

# Capacity Building of Board of Directors of Farmer Producer Organizations (FPOs)

A Trainers' Guide

PRIMER LEVEL



## Capacity Building of Board of Directors of FPOs - A Trainers' Guide

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# Abbreviations

AFC	Agriculture & Finance Consultants
AGBM	Annual General Body meeting
AGM	Annual General Meeting
AOA	Articles of Association
APEDA	Agricultural and Processed Food Products Export Development Authority
APMAS	Mahila Abhivruddhi Society, Andhra Pradesh
APMC	Agricultural produce market committee
BMC	Business Model Canvas
BMZ	Federal Ministry of Economic Cooperation and Development (Germany)
BoD	Board of Directors
CBO	Community Based Organization
CEO	Chief Executive Officer
CMRC	Community Managed Resource Centre
CSO	Civil Society Organization
CWS	Centre for World Solidarity
DRCSC	Development Research Communication and Services Centre
EGM	Extraordinary General Meeting
ESI	Employees' State Insurance
FIG	Farmers Interest Group
FPC	Farmer Producers' Company
FPO	Farmer Producer Organization
FSSAI	Food Safety and Standards Authority of India
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GST	Goods and Services Tax
HR	Human Resources
IAHV	International Association for Human Values
MFI	Micro finance Institution
MIS	Management Information System
MOA	Memorandum of Association
MoU	Memorandum of Understanding
MSP	Minimum Support Price
MYKAPS	MYRADA Kaveri Pradeshika Samsthe
NABARD	National Bank For Agriculture And Rural Development
NBFC	Non Banking Financial Company

NCDEX	National Commodity & Derivatives Exchange Limited
NCLT	National Company Law Tribunal
NEFT	National Electronics Funds Transfer System
NGO	Non Governmental Organization
PAN	Permanent Account Number
PF	Provident Fund
POPI	Producer Organization Promoting Institution
RI	Resource Institution
ROC	Registrar of Companies
RTGS	Real Time Gross Settlement
SFAC	Small Farmers' Agribusiness Consortium
SGG	SkillGreen Global
SHG	Self Help Group
SPWD	Society for Promotion of Wasteland Development
TAN	Tax Deduction and Collection Account Number
WHH	Welthungerhilfe

# Foreword

In the early 1990s, the Institute of Rural Management Anand led a series of research studies that shaped new knowledge on managing cooperatives. While this has helped many dairy cooperatives over the years, practitioners have felt the need for newer and actionable knowledge on new generation cooperatives that in the twenty-first century might need to operate beyond the boundaries of particular state acts and cater to markets that are diverse and often distant too. Maintaining member centrality and delivering value to primary producers is a challenge that has only increased with time. The Farmer Producer Organisation (FPO) movement is less than a decade old but the idea has reached many villages and importantly small, marginal and tribal farmers find greater voice in these producer collectives than they did in earlier agricultural cooperatives.

'No two FPOs are alike' is the phrase that one often hears from resource institutions and the few academic studies that have looked at detailed cases of FPOs. Motivating and building capacities of members is a critical task with demands and expectations from Board of Directors and CEOs of FPOs burgeoning. Not only are they expected to mobilize farmers for aggregating their produce and enabling inputs at lower prices; they are also expected to participate in the value chain constantly searching for newer markets and passing on those benefits to their members. This, as any agricultural economist following commodity markets in recent times, knows is by no means easy. Even as input prices have been going up, output markets have falling, adding to the distress of farmers.

There have been several manuals on FPOs that have been very useful in the early stages of building an FPO. Training on Business Plans too has increased though these plans require constant modification. Importantly, softer skills of negotiating with market players, networking and having basic financial literacy are becoming increasingly important. Skilling field staff – BoDs, staff and members - at the grassroots requires not just the 'right' content but quality facilitation skills that is often lacking. As FPOs swell in numbers, there is a need for considerable training of trainers and flexibility of these resource manuals to be built in a modular fashion.

It is thus heartening to note that the Green Innovation Centre in collaboration with the National Skills Foundation of India is bringing out a comprehensive facilitation guide for trainers. The manual is focused on creating a learning programme with trainers emphasising facilitation rather than lecturing. The manual has been developed in a collaborative manner with write-shops and over thirty subject matter experts contributing their time, even voluntarily, for creating this manual. It is commendable that this manual is 'open source' and has undergone considerable review. The key staff of FPOs need to see themselves as members of a start-up imbibing the lessons of being lean and nimble so that they could adapt, respond and innovate in a rapidly changing external environment. It is hoped that this manual will be used widely across the country. We, at IRMA and its incubator ISEED (Incubator for Social Enterprises and Entrepreneurs for Development) would be keen to try this out with BoDs in Gujarat and look forward to customizing this in Gujarati or Hindi.

The manual is not to be seen as the last word on training of FPOs. It has drawn from some very good manuals of the past and hopefully will continue to improve with more use in different contexts. It is hoped that an online play-book be created where users – trainers, resource persons and participants- are able to share their experiences and help explore what worked, what did not and why. I recommend the use of this manual by many trainers across the country and we hope that newer skills are created through this process at the grassroots. The process of transforming agriculture into an enterprise requires learning not just new production techniques but also skilling of farmers in business processes. This manual could play an important part in building the self-confidence of farmers that is a key ingredient for enhanced farm income amidst widespread agrarian distress.

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# Preface

Agriculture is a mainstay of the Indian economy and plays an important role in its growth and development. Over two third of the Indian population directly and indirectly depend on agriculture and allied activities. Small landholdings make farmers vulnerable in terms of low accessibility of technology, information, credit or market. On the other hand, food industries find it difficult to procure raw material directly from the farmers because of high transaction costs. This makes the supply chains inefficient and creates concerns of food safety, lack of transparency and traceability.

The Government of India has been promoting farmer collectives such as Farmer Producer Organizations (FPO) as one of the major strategies to address the above problems. So far, over 6,000 FPO have been formed and 5,000 additional FPO would be formed in the coming two to three years. With an increasing number of FPO, the capacity building of this emerging farmer institution is the need of the hour. FPO-promoting institutions like the National Bank of Agriculture and Rural Development (NABARD), Small Farmers Agri-business Consortium (SFAC), state departments and private agencies have been facilitating trainings programme for Board of Directors (BoD) and managerial staff (CEO, technical team) of FPO.

As an Indo-German project, the Green Innovation Centre for the Agriculture and Food Sector (GIC), has also been working towards enhancing capacities of FPO. The Green Innovation Centre is being implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and commissioned by the German Federal Ministry of Economic Cooperation and Development (BMZ) in bilateral agreement with the Ministry of Agriculture and Farmers' Welfare (MoAFW), Government of India. The project has envisaged FPO to play a crucial role along the focused value chains based on tomato, potato and apple cultivation.

Though a number of training programmes are being imparted by resource support agencies and NGOs, there was a need for developing a standard training material containing simple and clear content such as teaching and facilitation methodologies, session plans etc. for trainers. Realizing this need, the Green Innovation Centre has developed a training manual to strengthen the capacity of the Board of Directors (BoD) and managerial staff of FPO.

This manual has been developed in line with the Agriculture Skill Council of India (ASCI) framework. The objective of this booklet "Capacity Building of Board of Directors of Farmer Producer Organization (FPO) – A Trainer's Guide." is to help trainers to conduct effective trainings for board of directors on how to govern self-controlled, business oriented and independent organisations.

The manual was developed through an intensive consultative process, including an write-shop and several field tests with FPO experts, trainers, practitioners and directors of FPO. A thorough review of literature available in the public domain was done during the content development process. The manual follows a modular approach where trainers can flexibly use any standalone module depending on the individual capacity development needs of the FPO staff and members.

As such, this manual is the culmination of several years of experience on institution building, business development, legal and statutory aspects and soft skills from various actors of the FPO domain. This manual has been developed in collaboration with Welthungerhilfe (WHH) and Skill Green Global. We are grateful for their support in development and editing of the manual. We would like to acknowledge the valuable contributions made by Mysore Resettlement and Development Agency (MYRADA), Andhra Pradesh Mahila Abhivruddhi Society (APMAS), ETC Consultants and Agriculture and Finance Consultants (AFC). We would extend a hearty thanks to our consultants Dr. Karthikeyan, Dr. Maya Mascarenhas and Mr Ram Bhat for their endless efforts on compilation and editing of the manual and various volunteers who came forward with their expertise for this effort. A special thanks goes to the German Association of Cooperatives



(DGRV) for reviewing the text at its preparatory stages and providing their inputs.

Finally, I thank all contributors whose names are not mentioned above, for their sincere efforts in making this comprehensive manual. I am confident that this manual will be useful for trainers and FPO promoters for building capacities of FPO across India.

**Jonathan Ziebula**

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14. Mavis Smith for proof reading at short notice

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# Introduction

The idea of an FPO manual for Capacity Building of Board of Directors was conceived in Feb'18, in a brainstorming workshop on “Strengthening of FPOs under GIC Project” with participants from representatives from Green Innovation Centre Partners (AFC, APMAS, WHH, MYRADA) and invitees, from Sahaja Organic and GIZ’s Green Logistics programme. As a first step, after the workshop, a small group from MYRADA met and worked on a draft manual based on MYRADA’s experience of working with FPOs. With this as the starting point, it was decided to bring together the experiences of other partners to develop a manual, which was as per ASCI standards.

For this, a Write-shop was organized by Skill green in June’18 to compile content from partners and from various published material already available in public domain. The Write-shop resulted in a manual which was comprehensive in content, but it was realised that it is important for trainers using the manual to be equipped not just with information but also with facilitation methods to create learning sessions for participants.

Faced with resource constraints, the facilitation methods were developed by a group of volunteers and collaborators from partners, who were trained on facilitation methods in a facilitation camp in Oct’18. The participants used their learnings to develop draft sessions for the manual. These draft sessions were then reviewed and edited by a team of expert facilitators. Several organizations generously contributed real life case studies and caselets which were used in the manual.

A Training of Trainers was organized by SkillGreen in Feb’19 to discuss the methods used in the manual with trainers and to get their feedback to make changes to the manual.

## **What is this Manual for?**

The objective of this “Capacity Building of Board of Directors of FPOs” is to help trainers to conduct practical and effective training on the issues that the Board of Directors in an FPO need to understand and know in order to govern and manage a successful business and company.

## **Who can use this manual?**

This manual is designed primarily for trainers who will work with farmers and FPOs, planners, monitoring teams and other stakeholders of FPOs. The language has been kept simple and technical words have been kept to the minimum for easier understanding.

## **How to use this manual?**

The trainers’ manual is divided into the following modules. Each module is complete in itself and can be used as individual capsule or together. Some of the Board of Directors may have already been in place for a while and may not require all the sessions if they have been completed earlier. However, a refresher is always useful for them.

Every trainer will have to decide whether to use all the sessions in a module or only those relevant for that FPO. It is possible to pick up sessions from different modules and do a need-based training for different FPOs.

Also, case studies and examples that are included in the manual are based on specific situations. If the facilitator has a local case study that would be more relevant for the Board of Directors, then they must feel free to use that. The only note of caution would be to make sure that it does not change the meaning of the activity.

## Overview of each module

### **Module 1: Overview of an FPO**

Module 1 looks at the basic concepts of an FPO and begins with getting the Board of Directors to understand the benefits of collective action, which an FPO can provide. It then goes on to describe the steps in formation, structure and functions of the different levels in an FPO. It ends with looking at the key functionaries in the board and the management and drawing out their responsibilities in governing and managing and FPO effectively.

The whole module can be covered in 8 hours over 1 and a half days.

### **Module 2: Statutory compliances under the Companies Act**

This module focuses on the statutory requirements of a registered body whether the FPO is registered as a company or a society.

It begins with the importance and know how on collecting and managing share capital. Then it goes on to describe the various statutory requirements for meetings, and for compliances that need to be maintained by a registered body. The module lists out the various licences that FPOs require for their operations and offers a ready reckoner on where to get these licences and certificates and how often they need to be renewed. Finally, there is also a checklist of common penalties that the FPO can incur if they do not follow statutory compliances as laid down by the Companies Act.

The module can be covered in a little over 4 hours over half a day.

### **Module 3: Understanding the market and stakeholder engagement**

Module 3 has two parts: one that looks at the market and the other that deals with networking and stakeholder engagement. The sessions give the Board of Directors an opportunity to weigh the risks of the market, understand the realities and how to respond to volatile situations in the market. The second section deals with enabling the board to identify potential stakeholders and understanding how to engage with them.

This module will take around 11 hours or 1 and a half days minimum.

### **Module 4: Managing an FPO - HR & Finance functions**

This is a very critical module for the Board of Directors. It gives them an understanding of all the resources required to run an FPO and the need to plan for these resources. The resources include manpower, material and of course, money. The module is broken up into 10 sessions that start with an introduction to Human Resource and Finance management, and then goes on to specific issues and details in these 2 areas.

The module will take a minimum of 18 ½ hours over at least 2 and half days, if not 3 full days.

### **Module 5: Business Plan of an FPO**

Module 5 has been placed last because, only once the Board of Directors are comfortable understanding the market, human resource and financial needs, can they make a viable business plan.

This module contains several sessions that are long and detailed and require a lot of time and patience on the part of the trainer. It is important to go at the pace of the participants so that they understand all the components and details.

One of the sessions includes a field exposure visit to an existing successful FPO to meet their Board of Directors and understand their business plan.

The total module will take around 12 hours of class-based sessions and a full day field visit. Therefore, it will require 2 full days in the classroom and one day in the field.

The table below summarises the sessions in each module and the corresponding time it will require for each session.

	Topics	Time required
<b>Module 1</b>	<b>Overview of an FPO</b>	
Session 1	Working together versus individual action	95 mins
Session 2	Basic concepts of an FPO	70 mins
Session 3	Formation and functions of FIG and FPOs	90 mins
Session 4	Board of Directors and Management: Who they are, how to select and monitor	60 mins
Session 5	Specific and shared responsibilities of BODs, CEO	110 mins
<b>Module 2</b>	<b>Statutory compliances under the companies act</b>	
Session 1	Importance of Share capital. How to collect and how to maintain	95 mins
Session 2	Statutory Compliances under Companies Act 1956 and Companies Act 2013 - meetings and registers	95 mins
Session 3	Statutory compliances – certification/licences for trading	60 mins
<b>Module 3</b>	<b>Understanding the market and Stakeholder engagement</b>	
Session 1	Analysis of Current Market Practices - Buying and Selling of Produce	110 mins
Session 2	Aspirations of Farmers versus Market Realities	55 mins
Session 3	Assessing the market need and demand: realistic versus ideal; short-term versus long term	100 mins
Session 4	How can an FPO respond to the fluctuating market?	75 mins
Session 5	Planning for Short Term Strategies to mitigate market risk	105 mins
Session 6	Networking and Stakeholder engagement	120 mins
Session 7	Special situations where networking skills are required	90 mins
Session 8	Methods of stakeholder engagement	65 mins

<b>Module 4</b>		
<b>Managing an FPO - Human Resources &amp; Finance Functions</b>		
Session 1	Introduction to HR and roles of the staff in the FPO operations	100 mins
Session 2	Introduction to basics of finance in an FPO	105 mins
Session 3	FPO Operations – Need for understanding and planning various resources - Part 1	75 mins
Session 4	FPO Operations - Need for planning resources in an FPO - Part 2	90 mins
Session 5	Basics of Finance: Budgeting, Working Capital, Cash flow; Raising funds; Managing share capital; Investment financing	135 mins
Session 6	Basics of Finance: Price fixation (of FPO's produce) and Profitability	110 mins
Session 7	Assessing the Financial position of the FPO for its operations	150 mins
Session 8	Introduction to Recruitment process	105 mins
Session 9	How to leverage available resources and provision for future needs	65 mins
Session 10	Different scenarios in efficiently managing resources using simulation	125 mins
<b>Module 5</b>		
<b>Business plan of an FPO</b>		
Session 1	Understanding the Customer	105 mins
Session 2	Business Module Canvas components	120 mins
Session 3	Broad Components of a Business Plan and data required to prepare Business Plan	110 mins
Session 4	Identifying the potential business to pursue by the FPO	90 mins
Session 5	Learnings from an existing FPO's business - exposure visit	1 day
Session 6	Basic understanding of Risk taking	125 mins
Session 7	Impact on business in different scenarios using simulated models	110 mins
Session 8	Role of FIG in the overall FPO's business	95 mins
Session 9	How to prepare and MIS using farmer data	70 mins
Session 10	Preparation of a plan for FIG activities contributing towards FPO business plan	115 min

## Session plans

Each session is divided into many parts. It is desirable that you read each session plan carefully. This will help you facilitate the proposed methodology more effectively.

### **Title of the session**

This gives the trainer an idea of the specific topic to be covered in each session.

### **Time required**

This time is based on sessions that were tried out at various workshops. It may vary from trainer to trainer. This is given in minutes – it may vary depending on the style of the trainer and the absorbing capacity of the participants.

### **Session Objectives**

This describes what the participants would have learnt by the end of the session. Session objectives can be changed based on your assessment of the group's existing knowledge and skills as long as the overall programme objectives are not affected. Conclude the session only after the group concurs that the session objectives have been achieved.

### **Processes – brief**

This summarises the key tasks and activities to be taken up during each session and the estimated time for each task. You may need to modify these, especially the time allocated, depending on the group outcomes and pace of learning. In the summary table, one can also determine the material required for the session and keep this ready.

### **Processes – detail**

This section gives a detailed description of every task and activity to be taken up during the session. It is not necessary that you follow the instructions verbatim. It is however important that you familiarise yourself with the session plans and practice the instructions to be given to the participants in order to ensure specific and simple communication during the sessions. It will also minimise the need to clarify instructions for group assignments and/or the risk that different participants interpret the instructions differently.

### **Annexures/ Handouts**

This includes specific annexures that are required during the session as well as handouts for either the participants or trainer or both. The trainer will need to go through these in detail and make sure enough copies are available before the session begins.

Further reading may be required for the worker or person using this manual in order to understand the topic better.

Suggested material, which are available online, includes: -

Farmer Producer Organizations - Frequently Asked Questions (FAQ), National Bank for Agriculture and Rural Development (NABARD) <https://bit.ly/2VmZ5e9>

Process Guidelines for promotion of Farmer Producer Organisations, Small Farmers' Agribusiness Consortium (SFAC) <https://bit.ly/2EwUaBPR> Resource Book on Formation and Functioning of Farmer Producer Companies (The Green Book), Action for Social Advancement (ASA), Bhopal <https://bit.ly/2BVEG8O>

Policy and Process Guidelines for Farmer Producer Organizations, Ministry of Agriculture, Department of Agriculture and Cooperation, Government of India <https://bit.ly/2VIJpYn>

A Manual for Farmers Interest Groups (FIGs) and Board of Directors of Farmers Producers Organization (FPO), The Myrada Experience, <https://bit.ly/2SrBWFBA> Hand Book on Company



Law Provisions and Procedures of Producer Companies in Simple Language <https://bit.ly/2UaIAIa>

### **Case Studies**

Hasnabad Farmer Service Producer Company Limited (HFSPC), Institute of Rural Management at Anand (IRMA) <https://bit.ly/2SZqENP>

Business Plan Of Gazipur Farmers Producer Company, Asothar, Fatehpur (U.P.), Small Farmers' Agribusiness Consortium (SFAC), <http://bit.ly/2U8BxJC>

Dharani: Nurturing the earth, fostering farmers' livelihoods, Joseph Satish V (University of Hyderabad, India) & C Shambu Prasad (Institute of Rural Management Anand, India) <http://bit.ly/2ExtEbm>

# Training tips

## General Instructions for trainers

1. The first session should preferably begin with a general rapport building introductory game, and general discussions about health before going into the first session topic. At the end, go through the evaluation questions.
2. The next sessions should begin with a recap of the previous session, followed by the actual sessions. Then the trainer can revise the current session topics at the end.
3. Make sure that you go through the trainer's notes thoroughly before conducting a session. This guide contains the information that the participant needs to know at the end of the training.

## A good trainer is a good Facilitator

Facilitation is the work involved in ensuring the right structures and processes exist for helping the group to meet its agreed objectives, and in helping the group members to identify and overcome problems in communicating with one another and in managing emotion.

Facilitation allows learners to discover the way forward by using and developing their own skills. They should:

- Observe the group dynamics
- Manage the group process
- Obtain the best possible outcomes from the sum of the parts

Facilitation is about making it easy for groups to learn/solve problems/generate new ideas and is about enabling individuals and groups to take responsibility and ownership for their decisions and achieve their learning outcomes.

Facilitation involves using participatory approaches to training.

Traditional Approach	Participatory Approach
Learning as a product	Learning as a process
Teacher controlled	Student centred
Transfer of knowledge	Discovery of principles
Trainer = expert	Trainer = resource person, Facilitator
Learner = passive, receptive	Learner = active, discovering
Learner = know nothing	Learner – full of capacities, knowledge of reality
Encourages conforming, coping	Stimulates independent thought, creativity

Differences between the Traditional approach and a Participatory approach

While this may take longer than the traditional approach and requires the trainer to “hold back” and allow for learning, the final outcome of learning is much better.

Ask yourself the following?

1. Am I facilitating, chairing or leading?
2. Does the group have a clear task and outcome?
3. Are we meeting common vision or meeting individual needs?
4. Is there a hierarchical or sharing and collaborative approach as to how the group runs?
5. How structured and managed is the group work?
6. Is the group working towards solving problems or information sharing?

## Preparing for a training program

It is important to well a training program. However, experienced a trainer you are, you still need time to prepare in advance so that the training goes smoothly. See the diagram below for a brief reminder of the steps required for preparation before, during and after the training.



Steps in Training Implementation

(Source: Training Manual on Monitoring Manual for Literary Activities, 2014 Ministry of Education, Afghanistan)

# Remember These “Trainer Mantras”

- 1 Practice 5-to-1.** For new sessions, you'll spend at least 5 hours outlining, practicing and getting ready for a one hour session. Thus, an eight-hour day of sessions will take 30 - 40 hours to prepare for it. So prepare well in advance, and practice the activities several times before conducting the session.
- 2 Plan for less.** Sessions that you believe will take 10 minutes could take 20 when done live. Plan to use 45 to 50 minutes of material for each 60 minutes of classroom time. Always plan to speak for less time than you anticipate, so you can leave space and time for spontaneous stories, unanticipated conversations, and unexpected questions.
- 3 Prepare more.** Practice your sessions in advance to see how much time you are taking as against the suggested time in the manual. The more you practice, the more familiar it will be for you and the time factor will not be a constraint.
- 4 Meet participants.** Your presentation begins before you speak and continues after you're finished. Mingle for a few minutes and meet audience members before you're introduced. When you present, you'll key in on familiar faces, rather than complete strangers.
- 5 Keep a strict hold on activity time.** For group activities, allot less time than you think they'll need. If you give 20 minutes for an exercise, they'll finish quickly and get distracted with their phones or other matters. Instead, give them 5 minutes to come up with 10 ideas, and they'll get buzzing and creative.
- 6 Break at least every 90 minutes.** Take a break every 90 minutes even if you have not completed your session. Adults' attention spans are not that much longer than children and their bodies get tired.
- 7 Start on time after breaks.** If you start five minutes after you told the audience to return from a break, you'll train them to return five minutes late. Don't punish the people who honored you by returning on time. Since watches and phones are set differently, give the length of the break rather than a time to return. Give odd numbers for break times for memorability, such as 12 or 17 minutes.
- 8 Stop on time.** No matter how late you started, stop when you were supposed to end for the day. Ending late shows a lack of respect for your participants and they will lose interest. If you really have to complete something, get their permission before continuing. Otherwise, make a special plan to complete the session at a mutually agreed upon time.
- 9 Print out your session or keep copy of the manual.** You must be able to follow the session according to the manual. While you should not read out during the session, keep a copy of the manual for reference.
- 10 Don't rush out.** When the session is over, stick around to chat with participants. Many people will ask questions they weren't comfortable asking in the larger group. Others will tell you a personal story about a point you made or thank you for helping them. You always have time to hear that.

# MODULE 1

## OVERVIEW OF AN FPO

Module 1	Overview of an FPO	Time
Session 1.1	Working together versus individual action	95 mins
Session 1.2	Basic concepts of an FPO	70 mins
Session 1.3	Structure, formation and functions of FIG and FPOs	90 mins
Session 1.4	Board of Directors and Management: Who they are, how to select and monitor	60 mins
Session 1.5	Specific and shared responsibilities of BOD, CEO	110 mins
	<b>TOTAL TIME FOR MODULE 1</b>	<b>425 mins (approx. 7 hours)</b>

# Session 1.1: Working together versus individual action

**Time: 95 minutes**

## Session Objectives

By the end of a 95 min. session on “Importance of collective action”, the participants would have:

- a. Understood the importance of working together
- b. Appreciated the strengths of collective action versus individual action

## Process (Summary)

Session Outline				
No.	Content	Method/ Activity	Time	Materials
1	Introduction – Explain the objectives of this session	Read out objectives	10 min	Chart with objectives written on it
2	Differences between individual business and collective business earnings	Brainstorm plus card work	30 mins	charts with blank formats; Blue, Green and Pink small rectangular cards, sketch pens, markers, tape
3	Difference between Non-FPO farmer and FPO farmer	Group Activity	15 mins	Cards, chart paper
4	Working together rectangle game	Game	30 mins	See Annexure 1
4	Summing up & Link to next Session	Discussion	10 mins	board, pens

## Process (Detailed)

### Task 1: Session objectives (10 mins)

The Facilitator has to explain the session objectives that are already written on a chart and get the agreement of the participants for each objective.

### Task 2: Understanding the differences between individual business and collective business earnings.

**Step 1:** Ask the following questions and note the answers on the chart paper using the format below:

- What is your current agricultural business?
- Why you are doing this business?
- How many acres of land do you have for agriculture?
- Where do you sell your agriculture produce?

Current agriculture product	Why this product	Acres of land	Selling place

Chart 1: Current business

**Step 2:** Now select 2- 3 products from the above list and put in the first column of the second chart. Ask them to think for a while about the answers for the other 3 columns: Input cost, selling price and profit gain. Once they have got the answers, distribute 2 different colour cards (Blue and Pink) to each of them. On one colour (Blue), make them write the name of the crop, what was their input cost per acre, selling price per acre selling it as an individual farmer. On the Pink card they must write the same information but as a member farmer selling through an FPO.

Current agriculture product	Input Cost	Selling Price	Profit Gained


Individual farmer scenario

Current agriculture product	Input Cost	Selling Price	Profit Gained

FPO member farmer scenario

**Step 3:** Make them discuss whether there is any difference and why is the difference seen, if any. Finally introduce the next exercise saying that it will focus on listing the differences between a farmer who is not a member of the FPO and one who is.

**Task 3: Difference between Non-FPO farmer and FPO farmer. (15 mins)**



Non-FPO Farmer	Differences	FPO Farmer
<input type="text"/>		<input type="text"/>
<input type="text"/>		<input type="text"/>
<input type="text"/>		<input type="text"/>
<input type="text"/>		<input type="text"/>
<input type="text"/>		<input type="text"/>

1. Facilitator invites two persons from among the participants and asks them to sit on the floor with some distance between them. The first person will represent a non-FPO member farmer while the second person will represent an FPO member farmer. Write Non- FPO farmer in Capital letters on a big card and give to the first person and ask him to hold it up, write FPO farmer in capital letters on another card and give to second person and ask him to hold it up. The facilitator will distribute small white rectangular cards to all participants.
2. Facilitator then asks the remaining participants to write down one difference between Non-FPO and FPO farmers. The facilitator then instructs them to place their cards in front of the respective representative.
3. If there are common points, then the cards are merged.
4. The group will then discuss the points and come to a consensus as to which side they should be. The facilitator can prompt if any main point is left out.
5. Finally, these cards can be put on a chart paper where 2 columns have been made – non-FPO farmer and FPO farmer.

**Task 4: Broken square game (30 mins)**

See annexure 1 for description of how to play the game. Once they have finished the game, ask them to answer the questions at the end of the annexure. The lesson learned should be the importance of working together and how one can support the other to achieve the maximum results.

**Task 5: Summary**

Once all the discussions are over, the Facilitator will sum up the session highlighting the key learnings

- o Strengths of collective action versus individual action
- o Key differences between farmers who are in an FPO and those who are not.

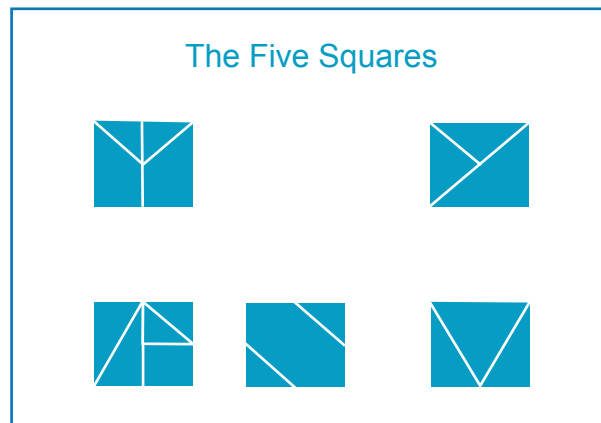


## Annexure 1: The broken square game

This game is for the participants to play.

### Instructions

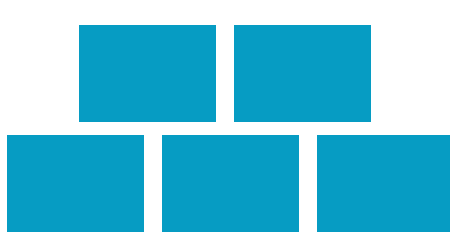
1. Using thick cardboard, cut out five squares as shown below



2. Either use 5 tables or put out 5 sheets of newspaper on a single table to demarcate working space for each participant.
3. Select 5 participants and make each one sit in front of their table/ newspaper area.
4. Participants cannot talk or communicate with each other at all. All observers must not say anything.
5. Randomly put a few pieces of the broken squares on each persons' newspaper.
6. Instruct the participants using the following sentence: "Make 5 squares using the pieces put out. You can give your piece to another participant (putting it on their newspaper). But you cannot take or ask for a piece from any of them." Do not say anything else.
7. Give them only 5 minutes. Stop after 5 minutes.

See what has happened.

### Broken Squares



**Objective**

- To make Five Squares

**Rules**

- No verbal Communication
- No asking for a piece (if somebody offers a piece you can use it)
- You can offer a piece to others
- No snatching pieces take only when somebody gives

### Possible scenarios

- a. 2 – 3 participants manage to make individual squares on their newspaper with their pieces or from pieces given by others. They may have also given away some pieces. Once they finish, they sit back and watch what others are doing.
- b. Some participants make small size squares – not the same size
- c. Some participants are completely lost – cannot make any squares – others just watch and don't do anything
- d. Those who have completed watch those who are struggling and try to help by giving them one of their pieces (they break their square in the hope of getting a piece or 2 which will help complete the square).

The first scenario is the most common.

Debrief using the foll.

#### What is a team

- Common goal/objective
- Combined effort
- Individual sacrifice
- Support and empathy
- Common achievement



#### Discussion

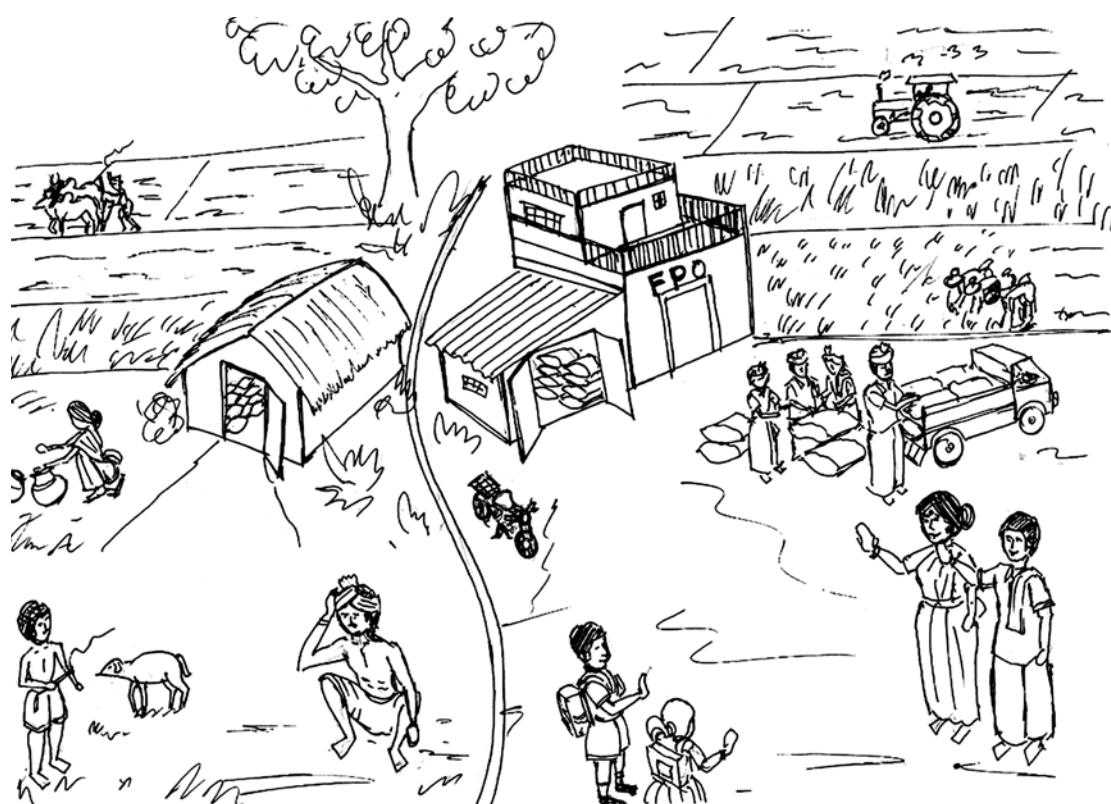
- My square
- I have made my square
- Only I can do it nobody knows anything around here
- Why should I break my square?
- You do it (my table is always clear / empty)
- I don't want the difficult piece, you manage it.
- Group objective v/s individual objective

### Learning

Team work is very important to achieve the final goal – not individual achievements at the cost of the overall goal.

### Concept Conclusion

Everyone in the team has some strengths and some weaknesses. The team can perform well only when the team members recognize and respect each other's competencies and work together rather than try to compete and pull each other down.



## Handout for Trainers

### Collective action

Unless there is trust and unity amongst the Board of Directors and the shareholders of the company, there will not be any progress or sustained growth. There must be some affinity and trust within the farmer groups and between the members and the Board of Directors. At the director level, there should be unity, respect for each other and a democratic way of functioning to allow for transparency and accountability to all the shareholders.

The role of collective action has been studied extensively since a collective and coordinated approach of farmers in the food supply chain may have positive economic effects, by increasing the economies of scale and by reducing transaction costs. It is also understood that the collective action of farmers and of other rural stakeholders may also play an important role in delivering public goods and non-commodity outputs. A joint action can be undertaken by farmers' organisations, farmers' associations or by an informal group of farmers for many reasons, such as reducing the transaction costs to collect information on innovative (and more sustainable) production practices or to comply with new legislation, to take market opportunities (i.e. to negotiate a premium price with the large distribution channels).

Since environmental public goods such as biodiversity and landscape in many cases cannot be provided by single farmers, collective action allows the addressing of the problem of public goods provision at the geographically and ecologically appropriate scale.

Another of the key benefits of collective action is the possibility of sharing knowledge and learning for the stakeholders who take place in the collective initiatives. In many cases a cooperation approach relies heavily on the local knowledge of stakeholders and on the possibilities to integrate this knowledge into the decision-making process. Thus, collective action increases

the credibility and legitimacy of decision-making, and also allows the collecting and sharing of information at lower costs compared to the individual approaches.

The other important benefit of collective action is the possibility of tackling efficiently local issues. In many cases central governments have increasing difficulties in tackling local issues and cannot find a viable solution for local problems, while through collective action it is possible to implement strategies tailored to local problems.

But on the negative side, collective action sometimes has a few individuals who do not contribute to group activities because they don't see the benefit from other member's activities. Also, collective activities may have higher transaction costs compared to individual actions in the beginning.

The benefits of collective action are maximized only when appropriate institutional arrangements are in place and where the role of social capital is increased because of trust and reciprocity among group members.

# Session 1.2: Basic concepts of an FPO

**Time: 70 mins**

## Session Objectives

By the end of 70 mins session on “Basic concepts of an FPO”, the participants would have:

- a. Understood what an FPO is.
- b. Learnt about the different types of FPOs and the differences between the two.

## Process (Summary)

Sl No.	Content	Method/Activity	Time	Materials
1	Introduction – Link with previous Session & reading objectives	Brainstorm/ reading objectives	10 mins	board; chart paper with objectives
2	Understanding what is an FPO	Small group discussion	20 mins	brown sheet/ chart paper; pens
3	Types of FPO	Group activity	30 mins	cards for animal game; Blue and Red cards; pens, Chart paper
4	Summing up & Link to next Session	Discussion	10 mins	board, pens

## Process (Detailed)

### Task 1: Recap of previous session (10 mins)

The Facilitator can brainstorm with the participants asking the following: - What was the previous session about? and what you have learnt? S/he can write down the main points brought out.

Talk about how the previous session focussed on the differences between farmers who are FPO members versus those who are not. It also demonstrated the importance of an FPO board to appreciate the need to work together with its member farmers.

The Facilitator has to explain the session objectives that are already written on a chart and get the agreement of the participants for each objective.

### Task 2: Understanding what is an FPO? - 20 mins

The Facilitator divides the participants into 2 groups and asks them to discuss and describe what an FPO is according to their understanding. Start with getting the participants to write one word only describing what an FPO is – let each of them get a chance. Put these words on the board. Then try to get them to string them together to form a sentence after arriving at a consensus.

### Task 3: Types of FPOs – 30 mins

The Facilitator should form 4 groups using the animal game (see Annexure - 1).

S/he places charts on the board – one for company and one more for co-operative society. He explains to the group that these are the most common types of FPOs and asks them if they have heard these names and do they know which group their own FPO comes under?

Then he places a set of Blue and Red cards on the table and asks each group to collect a few of each. Then they have to write at least 3 features of each type of FPO on different coloured cards– Blue for company and Red for cooperative. They can then go and stick their card on the chart (see sample chart format below). If more than one group writes the same point, the card is stuck on top of a previous same point. Once all finish, the Facilitator can revise the points, get agreement, and suggest corrections based on the final chart in Annexure 2.

Feature	Company	Society
Registration		
Area of operation		
Membership		
Shares		

Some of the features that need to be covered include type of registration, area of operation, membership, shares, voting rights, reserves, role of registering authority, administrative control, borrowing power, dispute settlement. There may be others which they can add.

### Task 4: Summing up

Once all the discussions are over, the Facilitator will sum up the session highlighting the key learnings

- Basic concept of what an FPO is.
- Different types of FPOs and the differences between the two.

## Annexures / Handouts

1. Annexure -1 : How to play the animal game to form groups
2. Annexure 2: Differences between the types of FPOs
3. Handout for trainer

## Annexure - 1: Animal Game

1. Make small rectangular cards of 4 inches by 4 inches of 4 diff. colours. On each colour card write the name of an animal. For example, write cow on all Blue cards, dog on all Pink cards etc.
2. Don't let the participants see the cards. Keep them facing down after mixing up the colours.
3. Ask each participant to pick up one card only and not show to anyone.
4. Once they all have their cards, they can then make the sound of that animal (bark for dog, moo for cow etc.) and thus identify other persons with the same sound and animal name.
5. Finally, all will find their group through this method.
6. The 4 groups are now ready to do their exercise.

## Annexure 2: Types of FPOs and the Key Differences

Features	Producer Cooperative	Producer Company
Registration	Cooperative Societies Act of 1959	Companies Act 1956
Area of operation	Restricted, discretionary such as one hobli, taluk, district etc. within the state	Entire union of India
Membership	Open only to individuals and other cooperatives and societies can become members	Any individual producer, groups, association related to producer of goods or services can become members
Relationship with other corporate / business houses / NGOs	Transaction based	Producers and corporate entity can together float a producer company
Shares	Not tradable and transferable	Not tradable but transferable limited to members at par value
Voting Rights	One person, one vote, but Government and RCS holds veto powers	One person one vote. Those not having transactions with company can't vote
Reserves	Created if there are profits	Mandatory to create every year
Role of Registering authority	Significant	Minimal
Administrative control	Overbearing control by the cooperative department, highly patronized to the extent of interference	Controlled by the Board themselves Minimal control by the registrar of companies limited to statutory requirements
Borrowing Power	Restricted as per bye-law	Borrowing power fixed by special resolution in the general meeting. companies have more freedom to raise borrowing power
Dispute Settlement	Through Cooperative mechanism	By Arbitration



# Handout for Trainers

## Why FPOs?

Over 83 per cent of Indian farmers are small and marginal (2005-06) and cover nearly 50 per cent of operational holdings. More than 90 per cent of the small and marginal farmers (SMF) are dependent on rain for their crops. In absolute numbers there are about 90-100 million SMF in India who depend on agriculture for income and employment. Due to continued phenomenon of land fragmentation the number of SMF is ever increasing.

