Connecting Farmers to Regulated Markets: Challenges and Opportunities

Conclusions and Recommendations of a Round Table Meeting of Experts

Co-organised by
Confederation of Indian Industry

Hosted by:
National Commodity and Derivatives Exchange Ltd

Knowledge Partner:
NCDEX Institute of Commodity Markets & Research

New Delhi, 24 March 2017
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Preface

Indian agriculture is going through a very dynamic phase. While the Government is taking every effort to increase the income of farmers, farmers are also eager to take the initiative by adopting new technologies and processes to improve their economic lives.

Market access is a key enabler for improving farmers’ incomes. Strong links to markets for smallholders is essential for increasing agricultural production and generating economic growth in rural areas. Improving these links creates a virtuous circle by boosting productivity, increasing incomes and strengthening food security. Better access by small producers to formal regulated markets means that they can reliably sell more produce at higher prices. This in turn encourages farmers to invest in their own businesses and increase the quantity, quality and diversity of the goods they produce.

Producer companies can help smallholder farmers participate in emerging high-value markets, such as the export market and the unfolding modern retail sector in India. Farmers producer companies (FPO) can be seen as hybrids between private companies and cooperative societies. The producer-company concept is aimed to combine the efficiency of a company with the ‘spirit’ of traditional cooperatives.

They integrate smallholders into modern supply networks, minimizing transaction and coordination costs, while benefiting from economies of scale. Organization and collective action can help to enhance farmers’ competitiveness and increase their advantage in emerging market opportunities.

During last one and half years, more than 30,000 farmers, belonging to 29 FPOs, have been able to connect to regulated markets like NCDEX and hedge price risk, thus improving their income by 15-25% higher than the prevailing spot market price.

How can governments, resource institutions and the private sector set about building scale in the FPO sector using market-related tools without encountering blockages similar to those experienced previously by farmer cooperatives and individual farmers?

This issue and others were addressed by at a one-day Round Table Meeting of Experts that was convened in New Delhi on 24 March 2017, with the intention of providing guidance on the key strategies and good practices necessary for maximizing farmer access to regulated markets. This report summarizes the deliberations of this Round Table Meeting.

Samir Shah
Managing Director & Chief Executive Officer
National Commodity and Derivatives Exchange Ltd
Acknowledgements

NCDEX would like to acknowledge the contribution of the numerous persons who ensured that this Round Table Meeting could be held. The Farmer Engagement Advisory Committee to the NCDEX Board of Directors, which was set up in August 2016 gave a directional vision to connecting farmers to markets. This event was a direct follow-up to the Meeting convened by the Advisory Committee in early 2017.

We are thankful that the Confederation of Indian Industry (CII) agreed to co-host the Round Table. We are grateful to Shri Virendra Singh Mast Member of Parliament and President of Bhartiya Kisan Morcha for his encouraging address to the participants. Special thanks go to SEBI, Ministry of Finance, WDRA and CPAI that enriched the meeting with their active participation.

The meeting was enriched by valuable inputs and ideas from the many experts in farmer value chains, resource institutions, and the financial sector who came from a number of states. The Round Table has already made this topic more visible at a policy and donor level and it is hoped that this will lead to more sustainable approaches to agricultural development in India.

The knowledge management support of NICR is also acknowledged.

Acronyms

APMC: Agricultural Produce Market Committee
ASCI: Agriculture Skill Council of India
CIG: Common Interest Groups
CII: Confederation of Indian Industry
CPAI: Commodity Participants Association of India
eNAM: Electronic National Agriculture Market
FPO: Farmer Producer Organisation
GST: Goods and Services Tax
JLG: Joint Liability Groups
MSP: Minimum Support Price
NCDEX: National Commodity & Derivatives Exchange Limited
NICR: NCDEX Institute of Commodity Markets & Research
PACS: Primary Agricultural Cooperative Society
SEBI: Securities & Exchange Board of India
SFAC: Small Farmer Agri Business Consortium
SHG: Self Help group
UMP: Unified Market Platform
WDRA: Warehouse Development and Regulatory Authority
Executive summary

Indian agriculture is characterized by subsistence farming with majority of farmers being small and marginal and the small land holding, often results into lower productivity, lower resource use efficiency and lower farm income. These farmers are unable to benefit from economies of scale, access to large and mechanized technologies and credit/finances. In addition, access to markets and ability to negotiate a good price for their produce is severely constrained.

