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Farmers Producer Organization (FPO): How it is changing farming scenario

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Abstract

Farmer producer organization (FPOs) is egalitarian farming association that is registered as an institution under various legal act like Company Act, Co-operative Society Act, Trust act etc. The aggregation of marginal, small and landless farmers as FPOs has helped increase market linkages to improve farmers' income and economic strength. It provides end-to-end services and support to the small farmers and covers marketing, technical services, processing, marketing and other aspects of cultivation inputs. The aim of the FPOs is to increase the income for the producers through an organisation of their own. As farmers confront a variety of difficulties such as limited access to land and water, impassable roads, a lack of adequate financial services, the adoption of new technology and chain of intermediaries in agricultural marketing often works non-transparently, leading to a situation where the producer receives only a small portion of the value that the ultimate consumer pays. The FPOs will help to eliminate the chain of intermediaries in agricultural marketing.

Keywords: Farming; Market; Technology; Organization

1. Introduction

Agriculture plays a vital role in the Indian economy. Over 70 per cent of the rural households depend on agriculture. Agriculture is an important sector of Indian economy as it contributes about 17% to the total GDP and provides employment to around 58% of the population. Indian agriculture has registered impressive growth over last few decades. The foodgrains production has increased from 51 million tonnes (MT) in 1950-51 to 314 MT during 2020-21 highest ever since independence

The majority of Indian agriculture's cultivators are small and marginal farmers. Over 85% of operating holdings are less than or around two hectares in size, and 66% of these holdings are under one hectare (Singh, 2012). From 2.28 hectares, the average size has decreased to 1.16 hectares. In 2010–11, the area occupied by small and marginal farmers expanded from 19 to 44 percent. Today, more than ever before, Indian agriculture is characterised by tiny holdings. However, the increasing number of agricultural suicides among small and marginal farmers (National Crime Records Bureau, 2011) is any indication, that these farmers' are struggling to survive.

The only way for a farmer's status to improve is through commercialising and diversifying their agricultural endeavours. This is only possible through the collective organisation of producers, particularly small and marginal farmers, into producer organisations, which has proven to be one of the most efficient ways to address agriculture's many challenges. Most importantly, however, is the improvement of access to capital, technology, inputs, and markets. Department of Agriculture and Cooperation, Ministry of Agriculture, Govt. of India has identified farmer producer organization registered under the special provisions of the Companies Act, 1956 as the most appropriate institutional form around which to mobilize farmers and build their capacity to collectively leverage their production and marketing strength.

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Farmers' Producer Company (FPC), also known as Farmers' Producer Organization (FPO), is a privately owned business that is managed by farmers. It is a central government project effort that is made to assist farmers in effectively overcoming a number of difficulties that small producers are now experiencing. FPO is a way to unite small and marginal farmers with other small producers to create their own commercial venture under the supervision of experts. FPO may assist farmers with the production of a variety of agricultural products as well as with crop marketing. Farmers' organisations help small farmers participate in the market more successfully and collectively. This enables them to compete with larger farmers and agribusinesses by lowering the transaction costs of accessing inputs and outputs, obtaining the necessary market information, securing access to new technologies, and tapping into high value markets.

2. Necessity of Farmers Producer Organisation

The main aim of PO is to ensure better income for the producers through an organization of their own. Small producers do not have the volume individually (both inputs and produce) to get the benefit of economies of scale. Besides, in agricultural marketing, there is a long chain of intermediaries who very often work non-transparently leading to the situation where the producer receives only a small part of the value that the ultimate consumer pays. Through aggregation, the primary producers can avail the benefit of economies of scale. They will also have better bargaining power vis-à-vis the bulk buyers of produce and bulk suppliers of inputs.

2.1. Objectives of FPO

FPO's main goal is to assist the nation's small farmers in raising agricultural output, productivity, and profitability. Other goals include:

- Assisting farmers in choosing crops that are suited for their region and in-demand on the market.
- To promote access to forward links for new technologies, to improve production, to add value to the output, and to establish market ties.
- To provide access to contemporary technology through community-based methods for boosting productivity and quality of products.
- To facilitate to access forward linkages for new technologies, for improving productivity, for value addition of the produce and for market tie-ups.
- To ensure access to use of quality inputs and services for improving agricultural production.
- To support farmers in strengthening their ability to employ optimal agricultural practises to increase production.
- To assist in creating a market-to-producer relationship so that farmers may receive just pricing for their goods.

