

Capacity Building for Promotion of Farmer Producers' Organisations

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Abstract

Indian economy is predominantly agricultural, provides livelihoods to millions of small landholders in India. The declining trends in size of land holding possess a serious challenge to the sustainability and profitability of farming. Government of India is committed to “Doubling the Farmers income” by the year 2022 and dedicated to growth of farmers of the nation. There are government initiatives to support farmers to increased MSP, interest, subsidies and free electricity reach a limited percentage of farmers and hence, have a limited impact. A long-term solution is required to address farmers’ distress. Organising the farmers into farmer producer organisations (FPOs) could be one viable option. The need for evolution of FPOs to reduce the exploitation by middle-men traders is apparent. The interventions being undertaken by the aegis of FPOs in different value chains and locations intervene on both forward and backward segments of the chain. Basically, the objectives of the producer companies are to undertake various activities such as bulk purchase of inputs and delivery to farmer members; marketing of produce, grading and quality control and first level processing; procurement and maintenance of farm equipment for hiring out among farmers. Capacity Building of farmer organization assumes greater importance to enhance the efficiency and bring peer group pressure among members of the group for effective functioning. Small Farmers’ Agribusiness Consortium has been designated agency to act as a single-window for technical support, training needs, research and knowledge management and also create linkages between technology and markets. SFAC provides all-round support to State Governments, FPOs and other entities engaged in promotion and development of FPOs and other entities engaged in promotion and development of FPOs. SFAC creates sustainable linkages between FPOs and inputs suppliers, technology providers, extension, research agencies, marketing and processing players, both in public and private sectors.

Keywords: Capacity Building, Farmer Producer Organisations, India.

Introduction

Indian economy is predominantly agricultural, provides livelihoods to millions of small landholders in India. The declining trends in size of land holding possess a serious challenge to the sustainability and profitability of farming. Government of India is committed to “Doubling the Farmers income” by the year 2022 and dedicated to growth of farmers of the nation. There are government initiatives to support farmers to increased MSP, interest, subsidies and free electricity reach a limited percentage of farmers and hence, have a limited impact. A long-term solution is required to address farmers’ distress.

Farmer Producer Organizations (FPOs), a concept established for enhancing farmers’ capacity and rural economy through its market-oriented approach. In recent announcement made by Hon’ble Finance Minister promotes Aatmanirbhar Bharat, considerable focus has been given to FPOs. Among other things, it strongly emphasizes creation of farm-gate level agriculture infrastructure through FPOs and formalization of micro food enterprises, which will not only create suitable ecosystem for development of vibrant decentralized agriculture marketing system but also lead to better price realization of agricultural produce benefitting small and marginal farmers through value addition. Organising the farmers into farmer producer organisations (FPOs) could be one viable option. The need for evolution of FPOs to reduce the exploitation by middle-men traders is apparent. The interventions being undertaken by the aegis of FPOs in different value chains and locations intervene on both forward and backward segments of the chain.

Capacity Building of farmer organization assumes greater importance to enhance the efficiency and bring peer group pressure among members of the group for effective functioning. The Government has identified farmer producer organization as the most appropriate institutional form around which to mobilize farmers and build their capacity to collectively leverage their production and marketing strength (GoI, 2013). Small Farmers’ Agribusiness Consortium has been designated agency to act as a single-window for technical support, training needs, research and knowledge management and also create linkages between technology and markets. SFAC provides all-round support to State Governments, FPOs and other entities engaged in promotion and development of FPOs and other entities engaged in promotion and development of FPOs. SFAC creates sustainable linkages between



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The instrument of Farmer Producer Company (FPC), registered under Companies Act, 1956 is emerging as the most effective means of Farmer Producer Organization (FPO) to cater to the needs and demands of farmers at the grass root level. The Department of Agriculture and Cooperation, Ministry of Agriculture and Farmer Welfare, Govt. of India has identified farmer producer organization registered under the special provisions of the Companies Act, 1956 (As amended in 2002), now Companies Act, 2013, as the most appropriate institutional form of aggregation of farmers. Currently, there are nearly 10,000 plus FPOs registered in the country in different forms covering over 50 lakh farmers. The government intends to create another 10,000 FPOs over the next couple of years. The task is easy to understand and difficult to accomplish but not impossible and the government is determined. The recent market reforms Acts, commonly known as New Farm Bills 2020 liberates the farmers to sell their produce anywhere and to anyone and also enter into contract with private industry.

Capacity building of any form of farmer organization assumes greater importance to enhance the efficiency and bring peer group pressure among members of the group for effective functioning. The role of promoters is crucial in orienting and capacity building of these organizations. Capacity building for promotion of leadership and motivation among the elected Board of Directors is crucial. The members of the Executive Committee should be given training in Leadership, federation concept, federation Management, financial Management, linkages, input and output management etc. Capacity building of members on issues such as attendance of at least 80-85% members, transparency in accounts, accountable behaviour, regular internal auditing, quality management, development of business plan including access to local and international market, etc. The idea of capacity building is to encourage rural communities to understand their personal and group styles of managing themselves and to improve their planning, implementation, and monitoring skills.

Need for FPO

Farmers' Organizations (FOs) are essential institutions for the empowerment, poverty alleviation and advancement of farmers and the rural poor (FAO, 2010). National Commission on Farmers (NCF), 2004 stated that "Farmers' organizations should be

promoted to combine the advantages of decentralized production and centralized services, post-harvest management, value addition and marketing. The main aim of an FPO is to ensure better income for the producers through an organisation 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.