Some of the constraints faced by the small and marginal farmers are given below:

- a) Shrinking land assets, rising per unit cost of cultivation and shrinking profit margins.
- b) Difficulties in accessing critical inputs like credit, water, power as well as quality seeds, fertilisers, pesticides and appropriate and timely technical assistance.
- c) Fragmented value chain in agriculture marketing, monopoly and /or monopsony conditions, few opportunities for value addition at the bottom of the chain
- d) Weak bargaining with market agents and low returns on investment
- e) Present arrangements for risk mitigation, especially crop insurance instruments, are highly unsatisfactory and do not adequately cover the risks faced by the SMF, leaving them vulnerable to the vagaries of weather.
- f) Not being able to withstand the market fluctuations of produce
- g) Forced to dispose-off the produce immediately after harvesting due to lack of storage space and immediate need of cash for their livelihood
- h) Finally, there is no special targeting or earmarking of resources for small and marginal farmers in centrally sponsored agriculture development programmes.

Hence, there is an urgent need for solutions that mark a break from the past and significantly improve the terms of smallholder access to the market. The Farmer Producer Organisation (FPO) is a necessity in Indian scenario if one has to effectively address the issues mentioned above. Member based FPOs offer a proven pathway to successfully deal with a range of challenges that confront small producers, empowering their members in a variety of ways. Several national experiences in the performance of FPOs suggests that they are able to leverage their collective strength and bargaining power to access financial and non-financial inputs and services, technologies, reduce transaction costs, tap high value markets and enter into partnerships with private and public entities on more equitable terms.

## What is a Farmer Producer Organisation (FPO)?

A producer company is basically a body corporate registered as Producer Company under Companies Act, 1956 and shall carry on or relate to any of following activities classified broadly:-

- a. production, harvesting, processing, procurement, grading, pooling, handling, marketing, selling, export of <sup>1</sup>primary produce of the Members or import of goods or services for their benefit;
- b. rendering technical services, consultancy services, training, education, research and development and all other activities for the promotion of the interests of its Members;
- c. generation, transmission and distribution of power, revitalization of land and water resources, their use, conservation and communications relatable to primary produce;
- d. promoting mutual assistance, welfare measures, financial services, insurance of producers or their primary produce;

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1. Primary produce has been defined as a produce of farmers arising from agriculture including animal husbandry, horticulture, floriculture, pisciculture, viticulture, forestry, forest products, re-vegetation, bee raising and farming plantation products: produce of persons engaged in hand-loom, handicraft and other cottage industries: by - products of such products; and products arising out of ancillary industries".

### **What is the need for FPO?**

The main aim of an FPO is to ensure better income for the producers through an organisation of their own. Small producers do not have the volume individually (both inputs and produce) to get the benefit of economies of scale. Besides, in agricultural marketing, there is a long chain of intermediaries who very often work non-transparently leading to the situation where the producer receives only a small part of the value that the ultimate consumer pays. Through aggregation, the primary producers can avail the benefit of economies of scale. They will also have better bargaining power vis-à-vis the bulk buyers of produce and bulk suppliers of inputs.

### **What are the essential features of an FPO?**

- a. 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.
- b. It is a registered body and a legal entity.
- c. Producers are shareholders in the organisation.
- d. The FPO is owned by farmers themselves
- e. It deals with business activities related to the primary produce/product.
- f. It works for the benefit of the member producers.
- g. A part of the profit is shared amongst the producers.
- h. Rest of the surplus is added to its owned funds for business expansion.
- i. The FPO can derive multiple benefits for the farmers such as insurance, fair price, storage space etc., in the long run

### **Who owns the FPO?**

The ownership of the FPO is with its members. It is an organisation of the producers, by the producers and for the producers. One or more institutions and/or individuals may have promoted the FPO by way of assisting in mobilization, registration, business planning and operations. However, ownership control is always with members and management is through the representatives of the members.

The groups/associations of must have a high degree of trust, which cannot be manufactured. This is one reason why community groups are often formed around one strong personality, and due to some immediate issue.

There is an important difference between farmers or communities that organise themselves to work together and farmers being organised ingroups by external actors, who see this as a vital step and entry point for community development. External agencies often view the creation of organisations as a positive intervention, a way of increasing impact and sustainability of activities. Farmers and communities often do benefit from participating in such projects through gaining access to trainings, information, resources and further linkages. However, groups formed in this way are typically more prone to difficulties at the start and there is a risk that they will not continue if or when the initiating institution withdraws from the project. Alternatively, where previously established local groups gain the support of external agencies, this arrangement can be very positive. A key challenge for facilitating agencies is to act as catalysts and bring out the self-organising capacities of farmers in the most locally relevant and useful way. It is critical that there is affinity amongst the members for the group to sustain and benefit in the long run.

### **Role of farmer in the journey of an FPO**

As said earlier, an individual farmer is limited to his/her own farm and its needs – from inputs to production. Very rarely, some big farmers may also be involved in post-harvest activities for their own farm. Small and marginal farmers normally sell their produce at the farm gate at whatever prices are quoted to them and are at the mercy of the middle man and local traders.

In the context of an FPO, a farmer can play many roles

- a. **As a shareholder** – once the farmer agrees to be a member of the FPO and pays up the share, s/he automatically becomes a voting member of the FPO and is eligible to all rights enjoyed by the FPO.
- b. **As a member of FIG** – the farmer is also a member of the local farmer interest group (FIG) in most places. This enables them to participate actively in local group meetings and follow up from directives sent from FPO. In reverse, decisions made by FPO members, can be communicated to the FPO board through a representative member who is also in the local FPO.
- c. **Member of the FPO Board of Directors** – a farmer can also be nominated or elevated on to the Board of Directors of the FPO. CEO who is appointed by the Board cannot be a member of the board and he/she has no voting rights.

# Session 1.3: Formation and functions of FIG and FPOs

**Time: 90 mins**

## Session Objectives

By the end of 90 mins, the session on “Formation and functions of FIG and FPOs”, the participants would have:

- a. Understood the steps in formation of both FIG and FPOs
- b. Appreciate the functions of FIGs and FPOs and the differences between them

SI No.	Content	Method/Activity	Time	Materials
1	Introduction – Link with previous Session	Interaction	5 mins	chart
2	FIG/ FPO details	Brain storming & group activity	20 mins	chart paper, pens, Annexure 1
3	Formation of FIG/FPO	Group activity	20 mins	chart paper
4	FIGs and FPOs	Set of different activities	40 mins	chart paper, colour cards, pens, Annexure 2
5	Summing up & Link to next Session		5 mins	

## Process details

### Task 1: Session objectives – 5 mins

Start by introducing the session objectives using a pre-prepared chart and get the agreement of the participants.

Talk about how the previous session focussed on the types of FPOs and their corresponding features.

### Task 2: Understanding what a FIG and FPO are. – 20 mins

Form 4 groups. The first two groups will focus on FIG while the other 2 groups will focus on FPO.

Start with getting the participants to write one word only describing what a FIG or FPO is – let each of them get a chance. Put these words on the board. Then try to get them to string

them together to form a sentence. Finally show them the formal definition – make sure they understand it and relate it to the words they first stated.

**Definition of FIG:** “A group of 15-20 Farmers who belong to same village/ contiguous area, growing similar crop/s or producing similar products/ bye-products and working together to improve their socio-economic condition, is called a “Farmers Interest Group”. These are informal groups, who are not registered as a legal entity.

**Definition of FPO:** A producer company is basically a body corporate registered as Producer Company under Companies Act, 1956 and shall carry on or relate to any of following activities classified broadly: -

- (a) 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;
- (b) rendering technical services, consultancy services, training, education, research and development and all other activities for the promotion of the interests of its Members;
- (c) generation, transmission and distribution of power, revitalization of land and water resources, their use, conservation and communications relatable to primary produce;
- (d) promoting mutual assistance, welfare measures, financial services, insurance of producers or their primary produce;

### **Task 3: Steps for formation of the FIGs/FPOs – 20 mins**

Use the same groups for this exercise. Ask group 1 and 2 to list out the steps to form an FIG. See Annexure 1 for complete list. Encourage them to put it in order. Ask group 3 and 4 to list out the steps in formation of an FPO and write each one on a separate card.

Once they have completed, each group can then place their card on the appropriate chart paper in the centre and present it to the other group. Then the other groups will do the same. If there are any common points, then they only add the new ones.

The Facilitator can prompt any points that are left out after the participants have reviewed and given their inputs.

See annexure 1 for the expected answers.

Discussion: The Facilitator asks, “What are the common steps in the formation of FIG versus FPO? What are the differences?”

### **Task 4: Function of FIG versus FPO – 20 mins**

Again, working with the same groups, the Facilitator will give each group a chart paper and ask them to list out the functions. The first 2 groups (FIG groups) will write out the functions performed by FIGs. Groups 3 and 4 will do the same thing but will list functions of an FPO.

The Facilitator will read out all the functions written on the charts one by one. Facilitator will ask the participants that any functions left out from this list? If yes, ask the participants to add any missed point under the functions of FIG and FPO.

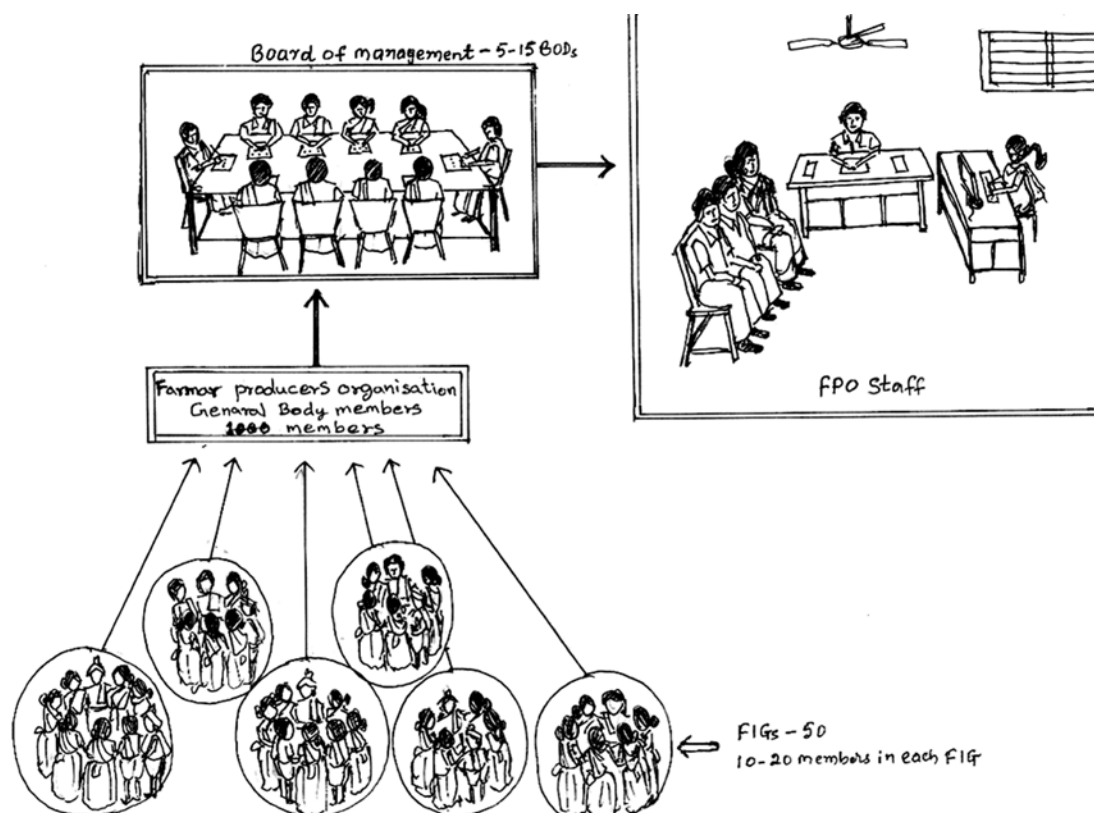
**Questions:**

1. What are the functions performed by FIG/FPO?
2. Any functions left out from this list?

The Facilitator can also clarify that both are groups of farmers, but functions vary as the roles vary.

**Task 5: Summing up**

The Facilitator will sum up the session by clarifying their doubts and linking this session to the next one to next session.



## Annexure 1: Steps in formation of a FIG

1. Orientation of farmers/producers about the concept of FIG.
2. Facilitate farmers to form FIGs based on geographic and product homogeneity
3. The FIGs may consist of 10-20 producers from the same geographical area.
4. Group members may identify name of FIG suitable/ appropriate to them.
5. Selection of two representatives/cheque signing authorised signatories by FIG.
6. Frame rules and regulations through participatory manner.
7. Opening of Bank Account
8. Introduce all the required Books of Accounts
9. RI/NGO/POPI should train FIG members on how to conduct regular meetings and savings, if they are interested.

### Characteristics of FIG<sup>2</sup>

- 10-20 farmers from same geographic area will become members in FIG. If there are more than 20 farmers, they can form another FIG. While the lower limit of number of farmers for a FIG prescribed by NABARD / SFAC/ other promoting agencies vary between 10-15, the upper limit for FIG is (commonly) 20. Beyond 20, as per the NABARD SHG framework, such a group has to be formally registered in order to open a bank account and/or access any scheme of the Government.
- The age of the FIG member should be above 18 years.
- Both male and female farmers/producers can become member in FIGs.
- The farmers who grow similar (1 or 2) major crops can become members of the FIG.

2. Training Programme on Formation and Management of Producer Groups and FPOs - MANAGE Hyderabad

- Member should be preferably from small and marginal farmer/producer community.
- Member should be a farmer either cultivating his own or leased (legal owned)
- FIG is an informal group, but it should have a proper name, bank account for identity of the groups and also should have their own rules and regulations.
- FPO can use its account for savings.
- FIG can maintain Books of account and can be involved in lending internally. (subject to consent of all members)
- Must have regular meetings at least once a month.
- One family can have single membership; if it is joint family, then with the permission of FIG they can increase number of members per family.
- Group must have two Representatives to operate bank account and to represent the group. Representative 1 and Representative 2 should be rotated as per defined rules and regulations.
- Group has a right to accept new members or terminate membership.
- FIG should assess the input requirements of the member producers and prepare an action plan accordingly to be intended to the FPO.
- FIG may apply for loan from banks and MFIs for the purpose of lending to its members.
- Sensitise FIG members for availing crop/asset/life insurance. and arrange for the same with the assistance of the FPO.



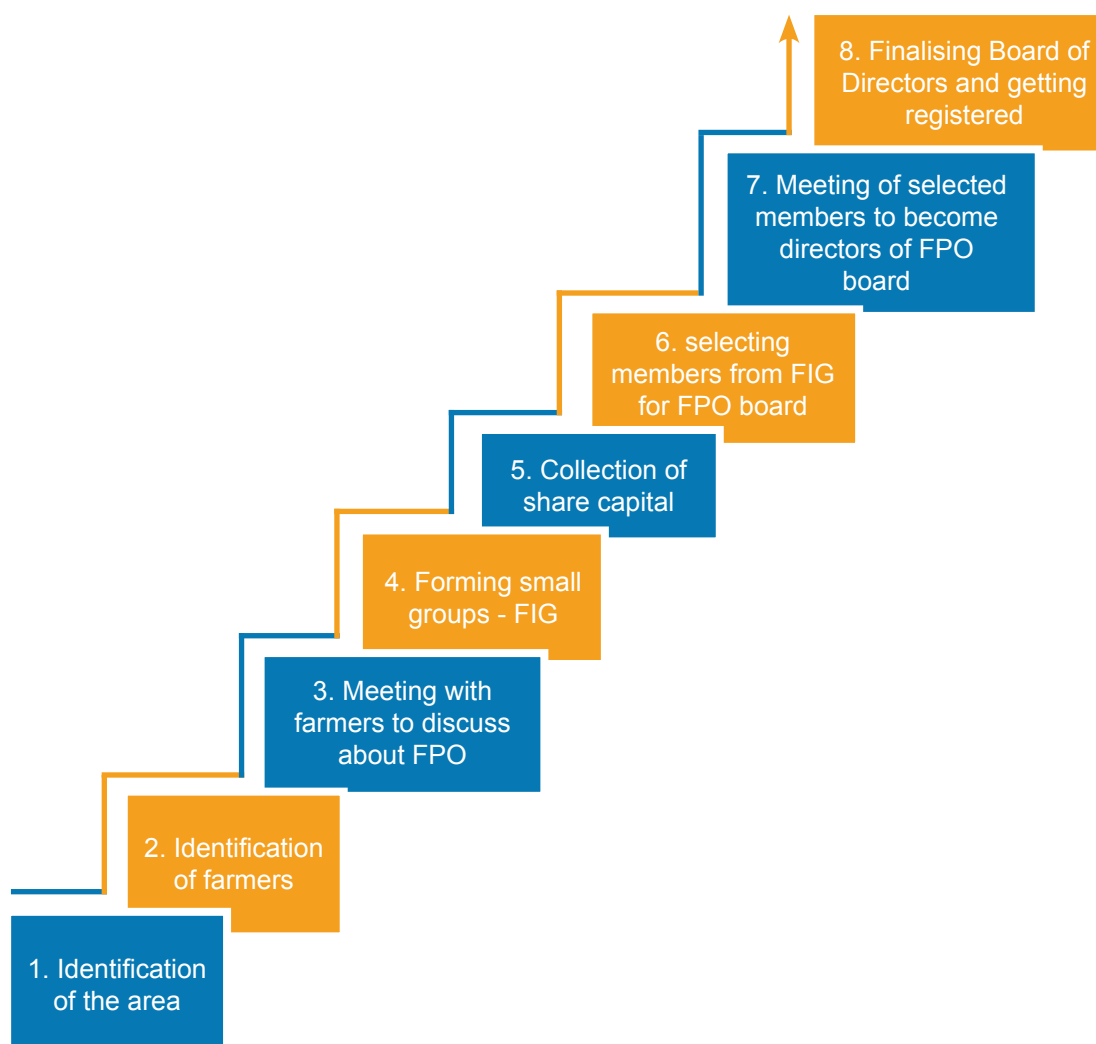
## Annexure 2: Steps in formation of an FPO

### Characteristics of Farmer Producer Organization

An Organization will be called a Farmer Producer Organization, if

- it is formed by a group of primary producers
- it is a registered body and a legal entity
- producers are primary shareholders in the organization
- it deals with business activities related to the primary produce/product/ related inputs
- it works for the benefit of the member producers
- portions of profit are shared amongst the producers and the balance goes to the share capital or Reserves.
- It has minimum shareholding members numbering 500 at the time of registration. However, the
- Shareholding membership will have to be increased up to 1000 members over a period of 3 years to a sustainable level.

### Sample set of steps to form an FPO



## Annexure 3: Suggested functions of FIGs and FPOs

### Functions of FIGs

- Collection of information with regards to crop/product - Crop production and Marketing.
- FIG may assess the requirements of inputs and share it with the FPO and ensure it is made available to producers through FPO. FIG must educate its member farmers on sustainable agriculture practices by availing assistance from the FPO.
- FIG can support its farmers in preparing plan for sowing, harvesting and preservation of commodities etc with the help of FPO
- FIGs can obtain information regarding day-to-day market prices and disseminate the same to its farmers/ producers.
- FIGs can avail facilities and assets belonging to FPOs like Tractor, processing unit, warehouse etc for the benefit of its members
- Collect Share capital from the members and hand over the money to FPOs.
- FIG can collect savings from the members and disburse loan to its members and ensure repayments from its members.
- Maintain books of accounts and ensure updating and auditing of books of accounts annually with assistance from the FPO.

### Functions of FPO in Value Chain

Agriculture Value Chain	Input Supply	Agriculture Production	Processing	Marketing
Functions of an FPO	Access to inputs – seeds, fertilisers, pesticides Management of water, land resources	Agriculture practice norms Weather information Irrigation support	Gradation of product Drying and sorting Value addition of the products	Storage, branding and distribution of products through marketing channels

# Session 1.4: Board of Directors and Management: Who they are, how to select and monitor

**Time: 60 mins**

## Session Objectives

By the end of 60 mins. the session on “Board of Directors and Management: who they are and how are they selected and monitored”, the participants would have:

- a. Some clarity on the how to form a Board of Directors and understand their key functions.
- b. Understood who constitutes the management, how to select the CEO and key staff and basic principles of monitoring them.

## Process (Summary)

Session Outline				
No.	Content	Method/Activity	Time	Materials
1	Session objectives	Explanation	5 mins	
2	Formation of Board of Directors & their key functions	Brainstorming	20 mins	chart paper, pens, annexure 1
3	Selection of the CEO and key staff		30 mins	annexure 2 cards, pens
4	Summarise the session	Explanation	5 mins	

## Process (Detailed)

### Task 1: Explain the Objective of session – 5 mins

- Recap the previous session and lay a base for current session.
- State the objective for the session.

Talk about how the previous session focussed on the steps in forming and FIG and FPO. It also detailed the key functions of an FIG in comparison to that of an FPO.

**Task 2: Who is the Board of Directors? How are they selected and what are their key functions? (20 mins)**

The Facilitator can ask the group 2 questions:

- a. What do you think are the criteria to select a farmer to become director in the Board?
- b. What are the statutory requirements of a board member?

He collects all the answers and puts them on the board. He will then circulate Annexure 1 which highlights the key answers to the question. He must stress that there are different approaches to selection of a Board of Directors. However, there are some points that are required by law.

**Task 3: Understanding the selection and functions of the key management staff (30 mins)**

The Facilitator should ask them who they think are the key staff in an FPO that is part of the management. The answers should include the CEO and the Company Secretary (if the turnover is more than Rs. 5 crores)

Then the Facilitator can hand out small cards to the group and ask them to write out what they think are the criteria to select a good CEO. After 10 mins he can ask them to paste the cards on the board.

He must emphasise that the Chief Executive Officer (CEO or Executive Director) is responsible for implementing program activities and for overall management of the organisation to meet its goals. In other words, the organisation's senior management directs. In contrast the BoD makes policies, assists in setting the strategic direction of the organisation, and provides oversight and supervision to ensure that the management and operations of the organisation are legal, effective, and appropriate (fair and ethical).

The board governs and is legally responsible for the organisation

He hands out Annexure 2 and asks them to read it out in each group. He can then ask them to comment on whether they agree with the guidelines or not.

**Task 4: Summary**

Once all the discussions are over, the Facilitator will sum up the session highlighting the key learnings

## List of Annexures

1. Statutory Points on Board of Directors
2. Explanation of BoD and its key functions
3. Provisions for CEO
4. Guidelines on selection and monitoring of CEO

## Annexure 1: Board of Directors

### 1. What constitutes management of a producer company?

Management comprises the following constituents:

- A. Board of Directors
- B. Chief Executive Officer
- C. Company Secretary

### 2. What are the provisions relating to directors?

- a. Every producer company should have minimum of 5 directors and maximum 15 directors.
- b. No person shall hold office of a director for less than one year but not exceeding 5 years as may be specified in the AOA.
- c. A retiring director shall be eligible for reappointment as a director.
- d. Board of Directors may appoint one or more directors as expert directors but not exceeding 20% of the total strength
- e. A director vacates his office if the producer company in which he is a director fails to file annual accounts and returns for 3 consecutive financial years or fails to repay deposits/withheld price/patronage bonus/interest thereon/dividend for more than a year, fails to call Annual General Meeting (AGM)/Extraordinary General Meeting (EGM) as per the provisions of the Act.

### 3. What are the provisions relating to Committee of Directors?

- a. Board of Directors can constitute committee to assist them.
- b. The number of members of the committee is as per requirement but CEO or director of the Board should be a member of the committee.
- c. The minutes of the meeting of the committee shall be put up before the next Board Meeting.

### What is a Board of Directors?

FPOs are directed and controlled by a governing body commonly called Board of Directors. The board has a legal, moral, and fiduciary responsibility for the organisation.

A board is a group of members and outsiders who collaborate to provide technical, managerial, and financial support to an organisation. The board is ultimately responsible for governing the organisation and holds legal responsibility for the organisation and its operations.

The board helps develop, support, and defend the organisation's mission. Board members ensure that the organisation is responsive to the needs of its stakeholders. It is important that both the organisation and the board members themselves have a clear understanding of the board's roles and responsibilities and the nature of its interactions with senior management.

The board should comprise individuals who are willing to dedicate time and resources to the organisation. Members should have a broad range of qualities and expertise, including professional skills, management experience, and recognition among the public. The board members should complement each other and the organisation's staff

### What are the Governing Documents of a Board?

Three documents form the basis for FPO governance: articles of incorporation, by-laws, and the mission statement. These documents, along with the minutes of board meetings, budgets, financial statements, and policy statements, communicate how the organisation is governed, individual responsibilities, the organisation's past, and the organisation's future plans.

The articles of incorporation, is a legal document that is filed with the appropriate government agency to register the organisation as a FPO. Typical items required in articles of incorporation for a FPO include:

- Name of the organisation
- Duration of the organisation (usually perpetual)
- Purpose for which the organisation is formed
- Provision for conducting the internal affairs of the organisation
- Names and address of the incorporators
- Address of the initial registered office and name of the initial registered
- Provision for distribution of the assets of the organisation on dissolution

The stated purpose of the organisation should be broad enough to enable the organisation to evolve as necessary to serve its constituency. Articles of incorporation outline the organisation's form. A set of by-laws, developed by the organisation's constituents and approved by the board, supplements the articles by prescribing detailed rules for governing the organisation.

By-laws often begin with a restatement of the name and purpose of the organisation as written in the articles of incorporation. By-laws are internal documents, a set of rules that enables each organisation to conduct its affairs. It is important they be written clearly and in language that is easily understood by all organisation stakeholders. Typical items addressed in the by-laws are:

- The frequency, notice, and quorum requirements for organisational meetings Voting qualifications, proxies, and procedures for approval of board items The number and term for members of the board, scope of authority, method of nomination and election to the board, and provision for filling vacancies. List of board officers, method of nomination and election, terms of office, powers, duties, and succession. Membership and authority of standing committees Title and scope of authority for the Executive Director/Chief of Staff Record-keeping and financial reporting responsibilities Amendment procedures for the by-laws and provisions for dissolution of the organisation

It is wise to stop short of having too much detail in the by-laws to allow flexibility and avoid the necessity of frequent amendments.

Writing and gaining approval for a set of by-laws takes thought, time, and the involvement of the organisation's constituents. By-laws should be written with an emphasis on fair treatment and transparent governance. Review the bylaws of several FPOs before attempting to write a new set of bylaws.

The mission statement is a communications tool—it guides the board and staff and explains the nature of the FPO to those outside the organisation. Therefore, it needs to be concise and memorable.

The mission statement is generally more specific than the FPO's purpose that appears in the articles of incorporation. Some mission statements are a single sentence, some a short paragraph, and some bulleted statements. The mission statement expresses the group's values.

A mission statement should clearly and concisely answer all three questions shown in the following formula.

Who does the FPO serve? + How are they served? + Where are they served? = a complete mission statement

## Duties of the Board

### 1. Legal Obligations

The board must ensure that the following is fulfilled:-

- The institution complies with its articles of incorporation, by-laws, and internal policies and procedures. The board must ensure that the institution maintains its legal status. The board must also ensure that the institution complies with government rules and regulations, which will vary with the institution's corporate structure. For example, as a microfinance institution becomes regulated, it will be subject to a new set of regulatory requirements that the board must understand. A final element of the board's legal obligations is the level of personal liability of individual directors for the institution's activities. Such liability varies by country, yet board members must be keenly aware of the degree of responsibility and immunity provided for them by local law.

### 2. Strategic Direction

The board ensures that the institutions' Mission is well defined, reviewed periodically and respected over time. The board ensures that the institution has a formal vision and mission statement that clarifies the purpose of the institution Its vision and mission is understood and provides management with direction and an enabling environment to fulfil the same. Review the vision regularly every 3-5 years and amend the vision statement if necessary to respond to a changing environment or shifting priorities. Effective strategic planning, the management prepares the plan and the board oversees and approves the plans. Enhances the image of the institution, the Board of Directors invests their personal time, networks in promoting the institutions image.

### 3. Fiduciary

The board serves as the institution's steward as the highest authority within the institution Ensures that the institution's properties are managed in a manner that is consistent with agreed-upon values and goals Ensure that the institution has adequate resources to implement the agreed upon plans Understanding the short and long –term financial position in relation to the strategic plan Taking necessary action to secure additional resources needed for implementation of the plans Guarantees the long-term viability in balancing between long-term and short-term objectives on use of funds. Monitors operations and business performance through frequent and transparent reports, regular board and committee meetings, periodic on-site visits and internal and external audits. Evaluates the institution performance against other CSOs that are similar based on age and size of the institution, its target market and the region in which it operates. Assesses and responds to internal and external risks Internal risks include portfolio deterioration, fraud, over expansion and client desertion. External risks e.g. natural calamity, civil strife, financial crisis and government intervention Board should establish a system that established early warning signals and ensure that the CSO operated prudently in such challenges. Protects the institutions in times of crises by intervening as necessary and developing plans to address the problem

### 4. Oversight

The board oversees/governs the institution and in the oversight it undertakes the following:

- Appoints and oversees the performance of the Managing Director/CEO.
- Assigns responsibility for the daily operations to the Managing Director The institution has a formal vision and mission statement that clarifies the purpose of the institution

### 5. Self-Assessment

Objective self-assessment should bring out the board strengths and weaknesses and identify the ways in which the board can overcome the problems even if it is through exclusion or inclusion of board members.

## Annexure - 2: Board Functions and Governance

The primary function of the Board is governance, or serving as a supervisory and complementary body in the structure and operation of an organisation, with legal responsibility for its performance. The board's governance responsibilities protect the interests of the organisation and its stakeholders.

Governance activities can include policy decision-making and oversight of the organisation's financial and administrative operations.

The board presides over the establishment and implementation of organisational policy, strategic planning, budgeting (including the approval of annual budgets), and the preparation of business plans and other important administrative resolutions. The board helps set strategy and policy objectives, provides feedback on the manner in which the organisation's staff intends to meet these objectives (in terms of planned activities, programs, etc.), and evaluates the organisation's performance (both financially and in terms of its impact in the community). The board also ensures compliance with laws and regulations, including regulations set by donors. The board is not intended to manage an organisation but rather to guide it to achieve its mission through sound strategic plans and rational policies.

The board's governance function is collective in nature, and decisions should ideally reflect the contributions of all board members. The Executive Director should prevent the opinion or contribution of any one board member from dominating the rulings of the board; no board member should be given special consideration or privileges. Board members should bear in mind that their decisions are to be objective and that personal interests are not to be advanced by their membership on the board.

Support. The board also supports the organisation, working to guarantee its overall success. The board seeks to strengthen the organisation by using, for example, the expertise of individual board members or connections in the community.

The supportive functions of the board also include:

- Encouraging, facilitating, and promoting fundraising efforts: For example, the board may help the organisation hold a fund drive each year or arrange for high-profile speakers to appear at benefit events.
- Advising management and providing technical input according to the board members' individual experience and professional capabilities: For example, an accountant on the board may suggest certain types of financial management reports to better inform donors about the organisation's performance.
- Performing tasks related to the organisation's mission, including advocacy activities to promote the organisation to stakeholders and the general public: For example, an influential board member may assist in recruiting a popular musician to give a concert at the organisation's health fair.

In addition to the roles described above, the board also has a number of obligations and responsibilities. These range from participating in meetings to providing fundamental support for the organisation's mission.

The most important are to support the organisation and ensure that its presence in the community is positive and influential.



## Annexure - 3: Chief Executive Officer

### What are the provisions relating to Chief Executive Officer?

1. A full time CEO shall be appointed from among directors and a member cannot be appointed as CEO.
2. A CEO shall not retire by rotation.
3. Following powers can be exercised by CEO subject to the supervision of the Board:
  - carry out administrative acts;
  - operate bank accounts, sign documents, take custody of cash and assets;
  - furnish periodic information to members about activities of the company;
  - assist Board of Directors regarding all activities of the company and in legal and regulatory matters

It is mandatory to appoint a Company Secretary only when the average annual turnover in three consecutive years is Rs. 5 crores or more.

## Annexure - 4: Guidelines for Recruitment of FPO CEO

### 1. When to Recruit?

The CEO can be recruited after registration of the FPO and BoD election in first General Body meeting. Before the recruitment of CEO, it is imperative to ensure that the FPO has funds in hand to meet at least one-year cost of the CEO.

### 2. Pre-Requisites for Recruitment/Candidature

Education : Relevant qualification like Bachelor's in Management, Agriculture/ allied etc but with minimum graduation:

Age : 25 – 35 years

Experience : Minimum 3 years of relevant experience i.e. in areas of agricultural marketing, Agri-input supply, sales & distribution, business development in etc

Locality :

- Should be native resident of nearby area (same mandal, neighbouring mandals, same district) but preferably not from FPO operating area (area of FPO membership)
- Should not be a shareholder/ user of services of the FPO
- Should not be closely related to a Board member of the FPO
- Should not be related to any activity/ business which is in conflict with the interests of the FPO

### 3. Required Skillsets & Orientation

Key skills & knowledge : Language, Arithmetic, Analytical, Sales & Marketing, Management, Commodity market/ Agricultural trading, Documentation and Computer skills

Orientation :

- Business & market orientation; willing to work for part variable pay (as per business/ sales/ turnover generated for the FPO, quality services to members etc)
- Orientation to work under Board of the FPO, under the control of farmer members of the Board
- Customer (members of the FPO) service orientation
- Flair for "innovation", willingness to take risk and has empathy for the farming community, engage in team work and has attention to detail
- Willing to uphold the values & principles of cooperation/ Mutual Assistance Principles

### 4. Identification Process

- Advertisement in local newspaper
- References/ Contacts and Alumni Network

### 5. Recruitment Process (suggested guidelines)

**5.1 Counselling** - Counselling of prospective candidate shall be undertaken on below aspects

- On FPO, their purpose and activities
- Requirement of working under farmers' board, role to be played, growth prospects, salary and duty station etc

Above can be an open session of question-answers

**5.2 Written Test** - to be conducted to assess the skill/ knowledge/ understanding level of aspects of Arithmetic, Business, Agricultural production/ etc

**5.3 Interview** - The final round of the selection process will be interview, which shall be conducted by a committee comprising of BoD members (say 2) of concerned FPO and staff of MAS (Project Director/ Manager and one representative from HO)

There is need to have some buffer so that if someone doesn't turn up to join after interview, drop out after induction training etc., it can be filled from this buffer.

## 6. Job Description

### o Be responsible and accountable to the Board of Directors & Office Bearers of the FPO

- Assist the Board in formulation of goals, strategies, plans and policies
- Ensure different legal compliances like Board meeting, GB meeting, bookkeeping, audit, annual returns etc as directed by the Board
- Ensure all required reports as required by the Board and external support agencies
- Managing day-to-day affairs of the FPO
- Discharge such other functions as may be delegated by the Board

### o Services to members under the overall guidance of the BoD

- Identifying opportunities for business of the FPO/ welfare of members, studies, business plan development and operationalization of the business plan
- Provide different services to the members as per direction of the Board. Such services include marketing of the produce of members, input supply to members, productivity enhancement services etc
- Information, training & orientation to members
- Resource (financial, technical) mobilization for the FPO
- Ensure setup of/ access to different required infrastructure for the FPO

### o Organisational systems and compliances

- Maintain proper books of account; prepare annual accounts and audit thereof; place the audited accounts before the Board and in the annual general meeting of the Members
- Recruit other staff, on direction of the Board, monitor their performance
- Establish and operationalise different required systems in the FPO – Accounting & Bookkeeping, Monitoring & MIS, Production, Marketing, Governance, HR etc
- Dealing with support agencies, contracts/ MoU, coordinate with them

# Session 1.5: Specific and Shared Responsibilities of BoD & CEO

**Time: 110 mins**

## Session Objectives

By the end of 110 mins. the session on “Concept of Responsibilities of BoD & CEO”, the participants would have:

- a. Some clarity on the various responsibilities that the FPO members have to plan for and delegate.
- b. Know what the meaning of specific and shared responsibilities are

## Process (Summary)

No.	Content	Method/Activity	Time	Materials
1	Session objectives	Explanation	5 mins	Chart
2	Who takes responsibilities in situations faced by FPOs	Buzz Group discussion	35 mins	Annexure 1
3	Understand the difference between Governance and Management	Discussion based on example	20 mins	
4	Understand the significance of specific and shared roles in an organisation or situation	Discussion based on example	15 mins	Brown sheet and Annexure 2
5	Understand the specific and shared roles of BoD and CEO	Group Exercise	30 mins	Cards, Brown Sheet
8	Summarise the session	Explanation	5 mins	

## Process (Detailed)

### Task 1: Explain the Objective of session – 5 mins

Start by introducing the session objectives using a pre-prepared chart and get the agreement of the participants.

The previous session gave an overview on the importance of understanding roles and responsibilities so that there is clarity and efficiency in the functioning of the FPO. This session will elaborate on these responsibilities and explain how some are specific to the BOD while some are shared with the CEO.

## Task 2: Who takes responsibilities in situations faced by FPOs – 35 mins

**Activity:** Buzz Group Discussion

### Steps

1. Explain the task – this is a buzz group<sup>3</sup> – Each group will be given cards and get 2 mins to read and write the first thing that comes to their mind in response to each situation. See Annexure 1 for caselets – 2 mins
  - 1.1. Form small groups of 2-3 participants each and give 2 cards (one colour for BoD responsibility and another for CEO responsibility). The groups are given one situation per group - 3 mins
  - 1.2. After 90 secs, the Facilitator claps or rings a bell and asks the groups to hand over their chit to the group sitting next to them in clockwise direction. Again, the groups get 90 secs to work on the next situation. This way, each group will work on all the situations – 20 mins
  - 1.3. At the end of the exercise, the groups come together in a plenary and discuss the responsibilities of BoD and of CEO<sup>4</sup> - 10 mins

### Concept Conclusion

Most of the situations faced by FPOs require BoD and CEO to take shared responsibility to work on them. There are specific responsibilities in some situations, examples - signing of cheques and conduct of AGM

## Task 3: Understand the difference between Governance and Management – 20 mins

### Steps

The Facilitator explains the difference between Governance and Management – 5 mins

See Annexure 2 for reference.

Governance	Management
Governance is Responsibility - to the members to ensure the organisation works as per the aspirations of the members – to the Government authorities that all legal requirements are fulfilled – to partners to do what is agreed and maintain good relations.	Management is to handle the work of the organisation efficiently using the resources – Finance, Human, Machinery and Products.
Focus is on taking decisions and deciding policies collectively, on behalf of the members	Focus is on implementing activities of the FPC as per decisions taken by the organisation and working together as a team

The group takes the example of any institution that is functioning well in the area – example – CMRC or Panchayat or SHG Federation or Milk Cooperative Society to discuss the Governance and Management aspects of the institution<sup>5</sup> – 15 mins

3. Facilitator Tips – Do not give more time to groups even if they ask for it. It is ok if some groups are not able to write any response for a few situations, the idea is to generate discussion later
4. Facilitator Tips – Avoid telling the group that this is BoD responsibility, this is CEO responsibility etc. Instead ask questions to provoke thinking and discussion among the group, such as “GST compliance is mentioned as CEO responsibility. what is BoD's responsibility in this?”
5. Facilitator Tips – While discussing the institutions, try and bring out various aspects of shared responsibilities of the board and management team in ensuring good Governance and management for the functioning of the institution

### Concept Conclusion

The group understands the difference between Governance and Management and that BoDs and CEO have different responsibilities in Governance and Management of the FPO.

