

Proceedings of the Government of Karnataka

Sub: Karnataka Farmer Producer Organizations (FPOs) Policy 2018.

- Read:** 1. Para No. 21 of Budget Speech July 2018.
2. Govt. Order No. AGD 75 AMS 2017, Dated: 21.04.2018.
3. Proceedings of the Workshop held on 01.03.2018.
4. Proceedings of the Meeting held on 10.08.2018.
5. Proceedings of the Workshop held on 30.08.2018.
6. Proposal from Commissioner Watershed Development Dept. No. WDD/PC/FPO/01/2018-19, Dated: 03.10.2018 & 15.11.2018.

Preamble:-

In the Budget Speech of July 2018, read at (1) above, it has been announced that, "It is essential to constitute Farmer Producer Organisations to provide suitable marketing system for the farm produces apart from increasing the productivity by organising farmers. Through these Farmer Producer Organisations, farmers' income can be augmented by providing quality implements, farm machinery, and establishment of basic infrastructure for post-harvest management and by providing suitable prices for farm produces. A State Farmer Producer Organisation policy will be implemented to strengthen farmers' organisation and capacity building".

There are more than 300 FPOs already formed in the State, mainly promoted by NABARD and Horticulture Department. NABARD has followed its own guidelines for the formation of FPOs while the Horticulture Department has followed SFAC guidelines of Government of India. Sericulture Department has also taken up the formation of FPOs by formulating their guidelines. The SFAC has promoted nearly 25 FPOs through Agriculture Department mainly on Pulses in the districts of Hyderabad Karnataka Region.

Various instruments like the risk fund and development of labels, approved by the Government for strengthening of FPO's need to be operationalized. The Centre of Excellence for FPO has been established as an

autonomous body to support and promote formation and strengthening of FPO's in the State.

These issues were deliberated in several meetings, workshop at various levels and it was resolved to formulate a policy for promotion of FPOs in the State.

A workshop organized on 01.03.2018 read at (3) above, by inviting various stakeholders (representatives from NABARD, Development Departments, self evolved FPOs, FPO from outside State, resource institutions/NGOs etc.) to contribute for the process of formulation of policy on FPO in the State.

A meeting held on 10.08.2018 read at (4) above, under the chairmanship of Additional Chief Secretary and Development Commissioner to finalize the draft Policy for Farmer Producer Organisations (FPOs). The department of Agriculture, Horticulture, Sericulture, Animal Husbandary, Co-operation, Forestry, Agriculture Marketing, Finance, Planning, Representatives of State Agriculture Universities and NABARD Institute attended the meeting and offered their advice and opinion.

A workshop on FPO was conducted under the chairmanship of Hon'ble Agriculture Minister on 30.08.2018 read at (5) above,. Members of FPOs formed by NABARD, SFAC, Horticulture and Sericulture Departments along with the respective departments/ institute officials, representative of Resource institutes and NGOs participated in the workshop.

Moreover, formation of FPO's have to be encouraged in Agriculture, Horticulture, Sericulture, Animal husbandry, Agro Forestry, Fisheries and Allied sectors. A committee chaired by the Commissioner, Watershed Development Department read at (2) above, was entrusted with the task of preparing the draft policy. The draft policy document has been submitted for approval in the proposal submitted by the Commissioner, Watershed Development Department read at (6) above. Further the annual requirement of grants for formation, strengthening and growth of FPOs, Nodal agency, PMU costs, creation of FPO portal, grants for already formed FPOs etc., is around Rs. 100.00 crores. It has been proposed that atleast 50% of this requirement may be taken from RKVY scheme(CSS), and the remaining 50% may be provisioned annually in the State budget.

This proposal has been examined in detail and hence the following Order;

Government Order No: AGD/92/AMS/2018 Bengaluru,

Dated: 17.01.2019.

In the context briefed in the preamble, Government is pleased to accord sanction to the implementation of “Karnataka Farmer Producer Organisations (FPOs) Policy 2018” as enclosed at Annexure- I from the year 2018-19 onwards.

