

Farmer Producer Organization - Boon to Agriculture

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Introduction

Agriculture is the backbone of the Indian economy and about two-thirds of the people are dependent on agriculture as a source of livelihood. The sector contributes to 13.7 per cent of the GDP and provides employment to 58 per cent of the population of our country. In the present context of rapid changes, in India, the agriculture sector is facing several challenges like declining per capita agriculture land availability (due to increased fragmentation of landholdings), decline in natural resources, increased demand of land for non-agriculture uses due to urbanization and industrialization, disinterest of youth towards agriculture etc.

In India a larger group of cultivars (85%) are small and marginal farmers. The average size of holdings has declined to 1.16 hectares from 2.28 hectares. The small holding character of Indian agriculture is much more prominent today than ever before. However, the increasing number of agricultural suicides among small and marginal farmers (National Crime Records Bureau, 2011) is the indication that these farmers are struggling to survive. While indebtedness is often cited as the immediate reason for distress, deeper issues are related to vulnerability to risks in agricultural production. Small and marginal farmers contribute significantly to the total value of crop output. The Situation Assessment Survey of Farmers (National Sample Survey 59th round) data showed that marginal farmers account for 29 per cent and small farmers account for 22 per cent of the total output. Small farms are characterized by low capital input and high labour and other inputs, with a higher index of cropping intensity and diversification.

Individual smallholders in developing countries, however, face numerous constraints in marketing their products because of high transaction costs in the market chain due to the gap between income and consumption. They are also unable to invest in efficiency-increasing and value-adding technologies, limiting their opportunities to increase their scale of production and effectively market their products. Furthermore, because of information asymmetry, farmers lack bargaining power as a result of which there is unequal distribution of value-addition



among actors in the market chain, particularly in the case of those producing seasonal and highly perishable agricultural products.

A variety of approaches, including cooperatives, have been tried for collectivizing farmers. Despite the previous experience of the performance of traditional cooperatives in India, there was still a need to give more freedom to cooperatives to operate as business entities in a competitive market. This in turn led to the formation of Farmer Producer Companies with the amendment of Section 581 of the Companies Act 1956 on the recommendations of Y. K. Alagh Committee. The Companies (Amendment) Act 2002 came into effect from February 2003 onwards. According to Reference section 465 (1) of the Companies Act 2013, farmers register their farmer producer company. The basic purpose envisioned for the FPOs is to collectivize small farmers for backward linkage for inputs like seeds, fertilizers, credit, insurance, knowledge and extension service and forward linkages such as collective marketing, processing, and market-led agricultural production (Mondal, 2010). On July 5, 2019, the centre announced a plan to promote 10,000 new farmer producer companies with a total budgetary provision of Rs. 4,496.00 Cr. for 2019-2024.

Objectives of FPOs

1. Production, harvesting, procurement, grading, pooling, handling, marketing, selling, export of primary produce of members or import of goods or services for their benefit.
2. Processing (preserving, drying, distilling, brewing, venting, canning) and packaging of produce of the members.
3. Rendering technical and consultancy services, training, education, research and development and all other activities for the promotion of the interests of the members.
4. Generation, transmission and distribution of power, revitalization of land and water resources, their uses, conservation.
5. Manufacture, sale or supply of machinery, equipment or consumables to the members.
6. Promoting mutual assistance, welfare measures, financial services, insurance of producers or their primary produce.

What is a Producer's Organization?

A producer organization is a legal entity formed by primary producers, viz., farmers, milk producers, fishermen, weavers, rural artisans and craftsmen.

What is FPO?



It is one of the types of producer organizations where the members are farmers. Small Farmers Agribusiness Consortium (SFAC) is providing support for the promotion of the FPOs.

Registration of an FPO

A producer company is basically a corporate body registered as a producer company under the Company Act, 1956 (as amended in 2002). Now the Company Act, 2013 is the most appropriate institutional form of aggregation of farmers. These companies were designed to bring together desirable aspects of the cooperative and corporate sectors for the benefit of primary producers, especially small and marginal farmers (Alagh, 2019).

Structure of a Farmer Producer Company

- Minimum directors - 5 and maximum directors - 15
- Minimum members required- 10
- Minimum paid-up capital of the company should be Rs. 10,000/-
- The registered office has to be situated in India
- Election- within 90 days of registration for the period of 1 to 5 years.
- At the end of the name of the FPO, Producer Company Limited to be added.
- At least one meeting should be held in a year

Name of the Institutes supporting promotion of FPOs

- NABARD
- SFAC
- Government departments
- Corporates and domestic institutions
- International aid agencies
- NGOs

These agencies provide financial and technical support to the producer organization promoting institute for promotion and handholding of FPOs.