Government of India has been promoting the Farmer Producer Organizations (FPOs) to enable them to organize the smallholder farmers to bring efficiency in production, integrate farming with modern technologies and realize better price for their products in the market through economy of scale. FPOs can play great role in creating income augmenting opportunities through innovative interventions like FPO-led small scale food-processing based entrepreneurship, local agriculture inputs production like seeds and saplings, to promote sustainable agriculture. It will balance the FPO's business portfolio between dependence on local consumption and external market centres.

Features of FPO

- ✚ It is formed by a group of producers or involved in production such as production, harvesting, processing, procurement, grading, pooling, handling, marketing, selling, export of primary produce of the Members or import of goods or services for their benefit.
- ✚ It is a registered body and a legal entity.
- ✚ Producers are shareholders in the organisation.
- ✚ The FPO is owned by farmers themselves
- ✚ It deals with business activities related to the primary produce/product.
- ✚ It works for the benefit of the member producers.
- ✚ A part of the profit is shared amongst the producers.
- ✚ Rest of the surplus is added to its owned funds for business expansion.
- ✚ The FPO can derive multiple benefits for the farmers such as insurance, fair price, storage space etc., in the long run

Role of farmer in development of FPO

FPO is a means to bring together the small and marginal farmers and other small producers to build their own business enterprise that will be managed by professionals. The farmers can decide to join forces to strengthen specific activities and develop a producer organization. These specific activities include input purchasing, collection and post-harvest processing, and selling (marketing) products. An individual farmer is limited to his/her own farm and its needs from inputs to production. Very rarely, some large farmers may also be involved in post-harvest activities for their own farm. Small and marginal farmers normally sell their produce at the farm gate at whatever prices are quoted to them and are at the mercy of the middle man and local traders. In the context of an FPO, a farmer can play many roles

- ✚ **As a shareholder:** Once the farmer agrees to be a member of the FPO and pays up the share, automatically becomes a voting member of the FPO and is eligible to all rights enjoyed by the FPO.
- ✚ **As a member of FIG:** The farmer is also a member of the local farmer interest group (FIG) in most places. This enables them to participate actively in local group meetings and follow up from directives sent from FPO. In reverse, decisions made by FPO members, can be communicated to the FPO board through a representative member who is also in the local FPO.

Member of the FPO Board of Directors: Farmer can also be nominated or elevated on to the Board of Directors of the FPO. CEO who is appointed by the Board cannot be a member of the board and he/she has no voting rights.

SFAC is offering various schemes for strengthening the FPCs:

- a) Equity Grant Scheme provides matching equity subject to maximum Rs. 10 lakhs as a grant with a view to enhance viability, sustainability and increasing credit worthiness of FPCs
- b) Credit Guarantee Fund has been set up with the primary objective of providing credit guarantee cover to eligible lending institutions to enable them to provide collateral free credit to FPCs by minimising their lending risks in respect of loans not exceeding Rs. 100.00 lakhs
- c) Venture Capital Assistance Scheme provides interest free loan upto the extent of 26% of promoter's contribution payable after complete repayment of term loan to the bank



Besides, SFAC also arranges awareness camps for dissemination of information and guidance to FPOs/FPCs and other stakeholders.

Role of central government institutions in capacity building FPOs

Department of Agriculture and Cooperation (DAC), Ministry of Agriculture, Govt. of India will act as the nodal agency for the development and growth of FPOs. Small Farmers' Agribusiness Consortium (SFAC), a Society under DAC, will be the designated agency of DAC to act 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 all-round support to State Governments, FPOs and other entities engaged in promotion and development of FPOs. In particular, SFAC will create sustainable linkages between FPOs and inputs suppliers, technology providers, extension and research agencies and marketing and processing players, both in the public and private sectors. SFAC is supporting these FPOs through empanelled Resource Institutions (RIs), which provide various inputs of training and capacity-building, and linking these bodies to input suppliers, technology providers and market players. The investment in the capacity of FPOs will be spread over two years. SFAC is also monitoring the project on behalf of DAC and the states and reporting on its progress.

DAC and its designated agencies will work with NABARD and other financial institutions to direct short- and medium-term credit for working capital and infrastructure investment needs of FPOs. DAC will also work with all relevant stakeholders to achieve 100% financial inclusion for members of FPOs and link them to Kisan Credit Cards.

Role of state government institutions in capacity building FPOs

Besides encouraging State Governments to take up formation of FPOs on a large scale through Centrally sponsored and State-financed programmes and schemes. By using 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 members of FPOs on a preferential basis. By using 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 members of FPOs on a preferential basis.

Conclusion

Development of Farmer Producer Organizations is one of the best tools to effectively drive Aatmnirbharta and establish an effective and well-balanced bridge between rural and urban economies. However, to empower FPOs, ecosystem around it needs to evolve further. Recommendations as are mentioned in this paper will positively impact the FPO ecosystem by resulting in empowerment and resilience of small and marginal farmers. FPOs have been established with an objective to minimize the risks and uncertainties and bring more prosperity to farmers through its various activities. They have emerged as one such model to provide the much-needed alternative channel by directly linking farmers produce to urban consumers specially for perishable commodities such as- fruits and vegetables. FPOs must be capacitated with essential but customized infrastructure like small farm gate based warehouses or pack houses. FPOs depict greater transparency and traceability and hence are better placed for speedier and effective dissemination of government welfare schemes or other in-kind grant support to its member farmers. Such convergences should be promoted to build necessary responsiveness in welfare scheme dissemination mechanism. The government should promote the FPOs at the policy intervention for sustenance of their members.

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