

# **FARMER'S PRODUCER ORGANISATION (FPO) – COLLECTIVE STEPS TOWARDS LUCRATIVE AGRICULTURE**

## **Abstract**

Farmer producer organisations are realised as a beneficial structural mechanism for assembling farmers' collective assist motion geared toward enhancing their very own monetary and social state of affairs and that in their communities. Such organizations have been given the impression to have the capacity to generate assets from their members. They could operate at exceptional ranges from the nearby to the countrywide. Many government organizations and non-governmental organisation have been seeking to prepare farmers into specific groups and combine them into the improvement procedure through actively involving them in switch of generation, manufacturing and marketing, making plans, enforcing and tracking of different tasks on rural improvement, agriculture and allied quarter improvement, herbal resource management etc. In order to build a sustainable FPO favourable ecosystem is needed, besides certain policy reforms particularly in the agricultural marketing systems. Some of the critical ecosystems include the **agri-logistics, policy environment, production, market and price risk mitigation, licensing, infrastructure arrangements, contract farming, compliances, etc. FPOs have emerged as one of the effective pathway to address challenges of agriculture sector.** There is a need for identifying the right support system with appropriate technical guidance/experts with workable and scalable business plans/models. Most importantly, the suitably identified/selected clusters to be scaled up in producer company needs to be financially supported right from the time of community mobilization and inception.

**Keywords :** FPO, collective farming, direct marketing, market linkages

## **Introduction**

Agriculture sector plays a key role in developing economies. Small and marginal farmers account for 85 per cent of the total operational land holdings in India

(Agriculture census, 2011). The small farmers with weak bargaining powers suffer from greater dependency in the cultivation and monopolistic exploitation under formal contracts (Bachke, 2009). However, this sector has been experiencing a lot of crises that need to be dealt with in order to achieve sustainable economic development (Mariappan et al., 2019).

Collectivization of marginal and small farmers into farmer producer organisations has appeared as one of the utmost effective lanes to address the challenges of agriculture but most importantly, improved access to investments, technology and inputs and markets. Collectivizing farmers, thus, into Producer Organizations (POs) has been considered as one of the ways to overcome these challenges faced by the small and marginal farmers. The approach is considered to help integrate the farmers directly, through their institutions (producer companies/ cooperatives), to market, for both, inputs and output, collective processing and marketing whereas production is largely left to the individual small farms. This interest is primarily based on the premise that FPOs give small farmers bargaining power in the marketplace, enable cost-effective delivery of extension services, and empower the members to influence the policies that affect their livelihoods.

Agricultural marketing differs from the conventionally known meaning of marketing, which implies meeting the consumer's demands or expectations. Since the major output of agricultural marketing is food, and food being a basic, life-sustaining necessity and a human right, ensuring the supply of food becomes an important part of the mandate of governments across the world. Hence, in most countries, the public sector has been involved in food management – either by creating markets for farm produce, directly procuring farm produce for subsequent supply and distribution, or in imports and exports of food and food products.

Further, agricultural marketing also provides livelihood to a large number of intermediaries, market functionaries, and semi-skilled and unskilled labour across the supply chain. The externalities arising out of agricultural products lead to the development of vibrant warehousing, transport, agricultural finance and insurance systems, each with its own set of complexities and dynamics that generate employment and value addition (Mudholkar and Gill, 2019). It is well recognized that the commercialization of small-scale, resource-poor farmers is closely linked to higher productivity, greater specialization, and higher income (Bernard and Spielman, 2009). There is a need to develop a suitable marketing system so as to give proper rewards or return to the efforts of the Indian farmers.

Farmer Producer Organizations (FPO) has been considered as one of the way to overcome agricultural marketing challenges faced by the small and marginal farmers. The year 2014 is declared as “Year of Farmer Producer Organizations (FPOs)” through the Ministry of Agriculture, Government of India, extra interest is probably to take delivery of to those rising bodies.

### **Producer companies**

With the recommendation of YV Alag in the year 2002-03, producer companies came into the act. A producer organization is an association, a society, a cooperative, a union, a federation, or even a firm that has been established to promote the interests of farmers (Small Farmers Agribusiness Consortium (SFAC) guidelines). Any farmer who has 1-4 acres of land or more than that can enrol themselves as a member cum shareholder of any producer company (Naveetham *et al.*, 2017). The geographic spread of the member base is limited to 2 Gram Panchayats, a cluster with a radius of 15 km. The number of directors depends on the membership of the company, usually varies from 5 to 15. The cost of management in all the producer organizations is borne by the promoter or donor organizations or by the state government in the first few years (SFAC guidelines).

