



GENERALISED STATUS OF FARMER PRODUCER ORGANISATIONS (FPO's) IN INDIA – A REVIEW

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ABSTRACT

Farmer Producer Organizations (FPO) is a common name, which consist of farmer- producers' organization incorporated/ registered either under Part IXA of Companies Act or under Co-operative Societies Act of the concerned States. The FPOs are primary producers' collectives, with membership mainly comprising small/marginal farmers (around 70 to 80%). Presently, around 5000 FPOs, including Farmer Producer Companies (FPCs) are existing in the country, which were formed under various provisions of Govt. of India (including SFAC), State Governments, and NABARD, from last 8 to 10 years. Of these, near about 3200 FPOs are registered as Producer Companies (FPCs) and the remaining as cooperative/ Society. The FPOs are formed for the purpose of leveraging collectives measures through economies of scale in production and marketing of agricultural and allied sector. However, FPOs registered under Co- operative Societies Act of the State (including Mutually Aided or Self-reliant Cooperative Societies Act) for the ambition is to be insulated from all kinds of interference i.e.; in election process and day to day management/administration through appropriate provisioning in their Memorandum of Association, to encourage sound growth and development of FPOs. In the country, at present most of the FPOs are in the nascent stage of their operations with shareholder membership ranges from 100 to above 1000 farmers and needs not only technical handholding support but also enough capital and infrastructural backing, includes forward market linkages for sustaining the business operations.

INTRODUCTION

Indian agriculture is the leading employer and provider of raw material to the various industries. Due to vastly heterogeneous, fragmented and scattered landholding, the small holding-based farming has steadily turn out to be unviable. The lack of growers' access to forward linkages, less production quantities, lack of assured market, ailing supply chain, lack of quality inputs, credit facilities and advanced technologies, etc. as well as frequent crop failures, has led to high reliance of farmer on the exploitative intermediaries. In India small and marginal farmers constitute around 85% of the total land holding and hold around 44% of the land under cultivation. The few

key concerns relating to small growers are i.e.: low level of modern technology adoption, inadequate extension support services, lack of financial support and due to low market efficiency low-income level. These circumstances call for immense structural reforms and transformational initiatives to revitalize the Indian farming. In this context, a workable solution lies in collective farming of agricultural produce and value addition/ marketing by accomplishing the economies of scale and also forming commodity-specific agri value chains with involvement of agri industrialists and primary growers on the equitable terms.

FPOs formation and development is dynamically encouraged and supported by the Central



and State Governments and their agencies. The goal will be achieved by creating a coalition of partners by the concerned promoter body, involving civil society institutions, research organizations, consultants, private sector players and any other entity which can contribute to the development of strong and viable producer owned FPOs. In a bid to transform agriculture into a sustainable enterprise through farmer producer organizations (FPOs), the central government has proposed to form and promote 10,000 new FPOs in the country with budgetary provision of Rs 6,865 crore, says Ministry of Agriculture and Farmers Welfare. [1,2]

The honorable Prime Minister Sh. Narendra Modi had launched "Formation and Promotion of Farmer Producer Organizations" scheme on 19.02.2020, to promote total 10,000 FPOs in the next five years, which would help small, marginal and landless farmers to enhance their standard of living and income level. The main objective of the scheme is to provide small and marginal farmers "better collective strength for better access to quality input, modern technology, credit facilities and well marketing access through economy of scale for better realization of income".

The Ministry of Agriculture, said that, the FPOs have been launched to facilitate small and marginal farmers with access to improved technologies, adequate credit, better quality input and more forward linkages/markets to incentivize them to produce better quality/value added commodities.

Benefits Emanating from FPO

- Declining Average Land Holding Size: The average farm sizes have decreased from 2.3 hectares (ha) to 1.08 ha, from the year 1970-71 to 2015-16, respectively. The share of small and marginal farmers increased from 70 per cent to 86 per cent from the year 1980-81 to 2015-16, respectively.
 - FPOs can engage farmers in collective farming and address productivity issues emanating from small farm sizes.
 - Further, this may also result in additional employment generation due to the increased intensity of farming.
- Negotiating with Corporates: FPO can help farmers compete with large corporate enterprises in bargaining, as it allows members

to negotiate as a group and can help small farmers in both input and output markets.

- Economics of Aggregation: The FPO can provide low-cost and quality inputs to member farmers. For example, loans for crops, purchase of machinery, input agri-inputs (fertilizers, pesticides, etc.) and direct marketing after procurement of agricultural produce.
 - This will enable members to save in terms of time, transaction costs, distress sales, price fluctuations, transportation, quality maintenance, etc.
- Social Impact: Social capital will develop in the form of FPOs, as it may lead to improved gender relations and decision-making of women farmers in FPOs.
 - This may reduce social conflicts and improved food and nutritional values in the community.