Market access is one of the important enablers for improving farmers’ incomes. Strong links to markets for smallholders is essential for increasing agricultural production and generating economic growth in rural areas. Improving these links creates a virtuous circle by boosting productivity, increasing incomes and strengthening food security. Better access for small producers to formal regulated markets means that they can reliably sell more produce at higher prices. This in turn encourages farmers to invest in their own businesses and increase the quantity, quality and diversity of the goods they produce.

FPOs have emerged as a bright ray of hope to mitigate few of these issues to some extent. The concept behind a FPO is that farmers, who are the producers of agricultural goods, can form groups and register themselves under the Indian Companies Act. A company farmed such is owned by the farmers. To facilitate this process, SFAC was mandated by Department of Agriculture and Cooperation, Ministry of Agriculture, Govt. of India, to support the State Governments in the formation of FPOs. The aim is to enhance farmers’ competitiveness and increase their advantage in emerging market opportunities.

NCDEX, in partnership with CII, organized a one day roundtable discussion on Connecting Farmers to Regulated Markets: Challenges and Opportunities at New Delhi on 24 March 2017. The roundtable was aimed at understanding the progress made so far by FPOs, identifying critical challenges and policy implications towards connecting them to regulated markets.

Overview

The Round Table meeting focused on a number of policy and strategy issues for which presentations were made panellists promote discussions by various panelists. The specific objectives of the Round Table were to make recommendations on three sets of interrelated issues:

- To discuss the policy implications and need for better market design to help farmers to connect to regulated markets.
- To identify synergistic approach and collaborate between different stakeholders.
- To make it simpler and easier for farmers to access regulated market structures.
Recommendations
The participants generally agreed that FPOs have the potential to impart economic growth to farmers though there is need to support FPOs on various fronts. Five strategic imperatives – capacity building for farmers and FPOs, restructuring the ownership and management of FPOs, involving private players in the ecosystem, simplifying legal and regulatory process and integrating different markets – were identified to be developed further.

1 Involve private players in connecting farmers to markets

Rather than hoping that everything will be done by the Government or Government agencies only, private players should be integrated into ecosystem through all ongoing reforms. The sooner this integration happens, faster the new investments will come into this segment that will augment the ecosystem.

2 Capacity building for FPOs and their members

Lower financial literacy and inadequate access to information and resources to meet the quality standards and formal market specifications necessitates the need of capacity building of FPOs and their members in order to connect them to regulated markets. The Government, with its financial muscle and the wherewithal, needs to take this forward across the length and width of the country.

3 Restructuring the ownership and management of FPOs

A structural change in FPOs is required with the insertion of professionals where 80% of ownership still lies with producers and 20% of ownership can be transferred to professionals. Similarly, as professionals with their vast experience could take better decisions in the interest of the farmer producers company, 80% of decisions should be with professionals where as 20% can rest with the producers.

4 Simplification of processes and technical terms so as to make them easier for farmers

To encourage farmers’ participation in the regulated markets some entry barriers should be reworked for farmers and FPCs. Regulatory norms should be made easy for farmers’ companies to enter in agri-derivatives markets as it is not easy for them to understand and fulfil it. Further, there is need of making the things simpler where Processes should be diluted and technical terms should be replaced with easier terms that a farmer can understand easily. It will accelerate their understanding and awareness and in turn fasten their level of adoption.

