriculture production and post-harvesting processing that add values to products.
Networking Services	Making channels of information, facilitating linkage with financial institution, building linkage of producers, processors, traders and consumers, coordination with government programmes

4.9: FPO Act: Different from Private and Public Limited Companies

Farmers' producer companies have mixed components of both private companies and cooperative societies. In fact, the producer-company concept is aimed to combine the efficiency of a company with the 'spirit' of traditional cooperatives. We can see in this table how farmer producer organization is different from the Private limited company and limited company. The table shows that two, three, and five directors are required for Private, public, and Producer Companiesrespectively. In the case of the number of members, at least 10 members or two producer institutions are necessary to start the company. Whereas, the requirement of members in private limited companies is a minimum of 2 and a minimum of seven in Limited Companies. Anyone can get membership in a private limited and public limited company, but to bea member of FPO, should be a primary producer. Share of the Private and Public company can be based on equity and preference. On the other hand, PC has only issues equity shares. In Private and Public company, voting rights are based on the number of equity shares. However, PC issues voting right to each member irrespective of equity share. Producer company's shares are transferable only among member, not can be tradable outside the company. On the other hand, Private and public company share can be sold anywhere. In private and public limited companies, shares can be allocated to financial institutions and investors without any restriction, but PC cannot allocate to share investors and financial institutions. In the case of the conversion clause, Conversion of Private Limited to Limited is possible, but conversion to PC is not possible, a similar condition is applied in a Public limited company. On the other side, no conversion is possible, but registered multi-state cooperatives/cooperatives can be converted to FPOs and vice versa. Internal audit is necessary in PC cases, in Private and public limited is conditional subject to financial limits (Singh, 2008 and Singh and Singh, 2013).

Table-4.1: Farmer Producer Organisation: Different from Private and Public Limited Company

Type of Company / Parameters	Private Limited Company	Limited Company	Producer Company
Minimum No. of Directors required	2	3	5
Number of Members	Minimum 2, maximum 200	Minimum 7	Minimum 10 primary producer members or two producer's institutional member
Membership Eligibility	Anyone	Anyone	Primary producer or producer institutional members
Type of shares	Based on equity and preference	Based on equity and preference	Only equity-based
Voting Shares	Based on the number of equity shares	Based on the number of equity shares	One vote to a member irrespective of shareholding
Shares transferability	Can be transferredto any person on price consideration	Can be transferredto any person on price consideration	Can be transferred only to the primary producer on price consideration
Share allocation	Open to investors & FIs	Open to investors & Fis	Not open to investors & Fis
Conversion Clause	Conversion of Private Limited to Limited is possible, but conversion to PC is not possible	Conversion of Private Limited to Limited is possible, but conversion to PC is not possible	No conversion is possible, but registered multi-state cooperatives/cooperatives can be converted to FPOs and vice versa.
Internal audit	conditional subject to the financial limit	conditional subject to the financial limit	Compulsory
Donation	no bar on donations made	no bar on donations made	Can be made only up to 3% of the net profit.
Investment Friendliness	Investor friendly	Investor friendly but more procedural than private limited	Not investor friendly and more procedural than private limited and limited companies.

Firstly, each member of the company will get the initial price of his product which is determined by the producer company. However, after paying the initial price, another part of the price can be held by the company called 'withheld price'[15]. This withheld price may be disbursed later in cash or in kind such as seed, machinery, etc., or by allotment of equity shares, in proportion to produce supplied to the producer company. On the other hand, members' share capital return will be limited. In addition, members may be allotted bonus shares. After that, the remaining surplus may be disbursed based on patronage in a kind of patronage bonus. Moreover, PC can be given financial facilities to members in kind of loans for up to six months. Loans and advances can be provided to members against security for a minimum of 3 months but not more than seven years (SFAC, 2013).

4.11: Memorandum of Producer Companies

As per the law, the company has to prepare a memorandum of company and add some features which are mentioned in the company law. First, the company will have to write "Producer Company Limited" at the end of the company's name. Second,the company will mention the location in which the registered office of the company is to be

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situated. Third, the main objectives of the company are to be mentioned which could be one or more than one. Fourth, the company will have to keep the name with the complete address of the person who has subscribed the memorandum. Fifth, the company will mention the amount of share capital with which the producer company is to be registered and the division thereof into shares of a fixed amount (NABARD, 2015).