#### Task 4: Understand the significance of specific and shared roles in an organisation or situation – 15 mins

Activity: Group Exercise

#### Steps

1. The Facilitator shows the photos of bus conductor to the group and asks, “What is the specific role of the conductor?” Expected response – to collect money and give tickets, to whistle or ring a bell when driver must start or stop the bus etc.
2. Next, the Facilitator shows the photos of driver, to the group and asks, “What is the specific role of the driver?” Expected response – to drive the bus carefully. To follow traffic rules and to drive the bus as per the route and to stop at bus stops
3. Facilitator asks, “What will happen if conductor and driver don’t do their specific roles and instead start doing each other’s roles?” Expected response – confusion, accidents, revenue loss as some passengers might not get tickets etc. Facilitator asks, “Apart from the specific roles are there some activities that conductor and driver can do together (shared roles)?” Expected response – ensuring cleanliness and proper condition of the bus, getting more passengers, informing passengers that bus has reached stop etc.

#### Task 5: Understand the specific and shared roles of BoD and CEO – 30 mins

##### Part 1: Group Exercise for specific roles

#### Steps

1. Facilitator introduces the task –
2. Two groups are formed – one with BoDs and another with CEOs. If there are more BoDs, then 2 groups of BoDs can be formed.

BOD responsibilities	CEO responsibilities	Both BOD and CEO shared responsibilities

3. The groups are asked to discuss and write “What are the responsibilities of BoD?” on each card and “What are the responsibilities of CEO?” on another coloured card.

Each Group puts its cards on the brown sheet which has 3 columns -

The group discusses and attempts to arrive at a consensus<sup>6</sup> on the specific responsibilities of BoD and CEO –

### Concept Conclusion

There is no pre-determined list of responsibilities of BoD and CEO, the team has to discuss the specific responsibilities and decide the roles looking at the situation and requirements of the FPO.

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6. It is better if the Facilitator avoids taking sides and allows the group to discuss freely

## Part 2: Understanding shared roles – 30 mins

### Steps

Facilitator introduces the task – 2 mins

Facilitator asks the groups to pick out the roles from the previous chart if the participant feels that it is a responsibility only for BODs or only CEOs or do they both share this responsibility. If they feel that it is shared, then they put that card in the third column which is for shared responsibilities.

### Concept Conclusion

There is no pre-determined list of responsibilities of BoD and CEO, the team must discuss the shared responsibilities and decide the roles looking at the situation and requirements of the FPO. The group understands that it is important to know what the specific role of each position is – be it Director or CEO, in the organisation and work on it accordingly. Apart from the specific roles, there are shared roles which both must work on together.

### Task 5: Summary

Once all the discussions are over, the Facilitator will sum up the session highlighting the key learnings

1. Various responsibilities that the FPO members have to plan for and delegate.
2. Concept of specific and shared responsibilities

## Annexures / Handouts

1. Buzz group discussion situations
2. Pictures for task 4
3. Roles and Responsibilities of the Board of Directors and Chief Executive Officer
4. Provisions as per Company Act 1956

## Annexure 1: Caselets for buzz group activity

1. FPO is planning to have its AGM shortly. The venue must be arranged, agenda must be prepared, notices must be sent to members. *What is, the responsibility of the BoD and the responsibility of CEO?*
2. FPO has got notice from GST department for payment of fine as it has not paid GST on time. *Who takes responsibility in this situation?*
3. FPO wants to collect Rs.10 lacs in share capital and access matching grants from Government. *Who takes responsibility in this situation?*
4. Farmer-Members in FIG in one of the villages complain that they have not received services like bank loan, government scheme benefits through the FPO, which other villages have got. *What is, the responsibility of the BoD and the responsibility of CEO?*
5. The price of Tur in the market is low. FPO is planning to procure Tur from farmers, store it and sell to traders when the price is high. FPO must decide on procurement price to be given to farmers this season. *Who takes the responsibility for this?*
6. To ensure timely availability of fertilisers to members, FPO wants to supply fertilisers as per member demand, on 1-month credit. The FPO will pay the fertiliser company in advance and collect payment from farmers after 1 month. *What is, the responsibility of the BoD and the responsibility of CEO?*
7. FPO wants to purchase a vehicle on subsidy from the Government for collective marketing. 25% of the vehicle cost must be borne by FPO. A driver must be appointed, the cost of operating the vehicle must be recovered by using it regularly and it must be maintained well. *Who takes responsibility for these?*
8. A buyer is procuring onion from FPO, buyer negotiates price directly with farmer. Once buyer and farmer agree for a sale, FPO must grade and pack the onion and transport it to market and gets a commission from buyer. *Who takes responsibility in this situation?*
9. FPO's truck with members' produce is seized by APMC officials for not having APMC license and not paying APMC cess. The APMC officials ask for proof that the produce is being transported on behalf of farmers directly and not by a trader. *Who takes responsibility in this situation?*
10. The buyer to whom FPO has sent the produce, does not pay the full amount, citing quality issues. *Who takes responsibility in this situation?*
11. FPO has received payment from buyer and must issue cheques to each individual farmer - *What is, the responsibility of the BoD and the responsibility of CEO?*



## Annexure 2: Pictures for task 4



Source : <http://www.newindianexpress.com/cities/bengaluru/2017/oct/28/bengaluru-bus-conductors-to-get-body-cameras-bmtc-1685236.html>



Source: <http://archive.indianexpress.com/news/bus-driver-who-saved-22-lives-faces-probe/736870/>

## Annexure 3: Roles and Responsibilities of the Board of Directors and Chief Executive Officer

Roles and Responsibilities of Board of Directors	Roles and Responsibilities of the Chief Executive Officer	Shared Roles and Responsibilities
Encourage members to participate in the activities of the FPC and to make use of FPC's services.	Ensure efficient and timely services from FPC to members. Be part of various committees like procurement committee, marketing committee etc., formed by the BoD	Build confidence and encourage farmers to enrol as shareholders in the FPC.
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	Take decisions required for day-to-day functioning of the FPC. Get Approval of decisions taken by the CEO in the Board of Directors Meeting, and implement activities as per the decision of Board of Directors	Play an active role in the decisions of the FPC and consult others while taking decisions
To monitor and supervise the activities of the FPC	Sign all business-related documents, like invoices, Purchase Order etc., on behalf of the FPC	Provide information to company members about the activities of the FPC.
To appoint and supervise the activities of the CEO and other FPC employees.	Responsible for providing timely information to the company's members and Board of Directors for FPC meetings, including emergency or urgent meetings.	
Check whether proper books of account are being maintained	Responsible for maintaining proper books of account, prepare annual accounts	Place the audited accounts before the Board and in the annual general meeting of the members.
Sanction any loan or advance, in connection with the business activities of the Producer Company to any Member. A Director cannot sanction a loan for self or Director's relative;	Shall operate the bank accounts as joint signatory of a Director. He / she shall decide for safe keeping of cash and other assets of the producer company	To raise funds required for FPC business and ensure that the funds are used for business activities.

Decide the dividend payable to members	Any other task or responsibility as decided by the Board of Directors for the smooth functioning of the company	
Decide the withheld price payable to members		
Purchase or sale of FPC property, and investment of the funds of the Producer Company for its business		
Other activities to be done as per the decisions taken at the General Body meeting by members		

## Annexure 4: Provisions as per Company Act 1956

### Provisions relating to directors

1. Every producer company should have minimum 5 directors and maximum 15 directors.
2. No person shall hold office of a director for a period not less than one year but not exceeding 5 years as may be specified in the AOA.
3. A retiring director shall be eligible for reappointment as a director.
4. Board of Directors may appoint one or more directors as expert directors but not exceeding 20% of the total strength
5. A director vacates his office if the producer company in which he is a director fails to file annual accounts and returns for 3 consecutive financial years or fails to repay deposits/ withheld price/patronage bonus/interest thereon/dividend for more than a year, fails to call Annual General Meeting (AGM)/Extraordinary General Meeting (EGM) as per the provisions of the Act.

### Provisions relating to Committee of Directors

- a. Board of Directors can constitute committee to assist them.
- b. The number of members of the committee is as per requirement but CEO or a director of the Board should be a member of the committee.
- c. The minutes of the meeting of the committee shall be put up before the next Board Meeting.

### Provisions relating to Chief Executive Officer

- a. A full time CEO shall be appointed from among directors and a member cannot be appointed as CEO.
- b. A CEO shall not retire by rotation.
- c. Following powers can be exercised by CEO subject to the supervision of the Board:
  - i. carries out administrative acts;
  - ii. Operate bank accounts, sign documents, take custody of cash and assets;
  - iii. Furnish periodic information to members about activities of the company;
  - iv. Assist Board of Directors regarding all activities of the company and in legal and regulatory matters.

# Handout for Trainers

## What is Governance?

- Good governance is a key factor to ensure the growth and sustainability of civil society organisations (CSOs). Below are some definitions of governance:
- Governance refers to a system of oversight, exercise of authority, or control within an NGO
- Good governance is a transparent decision-making process in which the leadership of a non-profit organisation, in an effective and accountable way, directs resources and exercises power on the basis of shared values.
- Governance is the way in which an organisation distributes powers, rights, and accountability.
- Governance is the activity performed by an entity (such as a board, a city council, or a legislature) that holds authority within a system. In an organisational system such as a non-profit, authority is granted to the Board of Directors by the state when the organisation is incorporated. The board is authorised to make decisions and set policies that define how the organisation will carry out its mission; it is also held accountable for the actions that follow those decisions and policies. The board then governs the organisation - it directs and guides the organisation from its position of authority
- Governance is a process that involves;
  - A system of checks and balances between owners and other stake holders who set the standard and objectives of accountability of a given institution.
  - Leadership and commitment to ensure fulfilment of the institution's mission and protection of its assets over time.
  - Guidance by the Board of Directors, the governance is under the direction of the board

It is a process through which a Board of Directors, guides an institution in fulfilling its corporate mission and protects the institution's assets over time

Individual directors have to work in partnership to balance strategic and operational responsibilities.

Effective governance can ensure that your organisation has a strategic direction and that the people who are supposed to benefit from the organisation's activities are getting as much support as they can.

It can protect your organisation from being used by individuals for their private gain, and ensure it is accountable to the public, members, beneficiaries, donors and, where appropriate, to the state.

Accountability is particularly important for organisations working with or on behalf of disadvantaged people, and which raise funds on that basis.

One common form of governance is to place ultimate responsibility for the actions of the organisation in the hands of a board of management – a group of people who are elected or appointed to oversee the work of the organisation. This body – and these people – are ultimately responsible for everything that is done in the name of the organisation.

Governance is a group action. Individual board members do not govern the organisation; rather meeting as a group confers governing status to the board as a whole. Governance implies the exercise of power and authority over the organisation on behalf of the community it serves.



# MODULE 2

## STATUTORY COMPLIANCES

Module 2	Statutory Compliances Under the Companies Act	Time
Session 1	Importance of Share capital. How to collect and how to maintain	95 mins
Session 2	Statutory compliances under Companies Act 1956 and Companies Act 2013 - meetings and registers	95 mins
Session 3	Statutory compliances – meetings and registers certification/licences for trading	60 mins
	<b>TOTAL TIME FOR MODULE 2</b>	<b>250 mins (approx. 4 hours)</b>

# Session 2.1: Importance of Share capital. How to collect and how to maintain?

**Time: 95 mins**

## Session Objectives

By the end of 95 mins, session on “Importance of Share capital. How to collect and how to maintain”, the participants would have:

- a. Understood the importance of share capital
- b. Discussed various collection methods
- c. Learnt how to maintain this amount at FPO level

## Process (Summary)

Session Outline				
Sl No.	Content	Method/ Activity	Time	Materials
1	Introduction – Link with previous Session	Discussion	5 mins	chart with objectives
2	Source of common funds for FPO	Group activity	30 mins	small cards, chart paper, pens
3	Why share capital important in business; and how to collect	Small group activity	30 mins	chart, Annexure 1
4	How FPO maintain share capital	Brainstorming	20 mins	charts, Annexure 2
5	Summing up	Interaction	10 mins	

## Process (Detailed)

### Task 1: Session objectives (5 mins)

Start by introducing the session objectives using a pre-prepared chart and get the agreement of the participants.



Since this is a beginning of a new module, the facilitator cannot link to another session. But in the form of introduction, facilitator can say that if an FPO is registered under and legal provision like Companies Act or Societies Act, then it is bound to follow the legal requirements under these laws. These are called statutory compliances. This module will deal with the various statutory requirements that an FPO must fulfil.

**Task 2: Source of common funds for FPO (30 mins)**

The Facilitator will ask a general question and give out a card to each participant. The question is: "In your opinion, what are the important sources of funds when an FPO begins to operate? List any 4"

Source of funds	When is it collected

After 5 mins, he will ask them to read out their answers, and with the help of an assistant, write them out on a chart which has 2 columns: source and when it is collected.

Then he will ask them to discuss which of these funds can be collected before registering the FPO. It is expected that they will mention share capital as one of the answers.

**Task 3: Importance of share capital and how to collect it (30 mins)**

This will be through a small interaction with the full group divided into 3 small groups: The Facilitator will ask a different question to each group and given them 10 mins to answer. Each group will come and present their answers.

**a) Group 1 question: What is share capital?**

After 20 mins, the group will read out the answer to the first question. These will be listed on the board. Finally, a consensus will be arrived at so that they are clear as to why an FPO is important.

Share capital or equity means the total of the payments made to the company/society 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.

**b) Group 2 question: Why does an FPO need to collect share capital?**

For this question, give them small cards to write out their answers – one answer on each card. Then they can go and stick their card on the chart put up on the board.

**c) Group 3 question: From whom will the FPO collect this share capital, how much, when and how?**

After the group discusses, they can send one person to fill up their answers on the chart. Then they will be asked to fill in the columns in the chart on the board – after the first group that volunteers to do this, the others will add any new points. This will be reviewed and agreed upon.

There may be a difference of opinion, but the Facilitator needs to explain that the situation may vary from FPO to FPO – this is only a checklist.

From whom	How much	When	How

*Table to answer third question on collection of share capital*

**Task 4: Maintenance of the share capital (20 mins)**

This is more of an explanation – the Facilitator will pass around a guideline (Annexure 2) to each group and ask them to read it out. The note will contain points on how this share capital is to be first credited into the FPO account. It will also explain how this amount cannot be used for operational purposes.

The guideline will also discuss the process to follow in case a member farmer quits the FPO and wants his share returned or transferred.

The facilitator must stress that this is a very technical topic and all participants may not follow every rule. What they need to know is that there are rules, and they should work with their legal counsel to make sure they are following the rules when collecting and dealing with share capital.

**Task 5: Summing up (10 mins)**

Once all the discussions are over, the Facilitator will sum up the session highlighting the key learnings”

1. Sources of funds in an FPO?
2. Importance of share capital
3. How and when to collect this amount and what to do with it.
4. What to do if a person leaves the FPO and wants his share back or wants to give it to his son.

## Annexures / Handouts

1. Annexure 1: Possible sources of funds for an FPO
2. Annexure 2: Guidelines to maintain share capital
3. Handout for trainers

## Annexure 1: Possible sources of funds for an FPO



## Annexure 2: Guidelines to Maintain Share Capital

### Companies Act 1956: Producer Companies<sup>7</sup>

#### 581ZB. Share Capital

1. The share capital of a Producer Company shall consist of equity shares only.
2. The shares held by a Member in a Producer Company, as far as possible, be in proportion to the patronage of that company.

#### 581ZC. Special User Rights

1. The producers, who are active Members may, if so, provided in the articles, have special rights and the Producer Company may issue appropriate instruments to them in respect of such special rights.
2. The instruments of the Producer Company issued under sub-section shall, after obtaining approval of the Board in that behalf, be transferable to any other active Member of that Producer Company.

Explanation - For the purposes of this section, the expression "special right" means any right relating to supply of additional produce by the active Member or any other right relating to his produce which may be conferred upon him by the Board.

#### 581ZD. Transferability Of Shares And Attendant Rights

1. Save as otherwise provided in sub-sections (2) to (4), the shares of a Member of a Producer Company shall not be transferable.
2. A Member of a Producer Company may, after obtaining the previous approval of the Board, transfer the whole or part of his shares along with any special rights, to an active Member at par value.
3. Every Member shall, within three months of his becoming a Member in the Producer Company, nominate, in the manner specified in articles, a person to whom his shares in the Producer Company shall vest in the event of his death.
4. The nominee shall, on the death of the Member, become entitled to all the rights in the shares of the Producer Company and the Board of that Company shall transfer the shares of the deceased Member to his nominee: Provided that in a case where such nominee is not a producer, the Board shall direct the surrender of shares together with special rights, if any, to the Producer Company at par value or such other value as may be determined by the Board.
5. Where the Board of a Producer Company is satisfied that - (a) any Member has ceased to be a primary producer ; or (b) any Member has failed to retain his qualifications to be a Member as specified in articles, the Board shall direct the surrender of shares together with special rights, if any, to the Producer Company at par value or such other value as may be determined by the Board : Provided that the Board shall not direct such surrender of shares unless the Member has been served with a written notice and given an opportunity of being heard.

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7. Companies Act 1956

# Handout for Trainers

## Frequently Asked Questions<sup>8</sup>

### 1. What is share capital?

Share capital or equity means the total of the payments made to the company/society 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.

### 2. What are the special aspects of equity share capital in case of POs?

- 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.
- 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. The shareholders finalise the authorized capital of the company and the cost of each share.
- g. Transfer of share capital is limited to members on par value in a PC
- h. The amount collected through shareholders could be used for registration fees and other processing related expenditures like fees for Company secretary, stationary, travel etc. In the books of accounts, it can be shown as loan taken from the share capital. Once the company mobilises resources through business it can be repaid.
- i. 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.
- j. 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

### 3. What is the authorised capital?

Capital that a company/organisation has been authorised to raise by way of equity shares through the Articles of Association/Memorandum of Association. The minimum authorised capital at the time of incorporation of Producer Company should be Rs.5 lakh.

### 4. What is the issued capital?

The share capital that has been issued to the members in their names is called issued capital.

### 5. What is the process for increasing the Authorised capital?

- a. The authorised 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.

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8. Frequently asked questions – NABARD 2015

## **6. What is the 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 X 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 X to the Act.

## **7. What is the procedure for Diminution of Capital?**

- a. The Company may diminish the amount of its authorised or nominal (but not issued) capital by cancelling shares which have not been issued or agreed to be issued, if its Articles authorise such cancellation.
- b. The diminution may be affected, and it must be given to the Registrar within 30 days thereafter in Form No. 5.
- c. It must be noted that the resolution does affect the Company from subsequently increasing its nominal capital by passing an ordinary resolution in general meeting.
- d. In case of diminution, the cancelled shares that have never been issued or allotted to anyone are extinguished.

## **8. What is the 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 capitalisation 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 authorised capital of the Company.
- c. If not, necessary steps should be taken to increase the authorised 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. 57
- 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.

## Share Capital and Related Matters

### 1. What are the 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 authorised capital mentioned in the MOA unless a special resolution is passed at a general meeting to increase the authorised 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:
  - a. 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.
  - b. Hold a general meeting for passing special resolution to approve amendment of MOA/AOA to increase the authorised capital.
  - c. 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:
  - a. by transfer of shares from the existing members or
  - b. 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 favour 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 favour 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.

# Session 2.2: Statutory Compliances under Companies Act 1956 and Companies Act 2013 - Meetings and Registers

**Time: 80 mins**

## Session Objectives

By the end of 80 mins. session on “Statutory Compliances under Companies Act 1956 and Companies Act 2013”, the participants would have:

1. Understood the various provisions related to Board Meeting and AGM, especially the First Board Meeting and the first AGM.
2. Known the statutory registers to be maintained
3. Been made aware of the annual returns and other statutory returns/forms to be filed under company Law and benefits/penalties thereof.

## Process (Summary)

Session Outline				
No.	Content	Method/ Activity	Time	Materials
1	Introduction – Link with previous Session	Discussion	5 mins	chart with objectives
2	Board meeting and AGM	Group activity	30 mins	chart paper, pens
3	statutory books and registers	Reading and clarification	20 mins	Annexure 2
4	Penalties for non-compliance	Reading and clarification	20 mins	Annexure 3
5	Summing up & Link to next Session	Discussion	5 mins	

## Process (Detailed)

### Task 1: Explaining the objectives of the session (5 mins)

Start by introducing the session objectives using a pre-prepared chart and get the agreement of the participants.

### Task 2: Board meeting and Annual General Body meeting (AGBM) (30 mins)

The group can be divided into 2 groups: one for board meeting; the other for AGBM. Each group is then asked to discuss and fill up a chart describing the statutory requirements



for their group. Give them 15 mins. to discuss and fill the chart. Then they can come up and present their points. The Facilitator can suggest any left-out points and agree on a final list (annexure 1).

A suggested format is given below:

Parameter	Details
Who are the members	
When is the first meeting and how often to repeat	
What documents to keep ready before meeting	
What decisions to make at first meeting	
Who is responsible for calling meeting; chairing meeting, keeping minutes etc?	
What documents to be filled before end of meeting	

### **Task 3: Statutory registers and books required by FPO (20 mins)**

This exercise requires them to read the list (Annexure 2) and understand that there are several books. The participants need to know who will keep the books and what their role is.

Distribute a copy of this list to all participants. Give them time to read through. Then one by one, list out each book and find out if they know what it is. If not, then the Facilitator will explain the meaning and basic use of this document.

### **Task 4: Penalties liable for the FPO for non-compliance (20 mins)**

Use the same method as in task 2 by sharing this list (Annexure 3) with each participant and getting them to read and comment if they don't understand.

The Facilitator needs to keep stressing that it is not the responsibility of the BoD to know all details of each document, licences, form etc. They must be aware that there are forms and documents that will be filled up either by the CEO or the legal persons. However, they must know which ones are important and which requires them to countersign.

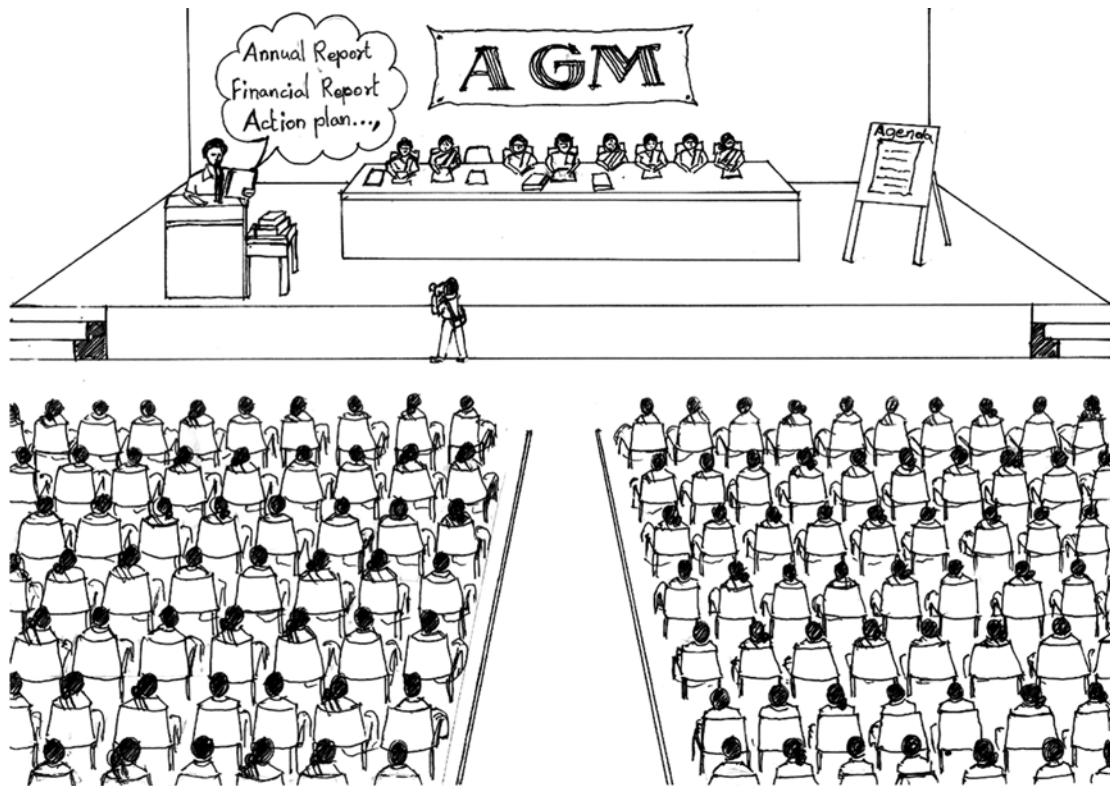
### **Task 5: Summing up**

Once all the discussions are over, the Facilitator will sum up the session highlighting the key learnings

1. Provisions related to Board Meeting and AGM, especially the First Board Meeting and the first AGM.
2. Statutory registers to be maintained
3. Annual returns and other statutory returns/forms to be filed under company Law and benefits/penalties thereof.

## **Annexures / Handouts**

1. Provision for board meetings and Statutory Compliances In The First Year Of Incorporation
2. Statutory registers and books for the FPO
3. List of Penalties for non-compliance



## Annexure 1: Provisions relating to FPO Meetings

### Board meetings

- a. There should be a Board Meeting once in three months and four such meetings should be held in a year.
- b. 1 weeks' notice in writing, should be given by CEO for holding a Board Meeting to all the directors in India.
- c. The quorum for a Board Meeting is 1/3rd of the total strength or 3 whichever is higher.
- d. The Board of Directors shall be paid fees, for attending each meeting subject to AOA and approved by general meeting.
- e. Minutes of the proceedings of the Board Meetings shall be prepared and entered in to Minutes Books within 30 days of the meeting.
- f. 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.
- g. 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.
- h. Decisions are taken by resolutions passed by majority and routine resolutions can be passed by circulation.
- i. 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.

### Annual General Meetings

- a. There are two types of General Meetings:
  - i. Annual General Meeting (AGM)
  - ii. Extraordinary General Meeting (EGM)

- b. First Annual General Meeting shall be held within 90 days of the incorporation of the Company to adopt AOA and appoint directors of Board.
- 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. 21 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)
- e. 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.

**Important matters to be transacted at the Annual General Body Meeting**

- a. approval of Budget, adoption of annual accounts
- b. approval of patronage bonus
- c. issue of bonus shares
- d. declaration of limited return and decision on distribution of patronage
- e. Loans to directors

## Statutory Compliances in the First Year of Incorporation

- 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
  - \* Name and address of the Registered Office along with CIN no./phone no./email/website 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 of the date of incorporation for adoption of AOA 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 one of the directors as the 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. Maintenance of Common Seal is not mandatory.
- j. All routine decisions like opening of bank account, authorisation to any director for dealing with all government departments for licences/permits/registrations can be done by resolutions passed at Board Meetings or by resolutions passed by circulation.

### Other statutory compliances during the running of the organisation?

- 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.

(Annual Report comprises Notice calling AGM, Directors' Report, Auditors' Report, Profit and Loss account, Balance Sheet along with Notes / Schedules to Accounts)

(Annual Return comprises details of shareholding pattern, directors, meetings and other related particulars)

## Annexure 2: Statutory Registers and Compliances

SI No	Name of the statutory register	Form no.	Who fills	how often
1	Register of Members	MGT-1		
2	Register of Directors and their Shareholding			
3	Register of Renewed and Duplicate Share Certificates	SH-2		
4	Register of Charges	CHG-7		
5	Register of Loans and investments made by the Company	MBP-2		
6	Register of Related Party Transactions	MBP-4		

### Major statutory forms to be filed with ROC under the Companies Act, 2013?

SI No	Form No.	Purpose for which it is filed under Companies Act, 2013	Who fills/ signs	When to submit
1	INC-22	Intimation of change of registered office		
2	INC-24	Application for change of name		
3	PAS-3	Return of allotment of shares		
4	SH-7	Notice of increase or change in share capital		
5	CHG-1	Registration of creation/Modification of Charge on property to secure repayment of borrowed funds from banks etc		
6	CHG-4	Registration of satisfaction of charge on repayment of loan for releasing the charge		
7	MGT-14	Registration of satisfaction of charge on repayment of loan for releasing the charge		
8	DIR-3	Application for Director Identification No.		

9	DIR-11	Notice of resignation of director to be filed by the director		
10	DIR-12	Particulars of appointment and changes of directors to be filed by the company		
11	AOC-4	Form for filing of annual accounts annually every financial year		
12	MGT-7	Form for filing of annual return of shareholders every financial year		

## Annexure 3: Offences and penalties prescribed for producer companies?

The various offences, penalties, and related matters for the same are given below in tabular form:

Sl. No.	Nature of the Offence	Quantum of Punishment
1	Any member acquires business interest in conflict with the business of the producer company	Ceases to be a member and shall be removed as per AOA
2	Any director votes, approves or acts in contravention of the provisions of this Act or any other Law	Director/s should make good the loss, damage or profit to the company, on account of such voting or action
3	Failure to appoint a qualified company secretary in a producer company whose average turnover in the last 3 years exceeded Rs. 5 crores	Company and defaulting officer shall be liable to fine up to Rs.500 per each day of default
4	Failure by a director to furnish information relating to the affairs of the Company to a member or authorized person	Imprisonment up to a term of 6 months and fine up to 5% of the turnover of the company in the preceding year
5	Failure to hand over the custody of books of account, documents or property to the producer company	Punishable with fine up to Rs. 1 lakh and additional Rs. 10,000/- for each day of continuing default
6	Failure to convene AGM or General meetings	Punishable with fine up to Rs. 1 lakh and additional Rs. 10,000/- for each day of continuing default
7	Producer Company's Failure to commence business within one year of its incorporation	Striking off the name of the company by the ROC after making inquiry in to the facts and giving directors a reasonable opportunity of being heard; Appeal can be made to National Company Law Tribunal (NCLT) by director or member against the order of ROC
8	Producer Company ceases to transact business with the members	
9	Producer Company is not carrying on the objects specified under the act	
10	Producer Company is not maintaining any of the Mutual Assistance Principles	
11	Disputes amongst members/former members/nominees of deceased members/producer company/ directors/ office bearers/liquidators/ past or present (relating to formation, management or business of a producer company)	Shall be settled by conciliation or arbitration under Arbitration and Conciliation Act, 1996 (whether the dispute is relating to formation/ management/business or not, decision of the arbitrator shall be final.

# Session 2.3: Statutory compliances – certification/licences for trading

**Time: 60 mins**

## Session Objectives

By the end of 60 mins. session on “Statutory compliances – certification licences for trading”, the participants would have:

1. Read the list of various statutory compliances for trading
2. Understood who the certificate/licence issuing authorities are.
3. Learnt the required licences/certifications and renewal frequency

## Process (Summary)

Session Outline				
No.	Content	Method/Activity	Time	Materials
1	Introduction - objectives of session	Interaction	5 mins	chart paper
2	List of compliances for trading	Brainstorming	25 mins	Annexure 1, board, pens
3	Issuing authorities	Group activity	25 mins	chart paper, pens
4	Summing up & Link to next Session	Discussion	5 mins	

## Process (Detailed)

### Task 1: Introduction of the session – 5 mins

Start by introducing the session objectives using a pre-prepared chart and get the agreement of the participants.

Explain that the previous session dealt with compliances dealing with meetings and books to be maintained. This session will work on certificates and licences required by the FPO to run.

### Task 2: List of compliances for trading – 25 mins

The Facilitator will ask a general question: “Can you tell me if you have heard of any certificates or licences you need for your FPO to do business?” As they answer, he can put down the



points on the board. After all, have answered, he can then ask them and suggest how to cluster the points under certificates for institutional compliance and licences for trading.

Then he should distribute the handout (Annexure 1) to every participant and give them 10 minutes to go through it. This handout will have 4 columns, 2 of which are blank and will be used for the following exercise.

**Task 3: Knowing who are the issuing authorities and how often they need to be renewed – 25 mins**

The group will use the handout (Annexure 1) and the Facilitator will go to column three titled – Issuing authority. He will ask them to fill up in pencil who they think is the issuing dept/ person. Then they go to column 4 titled: frequency of renewal”. Here they are asked to fill up whether it is one time or requires annual or regular renewal.

They may not know all the answers but he should encourage them to fill up what they know. After 15 mins, he can show a readymade chart which has the correct answers. He can then tell the participants to fill up the correct answers in pen in their own handouts.

**Task 4: Summing up - 5 mins**

The Facilitator must emphasise that there is no need to learn all these, but it is important that the board members have a checklist of this in their office and periodically review whether it is time for renewal etc. He can review that there are certain licences and certificates that are statutory requirements for an FPO to do business, and that it is important that the Board of Directors keep track that these are obtained and renewed in a timely fashion. There are costs involved in getting some of the licences and this needs to be factored in their budget plan.

**Facilitation Tips**

## Annexures / Handouts

Annexure 1: List of licences/ certificates required for an FP

## Annexure 1: List of licences/ certificates for an FPO

Sl. No	Certification/ Licence	Description	Issuing Department	Renewal Frequency
1.	PAN	Applications for allotment of new PAN <a href="https://www.tinnsdl.com/download/pan/form49a.pdf">https://www.tinnsdl.com/download/pan/form49a.pdf</a> . The application can be made either online or through any recognized PAN Facilitation centre.	IT Department	One time (life time)
2.	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: <a href="https://www.tinnsdl.com/download/tan/form49b.pdf">https://www.tinnsdl.com/download/tan/form49b.pdf</a>	IT Department	One time (Life time)
3.	GST	Goods and service tax applicable to any entity that deals in sales and purchases	GST Department	Life time
4.	Seed Licence	If you buy seed from another grower or company to re-sell, then a Seed dealer licence is required for selling seeds	Agriculture Department	once in 3 years
5.	Fertiliser Licence	For any entity trading in buying and selling of fertiliser.	Agriculture Department	varies
6.	Pesticide Licence	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 licencing officer for the grant of a licence.	Agriculture Department	varies for different products

7	Import Export Certificate (IEC)		Director General Foreign Trade	(need to check)
8	APEDA	refers to AGMARK standards for importing and exporting fruit and vegetables	Ministry of Agriculture	not specified
9	HALAL/ KOSHER/ FSMS 22000	applicable for poultry and meet based FPCs	different sections under FSSAI and ISO	not specified
10.	FSSAI	for all processed and packaged foods	Ministry of Food Processing	1-5 years varying on product
11.	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	
12	Weights and Measure licence		Department of Meteorology	
13.	ESI, PF, Child Labour policy		Labour Department	one time
14	Licence for environment aspects like land, water etc	(applicable for processing, storage of chemicals etc)	Relevant authorities Pollution Control Board	no details
15.	Fair Trade Certificate	(applicable to FPCs who aspires to do organic product exports)	Independent body	no details
16.	PGS certification	(applicable for organic produce)		no details
17.	Third party organic certification	(applicable for organic produce)	Varies for produce	varies
18	Form D under ESI act	(for employing more than 10 Employees)	Respective state labour department	updated when required

19	Apprentice Act	For appointing apprentice for training	labour dept	
20	Equal opportunities Act	(For employing women employees)		
21	Professional Act registration	Concerned Panchayat / Municipality / corporation		
22	Livestock Medical Licence Certificate		Animal Husbandry	
23	Stock Insurance/ Vehicle insurance		Insurance companies	
24	Minimal Residue Levels	for every exported	National Accredited Labs.	varies
25	No objection certificate	to set up business	from local Gram Panchayat/ municipality	depends on business

# MODULE 3

## MARKETING & NETWORKING

Module 3	Understanding The Market And Stakeholder Engagement	
Session 1	Analysis of current market practices - Buying and Selling of Produce	110 mins
Session 2	Aspirations of farmers versus market realities	55 mins
Session 3	Assessing the market need and demand: realistic versus ideal; short-term versus long term	100 mins
Session 4	How can an FPO respond to the fluctuating market?	75 mins
Session 5	Planning for Short Term Strategies to mitigate market risk.	105 mins
Session6	Networking and Stakeholder engagement	120 mins
Session 7	Special situations where networking skills are required	90 mins
Session 8	Methods of stakeholder engagement	65 mins
	<b>TOTAL TIME FOR MODULE 3</b>	<b>730 mins (approx. 12 hours)</b>

# Session 3.1: Analysis of Current Market Practices - Buying and Selling of Produce

**Time: 110 mins**

## Session Objectives

By the end of 110 mins. session on “analysis of current market practices - Buying and Selling of Produce”, the participants would be able to:

- a. Identify different market participants and the key roles they play
- b. Understand the advantages and disadvantages of dealing with each
- c. Create value chain for what they produce

## Process summary:

No.	Content	Method/ Activity	Time	Materials
1	Introduction and establishing session objectives	Interaction	5 mins	chart paper, board, pens
2.1	Who are the farmers selling to and what markets are they accessing?	Full group activity	20 mins	chart paper, board, 2 diff. colour cards, pens
2.2	Pros and Cons of each market player and selling place	Group activities	25 mins	
2.3	Advantages / disadvantages of each market	Small group	20 mins	
3	What is the value chain of the product they are producing and the price differential at each step in the value chain?	Small group carousel method	35 mins	
4	Summing Up and Link to the Next Session	discussion	5 mins	

## Process (in Detail):

### Task 1: Introduction to Session Objectives (5 mins)

Start by introducing the session objectives using a pre-prepared chart and get the agreement of the participants.

Introduce the session by saying that this new module will focus on two major aspects related to an FPO – marketing and networking. Then explain the objectives of the session.

**Task 2: Understanding the market players and the pros and cons (20 mins)**

**Part 1: Who are the farmers selling to and what markets are they accessing? (20 mins)**

- During this activity the participants are asked to share the different crops that grow in their region, market players and market places that they are currently selling to.
- Ask the participants to list out 3-4 major growing crops in their areas. Write these crop names on two charts.
- Distribute two different types of (diff colours or shapes) empty cards and ask the participants to write who they are selling to (put on chart 1) and where they are selling (put on chart 2)
- Ask participants to pin given cards next to the particular crops in the appropriate column to create 2 tables similar to ones below:

Crop	Selling to whom	Role they play	Advantage	Disadvantage

Chart 1: Who are the market players

Crop	Sell where	Accessibility Good/bad and in kms.	Frequency	Advantage	Disadvantage

Chart 2: Where are the market players

The following market players may come up as a response to ‘Who’: Commission Agents, Money Lenders, Traders, Aggregators, Millers, Processors, Wholesalers, Mall, Retail Sales (Individual Buyers) etc.

The following market places may come up as a response to ‘Where’: Mandi, Haat, APMC, Direct Selling, Further, prompt the participants to list down names that may be missing. . See Annexure 1 with sample charts

**Part 2: Pros and Cons of each market player and selling place (25 mins)**

- Look at chart 1 with the list of different players in the market under each crop
- Ask participants to share the role that each participant plays and the advantages / disadvantages of selling to them and fill up the other 3 columns in the table. A sample table like the one in Annexure -1 may be created posting inputs from the participants.

3. Prompt the market participants asking them questions like
  - a. Is the market player an end user of the product or does he sell it to some other counterparties?
  - b. Does the market player add any value to their product like milling, grading and sorting, polishing etc?

**Part 3: What are the different markets that are currently being accessed and advantages / disadvantages of each market? (25 mins)**

- a. Take chart 2 used earlier for place of sale (3 mins)
- b. Ask the participants to list down the accessibility, and frequency of each market in the blank columns creating a table like the one in Annexure 2 (5 mins)
- c. Once this is done ask the participants to share the advantages and disadvantages of selling in a particular market (7 mins)-  
 Prompt the participants asking them the following questions (5 mins)
  - i. Are there particular markets that individual farmers cannot access at the moment?
  - ii. Can the FPO access these markets more effectively?
- d. Conclude by establishing the key factors that affect each market and thus the price available in that market - Accessibility, Volume Requirements, Quality Requirements, Time of Purchase (Advance Selling vs Selling in the market) (5 mins)

**Task 3: What is the value chain of the product they are producing and the price differential at each step in the value chain? (35 mins)**

**Activity:** Carousel method group exercise

- a. Divide the participants into 4 equally sized groups and allocate one table to each one of them. Also allocate one crop to each group. (5 mins)
- b. Distribute oval cards with the steps of the value chain (Inputs, Production, Post-harvest, Market) on them to each group

Sowing	Aggregation
Seed purchase	Obtaining certificate and licence
Harvesting	Grading and Sorting
Drying	Transportation
Washing	Polishing
Fertilisers	Milling
Vermicompost	Packing (with branding)
Packing	Processing

- d. In addition, distribute rectangular cards which have each of the above points on each card.
- e. Ask the groups to arrange the cards under each of the sub heading cards and in order of how the steps are followed one after the other on the table assigned to them. They can add some more steps if not in the given cards. These cards must be placed on the table assigned to them.