This order is issued with concurrence of Finance Department vide it's note No. FD 769 Exp-4/2018, Dated: 01.01.2019 and Planning Department vide it's Note No. PD 4 PFO 2019, Dated: 07.01.2019.

**By order and in the name
of Governor of Karnataka**

B S Nagarathnam

(B.S. Nagarathnamma)

Under secretary to Govt. of Karnataka

& Agriculture department (Planning)
17/01/19

The Compiler, Karnataka Gazette, Bengaluru. - with a request to publish the above notification in the next issue of the Karnataka Gazette.

To,

1. Principal Accountant General (General & Social Sector audit and Economic & Revenue Sector Audit), Karnataka New Building, Audit Bhavan, P.O. Box No: 5398, , Bengaluru -01.
2. Principal Accountant General (Accounts & Entitlement), Karnataka New Building, Audit Bhavan, P.O. Box No: 5398, Bengaluru-01.
3. The Chief Secretary to Government of Karnataka, Vidhanasoudha, Bengaluru.
4. The Additional Chief Secretary & Development Commissioner to Government of Karnataka, Vidhanasoudha, Bengaluru
5. The Additional Chief Secretary / Principal Secretary to Government, Animal Husbandry and Fisheries Department, Bengaluru.

6. The Principal Secretary to Government, Finance Department, Vidhanasoudha, Bengaluru.
7. The Secretary to Government Horticulture and Sericulture Department, Bengaluru.
8. The Commissioner/Director of Agriculture, Bengaluru.
9. The Commissioner, Watershed Department, Bengaluru.
10. The Commissioner, Horticulture Department, Bengaluru.
11. The Commissioner, Sericulture Department, Bengaluru.
12. The Commissioner, Animal Husbandry and Fisheries Department, Bengaluru.
13. The Vice Chancellor, University of Agriculture, Bengaluru, Dharawad & Raichur.
14. The Vice Chancellor, University of Agriculture and Horticulture, Shivamogga.
15. The Vice Chancellor, University of Horticulture, Bagalakote.
16. The Vice Chancellor, University of Animal Husbandry and Fisheries, Bidar.
17. Director, Treasury Department, Bengaluru.
18. Director, Centre of Excellence –Farmer Producer Organization, UHS – B Campus, GKVK, Bengaluru,560065.
19. Joint Director, SHT, Bengaluru.
20. Deputy Director TNMC, Khanija Bhavana, Bengaluru.
21. The Cabinet Section, Vidhanasoudha, Case No. C:28/2019, Dated: 10.01.2019.
22. Under Secretary to Government Finance Department (FR&CC), Vidhanasoudha, Bengaluru.
23. Under Secretary to Government Finance Department, EXP-IV, Vidhanasoudha, Bengaluru.
24. Section Guard File/Spare Copies.

Annexure - I

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GOVERNMENT OF KARNATAKA

**Karnataka Farmer Producer Organisations (FPOs)
Policy - 2018**

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1. Introduction

The Indian agriculture sector has made significant strides in the past few decades by meeting the required production of basic staple like rice and wheat to feed the growing population. However, farmers * are unable to realize the right value for their produce and achieve full potential in terms of yield. The subdivision and fragmentation of landholdings, lack of awareness and less inclination towards adoption of newer technologies has led to lower levels of production against the optimal potential. The absence of adequate marketing infrastructure, long chain of intermediaries, lack of collectivization effort has led to fewer marketing opportunities and reduced profits to the farmers.

Collectivization of primary producers, especially small and marginal farmers, into producer organisations is emerging as one of the most effective pathways to address various challenges of agriculture and most importantly, improved access to investments, technologies, quality inputs and markets. Department of Agriculture and Cooperation, Ministry of Agriculture and Farmers Welfare, Government of India has identified Farmer Producer Organisation (FPO) as the most appropriate institutional form and mechanism to mobilize farmers and build their capacity to collectively leverage their production and marketing strengths.