5 Integrating three markets viz., physical, derivatives and input markets together

There are three types of markets viz., Physical, Derivatives and Input markets, in the ecosystem that a farmer has to deal with. These markets should be integrated together with a concrete intention of making farmers successful and making agriculture sustainable for them.
Only a systemic approach can yield the transformational change.

- Capacity building of FPOs and their members.
- Involving private players in connecting producers to the markets.
- Restructuring the ownership and management of FPOs by involving professionals. A thumb rule of 80:20 could be followed.
- Simplification of legal and regulatory processes and technical terminologies so as to make them easier for farmers.
- Integrating Spot, Agri-derivatives and input markets to improve the overall efficiency in the ecosystem.
PART 1

PROCEEDINGS OF THE ROUND TABLE MEETING

1.1 Introduction:

Senior national officials from across India were invited to a Round Table Meeting to consider various aspects of farmer access to regulated markets. The Meeting was co-organized by NCDEX and CII, with NICR as knowledge partner on 24 March 2017 at India Habitat Centre, New Delhi.

The Round Table discussed the benefits of connecting farmers to regulated markets, understanding the role of FPOs and addressing the challenges in providing the linkages to markets. Representatives from a cross-section of FPOs, Resource Institutions, academicians, policy Makers and thought leaders were invited to participate. The purpose of the Round Table was to begin a dialog within stakeholders.

1.2 Objectives:

Objective of the roundtable

- To get a ground level view of the marketing ecosystem being used by FPOs, their experiences, challenges and progress made so far
- To identify the role of private players in connecting farmers to markets
- To identify the ways to create better synergies between different stakeholders and devise a collaborative approach
- To discuss the importance of integration of different markets for the benefits of the farmers
- To discuss the policy implications and need for better market design to help farmers to connect to regulated markets.
- To recommend the policy measures to overcome existay challenges

1.3 Host Organizations and Knowledge Partner

The Round Table meeting was co-organised by NCDEX and CII, with NICR as the Knowledge Partner.

NCDEX

National Commodity & Derivatives Exchange (NCDEX) is India’s largest platform for futures trading in agricultural produce. NCDEX, using its national online footprint, has collaborated with Farmer Producer organisation to demonstrate that investments in linking farmers to markets, coupled with supply-side activities such as capacity building and input supply, can have a major positive effect on raising farmer incomes.

By making it easier and simpler for farmer producer companies to take membership of exchanges, farmers can be encouraged to formal, regulated, cash-less markets. More than 30,500 small and
marginal farmers have successfully hedged their crops on NCDEX in the last year alone through twenty nine FPOs. By creating the right mechanisms, more such companies can be encouraged to connect to exchanges to lock in prices and cover their risks.

CII

CII is a non-government, not-for-profit, industry-led and industry-managed organization, playing a proactive role in India’s development process. CII charts change by working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialized services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues. Extending its agenda beyond business, CII assists industry to identify and execute corporate citizenship programmes. Partnerships with civil society organizations carry forward corporate initiatives for integrated and inclusive development across diverse domains including education, livelihood, skill development, to name a few.

NICR

NICR (NCDEX Institute of Commodity Markets & Research) is the wholly owned subsidiary of National Commodity & Derivatives Exchange Ltd. (NCDEX). It has been incorporated under Section 25 of the Companies Act, 1956. An accredited Training partner of Agriculture Skill Council of India (ASCI), NICR brings to the project its in-depth understanding of the agricultural ecosystem, drawing on its knowledge of markets to design relevant and most effective content and its training capabilities, all helping build a community of skilled farmers through awareness and training. Following affiliation from ASCI, NICR is working to build a pool of skilled agri-market experts.