- f. Now, after 15 mins of this activity, the Facilitator will blow a whistle or clap their hands and tell each group that they must now visit the table on their right for 5 mins. Each group will stop their work and go to the next group's table leaving behind one representative. The visiting group members will review the table and suggest changes etc. which the representative can agree to or disagree.
- g. After 5 mins, the Facilitator will whistle or clap and the groups will change tables, moving to the right. This will continue every 5 minutes till all groups have seen all tables. Finally, they will return to their original group table and review what changes were made and discuss and finalise.
- h. The Facilitator can now ask general questions to all:
  - How many steps are there between the input of seed purchase and an End Buyer / Consumer getting the product?
  - Is there a difference in the price that they sell at soon after harvest at the first point against the price at which the End Buyer / Consumer buys the commodity?
- i. Conclude by talking about "grading and sorting" and assured quality - key value added by the Intermediaries in the value chain.

**Task 4: Summing up and Link to Next Session (5 mins):**

- Summarise the whole session and ask participants to share their key learnings.
- At the end, share how in order undertaking various activities in the value chain would require understanding buyer expectations which will be covered in the next session.

## Annexures

1. Sample tables for Task 2

## Annexure 1: Sample tables for Task 2

**Sample Chart 1**

Crop	Who	Role they play	Advantage	Disadvantage
Ragi	Aggregators			
Mango	Traders	Buying and selling of produce	Cash payment Provides Credit	Poor pricing
Bottle Gourd	Commission agents	Sells produce to traders and other buyers taking a commission	Provides Credit Cash Payment no need to deal with traders	Poor pricing
Paddy	Millers	Buys produce, processes it and sells it in the market	Better Price than Traders bypass APMC etc.	Payment Strict Quality requirements

**Sample Chart 2**

Crop	Where	Accessibility	Frequency	Advantage / Disadvantage
Ragi	Mandi	5 Km	Weekly	Close to home
Mango	Direct Selling APMC	0 Km 15 Km	On Request Daily	Good Price, Quality standards, Purchase Assurance High Volumes, Poor Prices
Bottle Gourd	APMC – Chennai	200 Km	Daily	Good Price, Accessibility Issues

# Session 3.2: Aspirations of Farmers versus Market Realities

**Time: 55 mins**

## Session Objectives

By the end of 55 minutes, the session on “aspirations of farmers versus market realities” the participants would have:

- a. Understood expectations of buyers and aspirations of the farmers,
- b. Agreed on the role FPO can play to bridge the gap between the expectations and the realities.

No.	Content	Method/Activity	Time	Materials
1	Introduction and establishing session objectives	Introduction and establishing session objectives	5 mins	chart paper, pens
2	Farmer aspirations versus market realities	group activity	30 mins	chart paper, pens, board, Annexure 3.2.1
3	What role can FPO plan to bridge the gap?	What role can FPO plan to bridge the gap?	15 mins	cards, pens, chart paper
4	Summing Up and Link to the Next Session	Summing Up and Link to the Next Session	10 mins	board, pens

## Process (Detailed)

### Task 1: Introduction to Session Objectives (5 mins)

Start by linking this session to the previous session and then explain the session objectives using the pre-prepared chart

In the previous session, the understanding was on how to think of the market in terms of buying and selling. It also explained the various components in a value chain so that the BODs can understand the need to keep the market demand in mind from the input stage onwards

**Task 2: What do farmers and end buyers expect from the market in terms of quantity, quality and price? (20 mins)**

**Farmers versus buyers' expectations**

1. Divide the participants into two groups of 7-10 each. One group will represent buyers and the other group will represent farmers.<sup>9</sup>
2. Distribute the case study in Annexure 1 to the groups and ask them to discuss and write down a list of expectations. The first group will write down the list of farmer expectations and the second the list of buyer's expectations.
3. All the participants come together in a plenary and ask them to read out their list and put these on the board in 2 columns: farmers versus buyers.
4. Ask the following questions:

“What do we learn from this exercise?”

What will happen if aspirations don't match with realities?

Put down all the answers in points on a chart on the board.

**Expected Analysis**

1. Farmers looked at their cost of cultivation, risks and try to maximize their profits. They want entire produce, of all quality to be sold and expect price more than MSP, at the time of harvest and expect spot cash as per household requirements. Farmers interested to sell their own produce.
2. Buyers look for best quality, at lowest price and quantity as per requirement and payment as per business standards.

Facilitator summarises these points and explains that there may be situations where these differences can be sorted out and sometimes when they cannot.

**Expected response from participants**

- There will be problems in trading
- Farmers may not get the price they expect
- Buyers could incur losses
- No long-term relationship between FPO and buyer

**Task 3: Roles of FPO help in matching farmer aspirations with Market Reality (20 mins)**

1. Ask the question “Based on the earlier discussions, how can an FPO help in matching farmer aspirations with Market Reality?”
2. Distribute cards to each participant and ask them to write down 1 or 2 points each, one on each card.
3. Collect the cards and help them to cluster them on a chart into main action areas.

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9. In case the group is larger use your discretion and divide the groups

Expected action areas – Training of farmers on quality and grading, Interactions with buyers, marketing experiments, identifying relevant buyers, Studying the market demand, watching market prices and trends, looking at competition in the market, Aggregating produce and selling it.

**Task 4: Summing up and Link to Next Session (10 mins)**

Summarise the points and asks participants “Based on the learnings in this session, what do you plan to do in the next 1 month?”

## Annexures/Handouts

Annexure - 1: Buyer Farmer case study

## Annexure 1: Buyer - Farmer Case Study

### **For Group 1: Farmers**

The BoD of FPO of cotton farmers is meeting in August and planning to sell their members' produce which will be harvested between September to October. The farmers have grown cotton with staple length of 28 - 34 mm and higher moisture (due to expected rains). Farmers say that they might produce around 4000 MT, but individual farmers will decide to sell to FPO depending on price offered by FPO and want the procurement to happen at their doorstep – farmers need cash payment on the spot. Last year the MSP was Rs.5500 / quintal and this year, the cost of cultivation was around Rs.2500 / quintal – due to unseasonal rains, production expected to be lesser than normal.

### **For Group 2: Buyers**

Facilitator meets the buyer group and explains their situation – The buyers belong to Laxmi Cottons, Dharwad. They need cotton immediately. They require cotton with staple length of >32 mm and lower moisture (Ginning unit will not spin properly if moisture is high and more moisture = more weight). They need around 2000 MT (200 truckloads), and ready to pay after 3 days by RTGS to FPO account. Their current market price in Dharwad is Rs.5000/quintal,

# Session 3.3: Assessing the market need and demand: realistic versus ideal; short-term versus long term

**Time: 100 mins**

## Session Objectives

By the end of 100 mins. session on “Assessing the market need and demand: realistic versus ideal; short-term versus long-term”, the participants would have:

- a. Understood the different factors that affect market demand
- b. Learnt how to track these for demand projection

No.	Content	Method/ Activity	Time	Materials
1	Introduction and establishing session objectives	Discussion	5 mins	chart paper, pens
2	Factors affecting market demand and supply?	Group activity	30 mins	chart paper, pens, Annexure 3.2.1
3	Classification of factors	Brainstorm	25 mins	chart paper, pens, Annexure 3.3.2
4	How can the FPO track these factors to assess future demand and supply?	Group activity	30 mins	chart paper, pens
5	Summing Up and Link to the Next Session		10 mins	

## Process (Detailed)

### Task 1: Introduction to Session Objectives (5 mins)

Start by introducing the session objectives using a pre-prepared chart and get the agreement of the participants.

The previous session gave us an insight on the differences between farmers expectations and the buyer’s demands. This will help us work in this session where we focus on assessing the demand based on the market needs.

**Task 2: What are the factors affecting market demand and supply? (30 mins)**

- a. Ask the participants to select a crop that is widely grown in the area and ask their inputs on price range each year.<sup>10</sup>

Year	Price Range
2017	
2016	
2015	

- b. Create a table on the chart paper and write down the past three years or at most past five years. Taking inputs from the participants fill in the price ranges over the past three years.
- c. Once the Price Range has been obtained ask the participants to share factors for the price range and fluctuation. Write each factor on a card and stick it on the table. See Annexure 1 for sample table for Toor.
- d. After the participants have shared all factors, share any other critical factors that they may have missed.
- e. To further visually demonstrate the price movement, create a graph and mark the key factors affecting price movement.

**Task 3: How can they classify these factors - supply side / demand side, under their control / not under their control, short-term / long-term? 25 mins**

- List down all the factors arrived at during the previous activity on a separate chart paper.
- Ask the participants to classify the key factors into various categories and mark them on the chart paper.
  - Short-term - Long Term:** Ask the participants the following questions:
    - Are these factors that affect the price only for the current season or longer periods of time?
    - If they are short-term, why do they think they are short-term and vice versa.
  - Supply Side - Demand Side:** Ask the participants the following questions
    - Are these factors related to changes in production? These may include factors like weather, crop diseases, excessive sowing, imports, build-up of stocks
    - Or are these factors related to changes in demands? These may include factors like export bans, changes in eating patterns (like increase in consumption of fruits etc.)
    - Does the demand of essential commodities like rice, dal change over years?
  - Under their control - Not under their control:** Ask the participants the following
    - Which of the factors noted above are under your control and what factors are not in your control?
- The output may be a table similar to the one in Annexure 2

10. Prior to conducting this research, the crops grown in the area from where the participants are coming from and the price fluctuations over the past few years including the key drivers for the price changes. Further also research the seasonal trends to get an overview of how demand and price is affected seasonally.



**Task 4: How can the FPO track these factors to assess future demand and supply? 30 mins**

- a. Ask the participants to share their views on if these factors are going to be relevant over the current season alone or for the next few seasons.
- b. Ask them to share any other factors they think might be relevant to changes in future demand and supply.
- c. Ask the participants to list down ways and means through which they currently track how each factor may change over time. A few examples are listed below:
  - i. **Weather** - Through met department reports and how the weather has been so far
  - ii. **Export Ban** - Newspaper reports
  - iii. **High Stocks from previous year** - Stock data from various agencies.
  - iv. Other similar factors.
- d. These can be listed on a Chart paper and participants opinion solicited on how they can regularly track these factors.<sup>11</sup>
- e. Conclude by sharing how the identified long-term factors could assist the FPOs business planning and how they need to consistently track short-term factors to prevent losses.

**How market demand and supply changes seasonally?**

- a. Establish context by sharing how they had already analysed price movements year-on-year and there is also a seasonality component
- b. Ask the participants to select a crop that is widely grown in the area and ask their inputs on prices in each month/season. The best would be to list down the month starting with the current month in descending fashion so that they it is easier for the participants to remember the prices

Season	Month	Price
Summer		
Early rains		
Rainy		
Cold		
Pre - summer		

- c. Ask the participants the following
  - i. When does the harvesting begin and where does it end?
  - ii. Why is price higher in these periods?
  - iii. For crops with limited harvesting period, point out how the price starts reducing once the harvesting starts and more and more supply reaches the market.
  - iv. In case of products like sugarcane where there are set months during which procurement starts ask the participants if they can correlate the price to these factors.
- d. Conclude by summarising the following points
  - v. Supply and prices follow seasonality patterns

11. Please note that this is a brainstorming exercise and the purpose is that the participants should start thinking of these issues in a structured manner. There are no easy ways of assessing market demand and supply.

- vi. Best Prices in market may be in general obtained either at the beginning or end of harvesting season
- vii. There are critical factors that affect w incomplete

**Task 5: Summing up and Link to Next Session (5 mins)**

- a. Summarise the session and share how markets move both year and year and seasonally and the factors underlying both.
- b. Share that in the next session various responses FPOs may adopt will be discussed in detail.

## Annexures

- 1. Sample table for task 2
- 2. Sample table for task 3

## Annexure1: Sample Table for Task 2

Year	Price Range	Factors
2017	4000-5000	High production due good rains Good stocks from previous year
2016	6000-9000	Imports from South America lead to start of decrease in prices Unfulfilled demand from previous year High production due to good rainfall
2015	6000-10,000	Drought leading to failure of crop across major growing area, Major Diseases
...		

## Annexure 2: Sample Table for Task 3

Factor	Short Term/ Long Term	Supply / Demand	Under Control / Not Under Control
Good Crop Production due to good weather	Short Term	Supply	Not under control
High stocks from previous year	Long Term	Supply	Under control
Imports to fill immediate demand	Short Term	Supply	Not under control
Unfulfilled demand from previous year	Short Term	Demand	Not under control
Crop Disease	Short Term	Supply	Under Control
Export Ban	Long Term	Demand	Not under control

# Session 3.4: How can an FPO respond to the fluctuating market?

**Time: 75 mins**

## Session Objectives

By the end of 75 mins. session on “How can an FPO respond to the fluctuating market?”, the participants would have:

- a. Listed different strategies to mitigate or adapt to market fluctuations
- b. Discussed them in reference to their own products

No.	Content	Method/Activity	Time	Materials
1	Introduction and establishing session objectives	Discussion	5 mins	chart with objectives
2	What are the various responses to a fluctuating market?	Buzz Group Case-Studies	30 mins	caselets; 4 different coloured cards chart paper, pens
3	Clustering FPO responses into the different buckets	Clustering Activity	30 mins	cards from activity 2, chart paper, pens
4	Summing Up and Link to the Next Session	Discussions	10 mins	board, pens

## Process (Detailed)

### Task 1: Introduction to Session Objectives (5 mins)

Start by introducing the session objectives using a pre-prepared chart and get the agreement of the participants.

Now that we have gone through discussions on understanding the market demand and farmer supply, this session will help us understand what to do in a fluctuating market situation.

### Task 2: What are the various responses to a fluctuating market? 30 mins

- a. Divide the participants into small groups of 3-4. Each group will be given one small caselet (total of 4 caselets) which they have to go through and discuss in 5 minutes. (for caselet refer Annexure 1)

- b. Each group will answer the question given in the caselet in a blank card provided to them. Each caselet has a different coloured blank card. For e.g.: Caselet 1 – White; Caselet 2 – Yellow... and so on
- c. Once the 5 minutes are up a buzzer goes off and they take up another caselet which was passed on from the group on their left. After 5 mins. this process is repeated till every group goes through all the 4 caselets.
- d. So, if 8 groups have been formed, by the end of the four rounds, all the groups would have gone through all the caselets and give their suggestion. So, for each caselet there will be 8 answers. Ask each group to read out the answers so that all participants become aware of the answers arrived at by other groups.

### Task 3: Clustering FPO responses into the different buckets – 30 mins

1. Discuss the types of classifications for FPO responses some of which the participants may have arrived during the buzz group activity in the previous task.
  - a. **Long Term vs Short-term:**
    - i. Long Term responses include collective planning of sowing and harvesting, setting up a system for aggregation grading and sorting, creating storage facilities, or selling to end-buyers directly after obtaining etc. These require planning, investment and setup.
    - ii. Short-term responses require adaptation to the change in market condition for the current scenario. E.g. Finding out market players or alternate markets when markets undergo correction.
  - b. **FPO Level vs Farmer Level:** Certain responses may be more applicable at a Farmer level while other may be more applicable at the FPO level.
2. Which of these apply to the FPO's products?
  - a. The FPO responses to market fluctuations may further be broken down into the following four buckets
    - i. **What:** the kind of crops FPO farmers are planting and are available to the FPO to market will matter
    - ii. **When:** the price at which the FPOs or farmers can sell will depend on seasonality and how the market condition is when they actually harvest the produce.
    - iii. **How:** whether the harvested crops are sold without any value addition or with value addition (like de-husking, grading and sorting, polishing, milling, and packaging). Recall from the first session in this module how the FPO may be able to obtain a better rate as they undertake one or more activities in the value chain of the product.
    - iv. **Where:** the place where market produce is being sold - local mandi, haat, APMC or in a different city / state or even country is also a factor.

### Task 4: Summary – 10 mins

In the process of summarising, the Facilitator must stress the importance of the FPO board members using their own experiences and their product as the example to understand the market situation.

## Annexures/Handouts

1. Caselets for buzz for buzz group activity

## Annexure 1: Caselets for Buzz group exercise

### Caselet 1:

An FPO working with goat farmers. Market price of goats keeps fluctuating. For example, in off season, the price of a goat comes down below Rs.8000. During peak season (like during Bakrid festival) price of a goat reaches Rs.12000. Due to beef ban elsewhere in India in 2016-17, rumours spread that goat meat will also be banned. Due to this, market sale price of goats came down heavily and the goats which used to be sold for average Rs.10,000 were now selling at Rs.6,000.

Question: What can the FPO do in this situation?

### Caselet 2:

An FPO working with vegetable farmers. Tomato prices keep fluctuating all the time. As an experiment, the FPO supplied around 17 tons of vegetables to Big Basket at their procurement centre which was over 150 kms away from the district. They got around 30% more price for the vegetables, however, this price is only for Grade A, which forms about 25-30% of the farmers' produce. They got a very low price for the remaining B, C grades. Due to high cost of transportation, the FPO suffered losses in the first few years.

Question: What can the FPO do in this situation?

### Caselet 3:

An FPO dealing with dhal. The FPO sold 1 truck load of Tur to SHPL, a Bengaluru based private marketing company set up to promote zero pesticide products for farmers in the dryland regions. SHPL placed an order as all the produce was bio-pesticide sprayed Tur. SHPL had given 50% advance towards procurement and made the payment within 15 days of delivery. It again placed an order for 1 more truck load. However, due to the consignment failing to meet the quality standards, the FPO had to take back the stock.

Question: What can the FPO do in this situation?

### Caselet 4:

A buyer from Chennai is ready to purchase onions from the farm gate. The rate was fixed on Oct 16, which happened to be a day before the long Dasara celebration holidays. It was decided that the grading & loading will take place on Oct 20, as labour is not available on holidays.

On Oct 17, price in Yeshwanthpur market jumps suddenly. Farmers hear about the high onion prices and are very happy. But the buyer is very worried and gets in touch with the FPO to find out if they still want to sell the produce to him. He insists that prices once agreed upon must be honoured from both sides – and claims if there was a fall in prices, he would have still given the assured price.

The actual market price will be revealed two days later, after the holidays. Previous experience shows that prices are likely to fall as excess supply is expected. But this cannot be said for sure!

Question: What can the FPO do in this situation?

# Session 3.5: Planning for short term strategies to mitigate market risk

**Time: 105 mins**

## Session Objectives

At the end of this 105 min. session on “Planning for Short Term Strategies to mitigate market risk”, the participants would have:

1. Developed various short term adaptive responses to market fluctuations
2. Understood how to respond to price shocks and price rise situations.

## Process Summary

S No	Task	Methodology	Time	Material
1	Introduction and establishing session objectives	Explanation	5 mins	chart
2	Review of short-term strategies discussed in the previous session	Plenary Interaction	10 mins	chart, pens
3	What can FPOs do when there is a price shock?	Group brainstorming followed by Plenary Discussion	40 mins	chart paper, pens
4	How can FPOs take advantage of a price rise?	Group brainstorming followed by Plenary Discussion	40 mins	chart, pens
5	Summing Up and Link to the Next Session	Explanation	10 mins	board, pens
<b>Total</b>			<b>105 mins</b>	

## Process in Detail

### Task 1: Introduction and establishing session objectives – 5 mins

- 1.1. Explain the session objectives as mentioned above after linking it to the previous session

### Task 2: Review of short-term strategies discussed in the previous session- 10 mins

- 2.1. Ask the participants “What are the short-term strategies we discussed in the previous session. Expected response - Finding out market players or alternate markets when markets undergo correction, selling to processors and millers, direct selling to bulk



buyers, selling to retail companies like Big basket etc, waiting for prices to increase and then selling etc.

- 2.2. Ask the participants “What are the aspects that we should consider while planning for short term strategies in our FPO?” and cluster the responses Expected response – internal processes, market related activities

**Task 3: What can FPOs do when there is a price shock? – 40 mins**

- 3.1. Split the participants into 4 groups of 5-6 each and ask them to go through the caselet given in annexure.
- 3.2. Ask the participants to imagine they are the BoDs of HSFPFC – ask them to list the year wise major decisions (2 groups for each aspect) on internal processes, market related activities they will take as BoDs, when there is a price shock. – 15 mins
- 3.3. Each group gets 3-4 mins to present and get feedback from the participants.
- 3.4. At the end, the facilitator asks what could be the challenges in this strategy and how can the FPO prepare for it.

**Expected Response**

Internal Processes	Market Related Activities
Planning for procurement processes as per the requirements of the buyer or MSP procurement	<p>Closely following market trends</p> <p>Identifying alternate buyers to purchase the produce from the FPO. Negotiating the terms in favour of farmers</p> <p>Exploring possibilities of selling produce to Government agencies at MSP</p> <p>Ensuring payment collection from buyers</p>

**Task 4: How can FPOs take advantage of a price rise? – 40 mins**

- 4.1. Split the participants into 4 groups of 5-6 each and ask them to go through the caselet given in annexure.
- 4.2. Ask the participants to imagine they are the BoDs of the FPO called HSFPFC – ask them to list the year wise major decisions on internal processes, market related activities they will take as BoDs, to utilize storage to take advantage of a price rise. – 15 mins
- 4.3. Each group gets 3-4 mins to present and get feedback from the participants – 15 mins
- 4.4. At the end, the facilitator asks what could be the challenges in this strategy and how can the FPO prepare for it.

**Expected Response**

Internal Processes	Market Related Activities
<p>Discussing with members and agreeing upon the expected price</p> <p>Planning for procurement processes as per the requirements of the buyer</p>	<p>Closely following market trends</p> <p>Identifying alternate buyers to purchase the produce from the FPO and negotiating the price, in line with price expected by members</p> <p>Identifying storage space on rental</p> <p>Ensuring payment collection from buyers</p>

**Task 5: Summary – 10 mins**

In the process of summarising, the facilitator must stress the importance of the FPO board members using the learnings to their own FPO and plan for short term strategies to mitigate market risks.

## Annexure

1. Caselet on Hasnabad Farmer Service Producer Company Limited (HFSPC)

## Annexure - 1: Caselet on Hasnabad Farmer Service Producer Company Limited (HFSPC)

- The Hasnabad Farmer Service Producer Company Limited (HFSPC) that ALC India promoted in 2012 had just completed three full financial years of its functioning ending 31st March 2016.
- The details of the Commodity Output Marketing done by HFSPC is as follows:

Year	Quantity in Quintals	Total Value of commodities procured	Comment
2013-14	1514 qtls - Red gram 1635 qtls - Groundnut	Rs. 6256500 (4300/qtls) – Red gram Rs. 6542200 (4000/qtls)	SFAC NCDEX procurement under MSP
2014-15	714 qtls - red gram	Rs. 3730750 (5225/qtls)	Processing at the local Dal mill
2015-16	626 qtls	Rs. 6050700 (9665/qtls)	Some sale and some stocked at the warehouse

- In 2013-14, HFSPC transacted business in collaboration with NCDEX and SFAC. It was a useful experience for the organisation to interact with the market. Business wise, it was an unusual year. The Government of India had announced a Minimum Support Price (MSP) of Rs.4300/- per quintal for red gram whereas the open market price that the traders were offering at the end of harvest in November-December was just about Rs.3800-4000. In such a scenario, members found it lucrative to transact with HFSPC. In addition, another 500 quintals were procured at open market price and got processed into dal. The HFSPC hired a state run cooperative (District Cooperative Marketing Society) Dal mill in Tandoor, about 30 kms from Hasnabad, to process the raw dhal. It got the job work done in May 2014, paying per kilogram Rs.3.5 processing charges. Dal was sold to Hyderabad Agricultural Co-operative Association Ltd and a large trader in Shadnagar, 120 kms and 88 kms distance from Tandur respectively in the months of May and June. During this year, about 2000 quintals groundnut was also procured at MSP of Rs.3600/quintal whereas open market price was only Rs 2500/quintal. In total, HFSPC had done a business of Rs.135.43 Lakhs (Rs.65.10 lakh of Red Gram and Rs70.32 lakh of Groundnut) with NCDEX.
- The situation drastically changed in 2014-15. The market price at the time of the arrival of new harvest (at average of Rs.5700/ quintal) was higher than that of the MSP (Rs.4500/ quintal). Farmers were thus not interested in taking the offer of MSP. Due to lack of working capital on time and growing interest of the members due to timely payments previous year, HFSPC entered into agreement to supply Tur to a miller in Bidar. 1002 quintals of procurement was done and supplied to the Bidar miller. The Raw Tur was dispatched in 17 ton trucks to Bidar which is 112 kms from Hasnabad. The first few consignments were paid online to ensure that the entire stock is received. However, after about a month or so, the trader dishonoured the cheques while the stock was already dispatched. The HFSPC thus was caught in a situation that it had sold stock worth over RS 1 crore but the commitments were not made and threatened to become bad debt. After almost 8 months of follow up and visit by ALC India and HFSPC board to Bidar, this money due to the HFSPC was recovered with interest. It was a lesson for the HFSPC.
- In 2015-16, the HFSPC sold 1 truck load of Tur to Safe Harvest Private Limited (SHPL), a Bengaluru based private marketing company set up to promote zero pesticide products for farmers in the dryland regions. SHPL placed an order as it was all bio-pesticide sprayed

Tur. SHPL had given 50% advance towards procurement and made the payment within 15 days of delivery. It again placed an order for 1 more truck load. However, due to the consignment failing to meet the SHPL standards, HFSPC had to take back the stock from the SHPL miller in Hyderabad. It saw it as an opportunity to store red gram in a warehouse, financing of that coming through a warehouse receipt loan. We have explained that later. When the case writer visited the HFSPC in April 2016, the producer company had a stock of 30 tons in the warehouse pledged to the bank.

- While HFSPC was not showing huge net profits, it had managed to be operationally self-sufficient. Importantly, it was holding in the rented warehouse 30 tons of 'yellow gold', a precious commodity Toor Dal (Red Gram, also called as Arhar Dal in North India) prices of which were slated to go upwards in the next few weeks. The maiden warehouse receipt experiment of HFSPC, after all, might work, thought the promoters. There were reports of the Dal price likely to touch new highs and the government acting against hoarders and releasing 10,000 tons of Dal in the open market from its buffer stocks procured in earlier years. In such an event, the prices might be contained at around 12,000 Rs a quintal, which was not good news for the FPC, they thought.

Source: (Hasnabad Farmer Service Producer Company Limited (HFSPC), Institute of Rural Management at Anand (IRMA) <https://bit.ly/2SZqENP>)

# Session 3.6: Networking and stakeholder engagement

**Time: 120 mins**

## Session Objectives

By the end of 120 mins. session on “Networking and Stakeholder engagement, the participants would have:

- a. Understood the need for networking & methods of stakeholder engagement
- b. Identified the various stakeholders in an FPO
- c. Classified them into enablers and distractors based on their relationship with the FPO.

No.	Content	Method/Activity	Time	Materials
1	Introduction & objectives	Reading out	5 mins	chart paper
2	What is the need for networking and stakeholder engagement?	Game followed by Plenary Dialogue	20 mins	space
3	How good stakeholder engagement can help the FPO achieve success?	Case Study followed by Plenary Dialogue	20 mins	Annexure 3.5.1
4	Who is a Stakeholder? Listing out stakeholders	Plenary Dialogue using cards	15 mins	chart paper, pens
5	Classifying stakeholders - Who are primary, secondary and tertiary stakeholders?	Group Activity followed by Plenary Discussion	20 mins	chart paper, round cards of three diff. sizes and colours Annexure 3.5.2
6	Who are enablers and distractors?	Plenary Dialogue / Game	30 mins	Annexure 3.5.3
7	Summing up & Link to next Session	Discussion	10 mins	board, pens

## Process (Detailed)

### Task 1: Introduction to Session Objectives (5 mins)

Start by introducing the session objectives using a pre-prepared chart and get the agreement of the participants.

**Task 2: What is the need for networking and Stakeholder engagement? (20 mins)**

- a. You need a large space for this – either a big hall or a small playground.
- b. Start by explaining the chain game to the participants. The game consists of a ‘denner’, whose aim is to catch the other players. Once the denner catches a player, the player becomes part of a chain (which is formed by holding hands) and then has to help the denner in catching the remaining players. This process continues till the chain has captured everyone.
- c. Ask the participants to share their experience.
- d. Prompt them by asking the following questions:
  1. When was the chain more effective - in the beginning or in the end?
  2. Did you see how the chain started becoming more and more effective as more people joined in.
- e. Establish how the single person who started catching other participants is like an FPO and all other participants who are running around are stakeholders. Once the FPO starts engaging stakeholders it starts becoming more powerful.

**Task 3: How good stakeholder engagement can help the FPO achieve success? (20 mins)**

1. Distribute the case study in ‘Annexure 1 with the participants. Or if it is felt that it will be more effective to narrate the story then the case study can also be narrated.
2. Prompt the participants asking them the following questions:
  - i. What do they learn from the case study?
  - ii. The FPO was only focusing on input business. In the long term is it very profitable?
  - iii. What enabled the FPO to market their produce directly?
  - iv. Would they have been able to do this without the support of horticulture department?
3. Establish the importance to building a network and good stakeholder engagement.

**Task 4: Who is a Stakeholder? Listing out stakeholders (15 min)**

First some brief introduction as to the meaning of stakeholder.

A stakeholder is either an individual, group or organisation who is impacted by the outcome of a project. They have an interest in the success of the project and can be within or outside the organisation that is sponsoring the project. Stakeholders can have a positive or negative influence on the project.

- a. Start with discussing the meaning of the word **Stakeholder**.
- b. Ask the participants to list out examples of people or institutions they interact with in an FPO business. Start from one end of the group to the other end so all get a chance to name a stakeholder.
- c. Once the participants have listed out all stakeholders then check if any particular stakeholders are missing.

**Task 5: Mapping Stakeholders (20 mins)**

Follow the process of creating a Chapati (Venn diagram) listed in Annexure 2

**Classifying Stakeholders - Who are primary, secondary and tertiary stakeholders?**

- a. Share that Stakeholders can also be put into 3 categories – very important, somewhat important and not important.
  1. The very important group includes the direct beneficiaries – examples include Board of Directors, farmer groups and farmers.

2. The somewhat important group will include all important and positive influencers – suppliers, market players, NGO or training staff, govt. dept staff etc.
  3. The not important stakeholders will be those who are required but not on a day to day basis – donors, banks, media, etc.
- b. Once a stakeholder has been classified then list them on the different sized “chapatis” in order of importance (bigger chapati more importance).
  - c. Once they complete the chapati or Venn diagram exercise, they must display it on the board and explain it. Based on the discussions, this can be finalised.

*The Facilitator must stress that in case any very important stakeholders are currently in the outermost circle, it is the aim of the FPO to bring them into the inner circle through effective networking.*

#### **Task 6: Understanding Enablers and Detractors - Blindfold Game (30 mins)**

- a. Divide the participants into groups of 8 people each. Further sub-divide the groups into three sub-groups: three will be enablers, the other three members will be distractors. Rest will be acting as the blind people.
- b. Give the blindfolded participants an instruction to move from point 1 to point 2.
- c. Instruct detractors to distract the blindfolded participants from reaching their destination by shouting out wrong instructions.
- d. Instruct enablers to help the blindfolded participants to reach their destination.

After the game is over, ask all the three categories participant’s enablers, distractors and blindfolded participants their experience. During this different type of questions can be asked to the blindfolded participants (do this in front of the group everyone is able to hear the discussions):

- a. How did you decide which advice you should follow?
- b. What was the basis of believing the instructions you were receiving?
- c. Were you able to identify if a particular voice was directing you in right way or wrong way?

Now they can go back to their chappati diagram and mark E on the cards they think are enablers and D on the cards that are detractors.

During this process you can ask participants their experience with enablers and distractors. E.g. For FPOs particular buyers or input suppliers may have been very friendly in the beginning but later turned out to be distractors.

Establish the following points:

- b. How certain stakeholders act as enablers or distractors.
- c. Identifying them takes time, and participants have to act wisely/ discuss well.
- d. Experienced advice could be utilized to identify enablers and distractors.

#### **Task 7: Summing up and Link to Next Session (10 mins)**

At the end of the session, summarise the various stakeholders and the need to identify them into enablers and distractors. Ask for participants experience out of this exercise.

## Annexure/Handouts

1. Case study for Task 3
2. Handout on how to do a Venn diagram
3. Stakeholder list diagram

## Annexure 1: Case Study

An FPO XYZ based in Chikballapur district was solely relying on input business for its income. Most farmers in the FPO were onion growers and they wanted to get into the business of aggregation and selling the produce (and if feasible exporting their produce). It was decided in the board meeting that they will approach the horticulture department and ask for support in finding buyers. Initially they met the concerned officials but did not get much support. They invited the officials to one of their board meetings during which they again discussed the possibility of export of onions. Two months after the meeting, the department was able to help them and connected them to a buyer in Malaysia. They were able to finalise an initial deal - the horticulture department supported the FPO in drafting the agreement with the buyer.

The buyer subsequently set up infrastructure for grading and sorting in their area. They are now selling regularly to the buyer and persistent engagement with the horticulture department has ensured that they are getting a much better price for their produce.



## Annexure 2: Venn Diagram to ascertain Stakeholder Importance

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

\*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 (FPO). Some of the reasons why the FPO needs to link up with other institutions are:

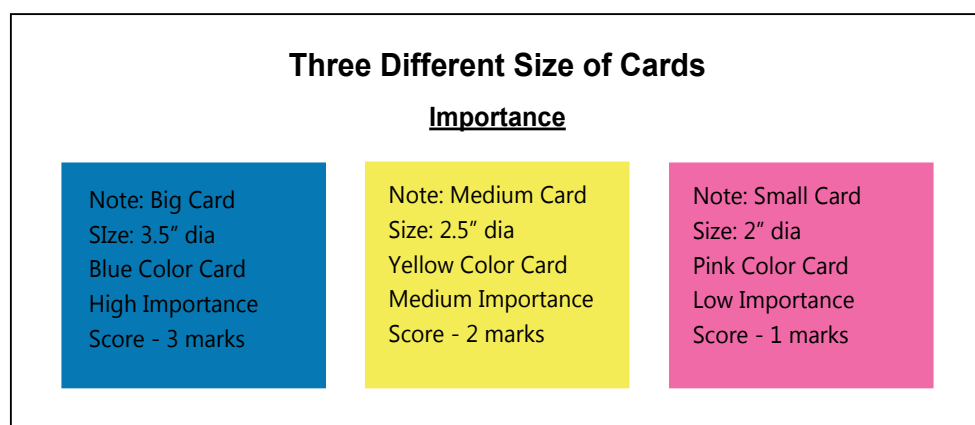
1. To mobilise essential resources like finance, agricultural inputs, information, marketing & liaison, value addition and other services required for the activities of FPO and its members.
2. To take up some of the services which the Resource Organisations provide after their withdrawal.
3. To have 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 FPO. This enables the board to be alert and monitor regularly to minimise any harmful effects or outcomes.

### How to do a Venn Diagram for Stakeholder Mapping

Chapatti diagram exercise for stakeholder identification

**Activity Objective:** To analyse the present status of network and linkages with FPO  
Venn diagram is one of the PRA methods to understand the importance and the relationship between formal and informal Institutions. The participants have to draw the present status of linkages and to show in Venn diagram as given below.



### 1. Tasks / Instructions

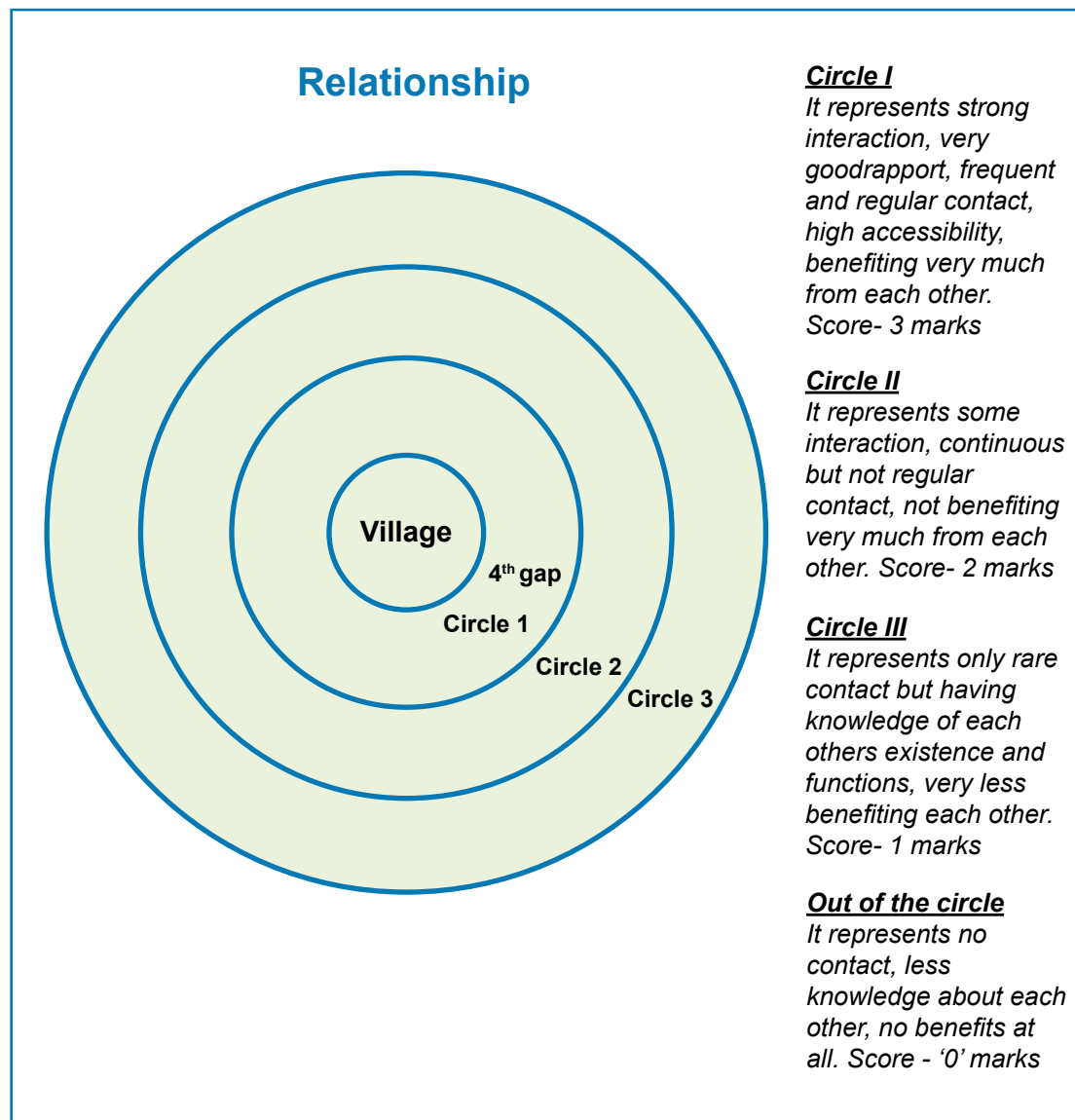
- a. Take a brown sheet and make three circles around the centre of the brown sheet
- b. Take drawing sheets of three different colours such as Blue, Yellow and Pink and make three sizes of chapatti's as per the given diagram
- c. Explain the purpose of the exercise.
- d. Using the list of stakeholders done earlier, the participants should now decide who is a very important, somewhat important or not so important stakeholder based on the importance of that stakeholder to the FPO. The primary stakeholders will be listed on the largest chapatti, the secondary on the medium sized chapatti and the tertiary on the smallest chapatti.
- e. Take each card [chapati] and ask the participants to analyse the degree of their current Relationship. Those that have the strongest relationship will go into the innermost circle,

those with some relationship in the middle circle and those with hardly any interaction in the outer circle (see diagram below)

- f. Stick all the cards in the respective circle

### Analysis

- Identifying stakeholders who are closely working with the FPO.
- Identifying which stakeholders remain unengaged/ left out.
- Establishing the need to engage particular stakeholders who could be beneficial.



### Tips for the trainer

- Please prepare 3 different sizes of chapattis in 3 different colours by drawing sheets (big size – 15-inch, medium size – 10 inch and small size – 5-inch chapatis) as shown in the “importance diagram”
- Take a brown sheet and draw 4 circles as shown in the “relationship diagram”
- If the participants are from different FPOs let them sit in their respective small groups and undertake this exercise because the stakeholders in each FPO will be different. Once individual groups are done with the exercise then you can do a common discussion.