The many challenges faced by individual small and marginal farmers especially in marketing of the produce are expected to be addressed by the formation of FPO. As a producer company, FPO should be able to unleash the economic and entrepreneurial potential of the local producer community through enhanced negotiation power and business partnerships. These organizations are created depending upon the needs of the producers considering the demand potential to adopt value chain approach to enhance producer's economic and social benefits.

Status of FPO formation in Karnataka: There are around 300 FPOs already formed in the State, mainly promoted by NABARD and Horticulture Department. NABARD has followed its own guidelines for the formation of FPOs whereas the Horticulture Department has followed SFAC (Small Farmers Agribusiness Consortium) guidelines of Government of India. Sericulture Department has also taken up the formation of FPOs by formulating their own guidelines. The SFAC has promoted nearly 25 FPOs through Agriculture Department mainly on pulses in the Hyderabad Karnataka region.

Various instruments like the risk fund to cover the risk involved in marketing activities, and development of labels to bring in quality standards for FPO produce and thereby fetch better price already approved by the Karnataka Government for strengthening of FPO's need to be operationalized. The Centre of Excellence for FPO (CoE-FPO) has been established as an autonomous body to support and promote formation and strengthening of FPO's in the State.

*The term "FARMER" will refer to a person actively engaged in economic and/or livelihood activity of growing crops and producing other primary agricultural commodities and will include all agricultural operational holders, cultivators, agricultural labourers, sharecroppers, tenants, poultry and livestock rearers, fishers, beekeepers, gardeners, pastoralists, non-corporate plants and planting labourers, as well as persons engaged in various farming-related occupations such as sericulture, vermiculture, and agro-forestry. The term will also include tribal families / persons engaged in shifting cultivation and in the collection, use and sale of minor and non-timber forest produce as per the definition in National Policy for Farmers 2007

The Hon'ble Chief Minister of Karnataka in July 2018 budget speech has declared "It is essential to constitute Farmer Producer Organisations to provide suitable marketing system for the farm produces apart from increasing the productivity by organising farmers. Through these Farmer Producer Organisations, farmers' income can be augmented by providing quality implements, farm machinery, establishment of basic infrastructure for post-harvest management and by providing suitable prices for farm produces. A State Farmer Producer Organisation policy will be implemented to strengthen farmers' organisation and capacity building". A committee headed by the Commissioner, Watershed Development Department was entrusted with the task of preparing the draft policy. This policy document has been developed on the basis of deliberations of the workshop and several interactive/brainstorming meetings conducted in this regard.

Being formal, voluntary membership-based organisations working for the economic benefit of producer members, FPOs belong to an unique category of organisations which require a diverse portfolio of capacity development and handholding support/inputs for their overall development as business enterprises. Public sector institutions (primarily SFAC and NABARD) which have taken up the mandate of FPO promotion at National level have envisaged that Resource Institutions (RIs) entrusted with the formation of FPOs would be able to cater to the entrepreneurship development needs of FPOs. Experience indicates that some of these RIs have been found wanting even on simple operational and administrative tasks related to FPO formation. Given the diversity and complexity of enterprise development needs of FPOs, it requires a dedicated and suitably-equipped institution to take up such a mandate and to effectively fulfill them. The Government has recognized this institutional void and has made a head-start in addressing the needs of FPOs through the establishment of a Center of Excellence for FPOs (CoE-FPO); which would bring together the unique strengths of entities from the public, private and social sectors. To cope up with the mechanisms to generate wealth for the farmers particularly small farm holders, the Government has realized the urgent need to create appropriate ecosystem in the State.

2. Vision

Farmer producer organisations (FPO) formed and registered under the Companies Act 2013, will enable to mobilize farmers and build their capacity to collectively leverage their production and marketing strengths. Vision of the FPO is to build a prosperous and sustainable member-owned producer organization that enable farmers to enhance productivity through efficient, cost-effective and sustainable resource use and realize higher returns for their produce, through collective action. The State based on need envisages to form atleast one FPO in every hobli jurisdiction, thereby collectivizing around 5 lakhs farmers over the next five years.