Important activities of an FPO

- FPOs purchase farm inputs from the market in bulk amount reducing the cost of input supply.
- FPOs disseminate the technology and innovation for betterment of cultivation of farm produce and increasing farm income of its members viz., technology like improved farm implements, machinery, Agri. Robot and Agri. Drone and Innovations like improving the crop variety, creating new business opportunities etc.



- Providing financial support to their members for increasing purchasing power of inputs in the market.
- Aggregation and storage of produce - Collecting all farm produce of its members on the farm and storing it to sell in the market and reducing damage and waste of farm produce.
- Primary processing like drying, cleaning and grading- drying the collected farm produce, cleaning it and grading it according to the size of the farm produce.
- Brand building, packaging, labeling and standardization -packing the graded farm produce under the brand name of the company, labelling and standardization.
- Quality control- Controlling the quality of the farm produce and their by-product.

FPO Measures for the welfare of its members

- FPO operatives provide education and training for their farmer members, develop their skills, generate employment, living wages, improve the standard of living, improve health and hygiene, members provide good education to their children.
- The FPO provides loans for crops, purchase of tractors, pump sets, construction of wells, laying of pipelines for its members.
- The FPO provides various insurance like Crop Insurance, Electric Motors Insurance and Life Insurance to its members. (Dept. of Agriculture and Cooperation, Govt. of India, 2013)

Challenges of FPO

- Organizing producers, especially small and marginal.
- Hiring and returning staff
- Raising capital including working capital
- Increasing capacity of staff and board members
- Value addition and marketing

Success Story

1. Vijapur Farmer Producer Organization

- Vijapur Farmer Producer Organization was registered in April 2021 at Vijapur in Mehsana. The FPO is registered with NCDEX, IFFCO Bazar, CSC (Common Service Centre), eNAM, KUNVARJI, Agribid and KISAN eStore.
- Small Farmers' Agri Business Consortium (SFAC) is Implementing Agency and Samarth Agro is CBBO of VIjapur Farmer Producer Organization.

- Nirmal Patel is the current CEO of the FPO. Currently, Vijapur FPO is working with 450 members of around 10 different villages of the area.
- FPO is providing technical services like; timely information of crop production, crop protection, information on new technology, demonstration on new technology, training on post-harvest processing and value addition to the products, exposure visits *etc.* to the members of FPO.
- FPO also provides input supply like; quality seeds which also include green manure crops, chemical fertilizers and pesticides, bio fertilizers and pesticides, hand sprayer and power sprayers *etc.*
- Members of FPO has suggested that market linkage for farm produce and subsidies for agri-drone is to be recommended for effective functioning of FPO.





2. Krushidhan Farmer Producer Company Limited

- Krushidhan was registered in 2005 as a Farmer Producer Company, in order to socio-economic development of small and marginal farmers and make them self-sufficient.
- Krushidhan FPC is currently working in 5 districts, 11 talukas and 170 villages covering of 4000 farmers of Gujarat. Development support centre, Ahmedabad and RBS foundation, Mumbai provide the necessary guidance and support to set up and grow the Krushidhan Farmer Producer Company, so that the company can become self-sufficient within a short period of time.
- Headquarter of Krushidhan is at Ahmedabad with regional office in Visnagar, Modasa, Himmatnagar, Megharaj and Dhari.
- Krushidhan is purchasing fertilizer, seed and pesticides at wholesale rate and providing it to the farmers at reasonable rate through regional office.
- They bring farmers in direct contact with reliable buyers for collective sale of the major crops like wheat, castor, cotton and groundnut.
- Krushidhan sale their products (spices, pulses, oilseed and grain) after cleaning, grading and packing.
- They do production and sales of bio-fertilizer and biomedicine through Farmers' Association.



- Krushidhan disseminate useful information to farmers and create entrepreneurship among the farmers.

Conclusion

Farmer Producer Organization is one of the most effective pathways to address some of the most important challenges of small and marginal farmers. FPOs play a crucial role in empowering farmers and improving their livelihoods. They help farmers come together, strengthen their bargaining power, access better resources and connect with markets. By promoting collective action and providing support, FPOs contribute to sustainable agricultural practices and rural development. Their significance lies in fostering farmer-centric approaches and creating a more inclusive and resilient agricultural sector.

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