

Improving livelihood of small holder through FPO: An overview

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SUMMARY:

As we all know that India is an Agrarian country and more than fifty percent of the population is dependent on agriculture. It is said that agriculture is the back bone of our country. But most of the farmers in our country are small and middle farmers so they do not enjoy economies of scale due to lack of information about market price of the commodity, non-availability of proper credit support to small and marginal land holders, so to increase their income through forming groups called Farmer Producer Organizer. Usually an FPO works as collectives to improving livelihood of small holders and FPO provides business opportunities to famers. In this article I tried to discuss about Farmer Producer Organisation and how does it works and how can farmers get benefits from FPO.

INTRODUCTION:

The nation's economy mostly dependent on Agriculture which contributes major part of GDP and employment potential and young generation in the rural areas are losing their interest in Farming activities and are looking for alternative to earn their livelihood. It has resulted in huge migration rural areas to urban areas in recent years. India is the largest country to have highest number of small and marginal land hold (IFPRI,2005). So to maintain the availability of food over the increasing population we need to get more benefit from land and utilization the available resource. In this situation we need to collectives in which member works for each other and sharing profit among all members farmer so FPO as an organisation provides appropriate framework to owning the company by its member farmers themselves. Usually FPO formed with equity grant by member farmers. Farmer producer

organisation is a legal body which is run and own by its member farmers and financial support by central and state government and it is managed by professionals and an FPO registered under companies act, 1956 is also known as FPC(Farmer producer company).the first FPC conceptualize in 2001 by Verghese Kurian. A PO can be a producer company, a cooperative society or any other legal form which sharing of profits among the farmers. These organisation works not only on a particular place rather than its area of operation is the An expert committee led by noted economist, Y. K. Alagh recommended, setting up of producer companies in 2002 by incorporating a new Part IXA into the Companies Act of 1956, The president assented the Bill on December 31, 2002. This amendment Act has come into force with effect from 6 Feb, 2003 (Navaneetham. et al 2017). In 2002 the NDA government enacted the Producer Companies Act entire country. Around 25% of FPCs are engaged in post-harvest processing. About 20 per cent FPCs apply organic production methods There is a huge potential for FPCs to enter in post-harvest segment in India. This will not only help the company to earn good profit but will reduce the post-harvest losses which is quite high in India 30-40% in case of fruits and vegetables. FPCs for better profit have to capture the market like health and Nutritious foods, organic foods, nutraceuticals, fortified foods, medicinal and aromatic plants, cash crops etc.

REGISTRATION AND FORMATION PROCESS:

A FPO can be register as follow:

1. An FPO can be register as a cooperative society under the provision of cooperative societies act like:

- a) Cooperative societies' Act of individual state in India.
- b) Autonomous cooperative societies' Act existing in many states.
- c) Multi state cooperative societies act, it is the central act.

The aim of producer organisation to register as cooperative societies is provide support in farming activities like enhancing crop production, credit support, quality input, marketing of the produce and sharing the profit among member farmers.

2. Registering farmer producer organisation as a non-profit society:

The producer organisation can also be registered as a society under societies Act. The society can be defined as an association of person united together by mutual consent to deliberate. And as per the provision of the societies act,1860, a society can be formed with minimum of

seven person, individuals, partnership firms, companies and registered societies are eligible to form a society. The purpose of register society like creation of military orphan fund, for the promotion of literature and arts and grant of charitable trust

3. Registering farmer producer organisation as non-profit trust under the Indian trust Act: It can be registered under trust Act as charitable trust. In other words we can say that it is a transfer of property by the owner to another for the benefit of a third person and a person who formed a trust is called s settler and, the person to whom the property is transferred on trust is called a trustee and the person whose benefit the property is transferred is called the beneficiary.

4. Registering FPO as cooperative societies under cooperative society Act.

Purpose of establishing public charitable trusts:

The trusts are registered for the relief of poverty or distress, education, medical relief, and the advancement of any other object of general public utility etc. and funding arrangement of trusts by donations, gifts ,grants, loans etc. by purpose there are two types of trust like private trust generally it works for religious purpose and they do not involves in commercial activities and second one is public charitable trust which benefits the public at large.

Review of Literature

Trebbin & Hassler (2012) documented that producer companies can help small holder farmers participate in emerging high-value markets such as the export market and the unfolding modern retail sector in India.

Singh & Singh (2013),This study shows that there is policy comparison in India between cooperatives and producer company like in income, tax exemption, non-taxable welfare income exemption, land lease at nominal rates or free fertilizers allocation to PACS.

Navaneethan et al. (2017) in their study showed that the knowledge and awareness on management practices, marketing skills and strategic decision are taught to farmers. The better will be he sustainable management of producer companies should also be promoted for the better and more enduring will be the system.

Present Scenario in the country:

Presently around 5000 FPOs/FPCs working in the country FPOs are promoted in the country through various central and state government schemes and programmes and around 30% of the total FPCs are currently operating viably and around 20% are struggling and after all 50%

of total number of FPO in development stages. Department of cooperation and farmer welfare, Ministry of Agriculture, as the nodal agency for promoting FPOs across the country under various scheme of central and state government and other agencies. In India currently 5000 FPOs are working which is promoted by various agency through various governmental scheme. Department of Agriculture and Cooperation (MoA), Government of India launched a pilot programme for promoting member-based Farmer Producer Organisations (FPOs) during 2011-12, in partnership with state governments, which was implemented through the Small Farmers' Agribusiness Consortium.

Financial Arrangement:

The financial requirement of the FPO depends on the nature and volume of the Business and the finance can be arranged from the following source.

1. Own resources.
2. Supplier's credit and advance payment from buyers.
3. Equity.
4. Grant support.

Any type of business require credit support to start the business and run the business like procurement of raw, transportation, insurance, material, and day to day business requirement. To promote and nurture new FPOs out of Producers' Organization Development and Upliftment Corpus (PRODUCE) Fund created in NABARD by the Govt. of India during 2014-15, to be utilized for the promotion of 2000 FPOs. Under this Fund, NABARD has promoted 2154 FPOs as on 31 May 2018 of which, around 70% FPOs are registered as Producer Companies and the remaining as Cooperatives/Societies. NABARD created its own subsidiary (NABKISAN Finance Ltd.) for meeting the credit requirements of FPOs by adopting a flexible approach based on life cycle needs. In 2019-20 Central government announce in Union Budget 10,000 corer to promote FPOs through easy availability of loan etc. SFAC also provides support to FPOs.

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