

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

## **Abstract**

Farmer producer organizations are realized 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 create assets from their associates. They could work at incomparable ranges from the nearby to the worldwide. Many government organizations and NGOs have been seeking to make 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 various tasks on rural improvement, agriculture and allied quarter improvement, herbal resource management etc. For building a sustainable FPO, congenial ecosystem is desirable, besides policy reforms predominantly in the system of agricultural marketing. Some of the good ecosystems include the contract farming, production, agri-logistics, policy environment, market and price risk mitigation, licensing, infrastructure arrangements, compliances, etc. FPOs have become one of the effective pathway to address constraints of agriculture sector. There is a necessity for identifying the suitable support system with proper technical guidance with workable and scalable business models. Mainly identified clusters to be scaled up in producer company requirements to be economically reinforced right from the period of community mobilization and inception.

**Keywords:** FPO, producer companies, ecosystem, collective farming, direct marketing, agricultural market linkages

## **Introduction**

Agriculture sector plays a key role in developing economies. Marginal and small farmers account for 85 % of the total operational land holdings in India (Agriculture census, 2011). The small landholders with less negotiating capacity suffer from greater dependency in the cultivation and monopolistic exploitation under formal contracts (Bachke,

2009). However, agricultural sector has been facing a lot of crises that need to be dealt to attain 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 problems of agriculture but mainly, improved access to investments, technology and inputs and markets. Collectivizing farmers, thus, into Producer Organizations (POs) has been seen as one of the best way to overcome these odds faced by the small and marginal farmers. The approach is considered to integrate the growers directly, through their institutions (producer companies/cooperatives), to market, for both, output and inputs, collective processing and marketing while production is mainly left to the individual small farms. This interest is chiefly based on the principle that FPOs give marginal farmers negotiating power in the marketplace, permit cost-effective delivery of extension advisory services, and allow the members to bring better policies that improve their livelihoods.

Agricultural marketing varies from the conventionally known sense of marketing, which indicates meeting the consumer's expectations or demands. Since the chief output of agricultural marketing is food, and food being a basic, life-sustaining necessity and a human right, guaranteeing the supply of food becomes an vital part of the directive of governments across the world. Hence, in many nations, the public sector has been involved in food management – either by generating markets for farm produce, directly getting farm produce for subsequent distribution and supply, or in exports and imports of food and allied products.

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

Farmer Producer Organizations (FPO) has been seen as the pathway to empower 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 Alagh in the year 2002-03, producer companies came into the act (Alagh, 2015). A producer organization is an association, a society, a cooperative, a union, 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 associates base is limited to 2 Gram Panchayats, a cluster with a radius of 15 km. The number of directors is based 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 donor organizations or promoter 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 several programmes and schemes of the State government, Central government, and many 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 are many 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>		<b>5000</b>

(Source: NABARD website)

### **Critical FPO Ecosystem**

A favourable ecosystem is a must for the creating of Producer Organizations (POs) because they have to deal with the most susceptible part of the agri-value chain, which starts from the farm and goes on the far-away markets and till processing. The critical ecosystem services include production credit, reserve credit, consumption 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 Producer Organizations, it cannot avert the surplus produce from the local trader to the producer organization. In addition, a Producer Organizations can take up other services linked to facilitating linkage with the banks and line departments for guaranteeing access to the essential infrastructure for the business.