2.2. Support from Central Government in Promoting FPOs

Department of Agriculture and Cooperation (DAC) suggests Central Governments with the following steps:

- The DAC, Ministry of Agriculture regulated under the Government of India will work as the nodal agency for the implementation and growth of FPOs.
- Small Farmers Agribusiness Consortium (SFAC) regulated under DAC, will be the respective agency of DAC to serve as a single-window for technical support, training needs, research and knowledge management and to create linkages to investments, technology and markets.
- SFAC will provide overall support to State Governments, FPOs and other entities engaged in the promotion and development of FPOs. Also, SFAC will create a sustainable relationship between FPOs and inputs suppliers, technology providers, extension and research agencies and marketing and processing members, both in the public and private sectors.
- The National Cooperative Development Corporation (NCDC) will be extended to incorporate FPOs in the eligible institution's list to receive support under the various programmes of the Corporation.
- The National Agricultural Cooperative Marketing Federation of India (NAFED) will take measures to include FPOs in the list of eligible institutions which undertakes price support purchase orders.
- DAC will act with State Governments and Food Corporation of India (FCI) to incorporate FPOs procurement agencies under the minimum support price procurement agencies.
- DAC, along with its respective agencies, will work with NABARD and other financial institutions to provide term loan for working capital and infrastructure investment requirements of FPOs. DAC will also work with all applicable stakeholders to reach 100% financial inclusion for members of FPOs and associate them to Kisan Credit cards.

- Also, DAC will work with the Ministry of Corporate Affairs and other stakeholders to improve the provisions under the law relating to the registration, management and regulation of FPOs.

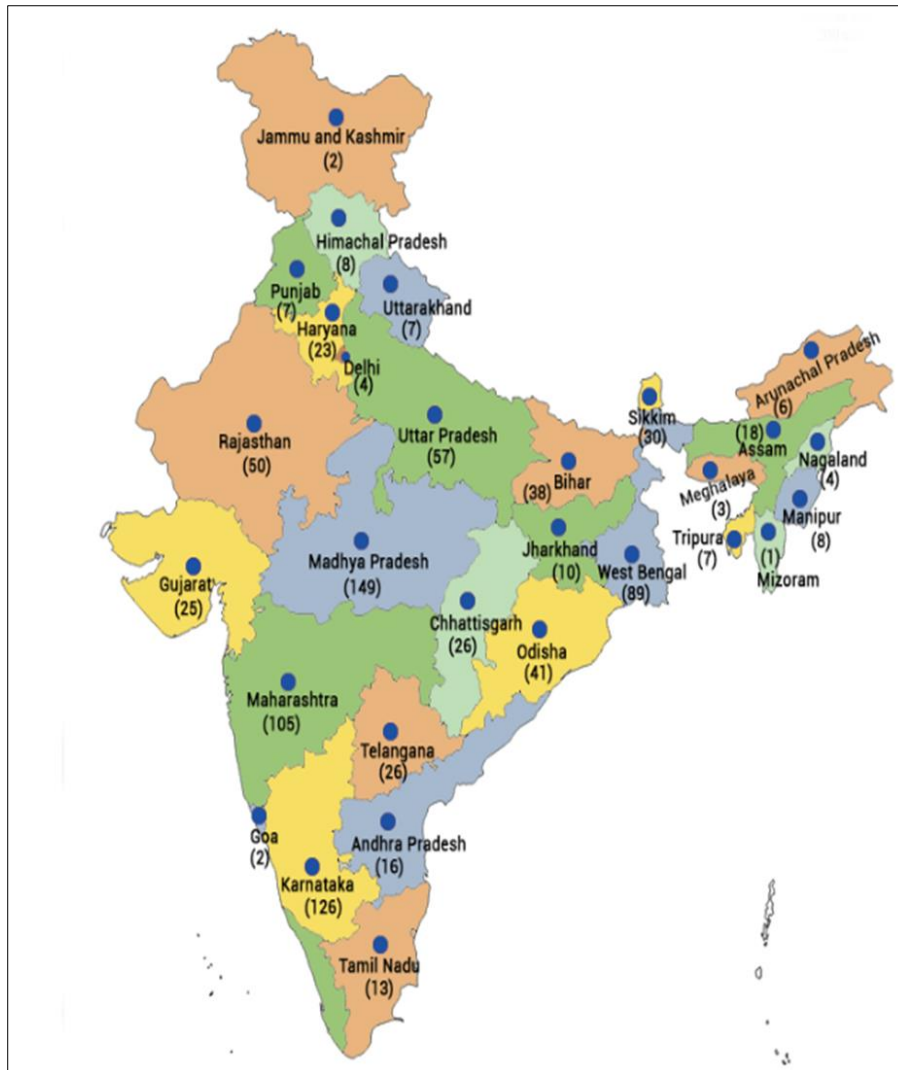


Figure 1 Number of FPOs in different states of India

2.3. Support from State Government in Promoting FPOs

To support and strengthen FPOs, DAC suggests State Governments with the following steps, By:

- Declaring FPOs with cooperatives registered under the relevant State legislation and self-help groups/federations to avail all benefits and facilities that are extended to institutions from time to time.
- Making provisions for the issuance of licenses to FPOs for trading inputs such as seed, fertilizer, farm machinery, pesticides etc.
- Utilising FPOs as producers of certified seed, saplings and other planting material, extending production, marketing subsidies with cooperatives.
- Allowing the direct sale of farm produce by FPOs at the farm gate, through FPO owned marketing centres and for facilitating contract farming arrangements between FPOs and bulk buyer.
- Designating FPOs as procurement agents for MSP operations for various crops.
- Utilising FPOs as implementing agencies for various agricultural development programmes, especially RKVY, NFSM, ATMA etc. and extending the benefits of central and state-funded programmes in agriculture to FPOs members on a priority basis.
- Associating FPOs to financial institutions like cooperative banks, State Financial Corporations etc. for working capital, storage and processing infrastructure and other investments.

- Implementing state-level policies to support and strengthen FPOs to make them feasible, sustainable and self-governing bodies.

2.4. Scheme for promotion of Farmer Producer Organizations:

The Union Finance Minister while presenting Union Budget for 2014-15, has announced setting up of “Producers Organization Development and Upliftment Corpus (PRODUCE) Fund of Rs. 200 crore in NABARD to be utilized for the building and promotion of 2000 Farmer Producer Organizations (FPOs) in two years. This initiative will address the initial requirements of the emerging Farmer Producer Organizations which, in turn, will provide new business opportunities for financing institutions, to support them with credit.

2.5. Objectives of “PRODUCE Fund”

The broad objective of the Fund is to build, promote and nurture Farmer Producer Organizations (FPOs) by way of extending the required financial & non-financial support during the nascent/ formative stage. It is critical to support FPOs in terms of awareness creation, capacity building, technical support, professional management, market access, regulatory requirements, etc. and provide handholding support for a minimum period of 3 years and the same is met as grant under the Fund. The requirement of the FPOs for their business has to be met out of their own funds, equity, credit, profit generated, etc.

2.6. Concerns with FPO

Through low-cost inputs, market knowledge, technology, and agro-services, FPO has assisted in increasing earnings. FPO sees minimal obstacles to sustained expansion within such growth. Among these, few are,

- Since farmers make up the majority of an FPO, it might be challenging to locate skilled management and control in rural regions.
- Small and medium farm members' financial strength prevents FPO from competing with major markets and members.
- Only major corporate registered FPOs with at least 500 members are eligible for the credit guarantee programme; other small registered FPOs are not eligible.
- FPO's incapacity to function in a legitimate agricultural market when licenced dealers are opposed.
- There is a big risk associated in providing business covers because the risk is only insured on the produce and not the FPO itself.
- Farmers are less likely to be unaware of an FPO's existence or its regulatory requirements.

2.7. Technology and FPOs

One of the characteristics of FPOs is technological support, which aids in giving farmers access to infrastructure and technical expertise. An FPO regularly modernises with the most recent agricultural technology in order to provide its members innovative farming equipment, farming methods, and technological training. A group is more prepared than a farmer working alone.

2.8. How can FPOs be digitally empowered?

- Post-harvest control
- End-to-end tracking for improved visibility and supply chain management
- Analytics to improve market reach and insights.
- Climate-resilient and sustainable practises

3. Conclusion

Cooperatives concept one of the options available for the farmers to get organized themselves to move up in the value-chain and having business ownership. But an analysis on the performance of cooperative system in the country concluded that they have been infected by political interference, corruption, elite capture, poor efficiency, loss-making ways and declining government support. Hence the Indian government has been promoting a new form of collectives called Farmer Producer Organizations (FPOs) to address the challenges, faced by the small and marginal farmers, particularly those to do with enhanced access to investments, technological advancements, and efficient inputs and markets.

Compliance with ethical standards

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