## Annexure 3: Stakeholder Classification Examples

Primary	Secondary	Tertiary
<ul style="list-style-type: none"> <li>• Users/Beneficiaries (Male, Females, Children, Elderly, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Local Authority</li> <li>• Direction of Municipality Technical Services</li> <li>• Traditional Authorities</li> <li>• NGO and Development Projects</li> <li>• Businessess and Suppliers</li> <li>• Decentralised Government Services</li> <li>• Research Institutions</li> <li>• School and University</li> <li>• Services Providers</li> </ul>	<ul style="list-style-type: none"> <li>• Financial Institutions and Donors</li> <li>• National Authorities (at all levels)</li> <li>• Opinion Leaders</li> <li>• Civil Society</li> <li>• Foreign Cooperation Agencies</li> <li>• Media</li> </ul>

## Session 3.7: Special situations where networking skills are required

**Time: 90 mins**

### Session Objectives

By the end of 90 mins. session on “Special situations where networking skills are required”, the participants would have:

- a. Understood the how to identify possible situations where networking skills are required

### Process summary

S No	Task	Methodology	Time	Material
1	Introduction and establishing session objectives	Explanation	5 mins	chart paper
2	Understand few situations in FPOs where stakeholder engagement in required	Role play	40 mins	Annexure 3.6
3	Identify situations in FPOs where stakeholder engagement is required	Guided Brainstorming + Clustering	20 mins	cards, chart papers, pens
4	Identify skills required for effective networking in such situations	Guided Brainstorming + Clustering	20 mins	card, pens, chart paper
5	Summing Up	Plenary Dialogue	5 mins	board, pens
<b>Total</b>			<b>90 mins</b>	

### Process in Detail

#### **Task 1: Introduction to Session Objectives (5 min)**

Start by introducing the session objectives using a pre-prepared chart and get the agreement of the participants.

The previous session gave us a chance to understand who are stakeholders are, how important they are to our FPO business, and what is the current relationship the FPO has with them.

**Task 2: Understand few situations in FPOs where stakeholder engagement is required (40 mins)**

- a. Divide the participants into two groups.
- b. Explain the task - Each group has to discuss and decide on one situation (see Annexure 1 for situations), where networking skills are required, in FPOs. Apart from the one situation which was selected, the other situations discussed can be noted for further discussion.
- c. Each group enacts the situation - 10 mins each.
- d. Facilitator then asks the plenary “What did we learn from this role play?”

Expected responses - In some situations, FPO cannot achieve success without networking with other stakeholders. We have to systematically identify the situations in which networking skills are required in FPOs

**Task 3: Systematically identify situations in FPOs where stakeholder engagement is required (20 mins)**

- a. Facilitator distributes cards to the participants and asks them to write/draw one or two situations faced by FPOs, where networking skills are required
- b. Facilitator collects the cards and clusters them according to FPO functions - Example clusters - FPO formation, Input business, Output Business, accessing schemes from Government, Raising funds etc. If some of the cards do not fit into these clusters, keep them separately and form a new cluster.
- c. Facilitator summarises the chart and asks questions, if any clusters mentioned above are missing in the list.

**Task 4: Identify skills required for effective networking in such situations (20 mins)**

- a. Facilitator distributes cards to the participants and asks them to write/draw one or two skills directors/ CEO must develop in order to be good at networking to handle situations faced by FPOs. It must be clarified that everyone need not have all the skills, but the BoD had to identify directors/ staff with required skills.
- b. Facilitator collects the cards and clusters them into related skills - example skills - Leadership, Unity, no partiality, Always keeping best interests of FPO in mind, communication, regular involvement of stakeholders in FPO events etc.
- c. Facilitator summarises the chart and asks questions, if any clusters mentioned above are missing in the list

**Task 5: Summing up (5 mins)**

At the end of the session, summarise the various situations where networking is required and skills that must be developed, and takes commitment from participants to work towards developing these skills.

## Annexure

1. Situation cards for exercise

## Annexure 1: Situation Cards for Exercise

### Situation – 1 – Input Procurement

- An FPO 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 FPO to get inputs License, they must have a graduate (BSc Agriculture) in their FPO. The FPO identifies a consultant who will support them.
- The FPO 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 FPOs in the area, also requires inputs, but they do not have licence, so our FPO decides to supply inputs to those FPOs- BoDs have a meeting with other FPOs BoDs to decide the terms (what inputs, quantity, price, how payment will be made etc).
- The FPO 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 FPO 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 FPO 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 FPO had assured doorstep delivery of inputs (for that, after negotiation, IFFCO/KRIBCO agreed to set up a stall in FPO office). Though FPO 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

- FPO is planning to sell maize, Ragi grown by its members to buyers directly.
- For this, FPO requires APMC marketing license, which its gets after applying and paying a bank deposit (Rs.10,000). As per rules, FPO has to pay 1.5% cess for every sale, to the APMC.
- The FPO contacts several buyers – companies like Navdhanya, Kasturi, Glory Impex etc, and negotiates the terms (quantity, price, delivery, payment etc.)
- The FPO 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 FPO. 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 FPO, which is to be repaid, as soon as FPO receives money from the buyer.
- The FPO 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 FPO to go along with the truck.
- The FPO assigns responsibility to the CEO to handle the procurement, payment collection etc. smoothly. The FPO also asks the CEO to try and develop long term partnerships with buyers so that FPO can get better terms and assured market.

# Session 3.8: Methods of Stakeholder Engagement

**Time: 65 min**

## Session Objectives

By the end of 65 min. session on “Methods of Stakeholder engagement”, the participants would have:

- a. Been made aware of various methods of stakeholder engagement
- b. Understood how to collaboratively prepare a networking plan

No.	Content	Method/ Activity	Time	Materials
1	Introduction	Read out objectives	5 mins	chart paper
2	What are various methods of stakeholder engagement?	Brainstorming	15 mins	chart paper/ board, pens
3	How to create a stakeholder engagement and networking plan?	Group work followed by group presentations	40 mins	chart paper with columns, pens
4	Summing Up	Plenary Dialogue	5 mins	board, pens

## Process (Detailed)

### Task 1: Introduction to Session Objectives (5 min)

Start by introducing the session objectives

### Task 2: What are the various methods of stakeholder engagement? (15 min)

- a. Ask the participants to share various methods of stakeholder engagement.
- b. Each answer can be listed on a board or a chart paper.
- c. If they miss particular methods, prompt them with suggestions. A list of some of the general methods is listed below:
  - i. One-on-one Meeting
  - ii. Group Meeting
  - iii. Organising Events and inviting stakeholders
  - iv. Inviting Stakeholders to BOD meetings
  - v. Phone calls
  - vi. WhatsApp Groups

- vii. Disseminating information through WhatsApp
  - viii. Email, Skype meetings, etc.
- d. Share that there are multiple methods of stakeholder engagement and the participants can pick and choose what suits them.

**Task 3: How to create a stakeholder engagement and networking plan? (40 mins)**

1. Ask the participants to get into three groups and open up the Chapatti Diagram done in the earlier session and look at all the stakeholders they had listed earlier.
2. Give them a suggested framework for developing the plan as shown below. For each stakeholder ask the participants to make plans taking into account if they are enablers or distractors, and primary, secondary or tertiary stakeholders.

Name of stakeholder (if institution, name of contact person with designation and role)	Reasons for Linking	How to engage with them	Name of person responsible for initiating link	By when	Constraints (in linking)	Ways to overcome constraints? Whose support?

3. Ask each group to come and present their engagement plans. Ask participants to learn from each group and make their plans more robust. If there are any methods of engagement, they may have missed support the groups by adding those.

**Task 4: Summing up (5 mins)**

At the end of the session, summarise the various methods of engagement and conclude by getting a commitment from Board of Directors to follow the plan shared.



# MODULE 4

## MANAGING THE FPO

Module 4	Managing an FPO - HR & Finance Functions	
Session 1	Introduction to HR and roles of the staff in the FPO operations	100 mins
Session 2	Introduction to basics of finance in an FPO	105 mins
Session 3	FPO Operations - Need for Understanding and Planning various resources - Part 1	75 mins
Session 4	FPO Operations - Need for Understanding and Planning various resources - Part 2	90 mins
Session 5	Basics of Finance: Budgeting, Working Capital, Cash flow; Raising funds; Managing share capital; Investment financing	135 mins
Session 6	Basics of Finance   Costing and Profitability	110 mins
Session 7	Assessing the Financial position of the FPO for its operations	150 mins
Session 8	Introduction to Recruitment process	105 mins
Session 9	How to leverage available resources and provision for future needs	65 mins
Session 10	Different scenarios in efficiently managing resources using simulation	125 mins
	<b>TOTAL TIME FOR MODULE 4</b>	<b>1060 mins (approx. 18 hours)</b>

# Session 4.1: Introduction to HR and Roles of the Staff in the FPO Operations

**Time: 100 min**

## Session Objectives

By the end of this 100 min. session, on Introduction to HR and roles of the staff in the FPO operations the participants should be able to understand about

- a) HR processes – Recruitment, Retention and Retrenchment
- b) be aware of the HR related laws applicable to their FPO.

## Process Summary

S No	Task	Methodology	Time	Material
1	Introduction	Explanation	5 mins	chart with objectives
2	Understand the importance and the need for HR guidelines for Recruitment, Retention, Retrenchment, compliance to HR laws.	Role-play, with Fish Bowl arrangement	30 mins	chart paper, pens, Annexure -1
3	Think about various situations related to Recruitment, Retention, Retrenchment, compliance to HR laws.	Buzz Group Activity based on situations	30 mins	Annexure 2
4	List some of the key points to be included in HR guidelines.	Group Exercise	30 mins	
5	Summary	Explanation	5 mins	
<b>Total</b>			<b>100 mins</b>	

## Session Details

### **Task 1: Introduction - Explain the Objective of session – 5 mins**

Recap the previous session and lay a base for current session.

Since this is the first session in this module, the Facilitator can explain that the FPO should be having a basic understanding in the area of statutory requirements, marketing and networking. Now this module will have sessions that focus on management of the FPO and its resources.

State the objective for the session.

### **Task 2: Understand the importance and the need for HR guidelines for Recruitment, Retention, Retrenchment, compliance to HR laws – 30 mins**

**Activity:** Role-Play, with Fish-Bowl arrangement

#### **Steps**

1. Explain the task – Two groups will be formed and given 1 situation (Annexure-1). One group will be given relevant guidelines along with the situation and the other group will explain how to deal with the situation without any guidelines<sup>12</sup>. The groups will be given 5 mins for preparation – 5 mins
2. The first group (without guidelines) will enact the response to the situations, while the other participants will stand around the group and observe the role-play – 10 mins
3. The second group (with guidelines) will now enact the response to the same situation, while the other participants will stand around the group and observe the role-play – 10 mins
4. At the end of the exercise, the groups come together in a plenary and discuss what they observed – 5 mins

Expected Response: Not having guidelines may lead to conflict while having guidelines help to deal with situations without unnecessary problems. The Facilitator could use the impact of difference scenarios for the participants to reflect upon and for eliciting views.

#### **Concept Conclusion**

Most of the situations faced by FPOs require BoD and CEO to take shared responsibility to work on them. There are specific responsibilities in some situations, examples - signing of cheques and conduct of AGM.

### **Task 3: Situations related to Recruitment, Retention, Retrenchment, compliance to HR laws. – 30 mins**

**Activity:** Buzz group discussion

12. Facilitator must explain to the “no guidelines” group that the roleplay does not indicate good or bad work of their FPOs, but is meant only to show what problems may arise, so they must enact their role to the fullest, so that other participants can learn from it.

### Steps

1. Explain the task – this is a buzz group<sup>13</sup> – Each group will be given cards (Annexure-2) and get 2 mins to read and write the first thing that comes to their mind in response to each situation. – 2 mins
2. Form small groups of 2-3 participants each and give 1 card to each group. The groups are given one situation per group - 3 mins
3. After 90 secs, the Facilitator blows a whistle and asks the groups to hand over their chit to the group sitting next to them in clockwise direction. Again, the groups get 90 secs. to work on the next situation. This way, each group will work on all the situations – 15 mins
4. At the end of the exercise, the groups come together in a plenary and each read out their responses. The other groups will add any new points. This will go in rotation till responses to all 10 situations are collected. Facilitator can cluster the points on a brown chart as per illustration of HR functions (see Annexure -3) - 10 mins

### Concept Conclusion

HR guidelines must attempt to bring in merit/performance, fairness/transparency, self-development of staff in all HR functions - recruitment, retention, retrenchment and compliance to laws.

#### **Task 4: Key points to be included in HR guidelines – 30 mins**

**Activity:** Small group discussion

### Steps

1. Facilitator will divide the participants into four small groups and explain the task. – 2 mins
2. Each group will discuss the key points to be included in HR guidelines and write them on cards.
  - a. Group 1 will look at Recruitment,
  - b. Group 2 will look at Retention,
  - c. Group 3 will look at Retrenchment and
  - d. Group 4 will look at compliance to laws. Each group will be given a template with headings from the HR guidelines. For the group working on compliance, a table will be given with eligibility conditions (when does the law apply to FPO) and briefly what the law states

The headings could be as follows:

- **Authority** - Assignment of authority for regular HR actions and decisions, delegation of authority to staff, authority to sign contracts/documents
- **Policy** - Policy statement on conflicts of interest, potential conflict situations
- **Work Responsibility** - Clear responsibility for managing programs and staff supervision.
- **Reporting Responsibility** - Clear responsibility for preparing, recommending and submitting timely reports to the Board / donors.

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13. Facilitator Tips – Do not give more time to groups even if they ask for it. It is ok if some groups are not able to write any response for a few situations, the idea is to

3. Group will present their work and stick the cards on the brown sheet using this format

Authority – who is authorised for this area; signing	
Policy – what points will be included in policy, resolutions etc. for this area	
Work responsibility – who has clear responsibility for managing programs/ staff	
Reporting responsibility – who has to prepare, recommend, and make reports	

### Concept Conclusion

Participants can continue the discussions within their organisation and devise HR guidelines for their FPO and the guidelines must be approved by the BoD so that it can be used in the day to day HR management of the FPO.

#### Task 5: Summarise the session – 5 mins

- The Facilitator will repeat the major learnings from the sessions and summarise the session and discuss next steps.
- Establish link to the next session.

## Annexures

1. Situation Cards for Role Play
2. Situation Cards for Buzz Group Exercise
3. HR Functions
4. Job Description, Evaluation format, Interview Questions

## Annexure 1: Situation Cards for Role Play

The Facilitator can select any one situation for the exercise.

**Situation 1:** The CEO of an FPO says due to personal issues he is submitting his resignation and informs the chairman of the FPO.

No-Guidelines group	Guidelines group
<p>Chairman allows the CEO to leave on the same day and informs the other directors over phone. After 2 weeks, some of the members inform the BoD that they had given money towards share capital to the CEO and asks for their share certificates. BoD then realise that the CEO had left without depositing the money.</p> <p><b>Impact:</b> results in chaos and lot of work to be handled by FPO Management</p>	<p>Follow the HR guidelines:</p> <ol style="list-style-type: none"> <li>When any staff wants to resign, the resignation letter will be submitted to the BoD and the board will decide whether to accept the resignation or not.</li> <li>If the resignation is accepted, the staff will be given a one month notice period, before being relieved from his/her responsibilities.</li> <li>Before the notice period ends, the staff must submit a no-due certificate, to the BoD, clearing all dues and handing over all documents and work to the in-charge person.</li> </ol> <p><b>Impact:</b> Although the resignation may create a void, but it can be better managed by the FPO Management</p>

**Situation 2:** The Admin Manager of an FPO says she has been working with the FPO for 6 months and asks for increment.

No-Guidelines group	Guidelines group
<p>CEO argues with the Admin Manager and say that FPO has no money to give her an increment now. She says another FPO where her friend works, has given a salary increment, and her friend told her that all FPOs give salary increment after 6 months. Some of the directors say she hasn't done good work in the last 6 months, so she can either take the same salary or she can leave the organisation.</p> <p><b>Impact:</b> Results in unsavoury atmosphere in the FPO staff and also, puts pressure on FPO management to manage the expectations of staff thereafter</p>	<p>Follow the HR guidelines:</p> <ol style="list-style-type: none"> <li>After a staff completes working for a year with the FPO, the staff's performance will be assessed by the CEO and if the staff has performed well, she or he will be eligible for an increment.</li> <li>The increment % for the year will be decided by the BoD looking at the past year's performance of the FPO.</li> </ol> <p><b>Impact:</b> Results in evolving better governance and transparency w.r.t. following set guidelines and processes of the FPO</p>

**Situation 3:** The accountant of the FPO has taken 25 days leave in the last 6 months and wants to take more leave.

No-Guidelines group	Guidelines group
<p>CEO argues that the accountant has taken too many leave and because of that the work of the FPO is getting affected. The accountant says he must settle some issue at home, so he needs leave. CEO says that if he takes leave, his pay will be cut. Accountant complains to Directors that CEO is against him and it is not mentioned anywhere that he cannot take leave.</p> <p><b>Impact:</b> Results in a situation which could have been easily avoided and from becoming unpleasant for both sides</p>	<p>Follow the HR guidelines:</p> <ol style="list-style-type: none"> <li>a. Each staff will be eligible for 10 days per year of casual leave and 15 days per year of sick leave.</li> <li>b. Beyond this leave limit, if the staff takes more leave, it will be on loss of pay</li> </ol> <p><b>Impact:</b> Sets the processes for all staff to follow</p>

**Situation 4:** Interview is being conducted for the post of Admin Manager

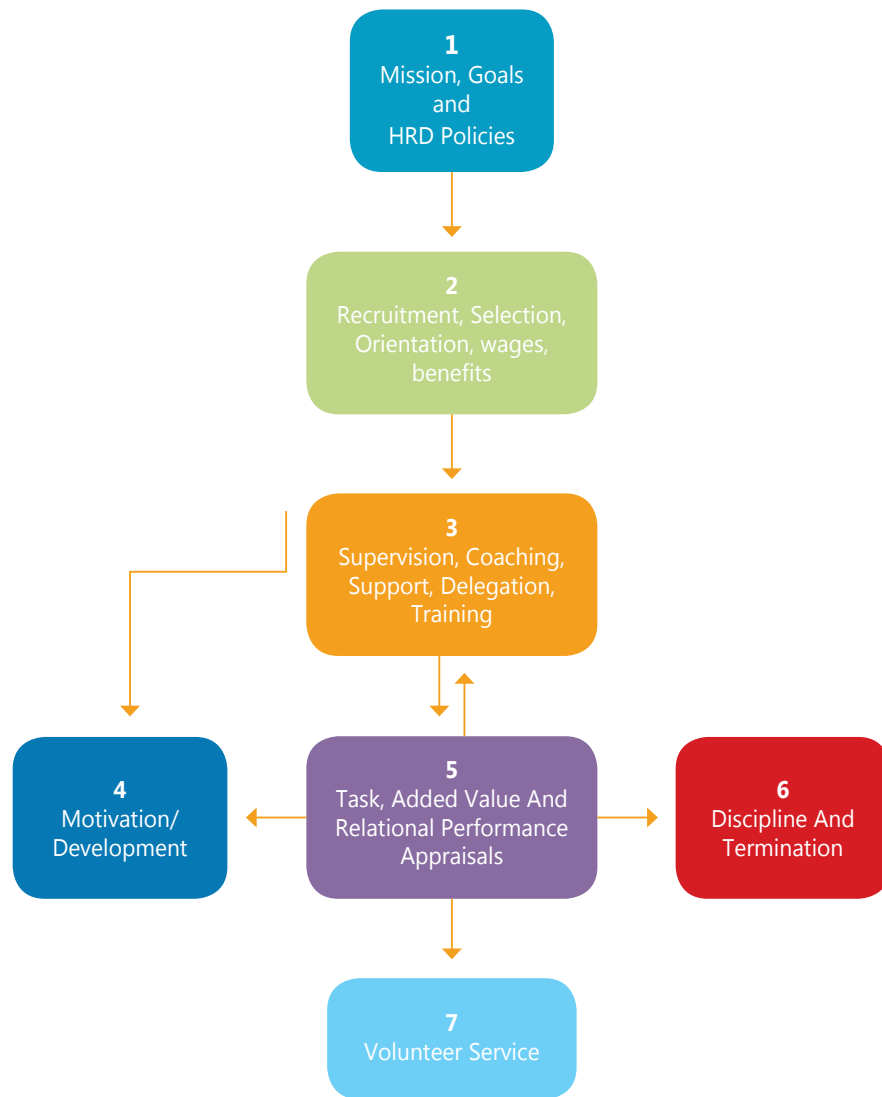
No-Guidelines group	Guidelines group
<p>CEO and Chairman give a lecture on how staff must work, and don't allow the candidate to speak. They finally ask questions to which only answer of candidate is Yes/No. Candidate asks them about job responsibility to which CEO is unclear - says everyone does every work in our organisation.</p> <p><b>Impact:</b> Results in poor understanding of role clarity and responsibility and there could be mismatch in expectations of both sides</p>	<p>Follow the HR guidelines:</p> <ol style="list-style-type: none"> <li>1. Interview panel must be constituted by CEO.</li> <li>2. Before interview, the panel must go through the job description and qualification (see Annexure for Job Description) and have a list of questions to be asked to candidates</li> <li>3. Panel will have an evaluation format (see Annexure for evaluation format)</li> <li>4. During interview – make candidate comfortable and allow them to speak and ask additional questions where necessary.</li> </ol> <p><b>Impact:</b> Results in better understanding and clarity of roles and responsibilities, expectations and competencies.</p>

## Annexure 2 : Situation Cards for Buzz Group Exercise

1. FPO is planning to recruit an accountant – *What are the steps in recruitment?*
2. CEO has completed one year of working, and BoD wants to evaluate her performance – *How will we evaluate performance?*
3. Accountant has completed one year of working, and is asking for a salary increment – *How will BoD decide on salary increments?*
4. A new CEO has just joined, and does not have experience of working with FPO earlier – *What steps will we plan for the 1st six months?*
5. Field staff of FPO complains that a member of the FPO misbehaved with him – *How will BoD address the problem?*
6. A staff has been found to be misusing FPO money – *What action will the BoD take?*
7. A field staff suffers an accident while travelling to a village in the night for FPO work – *What action will BoD take to assist the staff?*
8. FPO receives a notice from state government for non-payment of professional tax – *What can BoD do to avoid such situations?*
9. An accountant of FPO has been irregular at work, and CEO has received several complaints – *How will BoD/CEO deal with non-performing staff?*
10. A lady accountant complains that the CEO has been harassing her – *What action will BoD take to address the issue?*



## Annexure 3 : HR Functions



## Annexure 4: Job Description, Evaluation format, Interview Questions

### Sample Job Description

**Position** – Admin Manager

**Qualification** – Any diploma or graduate, must know local language

#### Main Responsibilities

- Manage day to day functioning of the FPO office
- Supervise accountant and other staff working in the FPO office
- Organize meetings and events of the FPO
- Etc...

### Sample Interview Questions

1. Can you tell us about your experience which is relevant to this job?
2. How will you plan for an FPO board meeting?
3. Can you tell us about a conflict situation that you have handled?

Evaluation point	Marks (out of 10)
<b>Knowledge, Experience</b> – Does the candidate have experience and sufficient knowledge related to the position?	
<b>Communication</b> – Ability to express thoughts clearly and confidently	
<b>Planning Ability and coordination Skills</b> – Ability to think clearly about steps involved in an activity and work with different people	
<b>Ability to handle problems/conflicts</b> – Ability to convince people and deal with situations with maturity	
<b>Overall impression of the candidate</b>	
<b>Total</b>	

# Session 4.2: Introduction to basics of finance in an FPO

**Time: 105 min**

## Session Objectives

By the end 105 mins. session on “Introduction to basics of finance in an FPO”, the participants would have:

1. Appreciated the need for guidelines for basic financial operations
2. Understood the components of budgeting, regular financial transactions, procurement and financial reporting and compliances.

## Process Summary

S No	Task	Method/ Activity	Time	Material
1	Introduction	Explanation	5 mins	chart paper, board, pens
2	Understand the need for guiding principles for budgeting, regular financial transactions, procurement and financial reporting and compliances.	Role play of different situations	30 mins	situation cards; response cards
3	Analyse various situations related to budgeting, regular financial transactions, procurement and financial reporting and compliances.	Buzz Group Activity based on situations	35 mins	buzz cards, board, pens
4	Key points to be included in financial guidelines.	Group Exercise	30 mins	4 colours rectangular cards, brown sheets, pens
5	Summary	Explanation	5 mins	board, pens

## Session Details

### **Task 1: Introduction - Explain the Objective of session – 5 mins**

- 1.1. Recap the previous session and lay a base for current session.
- 1.2. State the objective for the session.

The previous session introduced us to the Human Resources required to manage and FPO. Now we will look at the importance of financial guidelines for an FPO.

**Task 2: Understand the need for guiding principles for budgeting, regular financial transactions, procurement and financial reporting and compliances – 30 mins**

**Activity:** Role-Play, with Fish-Bowl arrangement

**Steps**

1. Explain the task – Two groups will be formed and given 3 situations cards each (see Annexure 1) and each participant will get response cards. One group will be given relevant guidelines along with the situations and the other group will explain how to deal with the situation without any guidelines<sup>14</sup>. The groups will be given 5 mins for preparation – 5 mins
2. The first group (without guidelines) will enact the response to any of the 3 situations, while the other participants will stand around the group and observe the role-play and write their observations on the response cards given to them– 10 mins
3. The second group (with guidelines) will now enact the response to the same situation, while the other participants will stand around the group and observe the role-play – 10 mins
4. At the end of the exercise, the groups come together in a plenary and discuss what they written on their response cards - 5 mins

Expected Response: Not having guidelines may lead to conflict while having guidelines help to deal with situations without unnecessary problems.

**Concept Conclusion**

It is useful to have guidelines explaining the assignment of authority, policies to resolve potential conflicts, responsibilities to maintain proper records and for preparing, auditing and submitting financial reports for decision making by the Management.

**Task 3: Reflection on various situations related to budgeting, regular financial transactions, procurement and financial reporting and compliances – 35 mins**

**Activity:** Buzz group discussion

**Steps**

- a. Explain the task – this is a buzz group<sup>15</sup> – Each group will be given buzz cards (Annexure 2) and get 2 mins to read and write the first thing that comes to their mind in response to each situation. – 2 mins
- b. Form small groups of 2-3 participants each and give 1 card to each group. The groups are given one situation per group - 2 mins
- c. After 2 mins, the Facilitator asks the groups to hand over their chit to the group sitting to the right of them. Again, the groups get 2 mins to work on the next situation. This way, each group will work on all the situations – 20 mins
- d. At the end of the exercise, the groups come together in a plenary and each participant writes on cards, the various points to be covered in financial guidelines. - 10 mins

14. Facilitator must explain to the “no guidelines” group that the roleplay does not indicate good or bad work of their FPOs but is meant only to show what problems may arise, so they must enact their role to the fullest, so that other participants can learn from it.

15. Facilitator Tips – Do not give more time to groups even if they ask for it. It is ok if some groups are not able to write any response for a few situations, the idea is to

### Concept Conclusion

Financial guidelines must attempt to bring in mutual trust, transparency, fairness and best interests of the organisation while carrying out regular financial transactions, procurement, record keeping and financial reporting and compliances.

#### Task 4: key points to be included in financial guidelines – 30 mins

**Activity:** Small group discussion

- 1.1. Facilitator will divide the participants into four small groups and explain the task. – 2 mins
- 1.2. Each group will discuss the key points to be included in financial guidelines and write them on cards –
  - 1.2.1. Group 1 will look at budgeting,
  - 1.2.2. Group 2 will look at regular financial transactions,
  - 1.2.3. Group 3 will look at procurement,
  - 1.2.4. Group 4 will look at financial reporting and compliances.

Each group will be given a template with headings for the financial guidelines ( see format below). Group 4 can refer to the various financial statements required in FPO (see Annexure) (15 min)

Authority – who is authorised for this area; signing	
Policy – what points will be included in policy, resolutions etc. for this area	
Work responsibility – who has clear responsibility for managing programs/ staff	
Reporting responsibility – who has to prepare, recommend, and make reports	

- 1.3. Group will present their work and stick the cards on the brown sheet using the format.

### Concept Conclusion

Participants can continue the discussions within their organization and devise financial guidelines for their FPO and the guidelines must be approved by the BoD so that it can be used in the day to day financial management of the FPO.

#### Task 5: Summarise the session – 5 mins

The Facilitator will repeat the major learnings from the sessions and summarise the session and discuss next steps.

## Annexures

1. Situation Cards for Role Play
2. Buzz Cards for Task 3
3. Various Types of Financial Statements – for Group 4 in task 4

## Annexure 1: Situation Cards for Role Play

### Situation 1:

The CEO asks the Accountant for a personal loan. Analyse this situation between the groups.

Group 1 - No Guidelines	Group 2 - Guidelines Given
<p>The accountant gives the amount requested as loan to the CEO. During the quarterly meeting of the BoD, the Board goes through the financial status and observes that there is a shortfall in the working capital and, there are no inflows expected in the next few months</p> <p>This results in a situation which the FPO Management would not have desired to get into.</p>	<p>The Accountant refers the guidelines set out by the FPO for such disbursements.</p> <ul style="list-style-type: none"> <li>• He informs the CEO that the current financial situation of the FPO does not permit for such a level of disbursement.</li> <li>• That the matter will have to be taken up with the FPO Management, and disbursements may be made as per the decision arrived at by the FPO Management.</li> <li>• The Accountant has to make arrangements for funds for the day-to-day operations of the FPO while factoring for other expenses including loans.</li> </ul>

### Situation 2:

The FPO receives a notice from the Government authorities that Sales Tax has not been paid.

Group 1 - No Guidelines	Group 2 - Guidelines Given
<p>The CEO scrutinises the tax filing records of the company and finds that the Accountant has not kept a track of the sales and the resultant taxes that needs to be filed. Proper accounting practices have not been followed and further there has been no standard process has been followed.</p>	<p>The CEO consults the Accountant to check the various tax filing records.</p> <ul style="list-style-type: none"> <li>• Proper accounting processes were being followed as per systems laid down in the FPO.</li> <li>• It was easily traced that the taxes were indeed paid in time, and relevant documents in support were neatly available in the file.</li> <li>• A decision was taken to re-submit copies of the relevant records to the Government authorities.</li> </ul>

**Situation 3:**

The FPO Management decides to pay “New Year” bonus to its employees and takes such a view on the 24th of December.

Group 1 - No Guidelines	Group 2 - Guidelines Given
<p>The Finance department is caught in a dilemma. There is utter chaos since the Accountant argues with the CEO that he cannot compile all the financial data within such a short time, in order to pay bonus to its employees. The CEO also could not figure out how much reserves/ funds are available to suggest the amount of bonus per person.</p>	<ul style="list-style-type: none"><li>• The CEO advises the Accountant to prepare the financial statement which reflects the funds position.</li><li>• This is put up to the FPO Management for a decision on the distribution of bonus.</li></ul>

## Annexure 2: Buzz Cards for Task 3

Situation 1: 3 computers costing Rs.75,000 are to be purchased for the FPO – *Who will approve the purchase – BoD or CEO, and on what basis will the vendor be selected?*

Situation 2: Stationary costing Rs.250 is to be purchased for the FPO – *Who will approve the purchase? and on what basis will the vendor be selected?*

Situation 3: The Annual General Body meeting is scheduled one month from now. *The president, CEO and finance team are discussing what finance related documents are to be shown to members?*

Situation 4: An FPO staff wants to go on an official visit and has asked for Rs.20,000 advance, *he already has taken Rs.10,000 advance and not settled it.*

Situation 5: The CEO of an FPO proposes the setting up of a processing unit worth Rs.10 lacs, *what questions related to budget will you ask?*

Situation 6: The balance sheet of last year has been prepared and has been brought to you for signing, under current liabilities it shows a loan of Rs.9.5 lacs, which is to be paid in current year – *what will you ask the CEO to do?*

Situation 7: The balance sheet of last year has been prepared and has been brought to you for signing, under current assets it shows an amount receivable of Rs.7.5 lacs, which is to be paid by a trader in current year – *what will you ask the CEO to do?*

Situation 8: The FPO accounts are being audited – the auditor points out that for one sale to trader, the payment was received in personal account of CEO and payment was given in cash to members, which is not good financial practice, *what changes will you make, in response to the auditor observations?*

Situation 9: The FPO has received a notice for non-payment of GST as per applicable slabs, *what will you instruct the CEO to do?*

Situation 10: A member complains that she was paid less for the produce she sold to FPO and her signature was taken on blank receipt – *what steps will you take to prevent such incidents from happening?*



### Annexure 3: Various types of financial statements – for group 4 for task 4

Financial Statement	When it is prepared?	What does it contain?
Receipt and payment	Every Month, End of every financial year	All the money received by FPO, example – share capital, bank interest, payment by trader etc. should be written in the receipt side, and all the money paid by FPO, e.g.: purchase of books, salary paid etc. should be written in the payments side.
Trading statement	Every Month, End of every financial year	All the money received by the FPO, while trading, e.g.: payment by trader etc. should be written in the income side and all the payments made by the FPO while trading e.g: truck expense, amount paid to farmer during procurement, should be written in the expense side.
Profit and Loss Statement	End of every financial year	The profit or loss from trading should be carried into the profit and Loss statement. Apart from that, all the other income to the FPO, such as bank interest, training income etc. must be mentioned in the income side. All the other expenses such as salary, rent, stationary, travel, audit etc. are to be mentioned in the expense side.
Balance Sheet	End of every financial year	Assets and Liabilities of the FPO

# Session 4.3: FPO Operations – Need for Understanding and Planning Various Resources - Part 1

**Time 75 mins**

## Session Objectives

At the end of 75 mins session on FPO Operations: need for understanding and planning various resources, Part 1, the participants should have:

1. Appreciated the importance of planning for successful FPO functioning
2. Understood the various components/ resources which need to be mapped

## Process Summary

S No	Task	Method/ Activity	Time	Material
1	Introduction	Read out objectives	5 mins	chart paper, board, pens
2	Importance of planning	Group game	20 mins	chart paper, board, 2 diff. colour cards, pens
3	Need for planning resources such as HR, physical infrastructure, Assets, etc	Brainstorming, Sub group discussion	40 mins	chair, chart paper, pens
5	Summary	Summary and link to next session	10 mins	board, pens

## Session Details

### **Task 1: Explain the Objective of session – 5 mins**

Recap the previous session and lay a base for current session.

State the objective for the session.

The previous sessions dealt with trying to understand that human resources and finances are very important components in the management of an FPO. This session will focus on understanding the need for planning resources well in advance. This session is broken into 2 parts. This part will demonstrate the need for planning as well as detail some of the key resources required for an FPO to operate smoothly. The second part will be a role play where the BOD will get to appreciate the roles of various human resources in the FPO and the need to understand how resources are used.

**Task 2: Importance of resource planning – 20 mins**

1. The Facilitator may start the session by using a game, wherein the Facilitator asks participants to make two groups and ask them to select one volunteer from each sub group. Ask group A volunteer to close his/her eyes and go to the point which is fixed in one common place. The team members will sit in different places and simultaneously guide the blindfolded volunteer to reach the point without touching barriers that are fixed by Facilitator. Team B will get the same task and will blindfold one of their volunteers. But before doing so, the team will get 5 minutes for planning. The team members will guide from one place as per the plan without confusing the blindfolded volunteer to reach the point without touching barriers that are fixed by Facilitator.
2. The Facilitator asks the group “What did we learn from this exercise?” Expected Response – Good planning is necessary to achieve our goals.

**Task 3: Need for planning resources such as HR, physical infrastructure, Assets, etc – 40 mins**

1. Facilitator introduces the body strike game
2. About 6 volunteers are asked to come forward to do a specific task. They are asked to pick up a table from one corner and bring to the other. The others will observe what's happening.
3. As soon as they start, the Facilitator will call 4 of them and tell each one to make one of their body parts like hands, legs, mouth, ears, eyes to go on strike (it will not work)



4. Now they go back and try to complete moving the table to the other corner. They will face difficulties in doing that, because some of their team members cannot move their hands, legs etc. Facilitator asks, “What did we learn from this exercise?”

Expected Response - If we have not planned properly for our hand it will not support us to carry the table, no plan for leg - no movement, no planning for eyes - no visuals, no planning for mouth - cannot talk. Then the group will not be able to complete its task. Similarly, if you are not planning properly for different resources, the FPO will not function properly.

The Facilitator asks them to all sit in a plenary and will discuss about the main resources in running an FPO (4 Ms). He will distribute small cards to all participants.

He asks the question? What do you think are the key resources required in an FPO? Put down all the answers on the card and place it on the ground. He will then ask them if they can be clustered and he can introduce the **4 Ms** as headings for each cluster.

### **1. Human Resource Plan (Man)**

- a. Human resource planning is a process that identifies current and future human resource needs for an FPO to achieve its goals. They facilitate in the overall functioning and management of the FPO.

### **2. Asset building Plan (Machine)**

- a. An asset building plan is required for managing business of the FPO. Assets, including physical infrastructure, machinery, equipment, etc are to be acquired, leased or taken up on rentals – these are to be managed to deliver the FPO's services and products.

### **3. Financial Plan - Money**

- a. The financial plan is a tool to understand the internal financial resources which are available and those which need to be sourced externally, in order for the FPO to carry out business.

### **4. Material Sourcing Plan (Material)**

- a. The Material sourcing plan is used to match the needs of the FPO's buyer with the produce available with its members.

#### **Task 4: Summing up – 10 mins**

Facilitator asks the participants to share few learning from the session. Facilitator writes each learning point shared by the participants on every card and stick it on the brown paper.

Trainer shall link this session to the next session.

# Session 4.4: FPO Operations - Need for Planning Resources in an FPO - Part 2

**Time: 90 min**

## Session Objectives

At the end of 75 mins session on FPO Operations Procurement, Storage, Processing, the participants should have:

- a. Appreciated the core resources which need planning for successful FPO functioning

## Process Summary

S No	Task	Methodology	Time	Material
1	Introduction	Reading out objectives	5 mins.	chart with objectives
2	Need for Resource Planning in FPO	Guided role play activity	75 mins	Annexure 1
3	Summary	Summary preparation, link to next session	10 mins	board, pens
<b>Total</b>			<b>90 mins</b>	

## Session Details

### Task 1: Introduction - Explain the Objective of session – 5 mins

- 1.1. Recap the previous session and lay a base for current session.
- 1.2. State the objective for the session.

This session is a continuation from the previous one and is mainly a role play. The learning from the session still focuses on the need for planning resources

### Task 2: Need for Resource Planning in FPO – 75 mins

- a. The Facilitator asks the participants “what is more challenging – starting a business or keeping it going?” After listening and recording their responses on the board, the Facilitator may suggest a few points and seek the opinion of the group. The real challenge is taking a company from start up to a small business and make it sustain over time. For this, it needs

more than just market linkages or financial support. Small businesses make the most of what they already have and, this is where efficient management of resources and planning ahead play an important role.

- b. To explain this further, a group activity may be conducted.
- c. For this task, some material like dummy currency, note pad, pen, dummy commodities are required. It can be conducted with around 15 participants and few observers
- d. The group selects Characters for the role play: 3 BoD, 1 CEO of the FPO, 1 Marketing Manager, 1 Accountant, 3 Farmers, 2 types of Buyers. Once the participants have selected characters, they can take the materials related to it.
- e. The Facilitator may define and assign a role for each participant as suggested in Annexure 1
- f. Facilitator asks participants to perform their characters as allotted. They can decide the commodity for which they want to start their FPO.
  1. Let the BoD and CEO decide the commodity for their FPO as per the situation of farmers and pricing strategy for the farmers and buyers also. Also talk about the terms and conditions of the dealing during the role play between buyer and seller.
  2. Let the CEO perform procurement process.
  3. Let the Marketing Manager start selling procured produces to the different buyers. And ask what the challenges he faced while selling the produce are.
  4. Let the Accountant record outflow and inflow.
  5. Let the CEO and BOD decide how to distribute profit to the farmers.
- g. Let them enact the role play of a typical day in the FPO office when the BOD members come and visit the office and wants to know who is doing what for their tomato business since the harvest was due in 2 weeks-time.
- h. Now ask observers what they understood from this.
  - i. The guided role play is likely to generate learnings on various aspects such as quality issues during procurement, price negotiation with buyers, contracts and legal concerns, logistics and supply related issues, etc.
  - ii. The trainer could ask a few leading questions to elicit more focused participation and understanding on resource planning, such as:
    - What resources were considered/involved in the planning? What kind of elements were considered - machines, men, materials and money?
    - Which of the resources were efficiently used? Which were the ones that were left out?
    - What aspects of resources were not factored to optimum use?
    - What decisions adversely affected their negotiations with the buyer/s?
    - Were there any unexpected and unfavourable demands made by the buyer/s? If so, what were they?
    - What were the quality related issues that were requested for by buyers?
    - Were there any concerns with regards to the contract/ agreement proposed by the buyer to the FPO?
    - Were there logistics/ supply related issues which were not favourable to FPO in conduct of business with the buyers?
- i. The Facilitator asks the group “What did we learn from this exercise?”

