



**SFAC**  
Kerala

# SMALL FARMERS' AGRIBUSINESS CONSORTIUM, KERALA

(Department of Agriculture Development & Farmers welfare, Government of Kerala)

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**SFAC- 79/2022**

**Date: 04-03-2023**

To  
All Districts,  
Project Director-ATMA's

Sub: Revamping of existing FPOs (Project Based) through SFAC Kerala (New) -Working  
Instructions

Reference:

- I. G.O. (Rt). No. 431/2020/Agri Dated 15.05.2020. Kerala Farmer Producer Organization (FPO's) Policy 2020
- II. TM (1) 11560/2020 Dated 30/06/2020. Operational Guidelines for FPOs In Kerala Issued by The Director, Department of Agriculture Development and Farmers Welfare
- III. SFAC-22/2020- Rashtriya Krishi Vikas Yojana (RKVY)-2019-20-Promotion of Farmer Producer Organizations (FPO's) in Kerala-Working instructions issued regarding
- IV. G.O.(Rt). No. 896/2022/AGRI Dated Thiruvananthapuram 13/10/2022

Kerala Farmer Producer Organizations (FPO) Policy, 2020 was approved as per reference i) cited above. As per reference ii) cited above Operational Guidelines for Farmer Producer Organizations in Kerala was approved by Director of Agriculture. As per reference iii) cited above working instructions was issued for promotion of Farmer Producer Organizations (FPO's) in Kerala. As per the reference IV) cited above through G.O(Rt) No-896/2022/AGRI Dated 13-10-2022 administrative sanction was accorded for implementing the scheme "Annual Plan-2022-23 Post Harvest Management and Value Addition- Project Based Funding for revamping of existing FPOs through SFAC Kerala" incurring an expense of Rs. 212.00 Lakhs (Rupees Two Hundred and Twelve Lakhs only) under the Head of Account 2435-01-800-94 (P) from budget provisions for the year 2022-23.

In the above context, working instructions is hereby issued to ensure successful implementation of the scheme. You are directed to take necessary actions on the same at the earliest.

Enclosed: Revamping of existing FPOs (Project Based) through SFAC Kerala (New) - Working Instructions.



  
MANAGING DIRECTOR  
SFAC KERALA  
Managing Director  
Small Farmers' Agribusiness Consortium  
Thiruvananthapuram

**SFAC- 79/2022****Revamping of existing FPOs (Project Based) through SFAC Kerala (New) -Working Instructions**

Sub: Annual 2022-23- Scheme for Revamping of existing FPO (Project based) through SFAC (New)- – Working Instructions- issued- reg.

Ref: G.O.(Rt).No. 896/2022/AGRI Dated Thiruvananthapuram 13/10/2022

Outlay proposed for 2022-23	: Rs 212.00 Lakhs
Head of Account	: 2435-01-800-94 (P)

As per G.O(Rt) No-896/2022/AGRI Dated 13-10-2022 administrative sanction was accorded for implementing the scheme "Annual Plan-2022-23 Post Harvest Management and Value Addition- Project Based Funding for revamping of existing FPOs through SFAC Kerala" incurring an expense of Rs. 212.00 Lakhs (Rupees Two Hundred and Twelve Lakhs only) under the Head of Account 2435-01-800-94 (P) from budget provisions for the year 2022-23.

**1. Introduction**

Government of India have identified farmer producer organisations as the most appropriate institutional form to mobilize farmers and to build their capacity to collectively leverage their production and marketing strength. Collectivization of producers, especially small and marginal farmers into producer organizations has emerged as one of the most effective pathways to address the many challenges of Agriculture. It ensures improved access to investments, technology, inputs, credit, insurance, value addition and markets to member farmers.

Small Farmers' Agribusiness Consortium, Government of Kerala, an Organization under the Department of Agriculture Development and Farmers' Welfare , Government of Kerala selected one PMU-CA (Project Monitoring Unit Consulting Agency ) and 3 Agri Business Promoting Agencies (ABPA)- **Ernst & Young LLP (EY LLP), Agriculture Finance Corporation India Limited (AFC India Ltd) ,International Competence Centre for Organic Agriculture (ICCOA)** for developing Farmer Producer Organizations (FPOs) in Kerala under the Rashtriya Krishi Vikas Yojana scheme (RKVY-2019-2020). The service of the same PMU-CA and ABPAs selected under RKVY Scheme can be utilized for monitoring and hand holding beneficiary FPOs selected under this project. The Revamping Project aims to empower the farmers to respond positively to the challenges in emerging markets, with the support for improved product quality & standards and realization of value addition opportunities. The farmers would be able to access enhanced market opportunities through diversified alternate marketing channels.

