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DEPARTMENT OF AGRICULTURE & FARMERS' EMPOWERMENT

NOTIFICATION

The 17th April, 2023

No.8559—DHO-SECIII-FPO-0001/2019/A&FE.—The State Cabinet in their 57th meeting held on 09th April, 2023 have approved the proposal for Provision of funds for “Support to FPOs” scheme.

Introduction:

Odisha is largely a rural and an agrarian economy. Close to 83 per cent of its people live in rural areas and about 61.8 per cent of its 17.5 million workforce is employed in agriculture. The sector contributes about 18 per cent to the state's GDP. To generate wealth for the farmers, particularly small farm holders there is an urgent need to create appropriate ecosystem in the State. In this entire process, one of the important elements is institutions of farmers. Such collective action goes beyond coming together for infrastructure development but goes to realms of business and markets. Moreover, institutional arrangement/ membership-based institutions are found to be backbone for primary sector. With this background, both central government and State Governments are clearly putting considerable emphasis on promoting “Farmers Producers Organizations (FPOs)” as an important policy for creating an ecosystem for enhancing small and marginal farmers' income.

Justification: -

Justification for taking up/ continuing the project/scheme is -

- To provide a supportive ecosystem to the Farmer Producer Organizations (FPOs) in the State to facilitate better income opportunity and overall socio-economic development for the small and marginal farmers.

- To provide handholding and capacity building support to the FPOs up to 5 years in all aspects of management of FPO, inputs, production, processing and value addition, market linkages, credit linkages and use of technology etc.
- To improve productivity and realize higher returns for the FPOs through remunerative, institutional, and viable market linkages for their produce and become sustainable through collective action.
- To develop FPOs as economically viable and self-sustaining business models beyond the period of support from government.
- To increase the aggregation capacity of the FPOs through increase participation of the member farmers.
- To build capacity of FPO management on Governance, business planning and efficient operations.
- To provide opportunity for the FPO representatives to visit, interact and learn from best agriculture value chain practices.
- To train and build capacity of Govt. officials on the FPO concept, functions, scheme guidelines and monitoring.
- To support FPO access to formal credit to expand their business and operations through formal linkage with banks and financial institutions
- Linking farmers and farmer producer organization by guiding them to understand the demand, requirement of food safety, network of market, and market intelligence to take informed decision is prerequisite to strengthen the linkages with markets.
- To bring this transformation, marketing as a function of management needs to guide the flow of produce from farm to fork through the flow of information, so as to fulfil the demand in a way that results is optimization of cost and maximization of value realization.
- Given these changes, linking farmers and FPOs to market is a long term strategy to enhance income and ensure wellbeing of farmers. Studies show that agronomic support services as prevalent in countries are not enough.

- These efforts need to be complemented by promoting mechanism to do strengthen existing marketing platforms, increase capacity for FPOs on viable aggregation models to scale the business.
- Further Limited opportunity for value addition creates a bottle neck for high profit margin realizations and thus limits market share of the producer organizations.

Issues to be addressed:

Odisha has around 830+registered Farmer Producer Organization out of which around 320 FPOs have been able to run their business and generate income for the member farmers. This under performance of FPOs in the State are due to challenges both at field level and policy level. Some of the key issues which are critical to be addressed to build a sustainable ecosystem for the Farmer producer Organization in the state and create better economic opportunity for the small and marginal farmers.

- **Low scale of operation and Business turnover for the FPOs in Odisha:** Only 10% FPOs have annual turnover more than ₹50 Lakhs.
- **Lower no of shareholders:** Lower farmer membership leads to low scale of operation and lesser shareholder capital. Average No of shareholders are around 200 farmers per FPO whereas minimum number required is 300 to 500 member farmers per FPO.
- **Lack of Policy Support:** There exists a layer of isolation between the Government outreach and functionality of the FPOs. Inclusion of FPOs in Government engagement is yet to take off and similarly accountability of district and block officials is there to extend support to FPOs. Other states like Karnataka, Rajasthan, Kerala, Uttar Pradesh, Andhra Pradesh, Punjab, Gujarat have already had their State FPO Policy.
- **Customized support is required for Odisha FPOs:** Despite support from Gol to form and Promote FPOs, there exists significant gap to strengthen FPOs and extend required support as per the crops/ value chains and geographies of Odisha.
- **Low market access result low income for the farmers:** Lower price realization by Small and marginal farmers due to low aggregation capacity by the FPOs, unable to access technology for processing and value addition.
- **Lack of convergence of schemes:** While a substantial number of FPOs have been formed, there is need to extend support to already formed FPOs in the State and the FPOs being formed outside the Central Sector Scheme.