3. Mission

- 3.1 To collectivize farmers, especially small and marginal producers, to foster effective technology penetration, improve productivity, enable improved access to inputs and services and increase farmer income; thereby strengthening their sustainable agriculture-based livelihoods.

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- 3.2 The participant farmers will be supported to identify appropriate crops relevant to their context, provided access to cost effective modern technologies through community-based processes, their capacities will be strengthened for enhanced productivity, value addition of feasible products and market tie up.
 - 3.3 Farmers will be organised into small neighborhood informal groups (Farmer Interest Groups -FIGs) which would be supported to form FPOs for improved input and output market access and negotiating power.

4. Main objectives

- 4.1 Mobilising farmers into groups of around 20 members at the village level (FIGs) and building up their associations into FPOs, so as to plan and implement product-specific cluster/commercial crop cycles.
- 4.2 Strengthening farmer capacity through training on Good Agricultural Practices (GAPs) and facilitating access to steady and timely supply of quality inputs and services, including credit and insurance for increasing agricultural productivity and enhancing competitiveness at cluster level.
- 4.3 Facilitating access to fair and remunerative markets, including linking of FPOs to marketing opportunities.
- 4.4 Providing institutional support for capacity building and handholding of FPOs.
- 4.5 Develop common guidelines to bring synergies across various departments and for effective implementation and functioning.
- 4.6 Create platform for exchange of information, product and services between FPOs and the other stakeholders in the supply and market chain for business networking.
- 4.7 Guide in monitoring and evaluation of FPOs.

5. Purview

The provisions of this policy shall be applicable to existing FPOs already registered under the Companies Act 2013 and those FPOs that shall be registered subsequent to the issue of this policy. The primary agriculture co-operatives may also aggregate and register as FPOs. FPOs formed in agriculture, horticulture, sericulture, animal husbandry, forestry, fisheries and allied sectors will come under the ambit of this policy. This policy shall be common for all departments and developmental agencies involved in the formation of farmer producer organisations in Karnataka.

6. Farmer Producer Organisations (FPO): Definition and Roles

- 6.1. A FPO is a registered company under the Companies Act 2013, consisting of farmers who are the primary producers of a particular commodity or group of commodities. FPOs are associations of actual producers created with the aim of helping their members share knowledge and experience, engage in appropriate technologies that help simplify farm management, post-harvest, storage and value addition, to increase yields and production, reduce post-harvest losses, improve and expand market linkages, enable easier access to credit, insurance, build businesses and increase income.
- 6.2. **The main roles and responsibilities of FPO are as below:**
 - To organize farmers into FPOs for specific commodity or group of commodities by mobilizing members in a specific area.

- Mobilize share capital required for successful implementation of business plan.
- Elect. Board of Directors and develop business plan involving representative from all FIGs.
- Develop bye laws and code of conduct etc., required for smooth functioning of the FPO.
- Ensure all legal compliances in the functioning of FPO.
- Each FIGs or group of FIGs formed will have a specific or group of commodity wise output business plan.
- Undertake input business to ensure timely supply of quality inputs as per requirements of the members.
- Undertake output business of key commodities of its members.
- To take steps to create required infrastructure like, collection center, cold storage facility, refrigerated transport facility, processing and value addition centers, custom hiring centers and such other facilities based on the needs of the FPOs.
- To take effective steps in branding and marketing of the produce.