## **2. Objectives of the Scheme**

- i) Project based funding to existing FPOs in Kerala for expanding marketing and creating infrastructure for improving productivity, profitability and quality of service to member farmers.
- ii) To provide the balance funding to meet the cost of PMU-CA expenses for second year after meeting expenses from the available RKVY Funds through SFAC Kerala.
- iii) To develop all the components of the FPO Service Model for the benefit of member farmers. The FPO will facilitate linkages between farmers, processors, traders, and retailers to coordinate supply and demand and to access key business development services such as market information, input supplies, and transport services. Based on the emerging needs, the FPO will keep on adding new services from time to time. The set of services include Financial, Business and Welfare services.

An indicative list of services to be improved includes:

### 1) Financial Services:

The FPO will facilitate loan linkages for crops, purchase of tractors, pump sets, construction of wells, laying of pipelines through arrangement with credit institutions.

### 2) Input Supply Services:

The FPO will provide low cost and quality inputs to member farmers. It will supply fertilizers, pesticides, seeds, sprayers, pump sets, accessories and pipelines.

### 3) Procurement and packaging services:

The FPO will procure agriculture produce from its member farmers through collection centers, for the purpose of grading, sorting, storage/warehousing, packaging, value addition and marketing of produce.

### 4) Marketing and Branding Services:

The FPO will do the direct marketing after procurement of agricultural produce. This will enable members to save in terms of time, transaction costs, weighment losses, distress sales, price fluctuations, transportation, quality maintenance etc.

### 5) Insurance services:

The FPO will provide various insurance like Crop Insurance, Electric Motors Insurance and Life Insurance for farmers.

### 6) Technical Services:

FPO will promote best practices of farming, maintain marketing information system, diversifying and raising levels of knowledge and skills in agricultural production and post harvest processing that adds value to products.

## 7) Networking Services:

Making channels of information (e.g. about product specifications, market prices). ICT enabled B2 B and B2 C platforms will be enabled by FPO Portal, E-Nam Nodes of the Department and other Government and Popular Platforms.

## 8) Agro Service Centres and Rental Services:

FPO can undertake rental of farm machinery like Transplanter, Harvester, Processing and Value Addition equipments, Community Common Service facilities etc at predetermined rates in an efficient and transparent way.

## 9) Export Related Services and infrastructure creation

Creation of traceability system, pack houses and export infrastructures.

10) Any other service for the benefit of members and farming community which will add value to FPO Operations.

**3. Beneficiaries of the scheme**

3.1 Any FPOs in Kerala which are registered as Farmer Producer Company under the Companies Act /Co-operative Society under Kerala Co-operative Societies Act, 1969 and charitable society act are eligible to apply.

3.2 FPOs should have completed three years from the date of Registration.

3.3 Legal Compliance\* Criteria as per their FPC or Co-Operative Registration Status to be up to date up to March 2022 (A certificate from the chartered accountant (CA) is to be enclosed certifying that the fpc/fpo meets all legal/statutory compliances up to previous financial year on the date of application i.e for FY 2021-22)

3.4 The applicant should not have received support under similar schemes on the same financial year of application.( a self-affidavit from the FPO/FPC chairman is to be enclosed)

3.5 FPO Applicants who are willing to avail minimum credit equal to eligible subsidy (i.e amount availed from Banks/NBFC approved by NABARD as credit should be equal or more than the eligible subsidy)

3.6 Ensure women participation in the Board of the FPO

**4. Criteria of assessment of Potential FPOs**

SL No	Class of the FPO	Maximum Assistance	Selection Criteria	Remarks / Requirements
1	A-Class-FPOs	50 Lakhs	<p><b>Mandatory</b></p> <p>i) More than 1500 Farmer Members as shareholders.</p> <p>ii) Minimum Average Annual Turn</p>	<p>- Certified copies from the concerned CA regarding number of shareholders</p> <p>- Annual Audited Balance</p>