Expected Response – We must plan for the various resources of the FPO for its smooth functioning. The Facilitator helps the participants in talking about the importance of planning for machines, materials, money and men

**Task 3: Summing up – 10 mins**

Facilitator asks the participants to share few learning from the session. Facilitator writes each learning point shared by the participants on every card and sticks it on the brown paper.

## Annexures

1. Roles for the role play exercise

## Annexure 1 : Roles for the Role Play Exercise

Player	Role	Role	Role
BOD	BoDs are decision makers in the FPO.		
CEO	CEO executes the business plan decided and approved by the BoDs and the CEO	To procure commodity at farmer level.	
Marketing manager	Marketing manager keeps himself updated about market scenario & strategizes where the FPO produce can fetch best price.	Also see the terms & conditions of the buyer & ensure timely payment.	
Accountant	Ensure proper & timely raising of invoice for all purchases & sales.	Ensure transparency in all financial transactions.	
Farmers	Regularly attends meetings/ AGM	To understand the objective why the FPO was formed.	To supply their produce as per quality parameters mutually agreed upon with buyer.
Buyer 1	Buys FPO produce in the bulk.	Timely pay-out to FPO, as per agreement	Price negotiated could be less, as he will purchase in bulk.
Buyer 2	Buys FPO produce in small quantity yet consistently	Timely pay-out to FPO, as per agreement	Price might be higher or equal to that quoted by Buyer 1



# Session 4.5: Basics of Finance:

## Budgeting, Working Capital, Cash Flow; Raising Funds; Managing Share Capital; Investment Financing

**Time: 135 mins**

### Session Objectives

By the end of 135 mins session on Basics of Finance: Budgeting, Working Capital, Cash flow; Raising funds; Managing share capital; Investment financing, , the participants would have:

1. Understood the basics of finance
2. Enhanced their existing knowledge about working capital, cash flows, managing funds.

### Process Summary

Sl.	Task	Methodology	Time	Material
1	Introduction	Discussion	5 min	chart with objectives
	Why is it necessary to plan the fund flow of the FPO?	Small Group Exercise + Plenary Analysis	35 min	chart , Annexure 1 caselet, pens
3	What are the various sources of expenditure and income for an FPO?	Small Group Exercise + Plenary Analysis	25 min	Chart , cards, pens
4	How do our financial decisions relate to the functioning of the FPO?	Small group exercise	35 min	chart, pens
5	What are the various sources of funds that FPO can access?	Brain-storming	25 min	chart, pens
6	Summing Up	Explanation	10 mins	chart, pens
	<b>Total</b>		<b>135 min</b>	

## Session Details:

### **Task 1: Introduction - Explain the Objective of session – 5 mins**

Recap the previous session and lay a base for current session.

State the objective for the session.

The previous session has convinced us that resource planning is important for smooth functioning of an FPO. Money is one of the major resources. The next few sessions will focus on finance operations in an FPO.

### **Task 2: Why is it necessary to plan the fund flows of the FPO? - 35 min**

1. Introduction to the task - Facilitator forms 4 small groups with 5-6 participants each and the task given to each group is to prepare a financial plan for an FPO activity (Collective Procurement which will involve managing finances?) after reading the caselet in Annexure 1
2. Prepare a chart of how much money the FPO spend every day, showing the opening balance and closing balance for the day, from 2nd June to 14th June
3. Facilitator asks each group to present their chart to the entire group – 3 mins each + 1 min for any quick questions
  - a. From the charts, the Facilitator shows that on some days the cash balance is negative, and asks if we can have a negative cash balance at all? From this, he/she brings out the point that the FPO will need to either draw cash from the bank that day, or borrow money.
  - b. The Facilitator then asks the group – “Why do we need to do financial planning for FPO activities? What will happen if we do not do financial planning?”

Expected responses – To ensure that money is available for various expenditures at the right time. To avoid unexpected losses, debts and loss of goodwill among farmers. The Facilitator summarizes the responses to highlight the importance of financial planning for activities of the FPO

### **Task 3: What are the various sources of expenditure and income for an FPO? – 25 mins**

- a. Facilitator introduces the task – 4 small groups of 5-6 participants will be formed and given 10 round cards each of 2 colors – one color for expenditure and another for income
- b. Small groups are formed to discuss the sources of income and expenditure of an FPO and write it on the cards. As soon as a card is written, one member from the group must paste the cards on the brown chart in the center, which is divided into 2 halves and Income is written on one side and expenditure on the other. ( See Annexure -2 for examples) Groups must avoid repeating the same point which is pasted on the chart
- c. At the end of 5 mins, the entire group comes together as a plenary and Facilitators cluster the cards as fixed and variable costs. Fixed costs are those which are incurred by the FPO irrespective of the business done by the FPO, ex: salaries, rent etc. Variable costs are those which depend on the business of the FPO – ex: procurement cost, transportation etc.

### **Task 4: Understand Budgeting in an FPO? – 35 mins**

- a. Facilitator discusses with participants about Budget - a plan for estimated income and expenditure, done at the beginning of a year and revised from time to time. – 5 mins
- b. Facilitator introduces the task – 4 small groups of 5-6 participants will be formed and assigned one quarter in a year (Group 1 (July – September) Group 2 (October – December)

Group 3 (January – March) Group 4 (Apr – June). At the beginning of the quarter, the opening balance cash with the FPO is Rs. 2 lakhs. the groups have to discuss the FPO activities in the quarter and asked to discuss various expenditure / income for the FPO, in the quarter. The Facilitator informs the groups that irrespective of whether they plan any activities or not, the FPO will incur fixed expenditure as follows:

Monthly Salary to staff	40,000
Office Rent	3,000
Communication	1500
Stationary	1000
Audit Fees (in Apr - June)	10000
Electricity, water, telephone/ utilities	1000

- c. At each step, the group must calculate the closing balance for the month which will be the opening balance for the next month 5 mins

At the end of the exercise, ask participants to present their charts, and draw out that cash inflow and outflow is not uniform, but varies month to month and quarter to quarter. In the discussion, bring out that the FPO may not have cash available at some point, and may need to borrow money to run its operations. But to borrow money, we need to apply to the bank at least three months in advance. so unless we plan how much cash we have and how much we need, we may not be able to carry out our work. (10 min)

The entire group comes together as a plenary, and Facilitator asks, “What did we learn from this exercise?”

Expected response – Apart from looking for profit, the FPO must manage cash flow. The money for day to day expenses is called working capital. Any FPO must have funds for its working capital needs, either from its own resources or from loans. The Facilitator explains that working capital is required for procurement of inputs, expenses towards statutory payments, monthly remuneration, utilities, loans & EMIs, business expansion activities which include meetings with FIGS, representation at various events, exhibitions, exposure visits, etc. It is also seen that there is a varying pattern from one quarter to another, wherein, some months/ quarters seem to have more inflow than outflow. This gives an insight to the management on how to plan and manage its finances for various activities

**Task 5: What are the various sources of funds that an FPO can access? (25 mins)**

- The Facilitator will keep a chart ready with the circles as per diagram in Annexure – 3 ready. All the circles should be blank for now.
- Then, Facilitator will call for a volunteer from the each group to come and write down a source from where FPO gets funds. This goes on till they have exhausted all possibilities.
- Then Facilitator will ask the group to think of their own FPO and call out which resources they have leveraged so far. The session can end with the suggestion that the BOD members can think of various sources which they can tap for their FPO business.

**Task 6: Summing up – 10 mins**

Facilitator asks the participants to share few learning from the session. Facilitator writes each learning point shared by the participants on every card and sticks it on the brown paper.

**Conclusion**

The Facilitator concludes by stating that funds are necessary for not just running operations of the FPO, but also for scaling up of its activities including future investment into infrastructure, machinery, materials, etc. The Facilitator also touches upon the various schemes of the government and other agencies available for investment financing and emerging models around financial institutions (both banks and NBFCs).

## Annexures

1. Collective Procurement Caselet
2. Sources of Income and Expenditure - examples
3. Possible sources of funds for an FPO

## Annexure 1: Collective Procurement Caselet

An FPO is planning to start collective procurement of Fertilizers. 100 farmer members are interested in purchasing fertilizer from the FPO – Total Urea requirement – 200 bags. The FPO can buy Urea in bulk, on cash payment, at a lower price, of Rs. 230 per bag. The FPO wants to supply fertilizers to farmers at their doorsteps and give the farmers one-month credit to pay for the fertilizer. The FPO purchases fertilizer from ABC company that requires cash payment. The actual activity is as follows:

On 2nd June, the FPO buys 200 bags and pays ABC company the full cost. It transports urea and stores in a godown, for which it has to pay a rent of Rs. 3,000 for the month., in advance on 2nd itself. For transport to the godown, the FPO pays Rs. 4,000 for the truck, on 2nd June itself. The FPO has Rs. 50,000 as cash balance that day.

The FPO supplies urea to 10 farmers every day, using its tractor for transport - it spends Rs. 100 for fuel and maintenance every day, and has to pay cash daily. farmers from 3rd June to 14th June, 5th and 12th are Sundays and holidays, so the FPO does not transport urea on those days.

## Annexure 2: Sources of Income and Expenditure - Examples

Income	Expenditure
<b>Trading</b>	<b>Trading</b>
Sale of inputs	Procurement of inputs
Sale of fertilizers	Procurement of fertilizers
Sale of pesticides	Procurement of pesticides
Sale of produce	Procurement of produce
<b>Other Income</b>	Transportation charges
Donation	Godown rent
Interest	Taxes (GST and Sales Tax)
Service Charges	<b>Other Expenses</b>
Faculty Fees	Staff Salary
<b>Membership Fees</b>	Office rent
Share capital	Communication
	Stationery
	Audit Fees
	Training / Meeting expenses
	Fees paid to registrar of company

### Annexure 3 : Possible Sources of Funds for an FPO



# Session 4.6: Basics of Finance: Price Fixation (of FPO's produce) and Profitability

**Time: 110 mins**

## Session Objectives

By the end of the 110 min session on Basics of Finance: Price fixation (of FPO's produce) and Profitability, the participants will be able to understand ways to improve profitability and how to cost the FPO produce.

## Process Overview

Sl.No.	Task	Methodology	Time	Material
1	Introduction	Explanation	5 min	chart
2	How do we improve the profitability of FPO?	Brainstorming	35 mins	cards, pens, chart
3	How do we determine the price of our produce?	Small Group Exercise + Plenary Analysis	60 min	chart, pens, cards
4	Summarise the session	Explanation	10 mins	board, pens
	<b>Total</b>		<b>110 min</b>	

## Session Details

### **Task 1: Introduction - Explain the Objective of session – 5 mins**

Recap the previous session and lay a base for current session.

State the objective for the session.

In the previous session, we learnt about cash flow, using working capital and understanding opening and closing balances. Here, we continue to talk about finance and try to understand about costing and profitability.



**Task 2: How do we improve the profitability of FPO? 35 mins**

- a. The Facilitator explains to the group that this will be a buzz round. He/ she begins by enquiring what is meant by “profit?” Expected responses could be – Earnings, Income minus Expenditure. Ask the group to think about it and give all plausible responses
- b. The Facilitator moves on and enquires, “How can we improve the profits?” Expected responses could be – By improving incomes, by reducing expenditure, by efficiently managing resources, by enhancing their planning, etc
- c. Facilitator forms 4 small groups of 5-6 participants and asks them to discuss ways to improve income and reduce expenditure. Coloured cards are distributed to the groups to help them form/ coin words which depict their response/s. – 20 mins
- d. Facilitator puts up the cards on the brown sheet and summarises the discussion – 5 mins

**Conclusion**

Profitability is a combination of several aspects of operations of an FPO. All these need to be aligned and brought together in order to realise profits for the company. There will be different personnel internal to the company and actors who are external who will have an impact on the profitability of the company.

**Task 3: How do we determine the price of FPO’s produce? 60 mins**

- a. Facilitator introduces the task – 4 small groups of 5-6 participants will be formed and asked to calculate costing and pricing of a produce of their FPO. – 5 mins
- b. Small group discussion for costing the produce – 20 mins

The Facilitator gives the group participants an outline for working out the cost of a produce (Cotton), as given under:

Cost of seed cotton  
Handling charges  
Loading and unloading charges  
Transportation charges  
APMC Tax  
GST  
Ginning cost  
Storage cost  
Profit margin for the FPO  
Any other cost

After the group discussion is completed, the Facilitator requests each group to present their working in a chart to the rest of the participants

**Task 4: Summing up – 10 mins**

Facilitator asks the participants to share few learning from the session. Facilitator writes each learning point shared by the participants on every card and sticks it on the brown paper

**Conclusion**

The Facilitator should carefully look for the groups’ listing out all possible aspects of expenses in calculating the cost of the produce, such as cost of inputs, costs of cultivation/ production, storage, logistics, taxes, labour, etc.

# Session 4.7: Assessing the Financial position of the FPO for its operations

**Time: 150 mins**

## Session Objectives

By the end of the 150 mins session, the participants will be able to broadly understand how to assess the financial status of FPOs based on its operations; how to understand its financial health using its various finance reports such as balance sheet, income-expenditure statement

## Process Overview

Sl.No.	Task	Methodology	Time	Material
1	Introduction	Discussion	5 min	chart with objectives
2	Why is it necessary to understand financial status of an FPO?	Check the Pulse – Group Activity	30 min	
3	What are the contents of various financial statements?	Arrange the cards exercise	40 min	cards, pens
4	How do we assess financial performance of an FPO using financial reports?	Caselet + Small Group exercise	60 min	cards, pens, chart paper
5	Next steps an FPO can take to improve its financial performance and profitability?	Plus-Minus-Interesting Exercise followed by Brainstorming	15 min	chart paper, pens
	<b>Total</b>		<b>150 min</b>	

## Session Details

### **Task 1: Introduction - Explain the Objective of session – 5 mins**

Recap the previous session and lay a base for current session.

State the objective for the session.

In the previous session, we learnt costing and profitability. Here the session focuses on understanding the financial status of the FPO using reports and other documents.

**Task 2:** Why is it necessary to understand financial status of an FPO?<sup>16</sup>– 30 mins

1. Facilitator says that he will conduct a group activity, without explaining the task, to maintain suspense.
2. Facilitator divides the group into two subgroups and asks all the participants in subgroup 2 to step outside or to a corner of the training hall. People in group-1 will remain seated in their chairs. Facilitator explains to sub-group 2 that half of them must do some fast physical activity – climbing stairs or exercising or jumping or running for 2 mins and then mingle with other group members participants. Then they should re-enter the hall and sit next to group 1 members without saying anything. Now the group -1 members, without talking, should look at the group-2 members and find out whether they were just standing or they did some physical activity. –
3. Facilitator then asks the group “What did we learn from the exercise?”

Expected response – price to farmers, farmers' feedback, whether activity happening in ground or not

4. Facilitator then asks, “What are the “signs” used which can help us understand the functioning of an FPO?”

Expected response – by looking at some signs (like heavy breathing, pulse, sweating etc.), we can understand what a person has been doing. Likewise, a doctor checks BP, Pulse and does some tests to understand the health of the patient

5. – Facilitator asks “How can we check the financial condition of the FPO? Can we use Receipt & Payment Account, Trading Account, Profit and Loss Account and balance sheets”? What other documents come to your mind that can be used?

### Conclusion

This exercise helps the participants to appreciate the need for understanding the financial condition of the FPO as we check the health conditions of human being to determine whether they are fit.

**Task 3:** What are the contents of various financial statements? 40 mins

1. Facilitator then explains about Income, Expenditure, Assets and Liabilities.  
Assets are the resources owned by the FPO. Examples – Cash, Bank balance, furniture, computer, amount due from traders etc. Liabilities are the FPO's obligations towards others – E.g.: Loans, amount payable to vendors etc.

<sup>16</sup> In the first task “Why is it necessary to understand financial status of an FPO?”, after clustering the responses of the participants, the Facilitator can ask a few questions to the group, based on the expected responses. After taking the consent of the group, the Facilitator can add his/her responses to the list that participants have put up.



Assets are divided into current Assets (which can be converted into cash immediately) and Non-Current Assets (which cannot be converted into cash immediately).

Likewise, liabilities are divided into Current Liabilities (which are to be paid within one year) and non-current liabilities (which are to be paid over a longer duration)- Facilitator shows the picture of a balanced stick and says, “Why do we call this as a balance sheet?”

2. Facilitator explains about the task. The entire group is divided into four subgroups and given a task – 15 mins
  1. The first sub-group is given a bunch of cards, with Assets in one colour and liabilities in another colour. The sub-group must arrange the cards and explain about Balance sheet to the group
  2. The second sub-group is given a bunch of cards, with receipts in one colour and payment in another colour. The sub-group must arrange the cards and explain about receipts and payments statement to the group
  3. The third sub-group is given a bunch of cards, with trading income in one colour and trading expenses in another colour. The sub-group must arrange the cards and explain about trading statement to the group
  4. The fourth sub-group is given a bunch of cards, with income in one colour and expenses in another colour. The sub-group must arrange the cards and explain about profit and loss statement to the group
  5. Facilitator asks the group “Is share capital an asset or liability? Explain with reasons”.

Expected debate: Share capital is an asset as it belongs to the FPO. Facilitator asks, “Does the share capital belong to the FPO or to the farmers who are members of FPO?” Share capital is a liability as it represents the responsibility of the FPO towards its members, and members have given the share capital to the FPO with the expectation that they will get good services from the FPO

**Task 4: How do we assess financial performance of an FPO using (a sample template of) balance sheet? 60 mins**

1. Facilitator asks the group “When can we say that any person or company is in good financial condition?”

Expected response – When we have money to pay for our expenses. Even in FPOs, the same principle applies – when FPO has money (current assets) to pay for its expenses (current liabilities) it one indicator of good financial condition of FPO. This is called Acid Test

2. Facilitator asks, “Apart from expenses, does a financially good FPO, also need to pay its loan instalments in time?” Example: If the FPO takes a 3-year loan for Rs.3,00,000/- at 10% interest per annum, how much will it have to repay in first year? Ans: 1st year – Rs.1,00,000(1/3rd of 3 lacs) and interest of Rs. 30,000/- Total – Rs.1,30,000/- likewise for 2nd and 3rd year. This is called Debt Servicing Test. Can we check whether the FPO has sufficient funds in its current assets or as last option, in its share capital to meet these loan instalments?
3. Facilitator then forms small groups of 3-4 participants each and gives each group a balance sheet (see Annexure -2) and asks them to discuss about the financial condition of the FPO based on the balance sheet. - 30 mins
4. The groups then presents their findings

**Task 5: What steps can an FPO take to improve its financial performance? 15 mins**

1. Facilitator puts up a brown chart and fixes three cards of different colours at the top, in columns and writes 1. The positive benefits of understanding financial operators), 2. negative issues if we do not understand financial operations), 3. what is interesting or what opportunities can we get by understanding financial operations) on the cards.. Then Facilitator introduces the task to the participants. Each participant will be given three cards – different colour for each part The participants must write in his/her response to the questions in the card – first thing that comes to mind when participant sees the question and then fixes the card on the brown chart. Participants be given only 1 min to write whatever strikes their mind first. – Total time for the task- 10 mins
2. Facilitator clusters the cards based on similar responses and summarises the responses. Expected responses - + (Plus) – Understanding the financial operations of FPO is like checking pulse/BP of a person, it helps to understand the overall health of the FPO. It helps us to take informed decisions to improve the functioning of FPO and communicate effectively with bankers and Government departments. – (Minus) – If we don’t understand the financial operations of FPO, we might face audit issues, financial trouble and decisions taken without proper information may lead to losses.! (Interesting) – how can we earn profits, how to check if we are on the right track. – 5 mins

**Task 6: Summing up – 10 mins**

Facilitator asks the participants to share few learning from the session. Facilitator writes each learning point shared by the participants on every card and sticks it on the brown paper

## Annexures

1. Contents of financial statements for card exercise
2. Balance Sheet

## Annexure 1 : Contents of Financial Statements for Card Exercise

### Group 1

Liabilities (Blue Rectangular card)	Assets (Pink Rectangular Card)
Shareholder's Funds (Blue Oval Card)	Non-Current Assets (Pink Oval Card)
Share Capital	Office Equipment
Reserves and Surplus	Godown
Grants / Donation	Own office
Non-Current Liabilities (Oval Card)	3 year loan given to members
Long-Term Loans (with repayment over 3-5 years)	Current Assets (Oval Card)
Current Liabilities (Oval Card)	Produce stocked in godown
Loans (to be repaid within one year)	Amount due from Trader
Amounts payable to Vendors	Cash
	Bank Balance
	Advance given to staff

### Group 2

Receipts (Blue Rectangular Card)	Payments (Pink Rectangular Card)
Use Round cards for below. Use same colour for all receipts and a different colour for all payments	
Share capital	Stationary purchase
Bank Interest	Rent
Amount paid by trader for produce sold	Salaries
Grants from donors	Electricity Bill
Loan repayment by Members	Furniture
	Truck Charges
	Payment to farmers for produce
	Labour Charges

### Group 3

Trading - Income (Blue Rectangular Card)	Payments (Pink Rectangular Card)
Use Round cards for below. Use same colour for all assets and a different colour for all Liabilities	
Amount paid by trader for produce sold	Truck Charges
	Payment to farmers for produce
	Labour Charges

### Group 4

Income (Blue Rectangular Card)	Expenses (Pink Rectangular Card)
Use Round cards for below. Use same colour for all assets and a different colour for all Liabilities	
<b>Revenue</b>	
Revenue from Operations (From Trading Account)	Purchase of Traded Goods (From Trading Account)
	Selling Expenses
	Administration and other expenses
	Net Profit
	Tax Expenses
	<b>Net Profit or Loss</b>

## Annexure 2 : Balance Sheet

### Hasnabad Farmers Services Producers Company Limited

Registration Number: U01400AP2013PTC086661

BALANCE SHEET AS AT 31.03.2014			
Particulars	Note No.	AS ON 31.03.2014	AS ON 31.03.2013
<b>I. Equity and Liabilities</b>		Amount in Rs.	Amount in Rs.
(1) Shareholder's Funds			
(a) Share Capital	1	431,500.00	179,500.00
(b) Reserves and Surplus	2	10,515.00	2,829.00
(c) Money received against share warrants		25,000.00	
(d) Donation			
(2) Share Application money pending allotment			
(3) Non-Current Liabilities	3	2,115,000.00	-
(a) Long-Term Borrowings	4	-	-
(b) Deferred Tax Liabilities (Net)			
(c) Other Long-Term Liabilities			
(d) Long Term Provisions	5		146,940.00
(4) Current Liabilities	6	-	-
(a) Short-Term Borrowings	7	-	-
(b) Trade Payables	8	-	-
(c) Other Current Liabilities			
(d) Short-Term Provisions			
<b>Total Equity &amp; Liabilities</b>		<b>2,582,015.00</b>	<b>329,269.00</b>
<b>II. Assets</b>		Amount in Rs.	Amount in Rs.
(1) Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	9	25,000.00	
(ii) Intangible assets	10	-	-
(b) Non-current investments			
(c) Deferred tax assets (net)	11	-	-
(d) Long term loans and advances	12	7,000.00	-
(e) Other non-current assets			
(2) Current Assets	13	-	-
(a) Current investments	14	1,923,300.00	-
(b) Inventories	15	130,524.00	-
(c) Trade receivables	16	385,885.00	329,269.00
(d) Cash and cash equivalents	17	110,306.00	-
(e) Short-term loans and advances			
(f) Other current assets			
<b>Total Assets</b>		<b>2,582,015.00</b>	<b>329,269.00</b>

Source: (Hasnabad Farmer Service Producer Company Limited (HFSPC), Institute of Rural Management at Anand (IRMA) <https://bit.ly/2SZqENP>)



# Session 4.8: Introduction to Recruitment Process

**Time: 105 mins**

## Session Objectives

At the end of this 105 mins session, the participants should be able to understand how to recruit staff through a systematic recruitment process

## Process Summary

Sl. No.	Task	Methodology	Time	Material
1	Introduction & objectives	Explanation	5 mins	chart
2.	Understand the steps in recruitment process	Arrange the cards exercise	30 mins	cards, pens, chart
3	Do a mock Recruitment process	Group Exercise / Roleplay	45 mins	chart, pens
4	Understand the Do's and Don'ts in the Recruitment Process	Sub-Group Activity	20 mins	chart, pens
5	Summary	Explanation	5 mins	board, pens
<b>Total</b>			<b>105 mins</b>	

## Session Details

### **Task 1: Introduction - Explain the Objective of session – 5 mins**

Recap the previous session and lay a base for current session.

State the objective for the session.

The last 5 sessions were on finance operations in an FPO. Now the sessions will look at human resources management in an FPO. The first step is to understand the hiring of staff.

## **Task 2: Understand the steps in recruitment process – 30 mins**

**Activity:** Arrange the cards exercise

### **Steps**

1. Explain the task – The group will be given a set of cards, in random order, which the group will have to select and arrange in proper order (See Annexure -1 for Cards)<sup>17</sup> –
2. The group stand in a circle and participants will step forward and arrange the cards. The Facilitator asks one or two persons in the group to explain the recruitment process and asks questions based on the recommended order of cards (see Annexure -1)<sup>18</sup> –
3. At the end of the exercise, the groups come together in a plenary and discuss what they observed – 5 mins

Expected Response: The group arranges the cards with steps in recruitment process logically and to ensure fairness and transparency in the process.

### **Concept Conclusion**

For the FPO to have well performing staff, recruitment process must be done systematically to ensure the selection of the right person for the job based on merits and not allowing any external factors (recommendation, political influence etc) to affect the process.

## **Task 3: Do a mock Recruitment process – 45 mins**

**Activity:** Role play

### **Steps: Option 1**

1. Explain the task – two teams will be formed – one for a Recruitment panel and another for candidates and they must enact the various steps in a recruitment process and candidates' team can nominate members to apply for the position of CEO in the FPO. Teams will get 15 mins for preparation and 20 mins for enacting.
2. During the role play, the Facilitator will create some unexpected situations such as – bandh announced on day of interview, candidate applies with fake certificates, too few candidates apply for the position, no women candidates, an influential politician calls up the FPO president and recommends a specific candidate for the position, the selected candidate declines the offer etc.
3. At the end of the role play, the Facilitator asks the feedback of both groups, what was good and what needed improvement, both from point of view of candidates as well as from recruiter side, in the process.

### **Steps: Option 2**

1. Explain the task – an FPO is planning to recruit a CEO - Four small groups will be formed, and each group must work on a stage of recruitment and enact it. – 2 mins
2. The first group must prepare for stage 1 of recruitment process (which starts with board resolution and ends with announcing the Job Opening). The second group prepares for stage 2 of recruitment process (which starts with receiving applications and ends with shortlisting candidates for selection process). The third group prepares for stage 3 of

17. Facilitator must jumble the cards and give it to the group and ask them to discuss and arrange as per their choice. Facilitator must not give instructions to group about the order of cards.

18. It is important to allow the group to decide what step is to be followed and what should not be followed – Facilitator can ask guiding questions like “Why do you think this step is necessary?” “Should this step come before or after this step?” and so on..

recruitment process (the selection process). The fourth group prepares for stage 4 of recruitment process (which starts with background check and ends with issuing employment letter) – Preparation time – 20 mins (See Annexure -2 for formats to each group)

### Concept Conclusion

Facilitator can emphasise the need to select a person based on merits & character rather than religion, caste, region or political affiliation. Facilitator can quote Dr. Verghese Kurien, popularly known as the Father of White Revolution in India, who was behind the large number of milk cooperatives all over the country.



Picture Credits: Indian autobiographs

While selecting a team - maximum attention was paid in making sure that team members have absolute integrity. He would often say, "Give 80% weightage to integrity. Never compromise on this aspect at any cost. Secondly, ensure that the person is hard working. Give 20% weightage to hard working nature of a person. Even if someone has no qualifications or has different qualifications – he/she would learn quickly." His mantra gave no weightage to caste, creed, religion or region.

The recruitment process must be conducted in a fair and transparent manner, and the focus must be on bringing out the best in the candidates and to select the best candidate based on merit.

### Task 4: Understand the Do's and Don'ts in Recruitment Process - 20 mins

**Activity:** Sub-Group Activity

#### Steps

1. Explain the task – same four subgroups will be formed – two sub-groups will work on the Do's in recruitment process and two sub-groups will work on the Don'ts in the recruitment process.
2. One subgroup will present Do's and the other subgroup/plenary will add any points. Likewise, one subgroup will present Don'ts and the other subgroup/plenary will add any points (see Annexure 3).

### Task 5: Summarise the session – 5 mins

- The Facilitator will repeat the major learnings from the sessions and summarise the session and discuss next steps.
- Establish link to the next session.

## Annexures

1. Cards for Recruitment Process
2. Formats to each group
3. Some of the Do's and Don'ts in the recruitment process

## Annexure 1: Cards for Recruitment Process

Green – Step to be followed	Red – Step Not to be followed
Check Budget availability for staff salary	Check if the candidate is related to anyone in the BoD
Pass Board Resolution to recruit staff	Check the political background of the candidate
Write Job Description	Judge the candidate based on his / her looks
Announce the Job Opening	Take recommendation from local MLA
Receive applications from interested candidates	Check if the candidate is related to anyone in the BoD
Shortlist candidates based on applications	
Verify qualification and experience certificates	
Form Interview Panel	
Conduct selection process - Written Test	
Conduct selection process - Interview	
Conduct selection process - Group Discussion	
Select the staff based on performance in selection process – X 3 cards	
Shortlist the staff based on performance in selection process – X 3 cards	
Announce the results	
Do background/Reference check of the candidate	
Issue Employment Letter	

## Annexure 2 : For formats to each group

**Group 1 - Stage 1 of recruitment process Starting with board resolution and ends with announcing the Job Opening.**

Sample Job Description
Position
Main Responsibilities
Required Qualification / Experience

**Group 2 - Stage 2 of recruitment process starting with receiving applications and ending with shortlisting candidates for selection process.**

**Group 3 Stage 3 of recruitment process (the selection process).**

Sample Application Format
Basic information about candidate
Work Experience
Educational Qualifications
Other Skills, Languages known

Evaluation Point	Marks (out of 10)
<b>Knowledge, Experience</b> – Does the candidate have experience and sufficient knowledge related to the position?	
<b>Communication</b> – Ability to express thoughts clearly and confidently	
<b>Planning Ability and coordination Skills</b> – Ability to think clearly about steps involved in an activity and work with different people	
<b>Ability to handle problems/conflicts</b> – Ability to convince people and deal with situations with maturity	
<b>Overall impression of the candidate</b>	
<b>Total</b>	

## Group 4 - Stage 4 of recruitment process (background check, issuing employment letter)

### Background Check

Information Provided	Method of Verification
Educational Qualifications	
Work Experience	
Family Background	
Any involvement in Criminal Activities	

### Employment Letter

Duration of offer of employment

Position/Designation

Main roles and responsibilities

Terms of Employment

- No outside employment
- Working hours
- Leaves
- Notice period of termination

Reporting officer

Salary Structure

## Annexure 3 : Some of the Do's and Don'ts in the recruitment process

Do's	Don'ts
Encourage all eligible candidates irrespective of religion, gender, physical disability etc. to apply	Allow any influence or bias in the selection of candidates, as it create performance and many other issues later on.
Conduct the recruitment process with an OPEN mind and give equal opportunity to each candidate to do their best and then select the right person for the position based on merit	The candidates should not be asked personal questions or any questions about their personal beliefs, physical appearance etc
This is not the only organisation that the candidate will apply to, hence have options/ waitlist in case selected candidates do not accept the offer.	Candidates must not be selected without proper due diligence. Check all documents – when in doubt, ask for more documents - Do not believe people's verbal claims
Document the recruitment process well so that any issues that might be raised later on, can be countered with documents	Heated arguments with candidates must be avoided – during interview or at any time during the recruitment process. Any disagreements must be settled amicably and with mutual respect.
Announce the selected candidates as soon as possible, to give clarity to the candidates and also to bring in transparency in the selection process.	
Involve experts and professionals of repute, integrity to sit on the interview panel and support the FPO in recruiting the right person	

# Session 4.9: How to Leverage Available Resources and Provision for Future Needs

**Time: 65 mins**

## Session Objectives

By the end of the 65 min.session on “How to leverage available resources and provision for future needs”, the participants would have

1. Understood how to fully utilize and leverage the internal (available) resources
2. Learnt how to make provision for future needs of FPO.

## Process Overview

Sl. No.	Task	Methodology	Time	Material
1	Introduction		5 min	chart
2	What do we mean by resource planning?	Group Activity	20 mins	
3	What are the two main things to keep in mind during resource planning?	story telling	20 mins	Annexure 1, chart paper, pens
4	Planning resources for the future	Small group exercise	15 mins	chart, pens, cards
5	What next steps can we take to improve resource plans?	Brain-storming	5 mins	
	<b>Total</b>		<b>65 min</b>	

## Session Details

### **Task 1:** Introduction - Explain the Objective of session – 5 mins

Recap the previous session and lay a base for current session.

State the objective for the session.



We discussed recruitment of staff in the previous session. This session will now talk about further planning of resources.

**Task 2: What do we mean by resource planning? – 20 mins**

1. Small groups of 5-6 participants each will be formed and given a group task to plan and do – 5 min
2. Facilitator asks each sub-group to plan any task – such as organising the various things in the room; arranging the furniture in an orderly manner, etc - to be done by the entire group, within the room and using the materials available in the room. They can take 5 minutes to plan for the task, which must be done within 2 mins– 10 mins

Facilitator then asks the group “What did we learn from the exercise? What resources did we have, what did we use/not use?”

Expected response – Importance of working as a team, coordinating with others, contingency planning, Time planning, Involving all the participants

**Task 3: What are the two main things to keep in mind during resource planning? 20 mins**

- a. Facilitator narrates the story of the three disciples by showing the pictures (See Annexure -1) Facilitator asks, “What do we learn from this story?”



Expected responses – we must use our internal resources to the fullest, to achieve our goals, for our FPO business to grow.

- b. Facilitator narrates the story of the Ant and the Grasshopper by showing the pictures (See Annexure -2) – 5 mins
- c. Facilitator asks, “What do we learn from this story?” Expected responses – we must plan for our future, to sustain our business. – 5 mins. The Facilitator will, thereafter, weave the learnings from the two stories together to highlight the importance of resource planning, before giving them an exercise for groups to work on.

**Task 4: Planning resources for the future – 15 mins**

Four groups are formed, and the Facilitator asks 2 groups to work on “How can FPO utilise its internal resources better?” and 2 groups to work on “How can FPO plan its resources for the future?”

The groups then present their findings to the group on a chart for all to see.

<b>Planning approach</b> →  <b>Resources to be planned</b> ↓	 <b>Use internal resources to fullest</b>	 <b>Plan with future needs in mind</b>	<b>Others</b>
Man (Human Resources)			
Material (Produce)			
Machine (Equipment or Infrastructure)			
Money (finance)			
Others			

The Facilitator then asks the group to arrange their cards in the above table and asks “What did we learn from the exercise? What resources did we plan for? What questions did we ask or did not ask while planning resources” Expected response – planning for 4 Ms and using internal resources and planning for future needs. Also summarise other points that emerge from the participants 15 mins

**Task 5: Summing up - 5 mins**

The Facilitator will then close the session by summing up the learnings in the objectives and by stressing the point that for any kind of planning, it is important to assess the strengths and limitations of internal resources so that allocation of work versus ability to carry that out, is planned and the outcomes are favourable.

## Annexures

1. Story of Three Disciples
2. Story of the Ant and the Grasshopper

## Annexure 1 : Story of Three Disciples

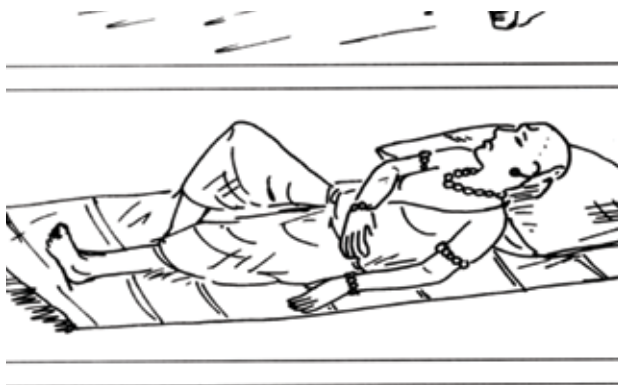


1

A Guru once decided to go on a pilgrimage and before he left he called his three disciples and gave them each a sack of paddy and told each one "look after this sack of paddy for me, let not be destroyed"

2

Now the first disciple thought that the Guru would take very long to return from the pilgrimage or might never return. He milled the paddy and ate up all the rice.



3

The second disciple fearing that some animal would eat up the paddy or some thief would steal it, kept it beside him all the time and even slept on it. The paddy gradually deteriorated and was destroyed.

4

The third disciple sowed the paddy and in time was able to take two crops of paddy producing 20 bags in all before the Guru returned from his pilgrimage.



5

**Which of the disciples did the Guru praise and why?**

Message: Money does not grow by spending resources on things that earn no returns. It does not grow when resources are kept idle. Money grows when resources are put to productive use.

## Annexure 2 : Story of The Ant and The Grasshopper



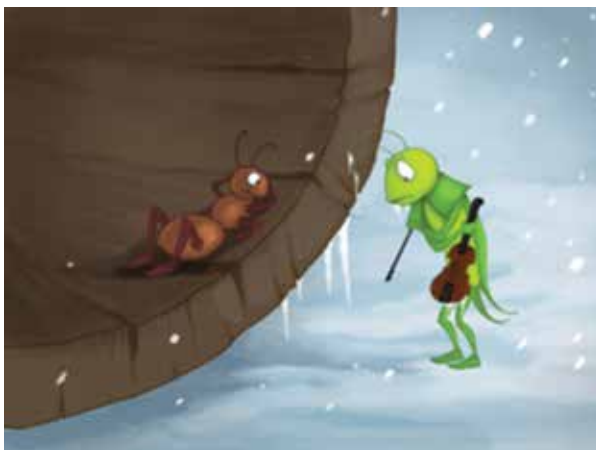
**1**

On a warm sunny day, a grasshopper was relaxing in the shade, when an ant passed by. The ant was dragging a huge seed. The Grasshopper asked the ant “Why are you working so hard in the hot sun, instead of relaxing?”



**2**

The ant said “I am collecting food for the rainy day when there will be no food. It will be good if you can also work to collect food”. The Grasshopper laughed at the ant and said, “There is plenty of food available now, there is nothing to worry” and started playing music. The ant walked away with its grain and continued its work.



**3**

After a few months, it started raining and snowing and the entire place was covered with water and snow and no food was available. The grasshopper had not stored any food and was searching here and there for food but could not find anything.



#### 4

The ant was relaxing and told the grasshopper “All summer, I was working hard, while you were singing and laughing at me. As a result, I have enough food now and you are hungry.”

#### Which of the two – ant or grasshopper is likely to survive the rainy season/winter?

**Message:** If we plan our resources (time, money, effort) only looking at our present needs, our future will be full of problems. If we spend our resources today by also looking at future needs, then our future will also be bright and successful.

# Session 4.10: Different Scenarios in Efficiently Managing Resources using Simulation (Examples)

**Time: 125 mins**

## Session Objectives

By the end of the 125 mins session, the participants will be able to understand how to apply principles of resource planning in various situations faced by FPOs.

## Process Overview

Sl.No.	Task	Methodology	Time	Material
1	Introduction		5 min	chart
2	What are the main resource planning questions in various situations faced by FPOs	Buzz group activity	50 mins	Annexure 1
3	Why do we require standard operating procedures?	Small group Exercise	20 mins	
4	What standard operating procedures are needed for the smooth functioning of FPOs?	Small Group Exercise	40 mins	chart paper, pens, cards
5	Summing up	Brain-storming	10 mins	
	<b>Total</b>		<b>125 mins</b>	

## Session Details

### **Task 1: Introduction - Explain the Objective of session – 5 mins**

Recap the previous session and lay a base for current session.