7. Fundamental concept of FPOs

- 7.1. The FPOs shall initially comprise of 200-500 farmers, which may be upscaled to 1000 members or more. However, FPOs formed in tribal, malnad, coastal and other local specific areas may comprise of lesser numbers also.
- 7.2. Formation of FPOs shall be basically area based with the focus on few key commodities.
- 7.3. The FPO shall be a business entity with a detailed business plan as well as share capital from all members who are farmers, producing aspecifiedcommodity/commodities
- 7.4. FPOs would be registered as a producer's company under the Companies Act 2013.
- 7.5. The legal status of the FPO should enable business/trading/other commercial activities, including value chain development that generate additional income to the members.
- 7.6. Formation of FPOs should enable the farmer members to handle collective business in corporate manner.
- 7.7. FPOs should be able to aggregate/procure products produced by members of FPO and to sell at a better price by reducing intermediaries.
- 7.8. Improvement in production and productivity of produce through adoption of technologies and GAPs by the farmer members.
- 7.9. Promotion and adoption of technologies related to post-harvest, storage, handling and marketing to reduce the post-harvest losses.
- 7.10. Create infrastructure facilities in the context of existing and emerging market opportunities and get access to markets by utilising these facilities for processing, storage, grading and packing etc.
- 7.11. Encourage value chain development and make farming sector a viable business proposition.

- 7.12. Increasing income and benefits to the members of the FPO by establishing strong forward and backward linkages.
- 7.13. FPOs have to develop links with corporates/ private companies for marketing of their produce.
- 7.14. FPO and its members shall be one of the main channels and be given preference in implementation of various support schemes and programs of the Government.

8. Strategies for implementation

- 8.1. **Formation or initial phase of FPO:** Identified local RIs will be involved to mobilise farmers into FIGs and then federating them to FPOs.
- 8.1.1 Collectivization of producers, especially small and marginal farmers into FPO.
- 8.1.2 To promote economically viable self-governing, democratic FPOs.
- 8.1.3 To provide support for the promotion of FPO's by qualified, experienced and developmental institutions- Resource Institutes (RIs).
- 8.1.4 Funding support to RIs to be linked to performance and milestones achieved at every stage till FPOs become self-sustaining.
- 8.1.5 Identification and development of value chain for agriculture and all related sectors.
- 8.1.6 The time frame for this phase shall be one to two years.
- 8.2. **Business incubation or growth phase of FPO:** Post registration support for FPO shall be provided by specialized RIs who shall impart technical and managerial skills to implement the business plan.
- 8.2.1 To remove hurdles in enabling farmers access the markets through their FPOs, both as buyers and sellers.
- 8.2.2 To create an enabling policy environment for investments in FPOs to leverage their collective production and marketing strengths.
- 8.2.3 Just as the Krishi Vignana Kendra (KVKs) are catering to production and extension activities, to establish Krishi Business Kendra (KBK) to cater to the business needs of entrepreneurs and market led extension activities for FPOs
- 8.2.4 FPOs trading place may be declared as APMC sub yard and APMC to provide licence to FPOs for trading of inputs and outputs.
- 8.2.5 Facilitate allocation/ sanction of place for trading by FPOs or purchase of land by the FPOs under the Karnataka Land reform Act for establishment of required infrastructure.
- 8.2.6 FPO incubation and stabilization fund created by Horticulture Department shall be utilized based on the demand from the FPOs of Karnataka.
- 8.2.7 Center of Excellence for FPO already formed under Horticulture Department to guide the FPOs on business development and also take up capacity building activities.
- 8.2.8 The time frame for this phase shall be two years from the date of registration.

8.3. **Maturity or business expansion phase of FPO:** For expansion of business and scaling up of activities taken up by the FPO, guidance shall be provided by FPO-BDA and specialized market oriented RIs.

8.3.1 Institution of awards/recognition for best performing FPO's and CEO's for motivation and to create a sense of healthy competition among them.

8.3.2 Need based establishment of a federation/s of the FPO at the State /Regional level.

8.3.3 Establish linkages with corporates as a business proposition through public-private partnerships.

8.3.4 Creation of common facilitation center for post-harvest management for a cluster of FPOs/Federations which preferably shall be managed by an Organization / Private Company that has proficiency in marketing.

8.3.5 Support for branding of FPO products to facilitate marketing.

8.3.6 The time frame for this phase shall be two years from the growth phase

8.4. **Policy initiatives:**

8.4.1 To provide the required assistance and resources – policy action, inputs, technical knowledge, financial resources and infrastructure to strengthen FPO's.