			<p>Over- More than 50 Lakhs/annum</p> <p><b>Optional</b> FPOs with minimum Area of cultivation 1000 Ha under the FPOs area of jurisdiction will be given preference.</p>	<p>Sheets and Audit Reports certified by Chartered Accountant for the latest 3 years (FY 2019-20, 2020-21 and 2021-22) can be produced</p> <p>-A certificate from the concerned Assistant Director of Agriculture is to be furnished mentioning the area of cultivation under the FPO jurisdiction</p>
2	<b><u>B-Class FPOs</u></b>	25 Lakhs	<p><b>Mandatory</b></p> <p>i) More than 1000-1500 Farmer Members as shareholders.</p> <p>ii) Minimum Average Annual Turn Over- More than 35-50 Lakhs/annum</p> <p><b>Optional</b> FPOs with minimum Area of cultivation 750-1000 Ha under the FPOs area of jurisdiction will be given preference.</p>	<p>- Certified copies from the concerned CA regarding number of shareholders</p> <p>- Annual Audited Balance Sheets and Audit Reports certified by Chartered Accountant for the latest 3 years (FY 2019-20, 2020-21 and 2021-22) can be produced</p> <p>-A certificate from the concerned Assistant Director of Agriculture is to be furnished mentioning the area of cultivation under the FPO jurisdiction</p>
	<b><u>C-Class FPOs</u></b>	15 Lakhs	<p><b>Mandatory</b></p> <p>i) More than 750-1000 Farmer Members as shareholders.</p> <p>ii) Minimum Average Annual Turn Over- More than 20-35 Lakhs/annum</p> <p><b>Optional</b> FPOs with minimum Area of cultivation 500-750 Ha under the FPOs area of jurisdiction will be given preference.</p>	<p>- Certified copies from the concerned CA regarding number of shareholders</p> <p>- Annual Audited Balance Sheets and Audit Reports certified by Chartered Accountant for the latest 3 years (FY 2019-20, 2020-21 and 2021-22) can be produced</p> <p>-A certificate from the concerned Assistant Director of Agriculture is to be furnished mentioning the area of cultivation under the FPO jurisdiction</p>

**A) Project based Funding (Rs. In Lakhs)**

Sl.No	Component	Total per FPO-A Class	B-Class FPOs	C_Class FPO
	<b>Funds To FPOs</b>			
1	<p>Project Based Funding for Primary and secondary processing/ export / Marketing infrastructure (Pack house for Packing, sorting, grading, washing, pre-cooling/ cold storage, storage, processing machineries and sales facilities)</p> <p>*for infrastructure including pack house, storage and pre-cooling chambers valuation of Civil Engineer not below the rank of Assistant Executive Engineer or Chartered Engineer is needed.</p> <p>* For machineries and other purchases GST bill is necessitated.</p> <p>Processing Factory Agro Service Centre Machinery (Land and passenger vehicle of any type cannot be purchased from this fund) Reefer Vehicles only for transporting raw materials and products.</p> <p><b>Office Equipments (Maximum Rs. One lakh only)</b></p> <p>essential minimal furniture for office including one Computer and one Printer. Salary for Professional CEOs for a maximum period of 3 years which will be linked to meet business related growth and profitability of FPO operations (Candidates with MBA/ Masters Degree in Agribusiness Management/Equivalent Degree and as per SFAC Kerala CEO recruitment Norms under RKVY 2019-20 Scheme)</p> <p>Funds cannot be used for any debt service purpose.</p>	47	22	13.5
2	ABPA for handholding the FPOs in project implementation	2	2	1
3	Funds to PMU-CA for project implementation	1	1	0.5
	<b>Total</b>	<b>50</b>	<b>25</b>	<b>15.00</b>

**Note\*** : After grading FPO as grade A,B, and C class, the subsidy may be limited to the amount allotted/ Sanctioned for the district given below. The subsidy amount envisaged earlier in this project and sanctioned in the working group was limited and given to SFAC for implementation.

So, the target for each district with financial outlay (Rs. in lakhs) is as follows.

Sl.No	District	FPO	ABPA	PMU	Training	B2B Meet	Total
1	Thiruvananthapuram	9.197	0.392	0.196	0.37	-	10.155
2	Kollam	9.197	0.392	0.196	0.37	-	10.155
3	Pathanamthitta	9.197	0.392	0.196	0.37	-	10.155
4	Alappuzha	9.197	0.392	0.196	0.37	-	10.155
5	Kottayam	9.197	0.392	0.196	0.37	-	10.155
6	Idukki	9.197	0.392	0.196	0.37	-	10.155
7	Ernakulam	9.197	0.392	0.196	0.37	-	10.155
8	Thrissur	9.197	0.392	0.196	0.37	-	10.155
9	Palakkad	9.197	0.392	0.196	0.37	-	10.155
10	Malappuram	9.197	0.392	0.196	0.37	-	10.155
11	Kozhikode	9.197	0.392	0.196	0.36	-	10.145
12	Wayanad	9.197	0.392	0.196	0.36	-	10.145
13	Kannur	9.197	0.392	0.196	0.36	-	10.145
14	Kasaragod	9.207	0.392	0.196	0.36278	-	10.15778
15	HQ (SFAC)					2	2
	<b>TOTAL</b>	<b>128.768</b>	<b>5.488</b>	<b>2.744</b>	<b>5.14278</b>	<b>2</b>	<b>144.14278</b>