Promotion of FPOs is to be done through the Implementing Agencies (IAs). At present 09 Implementing Agencies (IAs) have been finalized for formation and promotion of FPOs viz. Small Farmers Agri-Business Consortium (SFAC), National Cooperative Development Corporation (NCDC), National Bank for Agriculture and Rural Development (NABARD), National Agricultural Cooperative Marketing Federation of India (NAFED), North Eastern Regional Agricultural Marketing Corporation Limited (NERAMAC), Tamil Nadu-Small Farmers Agri-Business Consortium (TN-SFAC), Small Farmers Agri-Business Consortium Haryana (SFACH), Watershed Development Department (WDD)-Karnataka & Foundation for Development of Rural Value Chains (FDRVC)- Ministry of Rural Development (MoRD).[3,4]

Key points of FPO

- Initially, the minimum members in Farmer Producer Organization are 100 in North East & Hilly Areas and 300 in plain areas.
- Farmer Producer Organization is promoted under "One District One Product" to promote the specialization and better branding, marketing, processing and exports by FPO
- The Farmers Producers Organizations are formed and promoted through the Cluster-Based Business Organizations and engaged at



the State or Cluster level by implementing agencies.

- The Farmers Producer Organizations is being provided adequate training and handholding support by CBBOs.
- Priority is given for the formation of Farmer Producer Organization in aspirational districts with at least one FPO in each block of the aspirational districts.

Resource Support Agencies (RSAs) Functioning

As part of Producers Organization Promoting Institutions (POPI) Scheme, NABARD has appointed Resource Support Agencies (RSAs) in different states. As an RSA, institutions involved in:

1. Designing and delivering capacity building programs for POPIs selected by NABARD to promote FPOs
2. Delivering training and handholding support to POPIs to undertake promotion of FPOs
3. Building capacities of FPO directors, lead farmers, and CEO of FPOs as per the requirement

Different Sorts of FPOs

Women Farmer's Producer Organization: FPO has analyzed the role of women in agriculture and provided solutions on how women in agriculture can get their due share and be registered. The government is already giving special subsidies to women farmers and looks forward to supporting any viable project for the economic empowerment of women in agriculture [11]

Women FPOs are established under the following areas such as:

- Jeevan Sangini Krishi Vikas Women Farmer
- Producer Company Mann Deshi Farmer Producer Organisation
- Aaranyak Agri Producer Company Limited
- Samridhi Mahila Crop Producer Company
- Apni Saheli Producer Company Limited

Dairy related FPOs:

- Shreeja Mahila Milk Producer Company
- Mulukanoor Women's Mutually Aided Milk
- Producer Cooperative Union Limited Maitree Mahila Dairy and Agriculture
- Producer Company Limited Saahaj Milk Producer Company Limited
- Koushikee Mahila Milk Producer

- Company Sakhi Mahila Milk Producer Company [12]

Veterinary related FPOs:

- Basundhara Product Organisation
- Savitri Bai Phule Goat Farming Producer
- Company FPOs related to multi products:
- Rudi Multi Trading Company Limited
- Devbhumi Natural Products Producer Company Limited [13]

DISCUSSION

As per the observance functioning, at district level, a District Level Monitoring Committee (D-MC) is constituted under the Chairmanship of District Collector/ CEO/ Zilla Parishad with representatives of different related departments and experts for overall coordination & monitoring the implementation of scheme in the district including the suggestion for potential produce cluster & development. At National level, National Project Management Agency (NPMA) as a professional organization has been involved for providing overall project guidance, coordination, compilation of information linked to FPOs, maintenance of MIS and vigilance purpose. There are well defined training structures in the scheme and the institutions like Bankers Institute of Rural Development (BIRD), Lucknow and Laxman Rao Inamdar National Academy for Co-operative Research & Development (LINAC), Gurugram have been chosen as the lead training institutes for capacity development & trainings of FPOs. The training & skill development related modules have been developed to further reinforce the FPOs. Formation & promotion of FPOs is the first step for converting *Krishi* into *Atmanirbhar Krishi*. This will enhance cost effective production and higher net incomes realization to the members of the FPO, which will also expand the rural economy and job opportunities for rural youths. This was the major step towards improving farmers' income substantially. India's market structure has long favored staple grains. As Minimum Support Price (MSP) incentivizes farmers to grow staples and the APMC enables procurement into PDS, ensuring a productivity increase in staple grains. But this system is inadequate for marketing higher value crops. Only 6% of Indian farmers benefit from the MSP, and there are few alternative value chains for quality, high-value produce.[5]