State the objective for the session.

Several sessions have explained the need for resource planning. This session looks at various situations from the perspective of resource planning.

**Task 2: What are the main resource planning questions in various situations faced by FPOs [1]? – 50 mins**

- a. Facilitator explains the buzz group activity<sup>19</sup>.– 5 mins
- b. 12 small groups of 2 participants each will be formed and given different situation cards (please see Annexure 1<sup>20</sup>) to respond to. Group will get only 2 mins to discuss and write down the response that first comes to mind. After 2 mins, the situation card will be passed on to the next group. In this manner, each group will work on every situation – 30 min
- c. Facilitator puts up a brown sheet with a table drawn as shown below. Try to draw or paste pictures of the stories from earlier sessions so participants can relate to it.

**Task 3: Why do we require standard operating procedures? 20 mins**

3. Facilitator shows each picture<sup>21</sup> and asks the question mentioned

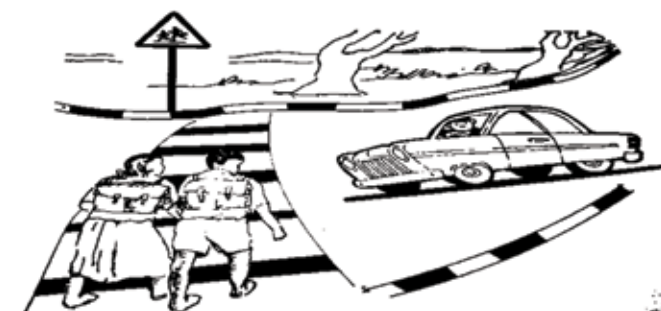
**Picture 1**



Why is there a queue in a fair price shop?

What would happen if there was not queue?

**Picture 2**



Why are traffic rules enforced?

What would happen if there were no rules?

19. Buzz group discussion is a method in which small groups of 2-3 participants discuss a specific question or issue to come up with many ideas in a short time. At the end of the time (usually 2-3 minutes), the questions can be circulated to the next group, thereby, by the end of the task we ensure every group gets to work on every question.
20. Facilitator must select one situation per group. While selecting situations, please ensure that at least one situation is selected from each group (Man (Human Resources), Material (Produce), Money (Finances), Machine (Equipment)). Facilitator can also change the crops mentioned in the situation as per the crops grown locally.
21. Facilitator can prepare flex charts of the pictures for easy display



Picture 3



Why are there fixed timings in a school?

What would happen if there were no fixed timings?

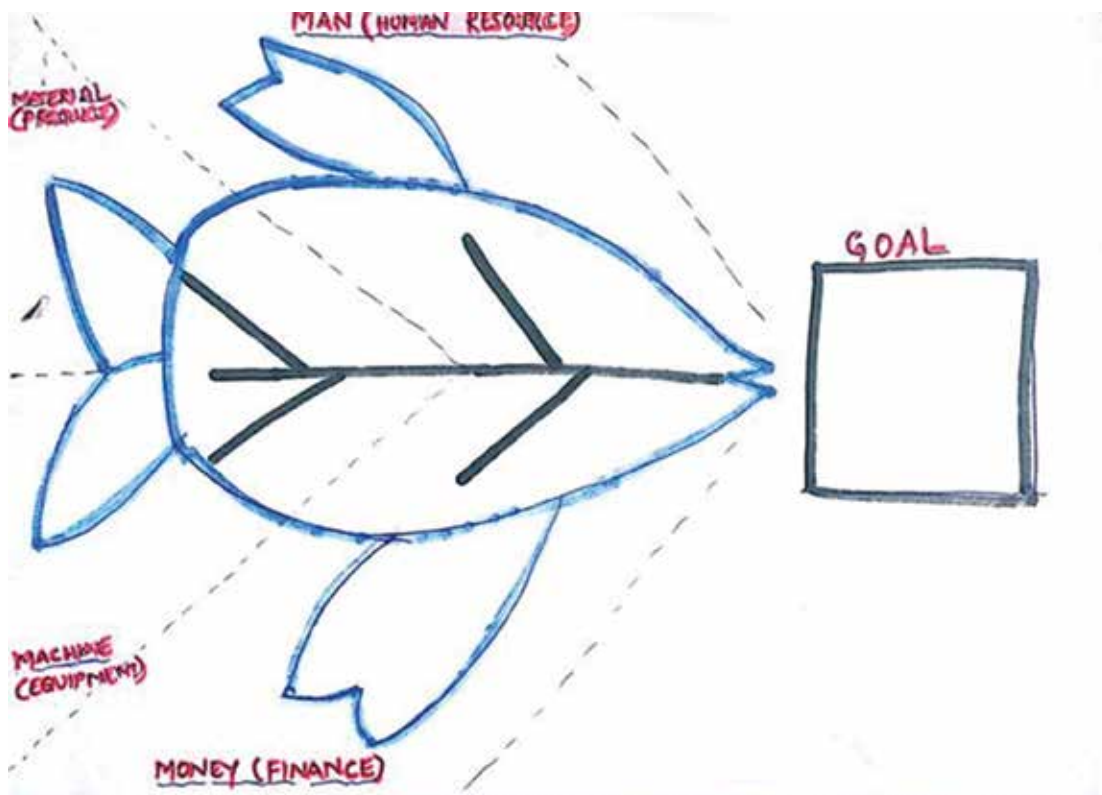
Source: Illustration on what will happen if rules not followed to be taken from Myrada CMRC manual and included here

Facilitator asks, "What do we learn from these examples?"

Expected responses – by having some norms or standard processes, we can develop discipline while doing business, we can learn from our mistakes and avoid them, helpful for strengthening the FPO, avoid misunderstanding among the members, it's helpful in resolves problems

**Task 4: What standard operating procedures are needed for the smooth functioning of FPOs? – 40 mins**

1. Facilitator explains the task – 5 mins
2. Facilitator fixes a brown sheet with below sketch (fishbone)



3. In the plenary group, Facilitator asks, “what is the goal of the FPO?”

Expected response – profit for members, better services etc. Facilitator writes it in a card and puts it in the above diagram – 5 mins

Facilitator 2 groups and says “Group 1 will discuss let us write what norms we can follow to make full use of our internal capacities and place them in the bones of the fish; and in Group 2 will list out what norms to follow to take care of future needs and put them in the fins of the fish,

**The Facilitator can begin by giving some examples as given below:**

**Man (Human Resources)**

Preferably recruit graduates from same area after transparent recruitment procedure (use internal capacities)

- All staff must undergo extensive training (plan future needs)

*See questions related to standard operating procedures for Man (Human Resources) in Annexure - 2. These questions can be asked to the group, for them to discuss and arrive at the standard operating procedures.*

**Material (Produce)**

- Use FIGs for checking quality, managing procurement of produce and distribution of inputs (use internal capacities)
- Do crop planning at FIG level by looking at market trends (future needs)

*See questions related to standard operating procedures for Material in Annexure. These questions can be asked to the group, for them to discuss and arrive at the standard operating procedures.*

**Money (Finance)**

- Use share capital to get loans from banks or matching grants from Govt. (use internal capacities)
- Before taking loans, check ability to repay (future needs)

*See questions related to standard operating procedures for finance in Annexure. These questions can be asked to the group, for them to discuss and arrive at the standard operating procedures.*

**Machine (Equipment)**

- Before any purchase of equipment, check if facilities available nearby or with members (use internal capacities)
- Before investing in any asset, check if the asset will increase profit of FPO in future or become a burden on FPO (future needs) - 15 mins

*See questions related to standard operating procedures for Machine (Equipment) in Annexure. These questions can be asked to the group, for them to discuss and arrive at the standard operating procedures.*

The groups fix their cards on the fish chart and discuss if anything can be added – 15 mins

**Task 5: Summing up - 10 mins**

The facilitator can close the session encouraging the BODs to go back and discuss the points raised in this session and work on their standard operating procedures

## Annexures

1. Situation Cards for Buzz Group Activity
2. Questions Related to Standard Operating Procedures

## Annexure 1 : Situation Cards for Buzz Group Activity

1. A Tur FPO in Karnataka, has seen CEOs change many times in last three years' time. Due to this, the FPO has not been functioning properly. The last CEO who left recently was from another district and had no experience related to managing FPOs. He left saying that the salary was not enough.

**What points, from a resource planning point of view, will you, as the BoD of the FPO, discuss in the board meeting?**

2. A Tur FPO has one CEO and accountant, who are already busy with routine activity of the FPO. For next 3 months, FPO plans to procure Tur from several villages. During procurement, people are needed in each centre to ensure quality and proper weighing, record keeping.

**What options will you, as BoD of the FPO, think of in this situation?**

3. An Organic FPO, at the time of procurement, pays slightly better than current market price. At the end of the year, BoD considers the profit before tax of the company and decides to pay withheld price to farmers in cash or kind or by allotment of shares, as decided by the board

**What will you, as BoD of the FPO, consider before declaring the withheld price for the year?**

4. A Tur FPO plans to procure Tur from its members during the harvesting season at market prices and sell it to traders after a few months when prices are high.

**What are the main planning decisions that you, as BoD of the FPO, must take in this situation?**

5. A fisheries FPO has agreed to supply fish throughout the year to an exporter. It discusses with members and fixes the procurement price at the beginning of the year. However, some members sell to the FPO when the FPO price is higher than market price and sell directly to market when market price is higher than FPO price.

**How will this affect the business of the FPO and what can the FPO do about it?**

6. A horticulture FPO has entered into an agreement with a big retail company to sell an agreed quantity of Tomatoes every month. The company had agreed to pay a higher price than market price if the FPO is able to supply the agreed quantity every month. The first load is expected after six months.

**How will you, as BoD of the FPO, plan for this?**

7. A horticulture FPO did collective marketing on trial basis and suffered losses as the markets were far away. They heard about a Government scheme for a vehicle with subsidy. The CEO believes that own vehicle can help the FPO in reducing transportation cost and will improve FPO's business.

**What questions, from a resource planning point of view, will you, as the BoD of the FPO, ask the CEO?**

8. A newly formed FPO working with Maize farmers is planning to get a thresher with support from Government. Farmers need thresher for their maize crop this season. If this works well, the FPO plans to get more threshers to provide threshing services to its members in various village clusters.

**What will you, as BoD of the FPO, do to ensure that the threshing services reach all the FPO members?**

9. A Tur FPO based in Telangana plans to procure Tur from farmers at open market price and process into dhal and sell it to traders. There is a cooperative Dhal mill about 30 kms from their FPO which processes dhal for a fee. Some of the directors feel it is better for FPO to establish its own dhal mill.

**What will you, as BoD of the FPO, consider before deciding what the FPO must do?**

10. A Groundnut FPO plans to collectively procure fertiliser for its members. Based on the demand from its members, it will purchase in bulk from companies and supply to members. The FPO must pay companies in advance and farmers will pay the FPO after one months' time.

**How will you, as BoD of the FPO, plan resources for collective procurement?**

11. A Tur FPO entered into agreement to supply Tur to a miller and as agreed, 100 Tons were procured and supplied. The first few consignments were paid online, and the entire stock was supplied. However, after about a month or so, the trader stopped payment after receiving the entire stock.

**What steps/decisions will you, as BoD of the FPO, take in this situation?**

12. An organic FPO discusses with FIGs and fixes the procurement price before every cropping season. FPO also offers bonus to the farmer-members, FPO staff members and labourers who work at the FPO's processing plants. The BoD decides the bonus depending on the net profits earned every year.

**How will you, as BoD, decide upon the procurement price and the bonus?**

## Annexure 2 : Questions Related to Standard Operating Procedures

### Man (Human Resource)

1. Is it necessary to have a Job description, approved by the BoD, for each position? Should BoD regularly monitor the work of the staff through monthly or quarterly review meetings?
2. Is it important to jointly agree on performance indicators and evaluate the staff based on the performance indicators?
3. Is it necessary to have a transparent recruitment processes?
4. Is it necessary to send staff for relevant training at regular intervals?
5. Should FPO have a mechanism to reward and recognize good performers?
6. Should salary and other benefits be given to staff on time?
7. Should staff have social security benefits like insurance, Provident Fund, etc.
8. Should there be a staff grievance committee in the BoD?
9. Should there be a notice period, proper exit procedure for staff wanting to resign from the organisation?

### Material (Produce)

1. Should there be clear procurement plans before any procurement activity is undertaken?
2. Who should prepare these procurement plans?
3. Will FIGs be involved in preparing the procurement plans?
4. Who will compile and approve the plans?
5. Should the FPO have a procurement committee?
6. Should there be written contracts with buyers for purchase of produce from the FPO? Should there be agreement on quantity, quality, how quality will be checked etc.
7. Should FPO members receive training on proper grading, sorting and bagging of produce?
8. Should there be proper mechanism for transparent weighing of the produce?
9. Should there be a proper mechanism for transparent checking of the quality of the produce?
10. Should FPO have a proper mechanism to decide the procurement price to be paid to farmer?

### Money (Finance)

1. Is it necessary for an FPO to open a Bank account in its name?
2. Should the bank account be operated joint signatories or by a single person?
3. Can Cheque book be held by the authorized signatories?
4. Should the BoD decide the maximum amount which can be paid by cash by the FPO?
5. Does the FPO need to print the necessary Receipts, Invoices and Vouchers?
6. Is it necessary that the receipt of cash or cheque should be immediately accounted by issuing a Receipt?
7. Should Cash receipts be remitted to the Bank immediately after receiving the cash?
8. Should we allow any payment without proper support of Bills and vouchers. Is it necessary that voucher should be prepared for every payment made?
9. Should a cheque issue Register should be maintained?
10. Should all supporting be cancelled with paid seal before the payment is made?
11. Should vouchers be serially numbered?
12. Should vouchers be authorized by the CEO or principal director?
13. Should all vouchers be filed with supporting documents?
14. Should Cash receipts be issued in book serially numbered. Should the original cash receipt be issued to the person / institution remitting the amount. Should FPO retain a Copy?

15. Should cash receipts and Payment vouchers be recorded immediately after making the payment.
16. Does FPO need to use Tally package?
17. Should Trial Balance be prepared every month and a Bank Reconciliation be prepared?

### **Machine (Equipment)**

1. Should we avoid purchasing any new equipment like flour mill, dhal mill, vehicle etc. without understanding whether FPO will benefit from it or not?
2. To understand the use of any equipment, can FPO experiment with doing business with existing facilities nearby or on rental/hire basis?
3. Before purchase of any equipment, should there be clarity on:
  - a. Where it will be installed?
  - b. How it will be operated?
  - c. Who will operate it?
  - d. What are the service charges?
  - e. How will the FPO get the money for maintenance of equipment?
  - f. How will the FPO earn from the operation of the equipment?
  - g. How will FPO manage in case of any accidents or any damage to equipment?
4. Should there be a proper purchase procedure for purchase of equipment?
5. Should there be a purchase committee in the BoD?
6. Should the FPO staff or operator be trained on the use of the equipment before it is used?





# MODULE 5

# BUSINESS PLAN OF AN FPO

Module 5	Business Plan of an FPO	
Session 1	Understanding the customer	105 mins
Session 2	Major components of the Business Model Canvas	120 mins
Session 3	Components of a Business Plan	110 mins
Session 4	Opportunities and challenges involved in running a business; How to identify the potential business	90 mins
Session 5	Learnings from an existing FPO's business - exposure visit	1 day
Session 6	Risk factors in the FPO business and ways to mitigate the risks	125 mins
Session 7	Impact on business in different scenarios using simulated models	110 mins
Session 8	Role of FIG in the overall FPO's business	95 mins
Session 9	How to prepare an MIS using data of FIG farmers	70 mins
Session 10	FIG activity plan contributing towards FPO business	115 min
	<b>TOTAL TIME FOR MODULE 5</b>	<b>1060 + exposure visit day (approx. 18 hours plus 8 hours field session)</b>

# Session 5.1: Understanding the Customer

**Session Time: 105 mins**

## Session Objectives

By the end of the 105 min. session on “Understanding the customer” the participants will get an idea about the major components of the Business Model Canvas and understand how to develop a business plan for the FPO using the Business Model Canvas

## Process summary

Sl. No.	Activity	Methodology	Time	Material
1	Explain the Objective of session	Explanation	5 mins	chart
2	Importance of customer's needs	Role play	30 mins	items for the role play
3	Understanding the FPO's customer	Small group activity	60 min	chart paper, cards, pens
4	Summarise the session	Interaction	10 min	board, pens

## Session Details

### Task 1: Introduction and the objective of session

Start with a quick energiser to orient the participants to the day's session.

Recap the previous session (if any) and lay a base for current session.

Introduce this module by saying that this is one of the most important modules. But only if the FPO board members and key staff have gone through training in the other modules, they will not appreciate the sessions in this module. This module will deal with different aspects of planning the business. It starts with a session on understanding the customer.

## **Task 2: Introduction to understand customers and their needs – 30 mins**

**Activity:** A role play

**Description:** 2 participants will play the role of sellers. Each will be given one make shift stall (made using a table with empty boxes kept on it). The rest of the participants will be customers.

**Stall 1:** Stall owner sells only one type of product / produce. He will not negotiate on the price and is very clear that whoever wants to buy will buy at his rate only. He is quite rude to the customers and is not interested in giving answers to their questions.

**Stall 2:** Sells a variety of product / produce. He is willing to negotiate or at least willing to tell the customers the reason for the price i.e. quality, packaging etc. He answers the customer's questions and persuades them to buy.

### **Analysis**

After the role play, the Facilitator asks the questions – “Which stall & seller was better and why?

What does the customer want?” Discuss in a plenary.

### **Concept conclusion**

Understand the importance of customer to FPO or any business in general and understanding the needs of a customer (in order to service the customer in the best manner possible).

### **Transition**

Using this activity establish link to the session on importance of customer to any business.

#### **Tips to Facilitator**

1. The Facilitator must choose participants who will be able to play the part well, so that the message comes out well.
2. It is not necessary that the stall 1 is a poor example, it is possible that participants may feel that it is not necessary for them to reduce their prices to hold on to a customer. The idea is to get the participants to understand that as a seller it becomes our responsibility to explain our products and offerings to the customer.

## **Task 3: Understanding the FPO's customer – 60 mins**

**Activity:** Small group activity (see annexure 1 – for chart ideas)

1. Divide the participants into two groups. Each of the groups will have to do the following activities:
2. Who is my customer?
  - Prepare a persona of a Customer of the FPO. Draw the picture of the customer.
  - The group will describe who their ideal customer is.
  - His / Her basic introduction – Give him / her a name, where is (s)he from, language (s) he speaks, what (s)he does, etc.
  - Describe his needs/challenges, expectations (some needs may not be openly said, but must be understood)
3. What makes my customer happy? What makes my customer sad?
  - List down the type of FPO products / service that make the customer happy. Put in details like quantity he wants, quality, any value addition.
  - Similarly, list the type of FPO products / services that make the customer sad or angry.

4. Give the participants 30 minutes to work on the activity. The groups then present their work.
5. The Facilitator then asks this question to all the participants.

“Why do you need to know about your customer and what he wants?”

Collect the responses and put them up on a chart. All the participants to discuss the personas created by the groups and the value proposition, give suggestions and make improvements.

Facilitator tells the participants that they must create such personas for all their customer segments as successful businesses start with the customer and work backwards. Weak businesses start with the product, hope there is market for it, and put customers at the end of the process. Facilitator can give examples of FPOs / business that have been successful by putting the customers first and those that have not sustained only because they did not do that.

Concept Conclusion: All FPO members must be aware of the FPO’s customers and what makes them happy or sad. Without its customers the FPO cannot sustain.

### **Transition**

After knowing the customer let us understand about the FPO’s business plan.

#### **Tips to the Facilitator**

1. The participants may be reluctant to draw pictures of the target customer and say that it’s too difficult or that they cannot draw well. The Facilitator must make them comfortable and maybe start drawing a customer and help them do it on their own. Participants should be encouraged to colour the picture and make it as interesting as possible.
2. If the Facilitator feels the participants will not be able to draw or are very reluctant, he can keep some printouts of prepared pictures / printouts. For e.g. – A picture of a trader, a businessman, an IT executive, a film actor, etc. These can be handed over to the groups. They will have to choose an image that comes closest to their customer.


#### **Task 4: Summarise the session – 10 mins**

- The Facilitator will repeat the major learnings from the sessions and summarise the session.
- Establish link to the next session.

### **Annexure**

1. Sample Persona of Male Customer of the FPO

## Annexure 1 : Sample Persona of Male Customer of the FPO

<p>Name: Mahesh Gowda Age: 40 Education: VII class Occupation: Trader Language he speaks: Kannada, Telugu, Hindi</p>	
<p>About him: Mahesh trades in several agricultural commodities - maize, ragi, etc. He has a shop in Chitradurga APMC yard.</p> <p>Revealing Statement: "I try and procure all the produce of the farmer whatever the quality and help the farmers; still the farmers do not trust me."</p> <p>Challenges:</p> <ol style="list-style-type: none"> <li>1. Getting produce of consistent quality that his buyers want.</li> <li>2. Getting sorted, graded produce.</li> <li>3. Erratic supply of produce.</li> <li>4. Several farmers promise that they will sell their produce to him and then refuse at the last moment.</li> <li>5. Competition from traders from different states.</li> <li>6. Competition from retail chains buying directly from farmers.</li> </ol>	

<p>What FPO products / services make Mahesh happy?</p> <ol style="list-style-type: none"> <li>1.</li> <li>2.</li> <li>3.</li> <li>4.</li> </ol>	<p>What FPO products / services make Mahesh sad or angry?</p> <ol style="list-style-type: none"> <li>1.</li> <li>2.</li> <li>3.</li> <li>4.</li> </ol>
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# Session 5.2: Business Model Canvas Components

**Time: 120 mins**

## Session Objectives

By the end of the 120 mins session on Business Model Canvas components, the participants would have

1. Got an idea about the major components of the Business Model Canvas
2. Understood how to use the Business Model Canvas as the base for developing a business plan.

## Process summary

Sl. No.	Activity	Methodology	Time	Material
1	Introduction to session	Discussion	5 mins	chart
2	Components of the Business Model Canvas	Plenary discussion	25 mins	chart paper, pens
3	Visualizing the FPO's business plan using the Business Model Canvas	Small group activity	40 min	chart paper, cards, pens
4	Creating a pitch	Group activity	20 min	chart paper, pens
5	Summarise the session	Interaction	10 min	board, pens
	<b>Total</b>		<b>120 min</b>	

## Session Details

### Task 1: Explain the objective of session - 5 mins

Start with a quick energiser to orient the participants to the day's session.

Recap the previous session (if any) and lay a base for current session.

The previous session highlighted the importance of knowing the customer and his/her needs. This session will introduce a template that will help to understand all the components in a business plan.

**Task 2: Understanding the FPO's business plan using the Business Model Canvas. The facilitator should start this session by asking the following questions:**

1. What are the costs involved in running the business? - Cost structure
2. How do they make money? Revenue streams
3. Who is the target customer? Who are the important customers? Customer Segment
4. Who are the suppliers / partners of the business? – Key Partners
5. What is the business about? What do they sell? – Key resources
6. How do they sell? - Channels
7. What do they do to keep the customers happy? What distinguishes it from its competitors? - Customer Value Proposition
8. What are the different activities you do as part of your business? - Key Activities
9. How do you reach your customer? Customer relationships

The answers to the questions above are the different components of the Business Model Canvas – See Annexure 1 for details of each component.

**Key Partners**

<b>Key Partners</b>	<b>Key Activities</b>	<b>Value Proposition</b>	<b>Customer Relationship</b>	<b>Customer Segment</b>
	<b>Key Resources</b>		<b>Channel</b>	
<b>Cost Structures</b>			<b>Revenue Streams</b>	

*Business Model Canvas Template*

**Task 3: Visualizing the FPO's business plan using the Business Model Canvas – 40 mins.**

For better understanding & retention the below activity is to be conducted. Choose a common produce or business for this activity (TOMATO BUSINESS for example). Focus on post-harvest part of the business so that the exercise does not take too long and will enable the participants to go through all nine segments.

Divide participants into 4 groups. Each group will be given one of the 4 activities given below. Give them 20 mins to do this activity.

#### Group 1: Customer Segments, Customer Value Proposition and Key Partners

- List the customer segments of a typical FPO and the corresponding Value Proposition. Participants can draw images of customer or use pictures as well.
- Also list the Key Partners of the FPO. Draw pictures of the people who provide support, services or their partnership is important for the FPO to satisfy its customers.

#### Group 2: Channels (to reach customers) & Customer Relationships

- List down how does the FPO attract more customers and how does the products reach to the customers?

#### Group 3: Key Activities and Key Resources

- Note down the day to day activities done by the FPO and the resources that the FPO has.

#### Group 4: Revenue Streams & Cost

- List the major costs and main income sources of the FPO.

The facilitator should put a large chart with the template of the business model canvas drawn on it. This chart should be placed on the ground in the centre and all participants invited to sit or stand around it. Then each group will place their cards in the respective box of the template. Start with the customer segment and go backwards.

### **Concept Conclusion**

Through this activity participants will be able to visualise how the different aspects come together to reveal a broad business plan of an FPO.

#### **Task 4: Business pitch - 20 mins**

The Facilitator will divide the participants into 2 groups. Each group will have to give an elevator pitch on the business model, as BoDs will often have to speak about their FPO in brief at various forums.

To prepare for the pitch each group will be given 15 minutes time after which they have to give a 2-minute presentation using the business model canvas prepared in the previous session.

#### **Task 5: Summarise the session**

- The Facilitator will repeat the major learnings from the sessions and summarise the session.
- Establish link to the next session.

## Annexures

1. Components of the business model canvas
2. Sample business model canvas after exercise



## Annexure 1 : Components of The Business Model Canvas

- 1. Customer Segments:** Tells you about the different customer groups you want to target.
  - For whom are you creating value for?
  - Who is your most important customer?
- 2. Value Proposition:** Value Proposition is the foundation of any business/product. It explains what need of the customer your product is solving.
  - What core value do you deliver to the customer?
  - Which customer needs are you satisfying?
- 3. Customer Relationships:** Tells us how our business interacts with its customers? How and where do you meet your customers? Do you meet with them in person? In APMC, conferences, farmers' meets etc.
- 4. Channels:** Understanding how to reach your customers is very crucial to any business. It tells you how your product or the information about your products reaches your customers. Through which channels do you reach your customers?
  - Which channels work best? Are there other channels you can use to reach your customers effectively?
- 5. Key Activities:** The actions or activities that your business undertakes to achieve the value proposition for your customers.
  - What key activities does your value proposition require?
  - What activities are important the most in distribution channels, customer relationships, revenue stream...?
- 6. Key Resources:** Means the resources your business requires to do business. These resources are what is needed practically to undertake the action/activities of your business.
  - What key resources does your value proposition require?
  - What resources are important the most in distribution channels, customer relationships, revenue stream, etc.
- 7. Key Partners:** The external companies/suppliers/parties/ organisations you may need to achieve your key activities and deliver value to the customer.  
For e.g.: If you sell groceries to customers, you may need a distributor who supplies you with the products. The distributor is your key partner.
  - Who are your key partners/suppliers?
  - What are the motivations for the partnerships?
- 8. Cost Structures:** The money you spend to operate your business.
  - What is the most cost in your business?
  - Which key resources/ activities are most expensive?
- 9. Revenue Streams:** The activities by which your business earns.
  - Which all activities get you revenue?
  - For what value are your customers willing to pay?

## Annexure 2 : Sample Business Model Canvas After Exercise



# Session 5.3: Broad Components of a Business Plan and Data Required to Prepare Business Plan

**Time: 110 min**

## Session Objectives

At the end of 110 mins sessions on “Broad Components of a Business Plan and data required to prepare Business Plan”, the participants would have:

1. Understood the broad components of a typical business plan for an FPO
2. Appreciated the key information required for preparing business plan

## Material required

Board, markers, brown sheets, cello tape, blank cards of drawing sheets, 8-10 copies of sample business plan (Ghazipur Business Plan).

## Process Summary

Sl. No.	Activity	Methodology	Time	Material
1	Introduction to session objectives and link to previous session	Discussion	5 mins	Chart
2	Making the activity wise business plan	Subgroup activity and Presentation of the business plan	30 Min	chart paper, pens
3	Identifying the resources (Available / required) for the business	Brainstorming	30 Min	chart paper, cards, pens
4	Critical elements of Business plan	Study of sample business plan	40 Min	Annexure- 1
5	Summing up	Conclusion	5 Min	board, pens
	<b>Total</b>		<b>110 Min</b>	

## Session details

### Task 1: Introduction - Explain the Objective of session – 5 mins

- Recap the previous session and lay a base for current session.
- State the objective for the session.

The previous session gave us some insight on the components that make up the business model. Using that knowledge, this session will further work on how to understand the components of the business plan and to collect the necessary information for developing such a plan.

### Task 2: Making the activity wise business plan – 30 min

The Facilitator explains the group activity to the participants. In the group activity, each sub group will have to select 3 feasible activities and prepare following the table which will help prepare the elements of a business plan.

#### Facilitation Tips

- 1) What- mention the activity in brief
- 2) Whom- for whom- who is the customer, and who is the supplier
- 3) Why- reasons for choosing the activity
- 4) Who- who will be responsible to carry it out- staff, Directors, FIG, individual farmer? ...
- 5) When- when to start and when to finish? Also take into account seasonality
- 6) Where- location of the activity; also, where to obtain the resources for carrying out the activity
- 7) How- Process of carrying out the activity

Sl No.	What (Activity) (1)	Whom (2)	Why (3)	Who (4)	When (5)	Where (6)	How (7)
1	Input	1)					
2		2)					
3		3)					
4	Output	1)					
5		2)					
6		3)					
7	Value addition	1)					
8		2)					
9		3)					

10	Marketing	1)						
11		2)						
12		3)						
13	Administration	1)						
14		2)						
15		3)						

The Facilitator concludes the activity by highlighting the various activities which have been listed about, that form elements of a typical business plan. The Facilitator also helps in identifying how some additional activities could also form part of the business plan depending on the commodity/ produce such as certification (in case of organic produce), licenses for packaged food, etc.

**Task 3: Identifying the key resources for the FPO business – 30 min**

1. The Facilitator makes the participants sit in a U shape seating. Facilitator will ask them as to what the resources are that will be required for the FPO to carry out the above planned activities. One of the participants will be asked to note down each response on a separate card.
2. After writing down all the responses, the cards are spread on the floor, and the participants will be asked to cluster the cards according to the type of resource (HR, infrastructure, capital, market linkage, etc)
3. Facilitator may ask leading questions if all types of resources are not listed

**Task 4: Identifying the internal and external sources of the above resources – 30 min**

**Sub group activity**

The cards collected during the above session from the participants should be pasted on pre-prepared table on a chart paper as shown below. The participants will list out the sources of mobilisation. The participants will categorise the resources as internal or external.

SI No.	Activity	Resource required	Source of mobilisation	Internal / External

**Task 5: Critical elements of a business plan – 40 min**

1. The Facilitator will make 2 subgroups.
2. The sample business plan (without the content / index page) will be circulated among the participants, the participants will be asked to read the sample business plan. (Annexure – 1)
3. Now subgroup 1 will list the key elements in given from 1 to 14 pages in a given sheet (Gazipur FPO's business plan) and subgroup 2 will list the key elements from 15 to 28.
4. After listing the key elements, the participants will list the possible sources of information (Govt, promoting institution, FIG, trader) for preparing those key elements.

Sl. No	Key elements	Source of data / information

**Task 6: Summarise the session**

- The Facilitator will repeat the major learnings from the sessions and summarise the session.
- Establish link to the next session.

**Facilitation Tips**

The Facilitator may support the participants in reading and deciphering the sample business plan

## Annexure

1. Sample Business Plan

*Please see link to the sample business plan <http://bit.ly/2U8BxJC>*

# Session 5.4: Identifying the Potential Business to Pursue by the FPO

**Time: 90 mins**

## Session Objectives

At the end of the 90 mins. session on “Identifying the potential business to pursue by the FPO”, the participants would have

1. Learnt how to identify the potential business to pursue
2. Understood the opportunities and challenges involved in running an FPO/ business.

## Process Summary

Sl No.	Activity	Methodology	Time	Material
1	Introduction to session objectives and link to previous session	Discussion	5 Min.	chart
2	Listing and segregating the different functions of an FPO	By distribution of index cards	40 Min.	cards, pens, charts
3	Listing opportunities and challenges	Brainstorming	40 Min.	chart paper, pens
4	Summing up	Conclusion	5 Min	board, pens
	<b>Total</b>		<b>90 Min.</b>	

## Session details

### **Task 1: Introduction - Explain the Objective of session – 5 mins**

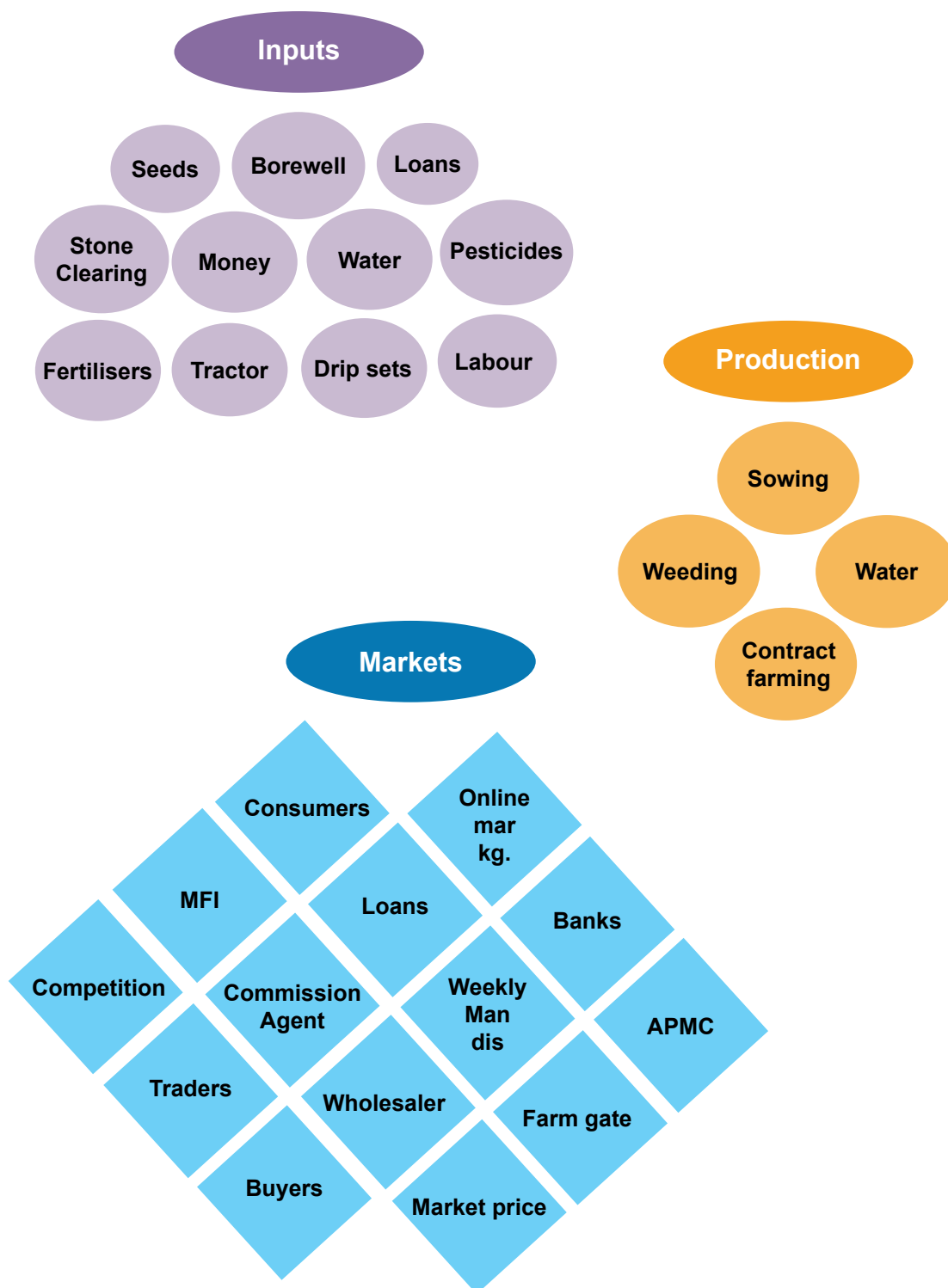
Recap the previous session and lay a base for current session.

State the objective for the session.

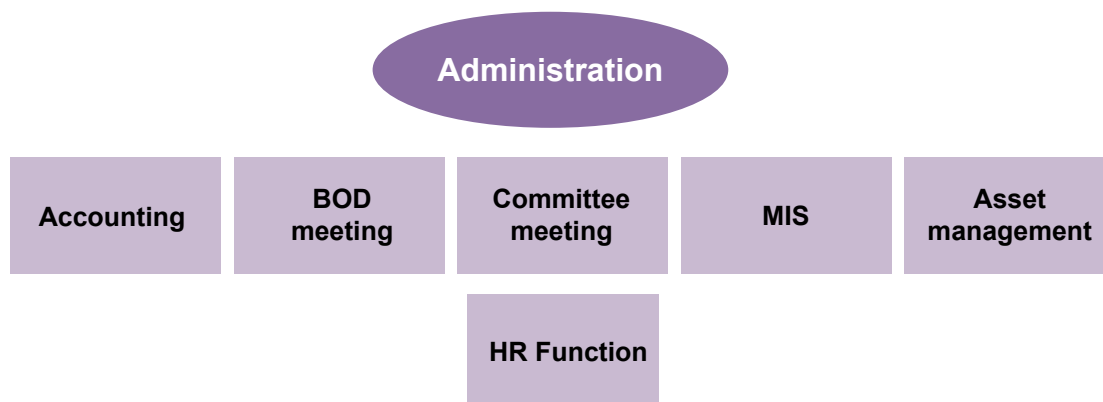
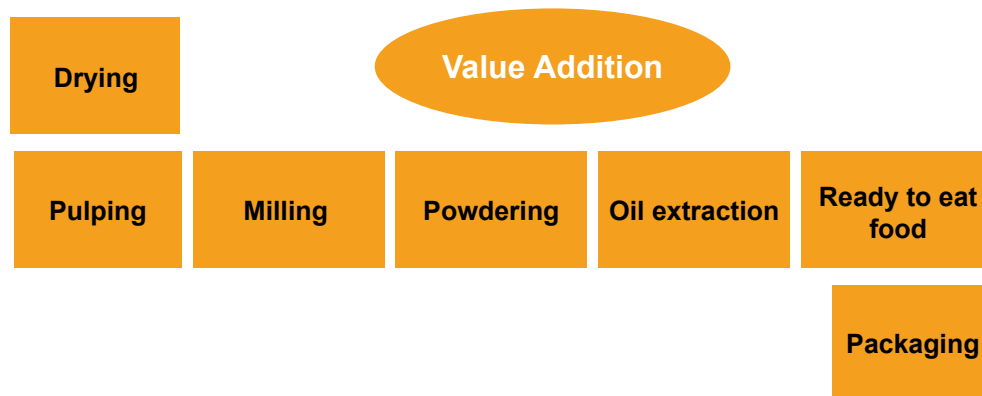
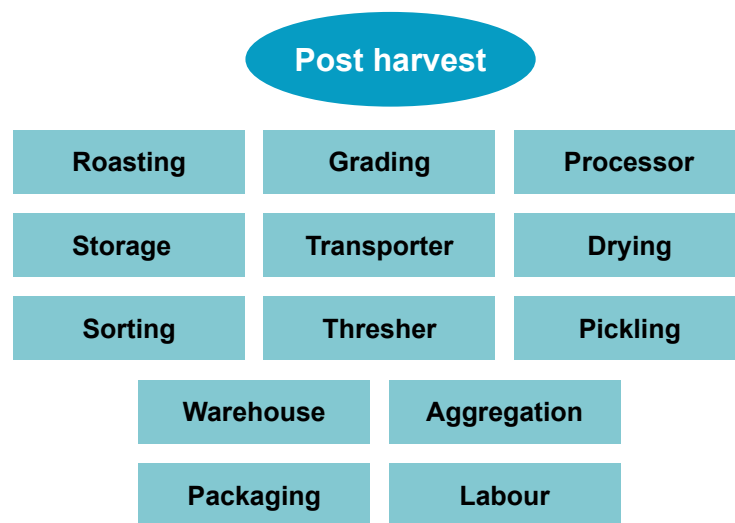
The previous session detailed the resources required for the business plan. This session looks at how to get the BOD members to understand which business to pursue.