The task of handholding of FPOs is entrusted to 3 Agri Business Promoting Agencies (ABPA), namely: EY LLP, AFC India Limited and ICCOA, who have well established credentials and proven track record in promoting FPOs and related activities. They have to handhold the FPOs, CEOs and BODs and imparting training of various financial regulatory, technical and marketing aspects. The overall objective is to demonstrate results from Value Chain and Cluster Development approach for enhancing income levels of poor farmers and small and marginal farmers associated with FPOs/FPCs. The major outcome through this catalytic investment is expected to develop a scalable and replicable FPO ecosystem development across the State by strengthening existing FPOs through project-based funding. PMU CA will co-ordinate and monitor the implementation of activities in this project as per the instruction of PD ATMA of concerned district.

PMU-CA is providing training programs to department officials, ABPAs, FPOs on FPO framework, intervention options, backward and forward linkages, compliances, etc. ABPA is assisting Department officials in preparation of necessary reports, data tool required for project monitoring and expenditure claims. For handholding FPOs Rs 0.392 Lakh per district will be provided to ABPAs. *For PMU-CA Rs 0.196 Lakh per district will be provided.*

### **B) Training/ B2B Meets**

Training to all existing FPC's Board of Directors, CEOs and Farmers, Leadership Development / exposure visits for FPC Leaders. ABPA and PMU will co-ordinate these programs and digital documentation of events in training should be submitted to SFAC Kerala.

All existing FPOs across Kerala can be included for these training related activities.

An amount of Rs. **5.14278** Lakh is earmarked for this purpose. Respective PD ATMAs will implement the training component with the help of department officials, ABPA, PMU and SFAC Kerala.

An amount of Rs. 2 lakhs is earmarked for conducting buyer Seller Meets/ B 2B Meets/ Trade fairs etc within India.

### **C) ADDITIONAL FUND REQUIREMENT FOR PMU CA- SFAC KERALA**

As per. G.O (Rt). No. 431/2020/AGRI Dated 15.05.2020. Kerala Farmer Producer Organisations (FPO) Policy, 2020 was issued by the Government of Kerala for formation of 50 new FPOs and strengthening 50 existing FPOs. As per Order No- TM(1) 11560/2020 Dated 30-06-2020 of Director of Agriculture operational guidelines of the scheme was issued. As per minutes PPM-CELL/337/2020-AGRI dated 03/07/2021 of SLCC dated 01-07-2021 Grant Thornton Bharat LLP was selected as a Project Monitoring Unit Consulting Agency (PMU-CA) under Rashtriya Krishi Vikas Yojana -2019-20, Promotion of Farmer Producer Organizations by Department of Agriculture Development and Farmers' Welfare, Government of Kerala. As per E-Tender Id; 2020\_AGRI\_400870\_1 for the selection of a PMU-CA (Project Monitoring Unit Consulting Agency) under Rashtriya Krishi Vikas Yojana -2019-20, Promotion of Farmer Producer Organizations by Department of Agriculture Development and Farmers' Welfare, Government of Kerala, Grant Thornton Bharat LLP was selected as Project Monitoring Unit Consulting Agency (PMU-CA) with financial rate of Rs. 3,91,94,000/- (Rupees Three Crore Ninety-One Lakh Ninety-four thousand rupees only) for 3-year project period. PMU-CA is an ABPA selected for working at PMU level to co-ordinate and monitor the implementation activities under the project. As per minutes PPM-CELL/337/2020-AGRI dated 03/07/2021 of SLCC dated 01-07-2021 decision no-3 it was approved to use Rs 1,39,00,000/- for PMU-CA cost from RKVY funds and the rest from State Scheme Funds. An amount of Rs 67,85,722/- is required for meeting the PMU-CA cost up to March 2023. So, there is an



additional fund requirement for the operation of PMU-CA which amounts to Rs. 67,85,722/- as detailed below.

2021-2022 RKVY Expenditure Details for PMU-CA (upto Feb 2023)					
#	Agency	Period of working	Months	Requirement of Expenses (Rs.)	
1	PMU-CA	<b>August 2021 to Feb 2023, TOTAL 19 months</b>			
		3 Years Rate as per Contract			3,91,94,000
		Annual Rate as per Contract			1,30,64,667
		Monthly Rate as per Contract			10,88,722
		For 19 Months Expenses @ Rs10,88,722/ Per month			2,06,85,722
2		Funds through RKVY		1,39,00,000	
3		<b>Additional funds required</b>		<b>67,85,722</b>	

An amount of Rs. 67.85722 Lakhs is earmarked for this purpose.