Scheme Components to address the issues:

Sl. No.	Scheme Components	Activities under the Components
(1)	(2)	(3)
1	Promotional Campaign of FPOs	Awareness campaigning, Sensitization meetings, Road Shows and Van Campaign at GP level for farmer mobilization and collectivization
2	Operational and handholding support to the FPOs	<ul style="list-style-type: none"> • Empanelment of Technical expert for FPOs to business growth support. • Exemption from stamp duty in case of land lease, Reimbursement on license fee, certification fee, export licences, • Support on compliance Advisory through empanelled CA/CS
3	Capacity building and industry exposure	<ul style="list-style-type: none"> • On-ground trainings to Farmers • Residential trainings to Management & Governance Staff • Training to District/Block level officials • Strategic Business Development Plan • State level FPO Conclave • District level FPO Meet • Exposure visit • Industry Immersion program for the Farmers
4	Access to Finance	<ul style="list-style-type: none"> • Credit-linked Capital Grant support on fixed and Working Capital • Business Risk Fund- Capital support to Banks providing loan to FPOs • Credit Guarantee Fund (CGF) for FPOs - 85% of the loan outstanding or INR 85lakhs whichever is less.

(1)	(2)	(3)
5	Marketing Support	<ul style="list-style-type: none"> • Facilitating Aggregation of Produce at FPO Level through training on price discovery and transparent payment systems mechanism, development of SOP for procurement, demand aggregation by buyers (Integrated portal) • Mapping of local mandis, satellite markets, rural haats with FPO, for the FPO to manage & market • Strengthen of e-NAM portal for FPO onboarding and trading • Facilitation of export in coordination with SFAC and APEDA • Formation Federation of FPOs.
6	Management and Governance support for FPOs	Performance based incentive for the CEOs and Accountants of the FPOs
7	Establish center of excellence for FPOs	<ul style="list-style-type: none"> • Collaborate with different institutions of repute for bringing in new learning's to the State and partner for implementing best practices of FPOs. • Demonstrate an effective institutional model that promotes economic sustainability and self-reliance while serving the cause of disadvantaged entities such as Producer Enterprises and small holders. • Enhance professional capabilities of FPO stakeholders through training, consultancy and research.
8	Single windows system for FPOs	One stop solution System for FPOs is a dedicated web portal (www.fpoodysha.nic.in) which caters to the government, FPOs and Ecosystem partners. The web portal will operate to provide information and extend services to all FPOs in the State.
9	Facilitation of education and research on FPOs	Policy research grant for the Academic institutions for policy recommendations.

(1)	(2)	(3)
10	Performance-linked incentives to CBBOs / POPIs	Performance incentive for the CBBOs to go next level of value chain-based interventions for increased impact for the farmers.
11	Allocation of land on need basis	Land allocation to FPOs at a concessional rate with approval from District Collector and line department for establishment of exclusive storage, sorting, grading yards, and processing plants as per processing norms.

Modalities to implement the scheme:

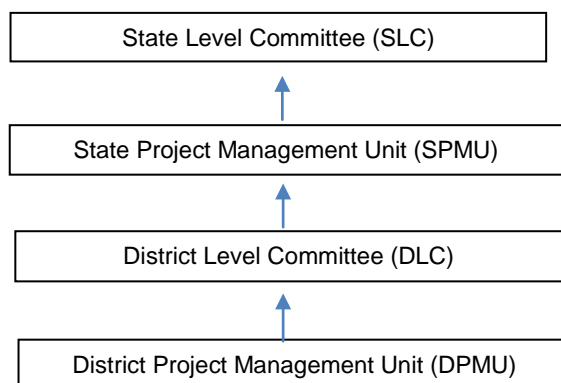
An Operational Guideline has been prepared for Support to FPOs scheme which has detailed description of scheme components, activities, implementation structure, monitoring mechanism, financial provisions and fund flow processes mentioned.

- i. Directorate of Horticulture will appoint a Project Management Unit (PMU) for rolling out the operational guidelines under the purview of Odisha FPO policy, 2018
- ii. The Project Management Unit will operate at two levels – State Level (by State Project Management Unit – SPMU) & District Level (by District Project Management Unit – DPMU)
- iii. For overall monitoring, policy level decisions, advocacy a State Level Committee (SLC) will be constituted under the chairmanship of Principal Secretary, DAFE convened by Director of Horticulture. SPMU will work under the guidance of SLC with direct reporting to Director of Horticulture.
- iv. Similarly, for overall monitoring, review and budget approval for some components a District Level Committee (DLC) will be constituted under the chairmanship of District Collector, convened by Deputy Director of Horticulture in the respective districts. DPMU will work under the guidance of DLC with direct reporting to SPMU.
- v. SLC will meet once in every quarter, DLC will meet once in every quarter.
- vi. SPMU will work in coordination with the state Implementing agencies (IAs) under the Central Sector Scheme of 'Formation & Promotion of 10,000 FPOs' for reaching out to the FPOs in the State through IAs appointed Cluster Based Business Organizations (CBBOs) in the State.