4.12: Election Process, Tenure of BoD (Board of Directors)

In the case of the Board of Directors, the election of the directors shall be conducted within a period of ninety days of the registration of the company and each director would be appointed a minimum of one year and cannot be more than five years. The board of the company can hire expert directors but not exceedone-fifth of the total directors. In addition, the additional director does not have any right to vote in the election of the chairman but will be eligible to be elected as chairman (NABARD, 2015).

4.13: Powers and Functions of Board and General Meeting

The power and functioning of the board of the company is to formulate, supervise and monitor the performance. But, it should not act beyond that area which is reserved for General Body. The board deals with some other matters; (i) determination of the dividend payable (b) Determination of the quantum of withheld price and recommended patronage to be approved at the General Body Meeting (c) Admission of new members (d) Pursue and formulate the organizational policy, objectives, establish long term and annual objectives, and approve corporate strategies and financial plans (e) appointment of Chief Executive Officer (CEO) and other officers, as may be specified in the AoA, Control CEO and other officers by exercising superintendence and direction (f) To sanction any loan or advance to members, who are not directors or their relatives, in the course of its business; (g) Ensure proper books are maintained (h) Acquire or dispose of property of the company in the day-to-day affairs of the business (i) Investment of the funds in the day to day business (j) Ensure annual accounts are placed before the Annual General Meeting (AGM) with the auditor’s report (NABARD, 2015).

Some powers are reserved for general meetings beyond the area of BoD. The general meeting of the company provides specific authority to members on some issues of the company which just can do in a general meeting (GM). First, approve the Budget and adopt the Annual Accounts of the Company. Second, approve the quantum of the withheld price. Third approve the patronage bonus. Fourth, authorize the issue of bonus shares. Fifth, appoint an auditor. Six, declare a dividend and decide on the distribution of patronage. Seven, amend the MoA and AoA. Eighth, specify the conditions and limits of loans that may be given by the Board to any Director. Ninth, approve any act or any other matter that is specifically reserved in the articles for decision for members. Besides, members have some rights such as transferring one’s shares, voting on resolutions at meetings of the Company, requisitioning an extraordinary general meeting of the Company, makingjoint requisitions, receiving notice of a general meeting, attending and speaking in a general meeting, to move amendments to resolutions proposed at meetings (NABARD, 2015).

4.14: CEO (Chief Executive Officer)

One full-time Chief executive officer (CEO) is to be appointed as per the Article of Association. It would be other than member but he would be accountable to both BoD (Board of Directors) and members. The powers of the CEO are; to manage affairs of FPO, operate/authorize to operate bank account, maintain books of account and safe custody of cash/assets, sign documents as authorized by the board, prepare annual accounts, present audited accounts to board & members in AGM, inform members about operations & functioning of FPO, make appointments subject to delegated powers, assist board in formulation of policies/objectives/strategies, advise board on legal & regulatory matters, exercise powers required in ordinary course of business, any other functions/powers as delegated by the Board (NABARD, 2015).

4.15 Account, Audit & Loans

Every FPO must have its registered office and proper books of account with respect to receipts and expenditure, all sales and purchases of goods by the FPO, instruments of liability on behalf of the FPO, the assets and liabilities of the FPO, in case of anFPO engaged in production, processing, and manufacturing, the particulars relating to utilization of materials or labour or other items of costs. Moreover, the balance sheet and profit and loss accounts of the FPO have to be prepared.On the other side, an internal audit of the FPO’s account is a very necessary part of the new act, at such intervals and in such manner as may be specified in articles. In the case of a loan to members, the company may provide financial support, as per the AOA, to members in two ways: first, a credit facility is provided based on patronage but cannot exceed six months. Second, loans and advances against security are specified in articles to any Member and repayable within a period exceeding three months but not exceeding seven years. But any loan or advance for any director or his relative shall be granted only after the approval by the Members in a general meeting (NABARD, 2015).

4.16: Conclusion

From the above, it can be concluded that a new form of cooperative farming's FPO model would be helpful for farmers, especially small and marginal farmers. A new form of the FPO model has included some components of a private company and cooperative model. It is based on the primary producer and is managed professionally by directors, managers, and the CEO. But ultimately these all positions are accountable to the general body in which all members are included. Each member of FPO is equipped with one vote irrespective of shares and patronage. FPO makes one constitution document and everything is mentioned in this before starting operation. This model provides many services to farmers such as input marketing in bulk, output marketing in bulk, technical services, financial services, value addition services, and so on. Further, these services would benefit farmers in terms of low transaction costs, strong bargaining positions, appropriate information, and so on.

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