**Task 2: Listing and segregating the different functions of an FPO -40 min**

- The Facilitator should prepare the colour coded cards with a few activities written beforehand and jumble it up
- The Facilitator will give the above pre-written cards to the participants and they are asked to arrange them in a flow as they feel.
- Facilitator has support them by giving small hints
- The Facilitator should ask the participants to list out the functions of an FPO (inputs, postharvest activities, value addition, administration and marketing).







At the end of this activity, the Facilitator helps the participants identify what is the potential of their FPO through guided questions, such as:

- Is your FPO capable of putting up a nursery for seedling production?
- Does it have the necessary capacity to foray into input business?
- Is the FPO producing crops which can undergo primary value addition at farm gate, or processing in order to fetch better value as per the variety and grade of the produce?

- d. Can the FPO take up packaging and marketing activities in the supply chain, so as to get better price realisation?
- e. Can the FPO take up other revenue generating activities such as custom-hiring centre for farm implements, input supply dealership, direct sale outlet to consumers, etc?

**Task 3: Listing Opportunities and Challenges (40 min)**

- a. The Facilitator will make 4 sub-groups and each group will be given the following topic and after discussion they will come up with information based on the below table.
- b. The participants should list out all the activities currently being performed by the FPO.
- c. The participants should also add all the possible activities (opportunities) as well as challenges. For each activity, opportunities/challenges – financial, technical, political, social, human resource - should be listed out.
- d. Based on the challenges, the sub-group should decide whether the activity is feasible to be carried out or not.

Subgroup 1: Input business  
 Subgroup 2: Output business  
 Subgroup 3: Value addition  
 Subgroup 4: Marketing

SI No.	Opportunities / Activity	Challenges	Feasibility of activity (Y / N)
1			

**Key questions:** Can the FPO carry out all the activities? What suggestions will you give to your FPO based on above discussion?

**Task 4: Summarise the Session**

- The Facilitator will repeat the major learnings from the sessions and summarise the session.
- Establish link to the next session.

# Session 5.5: Learnings from an Existing FPO's Business - Exposure Visit

**Time: 120 mins + 1 day**

## Session Objectives

At the end of the 120 mins session on Learnings from an existing FPO's business exposure visit", and the field exposure visit, the participants would have:

1. Got first-hand experience of a real FPO business plan

## Process Summary

Sl. No	Activity	Methodology	Time
1	Explain the Objective of session	Energiser, Explanation	10 min
2	Orienting participants for the exposure visit	Clustering Activity	30 min
3	After the Visit: Debrief session	Small group activity	75 min
4	Summarising	Interaction	5 min
		<b>Total</b>	<b>120 min</b>

## Session Details

### Task 1: Explain the Objective of session – 10 mins

Start with a quick energiser to orient the participants to the day's session.

Recap the previous session (if any) and lay a base for current session.

State the objective for the session – Understand the different aspects about the visiting FPO's business and learn from their experiences.

### Task 2: Orienting participants for the exposure visit (To be conducted before the Visit) – 30 min

This session could be done before the exposure visit to prompt the participants to look at the visiting FPO's activities from a business point of view.

**Activity:** Clustering activity

List the various aspects that help you understand about any business. For e.g. if you see a business - let's say a cloth shop and want to understand more about the business what

questions will you ask?

Ask the participants to note down all the components of the business plan in terms of the 9 sections of the business model canvas

### Tip for the Facilitator

Participants in all probability will link the answers to an FPO business and get into details such as share capital etc. Facilitator must nudge them to a general business. The answers to the above questions lead to the Business Model Canvas framework.

In addition to this framework, Facilitator will ask the participants to look at the FPO's business in the following aspects:

- Challenges faced and how they overcame it.
- Market promotion activities, customer relation approaches taken by FPO.
- Their business plan and their execution.

### Concept Conclusion

The framework will enable participants to look at the FPO's businesses from the customer point of view and then link it to the other activities. Also, they will be given some pointers so that they can get good learning from the visit.

### Tips to the Facilitator

1. The FPO selected for the exposure visit should be at least 3 years old with a minimum 1 year of business experience with diversified commodities and /or channels.
2. If possible, the visit should be structured by the Facilitator to focus on the learning outcomes. So that it doesn't become a general 'catching up with friends' kind of session. The Facilitator must create an enabling environment for participants to ask questions, observe and learn from the FPO they are visiting.
3. It is very likely that the FPO may not want to share its business plan. The Facilitator must explain this point to the participants, so that they are prepared. Instead they can ask other leading questions to get information about their business plan.
4. It is also likely that the FPO selected, might be into a different product line/ commodity. E.g. pulse producing FPO, while the participants might be vegetable growers. The Facilitator should emphasise that the learnings of the FPO's conduct of its own business is the essence and focus of the visit. And, towards that, the participants must focus on understanding the various nuances of how the FPO conducts its business, transacts with its various stakeholders, challenges that it overcame, risks, plans that it chalked out, inclusive growth of the company, etc.

### Task 3: After the Visit: Debrief session – 75 min

**Activity:** Small group discussion

Facilitator will divide the participants into small groups of 4-5 members. Each group will discuss the key learnings of the exposure visit (basically what they did and found out what) and present them. (30 min)

The Facilitator can give them the below points that the groups can use to explain their observations:

- How is the FPO you visited different from your FPO.
- Narrate as a story how the FPO was formed, the situation then vs now. How it has grown?
- Collectivising efforts of the FPO.
- Their value chains.
- Notable learnings – how they have handled issues or crisis situations, an interesting practice they follow, etc.
- Challenges faced and how they overcame it.
- Market promotion activities, customer relation approaches taken by FPO.
- The FPO's business plan and its execution.
- Interaction with FPO's BoDs and CEO.
- Participants can also refer to the clustering activity done before the visit and use it to explain about the FPO.

### **Analysis**

The groups present their learnings and discuss in a plenary. (30 min)

The Facilitator will ask the question to the plenary: "Which particular learnings will you implement at your FPO?"

The collected responses will be put up on a chart. (15 min)

### **Concept Conclusion**

Participants will be able to relate the visiting FPO's experiences to their own FPO's.

#### **Task 4: Summarise the session – 5 mins**

- The Facilitator will repeat the major learnings from the sessions and summarise the session.
- Establish link to the next session.

# Session 5.6: Basic understanding of Risk taking

**Time: 120 mins**

## Session Objectives

By the end of the session participants will be able to-

1. Understand the risk factors in the FPO business and ways to mitigate the risks;
2. Understand the importance of being proactive and strategic when running the FPO.

## Process Summary

SI No	Activity	Methodology	Time	Material
1	Explain the Objective of session	Explanation	5 min	chart
2	Introduction to risk taking	Game	40 min	basket, masking tape, paper balls
3	Understanding the risk factors that impact FPO's businesses	Case discussion, Clustering Activity and plenary discussion	75 min	chart paper, pens
4	Summarise the session	Interaction	5min	
	<b>Total</b>		<b>125 min</b>	

## Session Details

### Task 1: Explain the objective of session

- Recap the previous session and lay a base for current session.
- State the objective for the session – Understand the risk factors in the FPO business and ways to mitigate the risks.

The previous session was to visit an FPO to understand their business plan. The other sessions also detailed the components of the business plan.

## Task 2: Introduction to risk taking in business: 40 min

### Game: Risk taking Game

**Objective:** The objective of the game is to enable participants to demonstrate the skills need to take calculated risks.

#### Preparation for the game

Place a basket on the floor. Take a few steps away from the basket and use the masking tape to mark off 10 or more intervals at a distance of one foot apart (12 inches, approximately) from each other. Number each interval using the marker, starting from the interval line closest to the basket.

#### How to Play and Scoring

- Divide the participants into 2 groups; Team A & Team B. 3-4 members from each group will play the game, while the rest can be observers. (More teams could be made, or more players can be chosen from each team. This must be decided by the Facilitator at the start of the game)
- The Facilitator could be the scorer & referee. He has to ensure that that the player does not overstep the interval line and keeps the score. Or he can appoint one participant to keep the score.
- Each player gets 2 chances to throw one paper ball from an interval line of his/her choice. If the paper ball falls correctly into the basket then the player has scored. The points are calculated as per the interval line from where the player throws the paper ball. For e.g. if the player throws it successfully from the first interval line, the player gets 1 point; successful throw from 5th interval line gets her 5 points. and so on. An unsuccessful throw receives no points.
- Basically, the higher risk (from farther away he throws) the player takes he is rewarded with more points.
- The player can decide for himself or herself how to play. He can choose to throw from a line farther away or the closer one, depending on his confidence level and ability.
- Players can choose to throw the paper ball from same position, or different positions. This decision is left to the player.

The team with more points is declared the winner. In fact, we are trying to demonstrate risks, and the ability to take calculated risks, the Facilitator could present scenarios such as:

- i) Team gets more points if they are attempting blind folded
- ii) Team gets 1.5 times more points if they throw successfully, facing the opposite side (and throwing behind them).

Then, the aspect of risk taken versus success met can be highlighted over a large set of possibilities....

#### Score Board Example

Team	Name of player	Throw 1 (Thrown from line– Actual Score)	Throw 2 (Thrown from line– Actual Score)	Total score
A	Ina	10-0	5-5	5
A	Meena	5-5	6-6	11
			<b>Total Score of team A</b>	<b>16</b>

B	Mynah	5-0	4-4	4
B	Moh	10-0	6-6	6
			<b>Total Score of Team B</b>	<b>10</b>

### Analysis / Learnings from the game

The Facilitator will discuss in a plenary what the participants learnt from the game and how they can relate it to the FPO business.

The Facilitator must stimulate the participants to think on the lines of:

- Risk vs Rewards: Are we considering the risk factors when taking decisions? Are our actions / outcomes worth the risk?
- Encourage risk taking: Explain that it is necessary to take risks.
- Understanding risk: Our actions must be taken keeping in mind the risks. We can learn from others' experiences and our own.

### Concept conclusion

The Facilitator explains that market dynamics means both opportunities and risk.

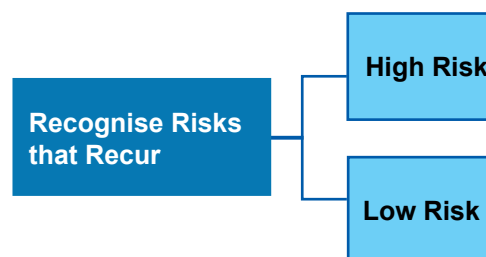
- Risk refers to things that could happen that can harm the business. FPOs need to anticipate these risks ahead of time and be prepared with mitigation strategies.
- The FPO also has to look out for opportunities and take calculated risks to make the most out of every opportunity.

### Task 3: Understanding the risks factors that impact FPO's businesses – 75 min

The Facilitator divides the participants into 2 or 3 groups and gives them the case in Annexure 1. The groups will get 20 min to discuss after which they present their analysis. (Time 45 min)

**Step 1:** Taking forward from the case discussion, Facilitator asks the question and collects responses on the chart: "What are the risk factors that affect your business?" (Time- 5 min)

**Step 2:** Clustering activity- Facilitator stimulates the participants to segregate the factors on the kind of impact it has on the business. i.e. Cluster the factors into high risk & Low risk. (Time-10min)



**Step 3:** Developing a contingency plan / risk mitigation plan (Time-30 min)

Facilitator asks participants to come up with plans to manage the risks and puts up the responses in the format below.



	Risk Factors	Action Plan
<b>Low Risk</b>	1. 2. 3.	1. 2. 3.
<b>High Risk</b>	1. 2. 3.	1. 2. 3.

### Concept Conclusion

The participants will understand the need to have risk mitigation plans for recurring risks and the Facilitator must try and impress upon participants the need to document the risk mitigation plans. The Facilitator can give examples to explain why it is important to document risk mitigation plans for recurring risks – for e.g.: In case BOD's change, new CEO takes charge, etc.

#### Task 4: Summarise the session – 5 mins

- The Facilitator will repeat the major learnings from the sessions and summarise the session.

## Annexure

1. Case study for exercise

## Annexure 1: Case Study for Exercise

An FPO dealing with maize: A buyer expresses interest in buying 200MT of maize. He agrees to pay Rs300 more than the prevailing market price which was Rs1500/quintal. The buyer has also asked for a particular quality of produce with regards to the moisture content (14%) and the same is put in the agreement. The FPO has to procure, package maize in 100kg bags and load the produce in the truck, while the buyer will send the vehicle and bear the transportation cost.

The FPO calculates the cost of packaging and loading as Rs.50/Bag. After doing its costing, the FPO decides to pay Rs1650/quintal to the farmers. This was the final rate to be paid to the farmers while the FPO bears the cost of packaging and loading. In the first load the FPO decides to dispatch 9 MT of maize. FPO procures the produce and also ensures the quality required by the buyer.

At the time of loading, the FPO realizes the cost of packaging and loading actually works out to Rs.100/Bag. The FPO requests the farmers to bear the cost of packaging and loading. However, at the time of procurement the farmers were told that they will be paid Rs1650 / quintal all-inclusive so the farmers refuse to bear the cost. The FPO had been recently formed and this was one of the first agreements of the FPO, so the FPO decides to pay the farmers the agreed rate.

The first load of 9MT is dispatched to the buyer. On receiving the produce, the buyer says that the moisture content in the maize (17%) is more than what they had asked for and rejects the whole produce. The FPO is shocked as they have checked the quality and sent, but buyer refuses to accept the consignment. With the help of its partner organisations, the FPO tries hard to convince the buyer.

Finally, the buyer agrees to take the produce but not at the promised rate of Rs1800/bag. The FPO suffers a loss of Rs250/ quintal for 9 MT of produce.

### Questions

1. Could the FPO have handled the situation better?
2. What were the risk factors in the case? What steps could the FPO have taken to avoid the loss?

# Session 5.7: Impact on Business in Different Scenarios using Simulated Models

**Time : 110 mins**

## Session Objectives

By the end of the session participants will be able to:

1. Understand the risk factors in the FPO business and ways to mitigate the risks;
2. Understand the importance of being proactive and strategic when running the FPO.

## Process Summary

SI No	Activity	Methodology	Time
1	Explain the Objective of session	Explanation	5 min
2	Understand the impact on business in different scenarios using simulated models	Case discussion	100 min
3	Summarise the session	Interaction	5 min
		<b>Total</b>	<b>110 min</b>

## Materials Required

- Coloured Chart paper
- Brown chart paper
- Moderation cards of different colours and shapes
- Markers – Different colours
- Masking tape
- Items for the game
- Case printouts (10 nos; as per the number of participants)

## Session Details

### Task 1: Explain the objective of session

Recap the previous session and lay a base for current session.

State the objective for the session – Understand the risk factors in the FPO business and ways to mitigate the risks.

**Task 2: Understand the impact on business in different scenarios using simulated models – 100 min**

Six cases have been provided. Participants will be divided into 3 groups and each group will be given 2 cases. The groups have to analyse the cases and present them. The groups will be given 40 mins to analyse the 2 cases.

**Analysis**

The Facilitator will group the responses to the individual cases in the below format.

Case No	Challenges faced by the FPO (as per the case)	Learnings and Suggestions
1		
2		
3		

**Task 3: Summarise the session 5 mins**

The facilitator will repeat the major learnings from the sessions and summarise the session, focusing on the point that there are risks in any business, and the FPO needs to understand risks in advance - must try and assess risks earlier - and make plans to tackle the risks as needed.

## Annexure

1. Case-lets for Simulation exercise

## Annexure 1: Case-lets for Simulation Exercise

**Case - 1:** As per the business plan of the FPO, it has decided to deal in mango as it is grown widely in the area. A Bangalore-based trader is interested to purchase Banglora Mango and has placed the following demands:

- Size should be such that, each kg should contain around 6 mangoes.
- The mangoes should be washed and sent in crates.
- Mangoes should be graded and sorted as per ripening stage. The buyer required mangoes which will ripen in 5-6 days.

At the nearest local mandi which is 5km from the FPO's location, the prevailing rate of Banglora Mango variety is Rs15/kg.

**Questions:**

1. Considering that the transportation will be borne by the trader, at what rate should the FPO agree to sell the produce to the trader? Also, consider the market dynamics (both risks and opportunities) that the FPO must take into account while getting into an agreement.
2. What happens if logistic infrastructure is not provided for by the buyer – such as crates, vehicles, loading and unloading charges, etc?
3. How will the FPO stagger harvesting, post-harvest storage (pre-ripening stage of 10 days), partial ripening in transit?
4. How will the FPO aggregate its supply from various farmer groups of its FPO (aggregated supply, scheduling, MIS)

**Case - 2:** This FPO has prepared a business plan, as per which it has decided to procure 500MT turmeric from farmers and help them get better prices. It wants to sell the produce to bulk buyers and get at least 10% more than the market rate.

At the time of harvesting turmeric, the FPO evaluated the various options it had:

- i. The market rate in the local mandi was Rs8000/ quintal.
- ii. The bigger market which was at a distance of 50km the rate was 5-10% more than the local mandi. But the FPO will have to factor in the transportation costs as well as other costs.
- iii. The rate for polished turmeric in the local mandi was Rs11500/quintal. The FPO worked out the cost of polishing and it was coming to Rs1500/quintal.
- iv. The FPO can also sell polished turmeric at the bigger market, where the rates were around Rs12500/quintal.

**Question: What decision will you take if you were the director of the FPO? Justify your decision.**

1. What are the different scenarios which might emerge?
2. What, if there is not galvanising vessel to boil turmeric and sun-dry? What if it

is rainy and yet the demand is high? Will slicing and selling in tertiary markets be an option and at what prices?

3. How will the FPO arrange for seed money for transportation and other logistics to deliver the supply? If there are no internal resources, how will it raise money? Bank versus money lender/ NBFC; high interest rates over short time versus low interest rate over long term (term loan), etc

**Case -3:** This FPO is located in a paddy growing area. The region is well-irrigated by canals and most of the farmers in the area have always grown paddy. The paddy grown in the area is quite well-known in the markets. The FPO has made a business plan to procure 500MT paddy, mill it, brand it and sell in the local markets. The FPO has reached out the farmers in the area and explained the benefits of branding their produce and selling it. The farmers are very excited and looking forward to giving their paddy to the FPO.

On its part the FPO has made all the preparations: arranged for funds and finance options to procure 500MT of paddy and mill it, developed their brand logo, and finalized bulk buyers, retail chains, etc., to sell the produce.

However, that year the rains were scanty also no water was supplied through the canals. The farmers were unable to grow paddy.

**Question: What can the FPO do in this situation?**

**Case -4:** Below is an example of how two different FPO's have done business with the same buyer – a large retail chain.

**FPO 1:** The buyer decided to engage this FPO to procure organic ragi. The buyer had asked for specific quality specifications and wanted the FPO to grade, sort and pack the organic ragi.

The FPO laid down strict payment terms and asked for advance payment from the buyer, which the buyer finally agreed to after a lot of discussions. Also, the FPO was very reluctant to sort, grade and pack as per the buyer's requirements. They wanted the buyer to take the produce directly from farm-gate. On the buyer's insistence the FPO agreed to do the value-addition.

After the produce was received by the buyer, they were not happy with the packaging and raised a few quality issues. The FPO had to face losses in this consignment, as a result of which the FPO decided not to engage with the buyer henceforth. Also, the FPO decided against getting into value-addition services for other buyers as well.

**FPO 2:** The same buyer got into an agreement with this FPO to supply 1 tonne banana. The buyer had strict specifications such as:

- i. Size: Size should be such that, each kg should contain around 7-8 bananas.
- ii. Ripening stage: The bananas should be ready to eat in 3-5 days.
- iii. Packaging: The produce should be graded and sorted and kept in washed, clean crates. All crates must be lined with newspapers, after which only the bananas should be placed.

The FPO agreed to these requirements and sent the first consignment. The buyer was unhappy with it for the below reasons:

- i. The FPO sent larger bananas. Even though they knew that the buyer had asked for a particular size, they had bananas of better quality which were larger in size and thought the buyer will be happy to receive better quality. However, the buyer wanted smaller size, as the end customers preferred that size. The buyer was not able to sell as much as it had indented for (planned) and the unsold bananas had to be dumped.
- ii. The bananas were not in the specified ripening stage. The FPO had mixed up the riper and kuccha ones in the same crate.

As a result, the buyer paid the FPO lesser than the promised rate, and the FPO had to incur some losses. However, the FPO decided to improve its operations and worked on sending the right produce to the buyer. After some trial and errors, they finally got the whole process right, and have been supplying steadily to the same buyer for a long time.

Further, the buyer also started procuring capsicum, greens, millet Atta, and other produce from the FPO.

**Question: What are your learnings from the two FPOs?**

**Case -5:** An FPO had got into an agreement with an onion trader and finalized the price at Rs50/kg. The produce was getting loaded and was to be sent to the mandi the next day, when the farmers came to know that there has been a sudden increase in onion prices and the price has increased to Rs 55/ kg. By the time the vehicle was ready to leave for the mandi price has increased to 58/ kg and later to Rs60/kg. They wanted the FPO to re-negotiate the price with the trader.

The FPO realized that even at Rs50/kg, the farmers have a good deal as their cost of production was Rs35/kg. Also, the BoDs knew that the current situation was not a regular one and that it was only because of some exceptional conditions that the onion prices increasing so much. They are however under a lot of pressure from their members to re-negotiate.

**Question: If you were the director in that FPO, what will you do in this situation?**

**Case - 6:** This FPO deals in a variety of produce, and maize is one of their major commodities. The FPO procures maize and sells it to the local mandi which is around 10 km away. They can get better prices for their produce at a larger mandi which 70 km is away. Because of the high cost of renting a vehicle, the FPO prefers to sell at a local mandi.

The market price of maize is highly fluctuating, and the price depends on various factors like maize arrivals from Bihar, international market conditions, release of old stocks of maize etc. Whenever the market prices are high, there is a rush among farmers across the region to thresh their maize and transport it to the market. For the FPO, a thresher can be very helpful resource.

The FPO has some funds and now wants to decide how best to use it. Two options are available: 1) purchase a thresher; or 2) buy a small farm vehicle for transporting the produce to the market.

**Question: How should the FPO spend its funds? Justify with reasons, also if you were a director of this FPO how will you convince the remaining directors?**

(This case can be modified for any other aspect – such as for warehousing, as maize thresher is not something that people from non-maize growing areas will be familiar with.)



# Session 5.8 : Role that a FIG plays in the Overall FPO's Business

**Time: 105 mins**

## Session Objectives

At the end of the 105 min. session on “Role that a FIG plays in the overall FPO business, participants would have:

1. Understood the role of FIG in the overall FPO’s business
2. Determined ways for FIG to engage with the FPO.

## Process summary

Sl No	Activity	Methodology	Time	Material
1	Explain the Objective of session	Explanation	10 min	chart
2	Understanding the role that a FIG plays in the overall FPO's business	Make appropriate match	50 min	pre prepared cards, chart paper, pens, blank cards Annexure 1
3	Understand the importance of crop/produce/product planning for assessment of input and output and its potential at FIG level	Situation analysis using a case study	40 min	chart paper, pens
4	Summarizing	Interaction	5 min	board, pens
		<b>Total</b>	<b>105 min</b>	

## Session Details

### Task 1: Explain the Objective of session (10min)

Recap the previous session (if any) and lay a base for current session.

State the objective for the session –Understand the role of FIG in the FPO’s business plan.

So far, all the sessions have focussed on the FPO and their role in developing a business plan. This session onwards is focussed on the role of the FIG in the FPO business.

**Task 2: Understanding the role that a FIG plays in the overall FPO's business. (50 min)**

**Activity:** Make appropriate match

**Step 1:** Write the various aspects / activities of a typical FPO's business plan such as Traders, Processing Unit, Millers, Procurement, Storage, Good Quality, Grading, etc – one on each moderation card. (For the list of activities please refer to the Annexure 1 given below).

**Step 2:** Distribute the cards among participants. Each participant will probably get multiple cards.

Tell them to segregate the cards into two sets: one set where the FIG has some involvement or connection to the FPO business; and the other which does not involve the FIG at all.

**Step 3:** Ask participants to place the FIG cards only on the template kept on the ground in the relevant segments by asking the following question:

**Question – “Under which segment will you put up your card? Please pin up the given cards in respective column of the business model canvas.”**

<b>Key Partners</b>	<b>Key Activities</b>	<b>Value Proposition</b>	<b>Customer Relationship</b>	<b>Customer Segment</b>
	<b>Key Resources</b>		<b>Channel</b>	
<b>Cost Structures</b>			<b>Revenue Streams</b>	

The Facilitator must:

- i. Bring out the link between the various segments. All the activities are part of the FPO's business plan.
- ii. Emphasise the activities in which FIGs are directly involved, especially collectivised work, value addition done at FIG level.
- iii. Participants may have their explanation for placing a card under a different heading. Discuss their reasons.
- iv. Ask participants if they would want to add more aspects which are missing. Add them to the chart. Try and get as many new aspects as possible.

**Task 3: Understand importance of crop / produce/ product planning for assessment of input and output. (40 min)**

**Case to be discussed**

An FPO is in talks with a few buyers for supplying tomato for processing companies. The FPO after consulting its FIGs feels it can supply 300MT tomato. The buyers specifically require hybrid varieties like Abinav and in a particular season only. The FPO has decided to do crop planning and staggered planting outline, so that the required quantity and quality can be supplied. The FPO has also planned for a training session for nursery owners for raising hybrid seedlings.

**Question: How will the FPO engage with its FIGs to achieve the target of 300 MT it has promised the buyer?**

The Facilitator will divide the participants into 2 groups and give them 20 minutes to discuss the case and answer the question in the case.

Group 1 – FPO perspective: The group members give suggestions from the point of view of the FPO.

- What are the steps that FPO will take to ensure supply to the buyer?
- How much produce from each FIG will go to FPO for collective marketing?
- Whether all the inputs required for the planned crop are available at FPO?

Group 2- FIG perspective: The group members will have to give suggestions as per the activities at the FIG level.

- What all information will be required at FIG level – quality parameters, when to sow, any particular input requirements and how much input will each farmer require as per their land holding, how to grade, packaging, collectivization activities at FIG level.
- Issues FIG members want to bring notice to FPO which are not possible to take up at their level.

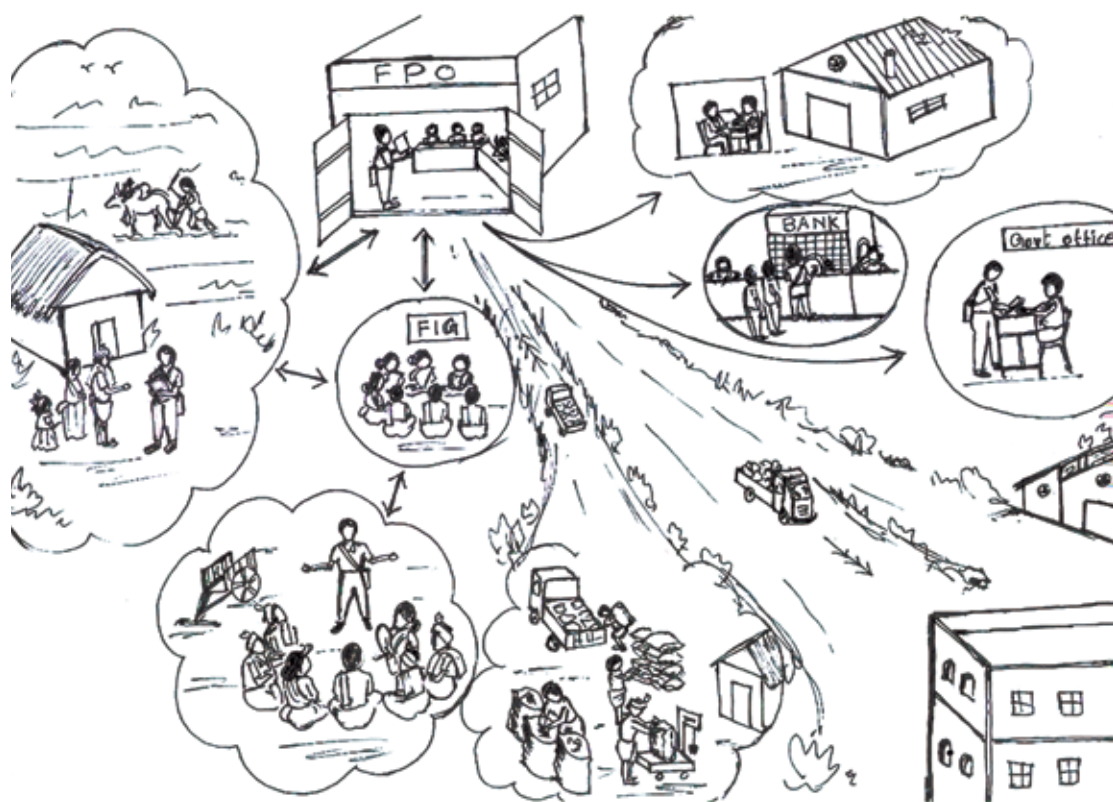
Both the groups will present their suggestions which will be discussed by all participants.

**Concept conclusion**

Understand the need and importance of crop and input planning and get an idea of the information required for the purpose as well as discuss the issues that arise at FIG level.

**Task 4: Summarise the session (5 min)**

- The Facilitator will repeat the major learnings from the sessions and summarise the session.
- Establish link to the next session.



## Annexure

### 1. Cards for the Exercise

## Annexure 1 : Cards for the Exercise

<b>Key Partners</b> Traders Processing Unit Millers Warehouse Promoting NGO Government Agencies Wholesalers Farmers Farmer Interest Groups BoDs CEO Chartered Accountant (CA) Accountant	<b>Key Activities</b> Procurement Storage Sorting Grading Cleaning Strategy Planning Packaging Board Meetings Selling Market Analysis Annual General Meeting (AGM)	<b>Value Proposition</b>  Good Quality  Graded products  Processed Products  Bagging of Products	<b>Customer Relationship</b>  Regular Meetings Inviting Key partners and customer for the big events for FPO	<b>Customer Segment</b>  Trader Wholesaler Processing Unit Malls Retail Shops
	<b>Key Resources</b>  Tractor Land Fertiliser Pesticides Compost		<b>Channel</b>  Transportation Marketing Branding	
<b>Cost Structures</b>  Purchasing of Tractor Purchasing of Inputs			<b>Revenue Streams</b>  Selling produce	

# Session 5.9: How to Prepare and MIS Using Farmer Data

**Time: 70 mins**

## Session Objectives

At the end of the 70 min. session on “How to prepare and MIS using farmer data”, participants will be able to learn how to prepare an MIS using data of FIG farmers

## Process (Summary)

Sl No	Activity	Methodology	Time	Material
1	Explain the objective of session	Explanation	5 min	chart
2	To understand the information (data) that must be collected from the FIGs for crop planning and demand collection	Make appropriate match	60 min	cards, pens, chart
3	Summarising	Interaction	5 min	board, pens
		<b>Total</b>	<b>70 min</b>	

## Session Details

### Task 1: Explain the Objective of session

Recap the previous session and lay a base for current session.

State the objective for the session.

### Task 2: Understand the information (data) that must be collected from the FIGs for crop planning and demand collection (60 min)

**Activity:** Make appropriate match

**Step 1:** Taking the same case which was discussed earlier, write down various data that must be collected from the farmers for crop planning and input demand. E.g.: Farmer Name, FIG name, FPO name, Name of crop, Extent on which tomato will be planted, Season, Total land, Neem cake, Urea, DAP, Tractor, etc. Along with this, irrelevant details will also be written on cards such as coconut saplings, thresher, motorcycle, etc.

**Step 2:** The cards will be shuffled and distributed among participants. It is likely that each participant will receive more than one card.

**Step 3:** Ask participants to pin the cards by asking the question -  
“What all information must be collected from the FIGs crop planning and demand collection?”

Each participant will pin up the cards that are relevant on one chart and the irrelevant ones on another chart. Do this till all cards are done.

**Step 4:** Ask participants if they would want to add more aspects which are missing. Add them to the chart. Try and get as many new aspects as possible.

**Step 5:** After this activity is over the Facilitator will ask the participants to go back to the groups that were formed for case discussion i.e. FPO group and FIG group. Both the groups will now discuss and come up with data collection formats.

- FIG group – Will have to come up with these 2 formats: Crop planning format and Input Demand Collection format.
- FPO group- Will have to come up with formats to compile data received from various FIGs for crop planning, procurement and input collection.

**Step 6:** Discuss each format and take suggestions from all participants. Also, compare the forms that participants have created with format samples provided in Annexure 2.

### **Concept Conclusion**

Participants will come up with all the information that is required by FIGs for crop planning and demand collection for inputs and learn how to prepare an MIS using data of FIG farmers.

#### **Task 3: Summarise the session**

- The Facilitator will repeat the major learnings from the sessions and summarise the session.
- Establish link to the next session.

## Annexure

### 1. Sample Formats for Data Collection

## Annexure 1 : Sample Formats for Data Collection

### Format for Crop Planning

..... FPO .....								
Name of the FIG:			Habitation:					
Sl. No.	Name of the Member	Total land	Season-1		Season-2		Season-3	
			Crop	Extent	Crop	Extent	Crop	Extent
1								

### Format for Input Demand Collection

..... FPO .....											
Demand Collection Format											
SHG/FIG/RS: Date:						Habitation:					
Sl. No.	Name of the Member	Requirement in 50 Kgs bags									
		Neem Cake	Urea	DAP	20.20. 0.13	10.26. 26	Pot-ash				Cattle Feed
1											



### Format for Data Compilation (Crop Planning)

..... FPO .....								
Sl. No.	Name of the FIG / Habitation	Total land	Season-1		Season-2		Season-3	
			Crop	Extent	Crop	Extent	Crop	Extent
1								
2								
Total								

### Format for Data Compilation (Procurement)-at FPO level

Sl. No	Crop	Extent	Estimated Productivity	Estimated Production (Quintals)	Estimated Procurement Quantity	Provisional Price	Estimated Procurement Value (Rs.)

### Format for Data Compilation (Input Demand)

..... FPO .....											
Sl.No.	FIG	Requirement in 50 Kgs bags									
		Neem Cake	Urea	DAP	20.20.0.13	10.26.26	Potash				
1											
2											
3											
Total											

### Format for Data Compilation (Input Procurement)

Sl No.	Item to be procured	Requirement Quantity	Units	Unit Rate	Procurement Value (Rs.)

# Session 5.10: Preparation of a Plan for FIG Activities Contributing Towards FPO Business Plan

**Time: 115 mins**

## Session Objectives

At the end of the 115 mins session on “Preparation of a plan for FIG activities contributing towards FPO business plan”, the participants will be able to:  
Prepare a plan for the activities at FIG level which contribute towards the overall FPO business plan.

## Process Summary

SI No	Activity	Methodology	Time
1	Explain the objective of session	Explanation	5 min
2	View FIG problems as business opportunities and suggest ideas to the FPO	Caselet analysis	30 min
3	case studies for discussion	case studies - Annexure 1	30 mins
4	To prepare a plan for the activities at FIG level which contribute towards the overall FPO business plan.	Case study- Annexure 2	45 min
5	Summarising	Interaction	5 min
		<b>Total</b>	<b>115 min</b>

## Session Details

### Task 1: Explain the Objective of session

Recap the previous session and lay a base for current session.

State the objective for the session.

While the previous sessions explained the role the FIG can play and the importance of collecting appropriate and timely data from the FIGs, this session looks at how to enable the FIGs to make their own action plans to support the FPO business.

**Task 2: View FIG problems as business opportunities and suggest ideas to the FPO (30 min)**

The Facilitator can start the session by explaining the proverb - “every dark cloud has a silver lining”. Huge black cloud generally blocks the sunlight and makes the atmosphere appear dull and dark. But if you observe well, you will find the sunrays trying to peep through the sides of the cloud, creating a fine silver lining all around the edges of the cloud.

Similarly, in life there are problems and bad phases. But quite a few of those problems can actually be an opportunity in disguise. If we apply our minds, we can see the silver lining in those dark clouds.

**Task 3: Case discussion – 30 mins**

The Facilitator will give the caselet to the participants and give them 10 minutes to discuss the case and answer the question in the case. See Annexure 1 for the Cases

**Expected Response:** The FPO can purchase a thresher.

**Analysis:** Using the case study, participants will be asked to come up with other problems of FIGs that can be converted into a business opportunity for FPO.

**Task 4: To prepare a plan for the activities at FIG level which contribute towards the overall FPO business plan – 45 mins**

The Facilitator will divide the participants into 2 groups, FIG 1 & FIG 2, and give them 20 minutes to discuss the case and answer the question in the case.

The steps given below will be done in their individual groups.

**Step 1:** The groups will discuss and write or draw the various tasks to be done for this business activity. One task is to be written on one card.

- The groups must factor in all aspects such as: Manpower, Inputs (Ragi flour, solar dryer, packaging equipment, etc), Finance, Transportation, Need for any training etc.
- The groups can decide to use different colours for different activities based on whether the task involves expense or no.
- The activities also have to be organised as: Who will do the activity? Whether FPO or FIG or others (traders, labour etc). To indicate this, different shaped cards can be used. For e.g.: All FIG activities are on round cards, while all FPO activities are in rectangular cards.

**Step 2:** After the participants write the tasks, the Facilitator asks them to arrange the tasks in the order in which the tasks will be performed. If any tasks are missing, they have to be identified by the group and the list of activities has to be completed.

Once the activity is done, both the groups will present their plans. This will be discussed in a plenary.

**Task 5: Summarise the session**

The Facilitator will repeat the major learnings from the sessions and summarise the session.

## Annexures

1. Case for Task 3
2. Case for Task 4

## Annexure 1 : Case for Task 3

### Case - 1

The market price of maize is highly fluctuating, and the price depends on various factors like maize arrivals from Bihar, international market conditions, release of old stocks of maize etc. Whenever the market prices are high, there is a rush among farmers across the region to thresh their maize and transport it to the market.

In one meeting, Karibasappa - a member of FPO said regretfully, "If only I could have threshed my maize when the market price was Rs. 1200/ quintal. I could have sold my 96 quintals of maize at that time and earned extra Rs 10000."

**Question: What is the problem being faced by farmers here? Is there a way this can be converted into a business opportunity for FPO?**

## Annexure 2 : Case for Task 4

### Case - 2

An FPO has got an order for supplying 2 lakh packets / annum Ragi papads to a leading retail chain in Bengaluru. The retail chain has specified the quality specifications and requires a minimum of 15000 packets per month. The MoU will be signed in December 2018 and the supply will start from February 2019.

The FPO discusses this with all its FIGs. Two FIGs express interest in doing this activity. The FPO decides to give each of the FIGs the order of supplying 7500 – 8000 packets / month. The FPO has estimated that the production cost of 1 ragi papad is Re1.50.

**Question: What steps will your FIG take to execute this activity?**

# Feedback from those who contributed to the manual

## The FPO Manual & Me

Re-evaluating the business process keeping not the business but farmer led processes in mind
Passionate about training the directors of FPOs and in helping them to set up and manage their business successfully.
The manual will help the FPOs and ultimately Farmers in their agribusiness.
The most interesting part was listening to experts, promoters and FPOs on endless struggle to create sustainable FPOs!
Am passionate about bringing about a lasting change in India's agricultural Eco-system.
The training development methodologies and team work were most interesting part of the effort
This manual represents a huge "re-engineering effort" of the essential elements which every Producer Organisation would need for conducting their business
Am very happy to be a part of this group and thanks to GIZ, SGG, NSFI, WHH and MYRADA for this great opportunity
This manual to me means to help the small and marginal farmers to increase their income.
This is part of instilling capacity building standards into the ecosystem for FPO's professionalism and growth.
The manual means team work and bringing different experience
Our work on strengthening sustainable resource management and livelihoods of small holders will get an impetus with this tool.
Using participatory methodologies instead of the traditional program design was the most interesting part of the process.
Unique methodology of teaching with innovative training skills like Buzz Group, Carousel methods.
Am a nature Lover and Truth Seeker
used my personal and practical experiences from the field in FPO manual.
contributing to the farming community by capacitating their knowledge which ultimately helps them to reach the heights they want to



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