NICR’s mission is to conduct high-quality independent research and stimulate debate to provide innovative, practical recommendations for the economic and social welfare of individuals and businesses through free and transparent commodity markets

1.4 Participants

The Round Table Meeting convened experts from a broad spectrum of organizations connected with FPOs, regulated markets, policymakers, including:

- Private sector organizations, such as those engaged in financing, equipment manufacture, sales and servicing
- Government departments
- Civil society organizations
- Research and development institutions
- Academic institutions
- Development partners organizations
- Industry associations

Special Address by
1.5 Discussion agenda

The Round Table Meeting focused on main policy and strategy issues. These are detailed below:

The work of Producer Companies: Progress, Potential and Challenges

The Indian farmer disposes off his produce in unprocessed form and there is no plough back of surpluses from value addition to the farmer. Producer Companies are a plausible solution to address this. Various developmental agencies / NGOs have been involved in promoting FPOs. There are several incentives being given by the Government as well. However sustainability of these FPOs is a challenge and recognizing this, the promoting agencies are performing the function of providing technical services and inputs to farmers or pooling produce for collective marketing.

The meeting saw several Farmer leaders, FPO officials, Representatives from resource institutions who work with farmers, share their experiences about marketing and post-harvest management of the produce and their learnings from the ground. Some concerns raised were:

- Building a sustained roadmap and business plan for self-sustenance
- Administrative, compliance and legal support
- Lack of trained personnel
- Need for stronger corporate governance

Connecting farmers to markets: Addressing Governance, Production and Marketing challenges

The Union budget 2017-18 reiterates the government’s vision to integrate farmers with agro-processing units for better price realization and reduction of post-harvest losses, and aims to bring more regulated mandis on the electronic National Agriculture Market platform. Given the right policy focus the idea can bring a pivotal reform in the way agricultural produce is marketed in India and revamp farmers’ incomes provided the challenges in operationalizing and implementing the process are tackled. The futures markets, not only provide an alternate marketplace for the farmer but most importantly help the farmer address price risk by helping him lock price. There are two ways by which farmer association can hedge on the Futures platform. One, by hedging price on futures platform and delivering goods through exchange approved warehouses and second, by hedging price on futures platform and later squaring off the position and selling goods in the spot markets.
The discussion amongst the experts centered around addressing governance and marketing challenges and possible suggestions that could help overcome them. Some concerns highlighted include:-

- Lack of storage and management of the produce aggregated from farmers
- Lack of quality testing facilities for FPOs
- Easing operations and building scale
- Need for training for sustained impact

1.6 Conduct of the meeting

The Round-Table discussions were divided into two sessions

- The work of Producer Companies: Progress, Potential and Challenges
- Connecting Farmers to Markets: Addressing Governance, Production and Marketing Challenges

The meeting commenced with an inaugural session, which outlined the objectives for the day long discussion, followed by two sessions as outlined above. Experience sharing formed the broad basis of the discussion.

FPOs like Ram Rahim from Madhya Pradesh, Aranyak Agri Producer Company from Bihar and Jamwa Ramgarh from Rajasthan who have shown the application of futures to improve realizations for their farmer members, shared their learnings.

Rabi Maize is primary cash crop of Purnia district of Bihar. Despite having nearly 90% of marketable surplus, the small and marginal producer farmers of the crop had limited access to market. Repealing of APMC Act had also worsened market infrastructure and trading regulations. Price setting was in the hand of few big traders who used to judge the quality of farmer’ produce by the look and feel only. The combination of unorganized trade network with weighing and grading malpractices were significantly reducing the net realization by farmers. However, today, the Aranyak Agri Producer Company, a federation of producer companies in Bihar, supported by JEEViKA and TechnoServe India, a global non-profit organisation, sells its produce in the futures platform on NCDEX.

Jamwa Ramgarh Krishak Producer Company Limited, a FPO, incorporated in 2015 was able to hedge the price risk of their producer members at NCDEX. They sold 10 MT of mustard seed September contract at NCDEX in July 2016 at a price of Rs 4999 quintal whereas average price of Mustard was prevailing at around Rs 4200 per quintal in spot market. Though they had to incur around Rs 200 per quintal towards various costs associated with futures trading and delivery such as grading, assaying, transportation etc, still they were able to fetch around 15% higher price for their produce. They have widely been recognized for their efforts and was awarded Mahindra Samriddhi award 2017 for the same.