- vii. FPO can only become eligible for benefitting under the state policy after getting registered in the state portal and getting mapped with a CBBO irrespective of any current benefits they are availing from any other schemes/guidelines.
- viii. CBBOs will be responsible for maintenance of MIS, strengthening FPOs through their available resources and tracking the performance.
- ix. FPOs will undergo need assessment by the DPMU for deciding the level of support required for the FPOs to strengthen and become viable.
- x. Based on FPO ranking tool, credit requirement of the FPO will be finalized.
- xi. Any State Directorates who have a provision of providing support to FPOs will appoint a nodal officer for communicating with the SPMU on various aspects.
- xii. There will be three major divisions in the SPMU for project management at State Level.
 - There will be a pool of thematic experts which will provide technical support and look after the overall aspects of community mobilization, training needs assessment, training & capacity building, institutional development, marketing and business development activities, and provide experts services as and when required.
 - The second function is the Monitoring & Evaluation (M&E) team which will be exclusively engaged in MIS, progress and process monitoring as well as evaluation on different interventions and the progress and also provide feedback for better implementation of different activities.
 - The third function shall coordinate the documentation and knowledge structure. The division will be responsible for documenting the case stories and best practices and circulate it among the FPOs other stakeholders.

Monitoring Institutional Framework:

SLC, at State Level will monitor and review the overall project implementation with support from SPMU. DLC, at district level will monitor and review the work done at field level with the guidance of SLC.



Various roles and responsibilities of different entities has been depicted in the below table:

Entity	Roles & responsibilities	Monitoring and Reporting Structure
(1)	(2)	(3)
State Level Committee (SLC) <ul style="list-style-type: none"> • Convene every quarter • Chairman: Principal Secretary, DAFE • Convenor: Director of Horticulture 	Policy decisions & advisory for the project Any structural & financial changes/decisions for the project Financial decisions and approval Monitoring & review of the project Empanelment of external agencies for the project	Principal Secretary, Department of Agriculture & farmers' Empowerment, Government of Odisha
State Project Management Unit (SPMU) <ul style="list-style-type: none"> • Empanelment of an external agency • Headed by a team lead. • Office set up by Directorate of Horticulture 	Overall implementation of the project Providing expertise on various fields to DPMU, FPOs Establishing DPMU and monitoring the responsibilities given to the DPMU Maintenance of IT structure developed for the project	Reporting to SLC for approval and review Director of Horticulture for day-to day implementation activities
District Level Committee (DLC) <ul style="list-style-type: none"> • Convene every quarter • Chairman: Collector <i>cum</i> District Magistrate • Convenor: Deputy Director of Horticulture (DDH) of the respective Districts. 	Approval on various support items provisioned under the FPO support component Monitoring implementation of the project on field level Reporting progress in the district to SPMU	Reporting to SPMU for guidance and reporting Reporting to SLC for any policy related/ structural changes

(1)	(2)	(3)
<p>District Project Management Unit (DPMU)</p> <ul style="list-style-type: none"> Two personnel in the district; District FPO officer, District training officer Headed by District FPO officer who is responsible for implementation of the project in the district District training officer will facilitate training and capacity building programme of the FPOs 	<p>Map FPOs to CBBOs and put it for final approval before DLC</p> <p>Need assessment and provisioning of support component for FPOs in the district</p> <p>Coordinating for channelizing of all support components under the guidelines to be rolled out for FPOs</p> <p>Coordinating with CBBOs for consolidation of MIS</p>	<p>Reporting to DPMU for overall implementation of the project at field level</p> <p>Reporting to DLC/DLSC for advisory and progress reporting</p>
<p>Implementing Agencies (IAs) As per the guidelines under Central Sector Scheme of 'Formation & Promotion of 10000 FPOs'</p>	<p>Supporting SPMU in mapping of FPOs for CBBOs</p> <p>Provisioning support for FPOs in the scheme</p>	<p>Coordinating with SPMU</p>
<p>Cluster Based Business Organisations (CBBOs)</p>	<p>Sharing information to the DPMU on their project activities in the district</p>	<p>Coordinating with DPMU</p>
	<p>Supporting in planning of inputs for state support component</p>	

Expected Outcome and Deliverables:

- 1000 FPOs will be supported in next 5 years reaching to at least 3,00,000 farmers in the State in terms of better market access, access to technology and formal source of credit.
- Incremental income of Rs. 2000 per month per farmer at the end of first implementation year of the scheme.

As per Para.-6 of new EFC Guidelines issued vide Finance Dept. OM No.9523 dt. 22/03/2021, the appraised scheme needs to be approved by State Cabinet when the financial limit is more than Rs. 250.00 Cr.

Financial Implications:

To ensure promotion and sustainability of FPOs and to strengthen the FPO ecosystem in the State, the Expenditure Finance Committee (EFC) has approved a five-year financial allocation amounting to Rs.313.61 crore to be utilized for five years (2023-24 to 2027-28).

Year	2023-24	2024-25	2025-26	2026-27	2027-28	Total
Budget Amount In Rs. Lakhs	3937.29	5158.74	7358.74	7460.74	7445.74	31361.25

ORDER – Ordered that the notification be published in the Extraordinary issue of *Odisha Gazette*.

By Order of the Governor
ARABINDA KUMAR PADHEE
Principal Secretary to Government