### **Current scenario of FPOs in India**

In India, FPOs have been promoted under various programmes and schemes of the State government, Central government, and other agencies since 2011. For endorsing FPOs across the nation, SFAC has been selected as the nodal agency by the Ministry of Agriculture & Farmers' Welfare. The number of FPO promoters is numerous and hence a representative listing of larger promoters is given here:

List 1: The number of FPO promoters

<b>S.No.</b>	<b>Promoting Agency</b>	<b>Number of FPOs</b>
1	SFAC	902
2	NABARD	2086
3	State Government (Funded by leveraging RKVY or the World Bank funds)	510
4	NRLM Programme (MoRD)	131
5	Other Organisations/Trust/Foundations**	1371
<b>Total</b>		5000

(Source: NABARD website)

## Critical Ecosystem for FPOs

A congenial ecosystem is a must for the development of Producer Organizations (POs) because they have to deal with the most vulnerable part of the agri-value chain, which starts from the farm and goes on till processing and the far-away markets. The critical ecosystem services include emergency credit, consumption credit, production credit, retail services of inputs for agriculture and other agricultural production services required by the small and marginal farmers. Unless these services are provided by a PO, it cannot divert the surplus produce from the local trader to the producer organization. In addition, a PO can take up other services related to facilitating linkage with the banks and line departments for ensuring access to the required infrastructure for the business.

In order to build a sustainable FPO favourable ecosystem is needed, besides certain policy reforms particularly in the agricultural marketing systems. Some of the critical ecosystems include:

- (a) Policy environment-production, market and price risk mitigation, licensing, agri-logistics, infrastructure arrangements, contract farming, compliances, etc.
- (b) Technology support- Extension and advisory services, value addition, processing & marketing, etc.
- (c) Consumption/ production/ post production credit support- Banks/ financial institutions, NBFCs, Government institutions, Developmental Agencies, Corporates, etc.
- (d) Retail services/ Markets- Quality inputs, retail marketing, spot markets (eNAM, APMC), future's trading, linkages with agri corporates, exporters, direct marketing, etc.

**Fig 1: Graphical presentation of the Ecosystem requirements is given below:**

UNDER PEER REVIEW

## **Need for FPO**

### **Direct marketing:**

FPOs have better opportunities for direct marketing which is a need of the hour for the people of villages. The exploitation by middlemen has an impact on their share of produce. Which gives them poor status and low confidence in their ability. Primary producers' organisations or collectives are being argued to be the only institutions that can protect small farmers from the ill effects of globalization or make them participate successfully in modern competitive markets (Trebbin and Hassler, 2012). Direct marketing help farmers to reduce transportation costs and enables them to improve price realization (Salokhe, 2016).

### **Marketing linkages**

The purpose of establishing FPOs is to internalize extension services for its members and to provide Backward linkage (input, credit and technology) and Forward linkage (production facilities, market and value addition). Linking primary producers with global and national markets through fresh food retail chains is seen as one of the emerging agricultural marketing practices in India to improve small producers' livelihood (Singhal et al, 2011). Linking small and marginal farmers to better markets and providing them with a choice as to where and when they want to sell their products is critical. Selling through these alternate marketing channels alleviates the likelihood of distress selling. The study also finds that while the odds of distress selling are more for marginal and small farmers, they reduce once their attachments with alternate marketing channels are accounted for (Bhanot *et al.*, 2021).

### **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 (Poulton *et al.* 2010).

### **Women FPOs are established under the following areas such as:**

1. Jeevan Sangini Krishi Vikas Women Farmer Producer Company
2. Mann Deshi Farmer Producer Organisation

3. Aaranyak Agri Producer Company Limited
4. Samridhi Mahila Crop Producer Company
5. Apni Saheli Producer Company Limited

**Dairy related FPOs:**

1. Shreeja Mahila Milk Producer Company
2. Mulukanoor Women's Mutually Aided Milk Producer Cooperative Union Limited
3. Maitree Mahila Dairy and Agriculture Producer Company Limited
4. Saahaj Milk Producer Company Limited
5. Koushikee Mahila Milk Producer Company
6. Sakhi Mahila Milk Producer Company (Raj *et al.* 2014).

**Veterinary related FPOs:**

1. Basundhara Product Organisation
2. Savitri Bai Phule Goat Farming Producer Company

**FPOs related to multi products:**

1. Rudi Multi Trading Company Limited
2. Devbhumi Natural Products Producer Company Limited (Mishra, 2007).

**Discussion**

National Project Management Agency (NPMA), at the national level, act as a professional organization that has been involved in providing overall project guidance, coordination, a compilation of information associated with FPOs, maintenance of MIS and vigilance purpose. There are well-defined training structures in the scheme and the institutions like Laxman Rao Inamdar National Academy for Co-operative Research & Development (LINAC), Gurugram and Bankers Institute of Rural Development (BIRD), Lucknow have been chosen as the lead training institutes for capacity building & trainings of FPOs. The skill & training 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. As Minimum Support Price (MSP) incentivizes the farming community to grow staples and the APMC enables procurement into PDS, ensuring a

productivity increase in staple food 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 ( Hellin *et al.*, 2009).