1.7 Policy & Strategic Issues and Recommendations of the Round Table meeting

The Round Table Meeting focused on a number of policy and strategy issues for which presentations were made to promote discussions by various panels. They are summarized as follows:

- Recognize the importance of private players in connecting farmers to markets

During last couple of years, the Government has initiated many reforms to improve the agricultural economy and price realization by farmers. This includes reforms to the APMC Acts
to permit pan-India trades, electronic auctions and trading in warehousing receipts, implementing electronic National Agriculture Market (eNAM), setting up warehouse registry and Goods and Services Tax Act (GST) etc. The success of these reforms would play a crucial role in economic growth of farmers. If implemented efficiently and successfully, these reforms could bring the required push towards improving farmers net take home for their produce.

It becomes important to understand the market in holistic manner. There are diverse set of stakeholders in the value chain and each one of them has their own plans of action. Getting together of this diverse set of stakeholders is critical and efforts need to put in this aspect. Unless the actions of various stakeholders are integrated efficiently, it would be difficult to achieve the required results.

Further, it is equally important to recognize the role of private sector. So, rather than hoping that everything will be done by the Government or Government agencies only, private players should be integrated into a blue print through all reforms that are being taken place. The sooner this integration happens, faster the new investments will come into this segment that will augment the ecosystem.

b. The capacity building at FPO level as well as at individual farmer level

Small and marginal agri-producers are unable to realize optimal value from their produce and make economic progress with their farming activities mainly due to key challenges like low levels of financial literacy and inadequate access to markets as well as linkages with credits. They generally lack the knowledge, information and resources to meet the quality standards and formal market specifications.

Organizing themselves into a Farmer Producer Organization provides farmers with the opportunity to leverage scale by gaining bargaining power and engaging in value addition activities to increase their income. FPOs build farmers’ capacity and aid in introducing new market access along with others functions which can improve overall quality of life and income of farmers.

However, FPOs face significant operational and implementation challenges. Given the focus of the Government and the growth of FPOs in India, it is important to suitably address their capacity building needs. To help FPOs evolve into sustainable entities that can help farmers and their households make appropriate economic decisions, the need arises for a comprehensive handholding and mentoring process focused on initial capacity development of their Board members, management and staff of the FPO and in setting up related systems, process and policies. This is also true in case of helping them connect to regulated markets. Futures market, their norms, quality and grading standards, warehouse deposits, delivery processes, margins, mark to market etc. are complex subjects for FPOs and their members and they need proper training and hand holding throughout the life cycle of a commodity till they become confident and self-enabled to do the things.

Though NCDEX is doing this capacity building, it is difficult for it to reach out all the 18 crores farmers across the country to educate them. The Government, with its financial muscle and the wherewithal, needs to take this forward across the length and width of the country that all farmers would start looking at FPO as the key mechanism in making themselves prosperous and underivatives as an instrument to hedge their price risk well in advance at the time of sowing itself. Farmers through FPOs would be able to command a better price and save an themselves from the clutches of middlemen which otherwise is not possible with smaller quantities of individual’s produce.
c. Restructuring the ownership and management of FPOs
   As per current rules laid down by the Government for a FPO, the ownership and management lies completely with ‘primary producers’ or ‘Producer Institution’. Given the lower literacy among the small producers, there is need to re-examine the current way of ownership and management structures of FPOs.

   The solution could lie in a structural change with insertion of professionals where 80% of ownership still lies with producers and 20% can rest of ownership be transferred to professionals. Similarly, as professionals with their vast experience could take better decisions in the interest of the farmer producers company, there should be structural change where 80% of decisions should be with professionals where as 20% with the producers. This could be one of the critical structural changes that could bring much needed dynamism in the system and lot of other things would automatically fall in place.

d. Simplification of processes and technical terms so as to make them easier for farmers
   Lower literacy level among small and marginal farmers and resulting unawareness about recent developments related to their business is another major impediment at farmers’ level. Generally, they would not be able to understand the complex technical terms and processes and this reduces their interest and willingness to adopt new things.