8.4.2 To declare FPOs at par with cooperatives registered under the relevant State legislation and to extend all benefits and facilities to member-owned producer institutions from time to time.

8.4.3 Provision of assistance to FPOs who have evolved on their own without any support from the Government and FPOs which are formed with support from NABARD or other agency for output business marketing.

8.4.4 Virtual platform and mobile apps for collectivization and strengthening of marketing support of FPOs along with real time monitoring.

8.4.5 Organising of workshops, buyer - seller meets, symposiums, fairs etc. for creating awareness.

8.4.6 To bring in accountability of the FPOs through localised monitoring committees and Super Boards.

8.4.7 Convergence with NABARD funds wherever possible.

9. **Guiding values and principles for sustaining FPO development**

9.1. **Values:**

FPOs are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. FPO members must believe in ethical values of honesty, openness, social responsibility and mutual help.

9.2. **Principles:**

9.2.1. **Voluntary and open membership-**FPOs are voluntary organisations, open to all eligible persons (primary producers) in a cluster, able to use their services and willing to accept the

- responsibilities of membership, without gender, social, racial, political or religious discrimination.
- 9.2.2. **Democratic farmer member control**-FPOs are democratic organizations controlled by their farmer-members, who actively participate in setting their policies and making decisions. Men and women farmer members serving as elected representatives are accountable to the collective body of members.
 - 9.2.3. **Farmer-member economic participation**-Farmer-members contribute equitably to, and democratically control, the capital of their FPO. It will be an autonomous and robust farmers' institution, which would trigger economic gains for members.
 - 9.2.4. **Autonomy and independence**-FPOs are autonomous, self-help organizations controlled by their farmer-members.
 - 9.2.5. **The elected body** will comprise of members representing small and marginal farmers categories and also farmer representatives producing different commodities with equitable gender participation for effective functioning.
 - 9.2.6. **Education, training and information**-To provide education and training for their farmer-members, elected representatives, managers, and employees, so that they can contribute effectively to the objective of the FPO.
 - 9.2.7. **Co-operation among FPOs**- To strengthen the FPO movement by working together through local, regional, national and international networks.
 - 9.2.8. **Concern for the community**-FPOs work for the sustainable development of their communities through policies approved by their members. They work basically as a social enterprise.
 - 9.2.9. **Compliance to Companies Act**:The FPO shall function in accordance with the provisions of the Companies Act 2013.

10. Sectors and Beneficiaries

- 10.1. **Sectors under which FPO can be formed:** Formation of FPO's will be encouraged in agriculture, horticulture sericulture, animal husbandry, forestry, fisheries and allied sectors.
- 10.2. **Beneficiaries for formation of FPO:** The target beneficiaries of FPOs are farmers with preference to medium, small & marginal farmers, including women farmers.

11. Institutional support for formation of FPOs

The following institutions will function to support the formation and functioning of FPOs. The roles and responsibilities of these institutions at various levels are as below:

11.1. Empowered Committee

A State level Empowered Committee under the chairmanship of Additional Chief Secretary and Development Commissioner with all stakeholders including Finance and Planning Departments will be constituted. Two members from the Industries shall be co-opted as members to this

committee. The committee will guide and monitor the promotion of FPOs and also review the guidelines from time to time. The decisions of the committee shall be implemented by all developmental departments and other development agencies which will promote the formation of FPOs in Karnataka. The common guidelines prepared for the State on the basis of the policy shall be approved by the Empowered Committee. The quantum of financial support to FPOs at different stages and the scale of finance shall be decided by Empowered Committee, depending upon the need of the sector for which FPOs are promoted.

11.2. Nodal Department

The department of Agriculture shall function as the Nodal Department. It shall coordinate with all departments and developmental agencies and assist the Empowered Committee in all matters pertaining to formation of FPOs in the State. A Nodal Agency shall be constituted at Secretariat of Agriculture Department for this purpose.