The Producer Companies Act of 2002, had given provisions for small farmer's aggregation into companies, allowing farmers to jointly access inputs, farm machinery, credit, 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 (Kirsten and Sartorius, 2002 & Mylene *et al.*, 2002). The integrity and quality of the leadership, its acceptance within the community, as well as the market environment are the most crucial factors for a successful production company (Sawairam, 2014).

### **Conclusion:**

As the majority of the farming community is facing great suppression by the commission agents/ middlemen for remunerative price and profitable income for the agro-produce, FPO could be an ultimate solution to the problem. More and more contribution from the promoting institutions is of utmost need for education, business planning and market linkage with various national and international companies. FPOs have better opportunities for direct marketing which is a need of the hour for the people of villages. Direct marketing help farmers to reduce transportation costs and enables them to improve price realization. Support from the policymakers in running the FPO will be a great boon to the farming community. The farmers must encourage their children to involve more in agriculture to induce a loving spirit and passion for agriculture.

### **COMPETING INTERESTS DISCLAIMER:**

Authors have declared that no competing interests exist. The products used for this research are commonly and predominantly use products in our area of research and country. There is absolutely no conflict of interest between the authors and producers of the products because we do not intend to use these products as an avenue for any litigation but for the advancement

of knowledge. Also, the research was not funded by the producing company rather it was funded by personal efforts of the authors.

## References:

1. Bhanot D, Vinish Kathuria and Bebaratha Das. can institutional innovations in agri marketing channels alleviate distress selling? Evidence from India. 2021;37(2):1-19.
2. Bachke, M. E. Are farmers' organizations a good tool to improve small-scale farmers' welfare? Conference Paper Institute for Social and Economic Studies; Mozambique. 2009.
3. GoI (2010-11) Agriculture Census Division, Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India. Accessed on August 23, 2018 from <http://agcensus.nic.in/document/agcensus2010/allindia201011H.pdf>
4. Hellin, Jon & Lundy, Mark & Meijer, Madelon. "Farmer organization, collective action and market access in Meso-America," Food Policy, Elsevier, vol. 34(1), pages 16-22, 2009; February.
5. Johann Kirsten & Kurt Sartorius. "Linking agribusiness and small-scale farmers in developing countries: Is there a new role for contract farming?," Development Southern Africa, Taylor & Francis Journals. 2002; vol. 19(4), pages 503-529.
6. Kherallah, Mylene & Delgado, Christopher L. & Gabre-Madhin, Eleni Z. & Minot, Nicholas & Johnson, Mi (ed.), "Reforming agricultural markets in Africa: Achievements and challenges," IFPRI books, International Food Policy Research Institute (IFPRI), number 0-8018-7145-X, December. 2002.
7. Mariappan, K., & Zhou, D. A Threat of Farmers' Suicide and the Opportunity in Organic Farming for Sustainable Agricultural Development in India. Sustainability, 11(8), 2400. 2019.
8. Mudholkar and Gill. agriculture marketing using farmer producer organization (FPO) model. International journal of advanced science and technology. 2019; 28(11): 407-412.

9. Navaneetham. B, Mahendran KK, Sivakumar SD, and Senthilkumar R. status of farmer producer companies in India. *Agriculture update* 2017;12(3):888-892.
10. Poulton, Colin & Dorward, Andrew & Kydd, Jonathan. "The Future of Small Farms: New Directions for Services, Institutions, and Intermediation," *World Development*, Elsevier, vol. 38(10), pages 1413-1428, , 2010; October.
11. Raj M. Desai & Shareen Joshi. "Can Producer Associations Improve Rural Livelihoods? Evidence from Farmer Centres in India, " *Journal of Development Studies*, Taylor & Francis Journals, vol. 50(1), pages 64-80, 2014; January.
12. Sawairam, P. Farmer Producer Organization-Solution to face challenges through linkages in value chain. *International Journal of Combined Research and Development*. 2014;3(4): 1-9.
13. Singhal N, Singh S and Dindsh, P K. Linking small farmers to emerging agricultural marketing systems in India: The case study of a fresh food retail chain in Punjab. *Agric Eco Res Rev* .2011;24:155-159.
14. Srijit Mishra. "Risks, Farmers Suicides and Agrarian Crisis in India -Is There A Way Out?," *Development Economics Working Papers*22339, East Asian Bureau of Economic Research. 2007.
15. Salokhe, S. Farmer Producer Organization for effective linkage of small producers with market. *International Journal of Applied Research*.2016; 2(10):142-146.
16. Trebbin A and M Hassler. Farmers' producer companies in India: a new concept for collective action? *Environment and Planning*. 2012;44(2): 411- 427.