

FPOs: A Beacon of Hope for Resource-Poor Farmers

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Abstract

Given the declining average operational landholding and increasing number of small and marginal holders in India, collectivization of producers in the form of Farmer Producer Organizations (FPOs) has emerged as a successful strategy. FPOs can act as an innovative grassroots level institution that can help the resource poor farmers address the challenges of today's globalised and competitive market. They can play a crucial role in ensuring sustainable agricultural development by improving access to Extension and Advisory Services, facilitating the adoption of improved agricultural technologies, connecting the farmers to domestic and export market, etc. Thus, FPO-based extension approach can yield great results if implemented well at the ground level.

Keywords: Farmer Producer Organizations, small and marginal farmers

Introduction

One of the most pressing concerns of Indian agriculture is decreasing average operational landholding. According to Agricultural Census 2015-16, over 86 percent of our farmers are small and marginal. When they act as individuals in this global competitive market, they face several challenges such as low bargaining power, lack of access to market information, lack of access to credit facilities, exploitation by multiple intermediaries, high post-harvest losses etc. One of the best solutions to this is to organise farmers into groups. Hence, the concept of Farmer Producer Organisation (FPO) has gained popularity world wide in the last two decades as an important grassroots level institutional innovation for the empowerment of farmers. (Nikam *et al.*, 2019)

FPO is a legal entity formed by the farmers where the farmers themselves are the shareholders. We can say '*FPO is an organisation of the farmers, by the farmers, and for the farmers.*' They can be as different legal entities viz. Trusts, cooperatives, non-profit societies, and Farmer Producer Companies (NABARD, 2015). Realising the importance of FPOs for

enhancing farm income, the Government of India (GOI) is trying to make the policy environment in India conducive for their establishment and promotion. Some of the significant measures taken by the government are presented in the following table.

Year	Major steps taken by GoI
2002	Companies Act, 1956 was amended as per the recommendations of the Alagh committee (2000) to introduce part IX-A mentioning the provisions for Producer Companies.
2011	Launching of a pilot project for the promotion of FPOs in India
2013	Policy and process guidelines for FPOs by the Department of Agriculture and Cooperation
2013-14	Union Finance Minister announced two schemes in the budget speech viz. 'Equity Grant Fund Scheme' and 'Credit Guarantee Fund Scheme' to support Producer Companies.
2014	2014 was declared as the 'Year of FPOs' to generate more awareness
2014-15	'Producers Organization Development and Upliftment Corpus (PRODUCE) Fund' with 200 crore Rs. was created in NABARD for promoting 2000 FPOs
March 2020	A central sector scheme 'Formation and Promotion of FPOs' launched to facilitate the establishment of 10,000 new FPOs by 2027-28
June 2020	Pradhan Mantri Formalisation of Micro Food processing Enterprises (PMFME) scheme was launched with the motto of 'One district, one product' under which FPOs can receive financial support for establishing their infrastructure as well as carrying out the value chain activities.

As mentioned in the table, The Union Government launched a scheme namely 'Formation and Promotion of FPOs' under which a budget of 6865 crore rupees has been allocated. This scheme, if implemented well at the ground level, can prove to be a blessing for millions of resource-poor farmers in India. This can be done by proper monitoring and working in coordination with the pre-existing FPOs and voluntary organisations in the local area. Similarly, under the 'One district, One product' initiative, a specialised product for every district has been identified by the respective state governments (e.g., turmeric for the Kandhamal district of Odisha, Ginger for Karbi-Anglong district of Assam, Litchi for



Muzaffarpur district of Bihar). FPOs can play a crucial role in production and marketing of these focus products. The cases of Sahyadri farms in Maharashtra, India's leading grape exporter (Financial Express, 2019) (Please click on <https://www.sahyadrifarms.com> to read more about Sahyadri farms) and Kandhamal Apex Spices Association for Marketing (KASAM) in Odisha that majorly deals with the marketing of Geographical Indication tagged Kandhamal Haladi (Mahapatra and Nikam, 2021) are testimonies that the government's vision of commodity-specialised FPO based extension approach can yield fruitful results.

FPOs can be utilised as wonderful platforms by the government for the capacity building of farmers. For instance, KASAM (an FPO in Odisha) facilitates the training programmes for the tribal farmers under 'Paramparagat Krishi Vikas Yojana' and helps them easily access the benefits of different government schemes. It works in close collaboration with the horticulture department, Krishi Vigyan Kendra, District Rural Development Agency, and Integrated Tribal Development Agency for empowering the farmers with adequate knowledge and better skills (Mahapatra and Nikam, 2021). Further, it is easier to improve digital literacy among farmers and promote the use of ICT tools through an FPO-based approach. For example, the Abhinav Farmers' Club in Maharashtra connected many producer groups to urban consumers by offering ICT-enabled direct marketing services during the first wave of the COVID pandemic (Nikam and Kale, 2020). FPO can also be utilised to increase farm mechanisation, provide better access to improved farm technologies, and promote secondary agricultural activities like agro-tourism, mushroom cultivation, food processing, etc.

Though the government has taken multiple measures to promote FPOs, many problems still need to be addressed. One major concern is the uneven effect of the FPO movement across the country. A study by Govil *et al.* (2020) reveals that, nearly half of the producer companies in India are present in only four states viz. Maharashtra, Uttar Pradesh, Tamilnadu, and Madhya Pradesh. Likewise, a study by Padmaja *et al.* (2019) revealed that the support of the Small Farmers' Agribusiness Consortium (SFAC) for the promotion of FPOs was mostly concentrated to Madhya Pradesh, Kerala, and Karnataka. Thus, there is an urgent need to focus on other states like Odisha, Bihar, Chattisgarh, etc. where there is a huge potential to promote such producers' collectives. All the state governments should also formulate their FPO policies and create an enabling environment for the establishment of



FPOs and facilitate them with good infrastructure, credit facilities, state-of-the-art technologies, market intelligence, market linkage, etc. Further, a report by SFAC states that 50 per cent of the existing FPOs are in fund mobilisation and business planning stage, 20 per cent are struggling to survive, and only 30 per cent are able to operate viably (Business Standard, 2020). This shows that successful establishment and viable operation of FPOs is still a challenge in India.

Thus, different stakeholders should focus on addressing these issues and enable farmers to gain the benefits of collective information seeking, collective input purchasing, collective marketing, etc. through an FPO-based approach. FPOs can not only contribute to economic empowerment by enhancing farm income but also accelerate the process of social empowerment. The government can address various sustainable development goals viz. no poverty, zero hunger, decent work and economic growth, gender equality etc. by empowering the farming community through such producers' collectives.

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