11.3. Expert Organization and Knowledge Partners

The Center of Excellence for Farmer Producer Organizations (CoE-FPO); shall be an independent expert organization to cater to the needs of the development departments in formation of FPOs across all sectors in the State. The CoE for FPO shall assist the Empowered Committee in all matters pertaining to policy making, capacity building and business development of the FPOs in the State. All the State Farm Universities will function as knowledge partner and assist in formation and strengthening of FPOs.

11.4. State level development departments and implementing agencies

The formation of FPOs is encouraged in agriculture, horticulture sericulture, animal husbandry, fisheries and allied sectors. Hence, the departments of agriculture, horticulture, sericulture, animal husbandry, fisheries, forest, watershed development, co-operation, rural development, marketing and any other developmental departments/agencies shall be part of the FPO development programme.

11.5. Project Monitoring Unit (PMU) at individual department level

State development departments and implementing agencies which will promote formation of FPOs, shall have a Project Monitoring Unit (PMU)-to address all issues concerning to FPOs formation and its functioning. The heads of the concerned department/agency shall head the PMU.

11.6. District level development departments and implementing agencies

FPO's can be formed in agriculture, horticulture sericulture, animal husbandry, fisheries and other allied sectors. The Deputy Commissioners of the districts will be responsible for coordinating the FPO activities across various implementing agencies. The Deputy Commissioners will be responsible for overseeing implementation, convergence, providing forward as well as backward linkages and credit linkages, monitoring and evaluation etc. A FPO coordination and monitoring unit shall be created with the Deputy Commissioner as Chairman and Zilla Panchayat Chief Executive Officer as Vice Chairman and all heads of the concerned development

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departments at the district levels shall be the members of the committee with Joint Director of Agriculture as Nodal Officer. Concerned taluk level and other field level officers of the departments will monitor and facilitate the implementation of FPOs.

11.7. RI agencies for promotion of FPO

RIs may be a registered NGO, private entity, academic institute or any other institution having experience in working with farmers and their capacity building.

The CoE-FPO shall prepare the panel of RIs for formation of FPOs in the State with the approval of Empowered Committee. The RIs shall undertake mobilization of members, formation of FIGs and FPOs and handhold them.

11.8. FPO Business Development Agency (FPO- BDA)

The FPO business development agency shall be a professional body consisting of agribusiness experts to support the development of business for the FPOs. This shall be established as a body consisting of relevant persons from industries and experts in agribusiness. They will act as an interface between the FPOs and the market and help in facilitating the business by the FPOs in the State, Country as well as for export. This shall also develop the marketing linkages required for the overall growth and development of the FPOs. They also will aid in getting finance and capital for the FPOs.

The KAPPEC shall undertake the role of FPO-BDA.

12. Provision for Government land

For the FPOs to run the business and have an establishment, availability of land is a limiting factor. Provision for allotment/grant/lease of Government land to the FPOs to carry out their output business shall be made depending upon their business requirements. The Agriculture Policy 2006 states that the farms belonging to departments of Horticulture/ Agriculture, University of Agricultural Sciences are to be given for the captive cultivation and establishment of agro processing units in various parts of the State. The FPOs shall be given required land in such farms and elsewhere available Government land for their output business activity on priority.

13. Monitoring and Evaluation

The progress in promotion of FPOs and their performance will be monitored by the Empowered Committee.

14. Finance and budgetary support for FPOs

14.1. The FPOs need to be financed at different phases of growth. At the formation or initial phase, the financial need of the FPOs revolves around the cost of mobilizing farmers, registration cost, cost of operations and management, training, exposure visits etc. At the incubation or growth phase the FPOs need support for infrastructure and working capital to run their business and various capacity building activities. And finally, at the maturity or business expansion phase financing is required for setting up various infrastructure like processing units, processing/grading/sorting yards, storage

godowns, cold storage, transport facilities, marketing and other such support facilities etc. for expanding their businesses.

14.2. Finance for the FPOs shall be accessed through "Equity Grant and Credit Guarantee Fund Scheme" of SFAC, Nabkrissan funds of NABARD, loans and working capital from various Commercial and Regional Rural Banks (RRBs) and the Interest subvention scheme.