   To encourage farmers’ participation in the regulated markets some entry barriers should be reworked for farmers and FPOs. Regulatory norms should be made easy for farmers’ companies to enter in futures markets as it is not easy for them to understand and fulfill it.

   Although, there are cases where farmers who have understood the concept, have been able to explain it in much easier and better way to their fellow farmers which is not possible for even a professional expert. Thus, there arise a need for making the things simpler for them i.e., the processes should be diluted and technical terms should be replaced with easier terms so that a farmer can understand easily. It will accelerate their understanding and awareness and in turn speeder their level of adoption.

e. Integrating different markets such as physical, derivatives and input markets together
   There are three types of markets in the ecosystem that a farmer has to deal with. One, for selling their produce, they need access of physical or spot markets and lack of access to markets for their produce is the one of the major impediment for smallholders. Local rural markets are thin and dominated by agents whereas trading in distant markets is not remunerative owing to high transportation and transaction costs. Besides, they also face problems in gaining access to credit, high quality inputs, improved technology, information and services.

   Second, the input market. Agricultural inputs and related services are the basic requirements for agricultural sector. Raising the farm productivity depends on the quality of farm inputs and services. The steady and timely availability of farm inputs and service is very much required in order to increase agricultural growth and welfare of farming community.
Third is the agricultural derivatives market. Farmers do participate in the futures market both indirectly as well as directly. They take advantage of the price signals emanating from a futures market that helps them to take decision about cropping pattern and the investment intensity of cultivation. The farmers also benefit by the dissemination of the futures prices of the Exchange traded products as it improves his bargaining capacity.

The larger lot sizes of futures contracts remains a challenge for smallholders to participate directly. Though the situations are changing slowly but steadily. With the emergence of FPOs and their increasing awareness, they are now able to hedge their price risk well in advance of the start of harvest seasons. With commodity options being available soon, farmers will be getting another instrument to hedge their risk which is cheaper and more efficient. Options would give them the benefit of price protection in case the price falls below their cost of production, as well as the benefit of any rise in price. This would be a better instrument for farmers than futures or minimum support price (MSP).

All these markets being very critical for smallholders, are required to be integrated so as to serve the farmers in a holistic manner. There must be a formal institutional mechanism that integrates these three markets with a concrete intention of making farmers successful and making agriculture sustainable for them. When derivatives market gets scaled and becomes completely integrated with physical market, the benefits of derivatives market gets integrated to physical market and in turn to farmers then it results in real empowerment of farmers.
## Part 2