SFAC Kerala will be implementing the above component.

## **5. Implementation**

### **Project based Funding**

4.1 District level implementing officers of this project based funding will be respective PD ATMA's of the Districts. Applications will be invited through PD ATMA's of the District after notifying through leading newspapers. Applicant has to submit 2 spiral bound copies of the applications along with Detailed Project Report and other supporting documents to PD-ATMA of the District.

4.2 PD-ATMA's will classify the applicant into A, B or C Class. A technical committee will be constituted at District Level with PAO as Chairman, PD ATMA as convenor, ADA Marketing as Member, Representative of ABPA and one resource person from KVK /KAU or State or Central Research Stations. In case of competition the Technical Committee has to visit applicants and they will be graded based on the criteria of assessment of FPO as given in point (4) and the applicants with higher score will be selected based on evaluation of DPR and other documents. Project vetting should be done by the Technical Committee and has to approve the components envisaged in the project. Based on selection a Primary Approval Letter is to be issued to the beneficiary. An MOU is to be undertaken with beneficiary and PD ATMA of the concerned district.

4.3 ABPA's will handhold the FPOs in various verticals such as 1) FPO Management – Trainings for BODs and CEOs regarding Book keeping and accounting, Legal and Statutory compliances, Exposure visits to scale up business potential 2) Expansion of FPO Business – Short term and long term business plans. PMU-CA will help in conducting B2B/B2C offline meetings; arranging offline meetings with

external traders/buyers/online marketing platforms etc., PD ATMAs will carry out regular reviews with stakeholders of FPO, ABPA, PMU-CA and department officials for smooth implementation of the scheme and plan forward

4.4 Beneficiary will avail credit and submit details to PD ATMA. Subsidy will be given based on selected project after availing credit for amount equal to or higher than subsidy fund. Ploughing of profits, share contribution, support from convergence-based schemes etc. can be used to meet non-credit part of the project. ABPA's & PMU-CA's claim will be settled at PD ATMA level based on invoices generated by ABPA/PMU.

4.5 The sanctioned subsidy amount will be transferred to subsidy reserve fund account of the beneficiary bank based on tripartite agreement (Annexure 3) between bank, PD ATMA and Beneficiary. CEO Salary amount if part of the project can be given to the bank account of the beneficiary after complete payment of all other components. Project is to be completed within 12 months of receipt of funds. Full expenditure and subsidy transfer should be completed within a maximum period of 12 months. FPC has to submit month wise progress report through ABPA.

4.6 Based on Technical Committee Minutes and Proof of expenditure of project components from FPO Account and submission of Bills/Receipts subsidy amount will be transferred from Subsidy reserve fund account.

4.7 Technical Team has to visit the beneficiary project site once in six months and evaluate the progress and submit a report of progress. Soon after completion of the project a detailed UC is to be submitted to SFAC Kerala.

4.7 Component B) B2B Meet and C) ADDITIONAL FUND REQUIREMENT FOR PMU CA- SFAC KERALA will be implemented from SFAC Kerala.

## **6. Monitoring**

PD-ATMA and Technical Team will monitor at District Level. ABPA's of the zone will handhold the FPOs and PMU at SFAC Kerala will monitor the scheme at State Level. SLCC at Highest level will give direction for smooth implementation of the scheme.

**7. Financial Outlay (Summary)**

Sl.No	Component	Outlay (Rs. in lakhs)
1	Project based funding to Category A FPC @Rs 50 Lakhs, Category B FPC @ Rs 25 Lakhs and Category C @ Rs 15 Lakhs. The components may be interchanged based on actual expenses.	137.00
2	Funds for meeting the balance amount of PMU-CA Cost for the second year	67.85722
3	1. Trainings/Exposure Visits/Leadership development for FPC Leaders, ABPA/PMU -CA and SFAC Officials, Participation in Promotion events, Buyer Seller Meets, Trade Fairs within India etc.	<b>5.14278</b>
	2. B2B Meet	<b>2</b>
	<b>Total</b>	<b>212</b>

Administrative sanction is received for incurring an expense of Rs. 212.00 Lakhs (Rupees Two Hundred And Twelve Lakhs only) under the Head of Account 2435-01-800-94 (P) from budget provisions for the year 2022-23 for implementing the above components.



  
 Managing Director,  
 SFAC Kerala  
 Managing Director  
 Small Farmers' Agribusiness Consortium  
 Thiruvananthapuram