14.3. The Union Government in its 2018 budget has extended a five years tax exemption period for FPOs.

14.4. In addition to this, to enable the FPOs to stabilize and grow, funds shall be utilized from State/Central budget for below mentioned activities.

14.4.1. **Formation or initial phase of FPO :** The fund for initial phase for nurturing of FPOs to meet both capacity building and mentoring needs which are grant based and operational expenses as well as mobilisation of farmers, exposure visits and trainings, providing honorarium for facilitators of FPO (local resource person (LRP), Chief Executive Officer (CEO), office assistant/data entry operator (DEO)), registration charges, provision of one-time grant assistance, other management expenses, business needs such as value chain development and business plans shall be met out of state/central schemes.

14.4.2. **Business incubation or growth phase of FPO:** Based on grading and evaluation regarding development of the business plan, initial activities taken up and viability of FPOs funds such as working capital assistance, basic infrastructure assistance shall be decided and provided.

14.4.3. **Maturity or business expansion phase of FPO:** For scaling up the business activities initiated during the growth phase and to implement newer business ideas funding such as Venture Capital, Angel Investors, Philanthropic capital, interest subvention assistance, credit guarantee for infrastructure and working capital, viability gap assistance, gamification assistance etc. shall be extended after duly grading the FPOs.

14.4.4. **Support for Resource Institutions (RIs):** Assistance is required for providing salary, travel and logistic expenses and other office overheads costs for the Resource Institute entrusted for formation of FPOs.

14.4.5. **Existing on-going schemes of various departments:** All the developmental schemes being implemented shall be prioritised to be channelized through FPO to its members.

14.4.6. **Budgetary support is also required for nodal agency at Secretariat - Agriculture Department and project monitoring units (PMUs) of respective State level departments.** This includes consultancy services of the teams, travel and logistics cost expenses, ICT applications and other office expenditure related to FPO formation.

- 14.4.7. A standard evaluation and grading protocol shall be developed for different phases of FPO. Budgetary provision is required for monitoring and evaluation of the FPOs.
- 14.4.8. Provision for budgetary allocation for **Center of Excellence for FPO** already established.
- 14.4.9. Provision of budgetary allocation for **FPO-BDA**.
- 14.4.10. Extension of incubation and stabilization fund /Risk fund already formed by the Horticulture Department to FPOs promoted by all departments/NABARD/self-promoted ones.
- 14.4.11. **Fund for research and rating**: For research/studies relating to FPOs in respect of their operations, market access and finance and to grade the credit worthiness of the FPOs.
- 14.4.12. **Corporate Social Responsibility**: Corporates and Private companies to be encouraged to fund the FPOs for their various activities, especially for creation of infrastructure and capacity building.
- 14.4.13. FPOs shall facilitate registration of its members for crop insurance.
- 14.4.14. Budgetary provision for establishment of **Karnataka FPO Portal**.
- 14.4.15. The post formation financial support for the FPOs shall be based on their performance.
- 14.4.16. Budgetary support for **branding of FPO** products.
- 14.4.17. Any other requirement for funding of FPOs.

15. Commencement and validity of the policy

The policy for Formation of Farmer Producer Organisations (FPOs) in Karnataka 2018 shall come into force from date of its notification in Karnataka Gazette and is valid till the next policy is announced. The policy will be subject to review from time to time, as per the need of the Government.

16. Sub sectoral policies

Government of Karnataka has come up with various sub-sectoral policies on this subject. Hence to have a comprehensive view this policy has to be read in conjunction with the following policies.

- Karnataka Agricultural Policy 2006.
- Karnataka State Policy on Organic Farming 2004 and 2017.
- Integrated Agribusiness Development Policy 2011.
- Karnataka Agricultural Marketing Policy 2013.
- Karnataka Agribusiness and Food Processing Policy 2015.
- Karnataka Special Agriculture Production Zone Policy 2018.

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