

### **1) What is a Producer Company?**

A producer company is basically a body corporate registered as Producer Company under Part IX A of Companies Act, 1956.

Only certain categories of persons can participate in the ownership of such companies. The members have necessarily to be 'primary producers,' that is, persons engaged in an activity connected with, or related to, primary produce.

### **2) What is primary produce?**

it is a produce of farmers arising from agriculture including animal husbandry, horticulture, floriculture, pisciculture, viticulture, forestry, forest products, re-vegetation, bee raising and farming plantation products: produce of persons engaged in handloom, handicraft and other cottage industries: by - products of such products; and products arising out of ancillary industries.

### **3) How many members are needed for the formation of a Producer Company**

Any ten or more individuals, each of them being a producer, that is, any person engaged in any activity connected with primary produce, any two or more producer institutions, that is, producer companies or any other institution having only producers or producer companies as its members or a combination of ten or more individuals and producer institutions, can get a producer company incorporated under the Act.

### **4) What are the Objects of a Producer Company**

The objects of producer companies shall include one or more of the eleven items specified in the Act, the more important being:

- (i) Production, harvesting, procurement, grading, pooling, handling, marketing, selling, export of primary produce of members or import of goods or services for their benefit;
- (ii) Processing including preserving, drying, distilling, brewing, venting, canning and packaging of produce of its members; and
- (iii) Manufacture, sale or supply of machinery, equipment or consumables mainly to its members.

The other objects include rendering technical or consultancy services, insurance, generation, transmission and distribution of power and revitalisation of land and water resources; promoting techniques of mutuality

and mutual assistance; welfare measures and providing education on mutual assistance principles.

### **5) What are the criteria for Producer Company Management?**

(a) Every producer company is to have at least five and not more than 15 directors.

(b) A full time chief executive is to be appointed by the board. He shall be an ex-officio director and will not be liable to retire by rotation.

### **6) What are the benefits for the Members of Producer Companies?**

- Members will initially receive only such value for the produce or products pooled and supplied as the directors may determine. The withheld amount may be disbursed later either in cash or in kind or by allotment of equity shares.
- Members will be eligible to receive bonus shares.
- Distribution of patronage bonus (akin to dividend) after the annual accounts are approved

### **7) What do you mean by Patronage Bonus?**

Patronage bonus means payment out of surplus income to members in proportion to their respective patronage (not shareholding). Patronage, in turn, is defined as the use of services offered by producer companies to their members by participation in their business activities.

### **8) Whether the company has to maintain any Reserves?**

Every producer company has to maintain a general reserve in every financial year and in case there are not sufficient funds in any year for such transfer, the shortfall has to be made up by members' contribution in proportion to their patronage in the business

### **9) Please explain about Share Capital and Voting Rights**

- (i) The share capital of a Producer Company shall consist of equity shares only.
- (ii) Members' equity cannot be publicly traded but only transferred.
- (iii) Voting when membership is
  - a) Only of individuals then voting rights shall be based on a single vote for every member.

- b) Only of producer institutions then voting rights on the basis of their participation.
- c) Combination of both individuals and producer institutions then voting rights shall be based on single vote for every member

### **10) Is Internal audit mandatory for Producer Companies?**

It is mandated that every producer company should carry out internal audit of its accounts by chartered accountants.

### **11) What is the mechanism for Resolution of disputes?**

Any dispute relating to the formation, management or business of producers companies is to be settled by conciliation or by arbitration under the Arbitration and Conciliation Act, 1996 as if the parties to the dispute have consented in writing to such procedure. The arbitrator's decision shall be final. This seems to be inequitable since usually an arbitration award can be appealed against in high courts.

### **12) Who all can form a society?**

A society can be formed by “Any seven or more persons associated for any literary, scientific or charitable purpose, or for any such purpose as described in the Act by subscribing the names to Memorandum of association and filing the same with the Registrar.

### **13) What is a memorandum of Association of a society?**

The memorandum is the charter of the society. It contain the:

- Name of the Society
- The objects of the Society
- The names, addresses and occupation of the members of the governing body
- The place of the registered office of the society.

The memorandum also contains the names, address and full signatures of the seven and more persons subscribing their name to the memorandum of association.

### **14) What are the rights of a member of the society?**

The rights of the members are a) Right to receive notices b)Right to vote c)Right to receive copies of byelaws c) Rights to receive statements of accounts d)Right to attend general meetings.

### **15) What are the duties of the members of a society?**

Duties of a member of a society are

- To work towards attainment of the objectives of the society
- To attend the meetings regularly and exercise their democratic right as and when necessary

### **16) What do you mean by General Body of a Society?**

General body of a society comprises of all the members who have subscribed to the memorandum of society.

### **17) What is the time period for notice to be given for a meeting of the society ?**

A notice for every meeting is to be given to all the members of the society according to the time limit mentioned in the bye law. The notice of the meetings has to be given in writing. Generally a 21 days notice should be given for a general meeting and 7 days notice for a governing body meeting.

### **18) What is the quorum required for a meeting of a society?**

Quorum implies the minimum number of members who must be present in the meeting to make the proceedings of the meeting valid. The byelaws of the organization specify the quorum required for different meetings.

### **19) Who is the signing authority of a society?**

In general all the documents of the society of to be filed with the registrar of the societies should be signed by the President or the Secretary or by any other person specifically authorized in this behalf.

### **20) What are the books of Accounts to be maintained by a society?**

Generally the following books of account to be maintained by the society on Single Entry/ Double Entry basis are :

- Cash Book/ Bank Book giving the daily receipts
- Voucher files
- Ledgers
- Receipt books