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

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

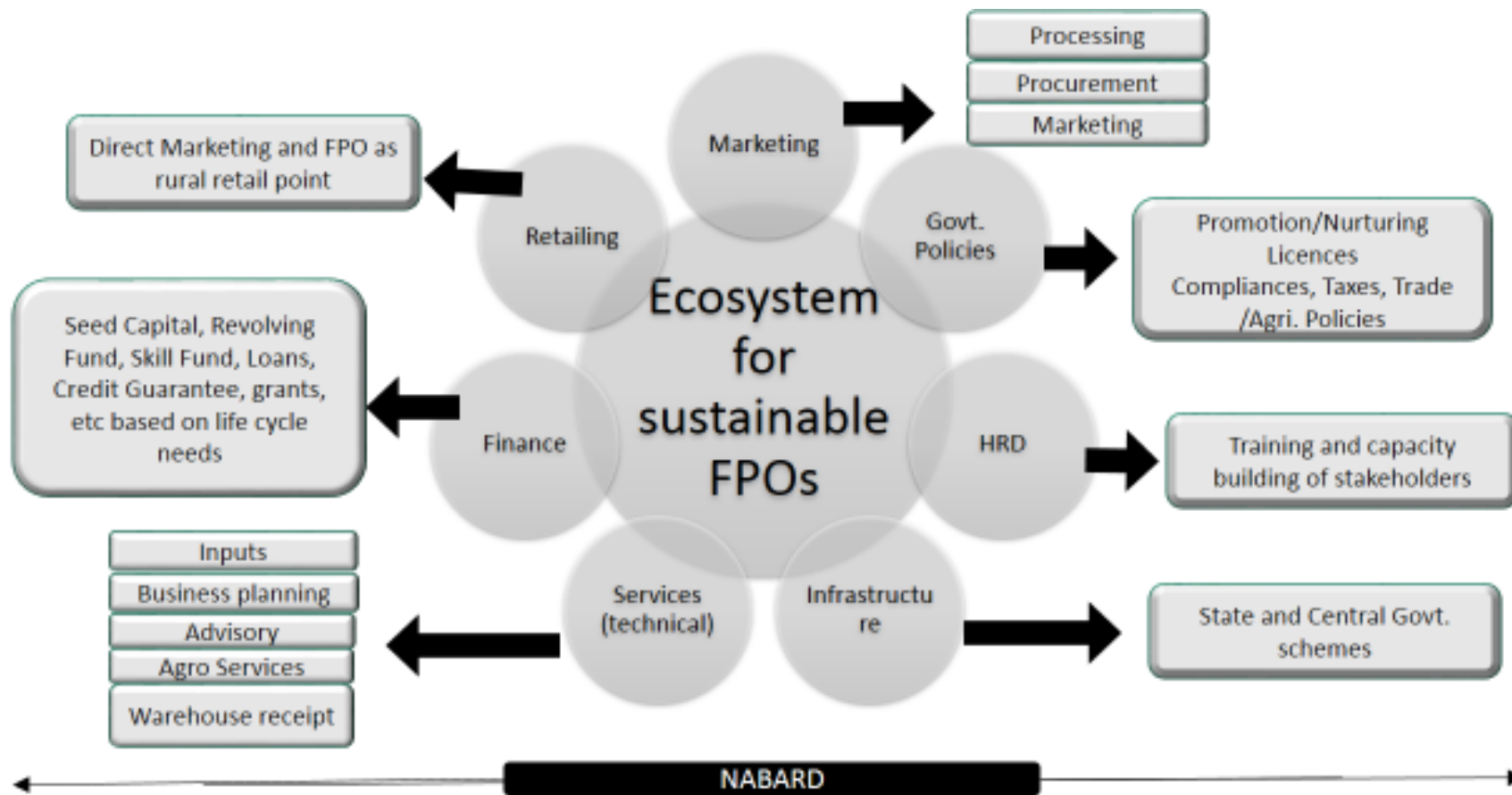


Fig 1: Graphical presentation of the Ecosystem requirements

## 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. Farmer producers' organisations are being claimed to be the only institutions that can guard small and marginal farmers from the ill effects of globalization or make them participate successfully in modern competitive markets (Trebbin & Hassler, 2012). Direct marketing benefit farmers to decrease transportation costs and enables them to progress price realization (Salokhe, 2016).

- **Marketing linkages**

The purpose of developing FPOs is to internalize extension services for its associates and to provide backward linkage i.e., input, credit and technology and forward linkage i.e., production facilities, market and value addition. Linking producers with national and international markets through fresh food retail chains is realized as one of the evolving agricultural marketing methods in India to better the small producers' livelihood (Singhal *et al.*, 2011). Linking small and marginal farmers to suitable markets and providing them with a choice as to when and where they want to sell their products is critical. Selling with these alternate marketing channels lessens the likelihood of distress selling. While, the challenges of distress selling are more for marginal and small farmers, they decrease 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 farm women and given explanations on how women in agriculture can get their share and be registered. The government is offering special subsidies to farm women and looks forward in supporting viable projects for the economic empowerment of farm women (Poulton *et al.* 2010).

## Women FPOs:

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 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 cultivate staples and the APMC aids procurement into PDS, safeguarding a productivity increase in food grains. But this system is insufficient for marketing higher-value crops. Only six per cent of Indian farmers benefit from the MSP, and there are limited alternative value chains for quality, high-value produce ( Hellin *et al.*, 2009).

The Producer Companies Act of 2002, had given provisions for marginal and small farmer's aggregation into companies, permitting farmers to jointly access farm machinery, inputs, credit, and together sell in the markets. These FPOs can solve the contracting and adherences difficulties in contract farming with small and marginal 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 & Sartorius, 2002; Mylene *et al.*, 2002). The quality and integrity of the leadership, its acceptance within the farming community, as well as the market environment are the most important factors for a fruitful 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 support farmers to lessen transportation costs and permits them to progress 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

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