Though, contract farming permitted in 2003, burdensome requirements and charges have limited it, except for a few crops like cotton and barley. The most



significant challenges have been collective action problems of companies having to form contracts with hundreds of small farmers in informal groups, poor contract compliance by buyer or seller with low accountability, and the limitation of procuring from the area of a particular market's jurisdiction. The Producer Companies Act of 2002 made provisions for small producers' aggregation into companies, allowing farmers to jointly access inputs, credit, farm machinery, and together sell in the markets. These FPOs can address contracting and adherence difficulties in contract farming with small farm holders. Although the initial uptake has been slow, government schemes and corporate, NGO, and private foundation interests have led to a rapid increase in FPO formation. Only 445 FPOs were registered in 2013, but since 2016, over 5,881 have been registered. [6,7]

The FPOs need to choose their activity portfolio carefully keeping in mind the member centrality. However, they need to diversify fast, adopt business-cum-activity-mix strategies to increase turnover. It is possible to identify new activities in local areas which are valuable for small farmers e.g., custom hiring of farm machinery and equipment which they can't afford to buy but can rent in. The FPOs practicing organic farming can be designated as certifying agencies for third parties and individual growers by the union government agencies like APEDA. The promotional and non-governmental organizations supporting these FPOs should be given project-based grants by the state/union government. The inclusion of local financing agency head, may be a retired one, on the board of FPO may be explored as a policy option. Banks should provide collateral free loans to Small and Medium Enterprises (SMEs) which can also cover FPOs. [8,9]

To facilitate the process, the Small Farmers Agribusiness Consortium (SFAC) was mandated by the Department of Agriculture and Cooperation, Ministry of Agriculture, Govt. of India, to support the State Government in the formation of the Farmer Producer Organizations (FPOs). The goal is to enhance the farmers' competitiveness and to increase their advantage in emerging the market opportunities. The major operations of Farmers Producer Organization (FPO) include the supply of seed, machinery, market linkages & fertilizer, training, networking, financial and technical advice.[10]

CONCLUSION

FPOs intricately bind together the social development interest of member farmers along with its

business interests and hence present itself as an effective tool to fight the situation. Individual as well as collaborative actions from government, financial and development institutions, impact investors and non-profits are required to overcome this unprecedented and critical situation. In such scenario, FPOs can play great role in creating income augmenting opportunities through innovative interventions like FPO-led small scale food-processing based entrepreneurship, local agriculture inputs production like seeds and saplings, to promote sustainable agriculture. It will balance the FPO's business portfolio between dependence on local consumption and external market centre's. FPOs depicts greater transparency & traceability, hence are better placed for speedier and effective dissemination of government welfare schemes or other in-kind grant support to its member farmers. Such convergences should be promoted to build necessary responsiveness in welfare scheme dissemination mechanism.

Innovative financial instrument for FPOs like warehouse receipts financing, increased first loss default guarantee, risk funds, impact bonds should be promoted to strengthen the FPOs capabilities. Acknowledging FPOs as Micro Small and Medium Enterprises (MSMEs): Inclusion of FPOs in definition of MSME will open up new avenues of support for FPOs in raising capital for business operations. Additionally, FPOs will also become eligible for exploring opportunities of benefits from various government schemes which identify MSMEs as primary beneficiaries. Clamping down rates via impact investors: Role of Impact investors have become crucial in the present scenario to bring down the cost of capital from 14% to 6% for FPOs, thus enhancing its EBITDA (Earnings Before Interest, Tax, Depreciation, Amortization-to-Interest) Coverage ratio.

In current time, there is a need for alternative and decentralized channels of marketing for the agriculture produce selling to reduce pressure from existing marketing system such as APMCs which are less resilient to withstand amid current crisis. FPOs have been established with an objective to minimize the risks and uncertainties and bring more prosperity to farmers through its various activities. FPOs have emerged as one such model to provide the much-needed alternative channel by directly linking farmers produce to urban consumers specially for perishable commodities such as- fruits and vegetables. FPOs must be capacitated with essential but customized infrastructure like small farm gate based warehouses or pack houses. Development of Farmer Producer Organizations is one of the best tools to effectively



drive *Aatmanirbhar Bharat* and it will establish an effective and well-balanced bridge between rural and urban economies. However, to empower FPOs, ecosystem around it needs to evolve further. Suggestions which are mentioned in the paper will positively impact the FPO ecosystem by resulting in empowerment and resilience of small and marginal farmers.[14]

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