

# CAB Training Cards



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## Ten Points about Producer Organisations (PO)

- 1. Producer Organizations (PO):** PO is a legal entity formed by primary producers, viz. farmers, milk producers, fishermen, weavers, rural artisans, craftsmen. A PO can be a producer company, a cooperative society or any other legal form which provides for sharing of profits among the members.
- 2. Farmers Producer Organization (FPO):** FPO is one type of PO where the members are farmers. PO is a generic name for an organization of producers of any produce, e.g., agricultural, non-farm products, artisan products, etc.
- 3. Essential features**
  - a. It is formed by primary producers.
  - b. It is a registered body and a legal entity.
  - c. Producers are shareholders in the organization.
  - d. It deals with business activities related to the primary produce/product.
  - e. It works for the benefit of its members.
  - f. A part of the profit is shared amongst members.
  - g. Rest of the surplus goes to its owned funds for business expansion.
- 4. Ownership:** The ownership of PO is with its members. It is an organization of the producers, by the producers and for the producers. One or more institutions or individuals may have promoted the PO, the ownership is always with members and management through the representatives of the members.
- 5. Promotion of POs:** Any individual or institution can promote PO. If, however, the facilitating agency wishes to seek financial and other support,

then they have to meet the requirements of the donor/financing agency.

- 6. Support for promotion of PO:** NABARD, SFAC, Government Departments, Corporates and Domestic & International Aid Agencies provide financial/technical support to the PO Promoting Institution (POPI) for promotion/hand-holding of the PO.
- 7. Registration:** PO need to work as a legal entity and can be registered under any of the following legal provisions:
  - a. Cooperative Societies Act/Mutually Aided Cooperative Societies Act of the respective State;*
  - b. Multi-State Cooperative Society Act, 2002;*
  - c. Producer Company under Section 581(C) of Indian Companies Act, 1956, as amended in 2013;*
  - d. Section 25 Company of Indian Companies Act, 1956, as amended as Section 8 in 2013;*
  - e. Societies registered under Society Registration Act, 1860 and*
  - f. Public Trusts registered under Indian Trusts Act, 1882*
- 8. Important activities:** PO takes the responsibility of any one or more of the following activities:
  - a. Procurement of inputs;*
  - b. Dissemination of technology and innovations;*
  - c. Facilitating finance for inputs;*
  - d. Aggregation of produce;*
  - e. Primary processing like drying, cleaning and grading;*
  - f. Brand building, Packaging and Labeling;*
  - h. Quality control;*
  - i. Marketing to institutional buyers;*
  - j. Participation in commodity exchanges and*
  - k. Exports.*
- 9. Optimal size of a PO:** It is desirable to have an FPO having productive land around 4,000 ha. The number of farmers may be around 700 to 1000.
- 10. Support from SFAC:** Two types of support are available from Small Farmers' Agribusiness Consortium (SFAC). These are (a) Credit Guarantee Fund (CGF) and (b) Matching Equity Grant up to ₹10 lakh.

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The card is for information purposes only. Readers may refer to the relevant Laws/ Circulars/Guidelines in this regard.