### Speakers at the Round Table meeting

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<th>S.N.</th>
<th>Name</th>
<th>Organisation</th>
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<tr>
<td>1</td>
<td>Mr. Samir Shah</td>
<td>NCDEX</td>
<td>MD &amp; CEO</td>
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<tr>
<td>2</td>
<td>Mr S. Sivakumar</td>
<td>CII</td>
<td>Chairman</td>
</tr>
<tr>
<td>3</td>
<td>Dr. B.B. Pattanaik</td>
<td>Warehousing Development &amp; Regulatory Authority</td>
<td>Member</td>
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<td>4</td>
<td>Mr. Sumanta Chaudhuri</td>
<td>SFAC</td>
<td>Managing Director</td>
</tr>
<tr>
<td>5</td>
<td>Shri Virendra Singh Mast</td>
<td>Member of Parliament; National President – BJP Kisan Morcha</td>
<td>Member of Parliament</td>
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<tr>
<td>6</td>
<td>Dr. Shashank Saksena</td>
<td>Deptt. of Economic Affairs, GOI</td>
<td>Advisor (CM)</td>
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<tr>
<td>7</td>
<td>Prof. Mekhala Krishnamurthy</td>
<td>Shiv Nadar University</td>
<td>Associate Professor</td>
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<td>8</td>
<td>Mr. Nitin Sharma</td>
<td>Reliance Foundation</td>
<td>Head Rajasthan</td>
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<td>9</td>
<td>Mr. Mangesh R Gupte</td>
<td>Dr Reddy’s Foundation</td>
<td>Director</td>
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<td>10</td>
<td>Dr. Ram Narayan Ghatak</td>
<td>Access Development</td>
<td>Head Operations</td>
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<td>11</td>
<td>Mr Debaranjan Pujahari</td>
<td>TechnoServe India</td>
<td>Associate Practice Leader</td>
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<td>12</td>
<td>Mr Satya Raghu Mokkappati</td>
<td>Telangana Rythu Producer Company</td>
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<td>13</td>
<td>Mr Souvik Dhar</td>
<td>SRIJAN</td>
<td>Project Executive</td>
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<td>Mr R Amalorpavanathan</td>
<td>NABARD</td>
<td>Deputy Managing Director</td>
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<td>Mrs Irina Garg</td>
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<td>Mr Pravesh Sharma</td>
<td>ICRIER</td>
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<td>17</td>
<td>Mr Sarat Mulukutla</td>
<td>NCDEX</td>
<td>Chief Commercial Segment</td>
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<td>Ms. Aruna Rangachar Pohl</td>
<td>India Foundation for Humanistic Development</td>
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<td>19</td>
<td>Mr D. K Aggarwal</td>
<td>SMC Investment and Advisors Ltd</td>
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<td>20</td>
<td>Mr Shiv Kumar Goel</td>
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<td>21</td>
<td>Mr Gokul Patnaik</td>
<td>Global Agrisystems Pvt Ltd.</td>
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PART 3: Annexures

Annexure 3.1

State wise summary of registered and the process of registration FPOs promoted by SFAC (as on 31 March 2017)

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### Non-SFAC promoted FPOs

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<th>States</th>
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### Annexure 3.2: Key differences between Producer Companies and Cooperative Societies

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<th>Parameter</th>
<th>Cooperative society</th>
<th>Producer company</th>
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<td>Registration</td>
<td>Cooperative Societies Act</td>
<td>Indian Companies Act</td>
</tr>
<tr>
<td>Objectives</td>
<td>Single objective</td>
<td>Multi-objective</td>
</tr>
<tr>
<td>Area of Operation</td>
<td>Restricted, discretionary</td>
<td>Entire Union of India</td>
</tr>
<tr>
<td>Membership</td>
<td>Individuals and cooperatives</td>
<td>Any individual, group, association, producer of goods or services</td>
</tr>
<tr>
<td>Share</td>
<td>Non tradable</td>
<td>Not tradable but transferable; limited to members at par value</td>
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<tr>
<td>Profit sharing</td>
<td>Limited dividends on shares</td>
<td>Commensurate with volume of business</td>
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<tr>
<td>Voting rights</td>
<td>One member, one vote, but Government and Registrar of Cooperatives hold veto power</td>
<td>One member, one vote. Members not having transactions with the company cannot vote</td>
</tr>
<tr>
<td>Government control</td>
<td>Highly patronized to the extent of interference</td>
<td>Minimal, limited to statutory requirements</td>
</tr>
<tr>
<td>Extent of Autonomy</td>
<td>Limited in “real world scenario”</td>
<td>Fully autonomous, self-ruled within the provisions of Act</td>
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</table>
Reserves | Created if there are profits  
Borrowing power | Restricted as per bye-law. Any amendment to bye-law needs to be approved by the Registrar and time consuming.  
| Mandatory to create every year  
Borrowing limit fixed by Special Resolution in general meeting. Companies have more freedom to raise borrowing power.  
Relationship with other corporate / business houses / NGOs | Transaction based  
| Producers and corporate entity can together float a producer company.  
Source: NABARD

### Annexure 3.3

### References


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