



Farmer Producer Organization: A Prospective Opportunity

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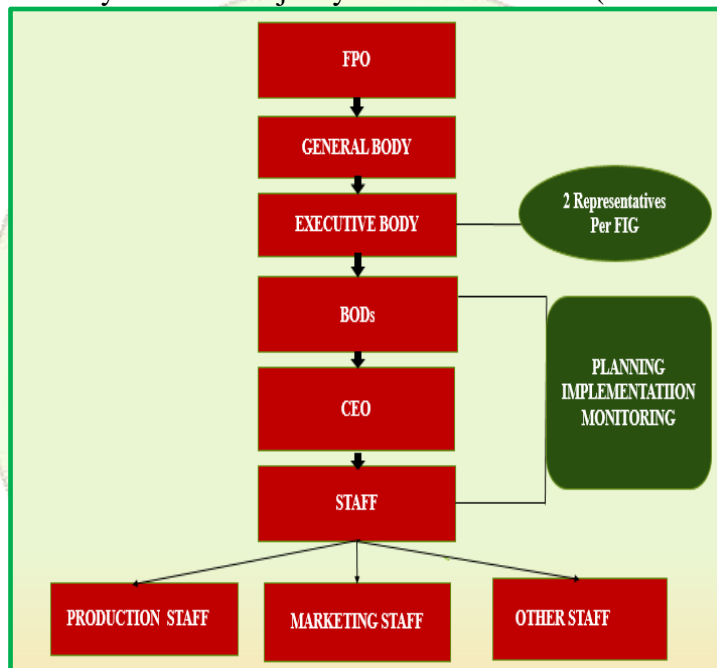
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Agriculture has always been an important sector of the Indian economy considering its contribution to Gross Domestic Product (GDP) and the extent of employment it provides. Also, Indian agriculture has efficiently progressed over the years in terms of production self-sufficiency. But the majority of Indian farmers (around 86 per cent) fall into small and marginal categories. These small and marginal farmers are in terms of value for their fragmented disorganization, poor access to inadequate information and services, low technology of capital and skills are key small farm overcome these make small a viable option, integrate as farmer collectives. Undoubtedly, much has happened in the case of cooperatives, but these are insufficient in terms of empowering small and marginal farmers in terms of strengthening their bargaining power.



Organizational structure of FPOs

Farmer Producer Organization:

Farmer Producer Organization (FPO) is one type of producers' organization where the members are farmers (NABARD 2015). In India, FPOs can be registered under the Cooperative Society act 1904, or Indian Companies Act 1956, or the Indian Trust Act 1882.

Principles for sustaining the development of FPOs:

1. **Voluntary and open membership:** FPOs are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without any discrimination.

2. **Farmer-member economic participation:** Farmer-members contribute equitably to, and democratically control, the capital of their FPO.
3. **Concern for the community:** FPOs work for the sustainable development of their communities through policies approved by their members.
4. **Autonomy and independence:** FPOs are autonomous, self-help organisations controlled by their farmer-members.
5. **Democratic farmer member control:** FPOs are democratic organisations controlled by their farmer-members. Men and women serving as elected representatives are accountable to the collective body of members
6. **Co-operation among FPOs:** FPOs serve their members most effectively and strengthen the FPO movement by working together through local, national, regional and international structures.

Present status:

At present, 7157 FPOs have, so far, been promoted by various agencies in the country. No doubt the outreach of the initiatives towards promotion of FPOs has been taken up in almost all States. But the Western region has performed exceptionally well in the promotion of FPOs. This is attributed to state government patronage, particularly in Maharashtra through the World Bank aided Maharashtra Agricultural Competitiveness Project (MACP) along with largest self and NGO promoted FPOs in Gujarat.

Challenges faced by FPOs:

Mobilization of farmers: - Lack of awareness among the farmers about the potential benefits of collectivization and non-availability of competent agencies for providing support leads to lesser mobilization of farmers into FPOs.

Skill set of Board of Director & Chief Executive Officer: FPOs are formed and run by farmers only who only have very few managerial skills and limited exposure to entrepreneurship makes them unable to create robust business plans.

Problems related to financing: -. Banks are not accustomed to dealing with entities like FPOs and are unsure of the creditworthiness of FPO.

Challenges related to policy: - The financial support to FPOs by the government and NABARD under various schemes is provided for only the first three years. But to grow and stabilize, FPOs need support for at least five to seven years. The credit guarantee cover offered by SFAC for providing collateral-free loans is available only to the Producer Companies having a minimum of 500 shareholder members. Hence, the FPOs registered under other legal forms and those with a lesser number of shareholder membership, are excluded from the SFAC scheme. Poor market connection of FPOs with the agri-industry, market players, large retailers, processors, etc., mainly due to inadequate agri-logistics (i.e. transport facilities, storage, value addition/ processing, brand building, etc.), weak supply chain and lack of price discovery mechanism. Lack of risk mitigation mechanism particularly to cover price/ market risks for FPO.

Opportunities available in the development of FPOs:

As Farmer Producer Organizations have a choice of selecting an appropriate legal entity for their producer organization depending upon their requirements making FPOs them operational in any region. Value addition in agriculture can be considered a priority sector by FPOs through availing of finance from banks at subsidized rates. A big opportunity for marketing exists in seed production; based on their competitive advantages, FPOs can undertake seed production on their own instead of depending upon others. Through proper coordination among FPOs, the formation of an umbrella of marketing organizations could be a viable option. It would be easier to negotiate the food laws for building their brand name

and packaging requirements more efficiently through such an organization. The risks could be higher if undertaken by a single FPO.

Suggestions:

State Governments can use FPOs for implementing different programmes undertaken by them. FPOs can be supported in evolving as nodal agencies for procurement, pooling of produce, the transmission of technology and input supply to leverage better prices. A state-level or district-level knowledge forum needs to be formed for FPOs, which should be guided by the agriculture department or relevant capable government bodies. To make FPOs effective, their tie-ups with KVKs/SAUs/NGOs etc. for training and capacity building is necessary. The Financial Institutions and implementing agencies should extend their support to FPOs at least for a period of five to seven years. Innovative channels of providing working capital to FPOs are urgently required.

For providing credit to FPOs, highly successful collateral-free, Self-Help Group-bank linkage program can be adapted. Market linkages/supply chains can be made effective through the creation of a single-window platform to provide information about backward & forward market linkages. Special Economic Zones (SEZ) type privileges can be provided to FPOs for reducing their regulatory burden. FPOs need to enhance their data-related management systems, all that happens in field, market, storage area and in meetings should be recorded properly. This will help FPOs in finding the trends of activities happening in other FPOs, which is going to be the key to success in future. A standard management information system solution is required to be pushed by the government and other implementing agencies. Lastly, to increase the accountability of FPO, there is a need to define its social role. This will assist FPOs in becoming socially responsible institution, which will make members think beyond their produce, aggregation and profits.

Conclusion:

To conclude, FPO seems to be a key institutional mechanism to organize small and marginal farmers. To reap the full potential of FPOs they need to be encouraged by policymakers and other stakeholders apart from scaling up throughout the country to benefit particularly the smallholders. This demands good leadership at the FPO level also. Along with enabling policy environment, government and extension organizations can direct their efforts on strengthening leadership qualities for the proper functioning and success of FPOs. Though FPOs are facing challenges in the process of their development, plenty of opportunities also available for them to shine better in the future. Therefore, it is important to equip farmers with the capacity to respond to the changing agricultural environment through extension support, training in techniques and sharing of best practices. The point is that FPOs should not be a mere grouping of individuals, they must serve the purpose of their creation.

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