

6. Farmer Producer Organization [FPOs] Origins, Development and Future Challenges

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Abstract:

Farmer producer organization is the recognized organization which is formed for improving standard of living and increasing agriculture production, income better condition for higher profits of farmers. A farmer producer organization [FPO] is a group of small and marginal farmer [more than 10] who come together to pool their resources and negotiate better prices for their producer.

Government of India has developed a special central sector initiative called “formation and promotion of 10,000 FPOs” for implementation nationwide. The some challenges for the FPOs is lack of professional management, weak finance, lack of risk mitigation mechanism and inadequate access to infrastructure was observed.

Keywords:

Farmer producer organization, Self help group [SHG], farmer club [FC], farmer interest group.

6.1 Introduction:

The economy of India is an agrarian economy. About 60 percent of people for their livelihood depend on agriculture and allied aspects. The most important challenge in agriculture sector at present is to organize the farmers, especially to organize small farmers for accepting value chain management not only to get adequate returns but also to sustain them permanently in agri-business.

In various states of our country the institutions were formed for the benefit of farmers through co-operative but it is seen that co-operative societies were unable to achieving the welfare of the farmers because of the peoples under whose leadership the institution were working forgot the working objectives of co-operatives which leads to ruins the institutions.

To bring out farmer from such situation 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 objective of the committee was to frame a legislation that would enable incorporation of co-operatives in agriculture as producer companies and conversion of existing cooperatives into producer companies.

6.2 Development:

A. Concept and meaning:

A farmer producer organization [FPO] is a group of small and marginal farmer [more than 10] who come together to pool their resources and negotiate better prices for their producer. FPO is basically a corporate body registered as a producer company under companies Act, 1956 [As amended in 2002], Its main activities consist of 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 also includes promoting mutual assistance, welfare measures, financial services, insurance of producer or their primary produce.

B. Definition:

Farmer producer organization is defined as the recognized organization which is formed for improving standard of living and increasing agriculture production, income better condition for higher profits of farmers.

According to company Act 1956, producer organization can be established with minimum 10 or more people, two organizations or more, a group of people [10 people or two organizations] having following common objectives.

- Input purchase
- Crop production
- Harvesting
- Grading
- Pooling
- Handling
- Processing & value addition
- Marketing
- Import of goods & services
- Producer sale & export
- Converting existing corporatives into companies

C. Objectives of FPOs:

The specific objectives of FPOs are as follows:

- a. Production, harvesting, procurement, grading, pooling, handling, marketing, selling, export of primary produce of members or import of goods or services for their benefit.
- b. Processing including preserving, drying, brewing, venting, canning and packaging of produce of its members.
- c. Rendering technical services, consultancy services, training, education, research and development and all other activities for the promotion of the interests of its members.

- d. Generation, transmission and distribution of power, revitalization of land & water resources, their use, conservation and communications relatable to primary producer.
- e. Manufacture, sale or supply of machinery, equipment or consumable mainly to its members.
- f. Promoting mutual assistance, welfare measure, financial services, insurance of producers or their primary produce.

D. Promotion of FPOs:

The promotion of FPOs, was launched as a pilot programme during 2011-2012 by the department of Agriculture, co-operation and farmers welfare, Ministry of Agriculture and farmers welfare through two sub schemes of the Rashtriya Krishi Vikas Yojana [RKVY], namely the national vegetable initiative for urban clusters and the programme for pulses development for 60,000 rainfed villages. Government of India formulated & issued national policy and process guidelines for FPOs in 2013.

Government of India has developed a special central sector initiative called “**formation and promotion of 10,000 FPOs**” for implementation nationwide. The establishment and promotion of FPO are based on the producer cluster area approach and the strategy based on specialized commodities. To develop product specialization, FPOs will be formed using a cluster area approach and the strategy based on specialised commodities. To develop product specialization, FPOs will be formed using a cluster based approach focusing on “One district one product” Formation and promotion of FPO will be based on the produce cluster area, which includes a geographical area where in agricultural and allied products are grown. A minimum of 300 farmers need to be the members of a FPO to qualify for this scheme in the plains & 100 farmers for hilly areas.

About 15-20 farmers located in adjacent area with similar interest area to be mobilized to form a group like. Self help group [SHG], farmer club [Fc], farmer interest group [FIG] etc representing a produce cluster area aggregate together to form a FPO. Developing FPOs is the responsibility of three implementing agencies, notably the small farmer’s agribusiness Consortium [SFAC], National Co-operative development corporation [NCDC] and National bank or Agriculture and Rural Development [NABARD].

6.3 Future Challenges for FPOs:

The future challenge is to optimize benefits through effective and efficient means of aggregation models. An ideal model of aggregation assumes significance mainly due to transformation of Indian agriculture towards high value commodities which is a result of agri food market caused by liberalization, globalization, improved purchasing power, demand for safe & quality food, expansion of niche market etc. The size of operational holdings in India is continuously declining further with every successive generation.

The big challenge under these conditions would be to integrate there small holders with the agricultural markets so that benefits from transforming agriculture, trade environment and growing economy may be optimized and help in realizing higher income of small and marginal farmers and lead to more inclusive growth.

6.3.1 Associated Challenges:

A. Lack of Professional Management:

FPOs are required to be efficiently managed by experienced trained and professionally qualified CEO and other personnel for supervision and control. However such trained manpower is presently not available in the rural space to manage FPO business professionally.

- a. **Weak finances** – FPOs are mostly represented by small and marginal farmers with poor resource base and hence, initially they are not financially strong enough to deliver vibrant products and services to their members and build confidence.
- b. **Lack of Risk mitigation mechanism** – Presently, while the risks related to production at farmers level are partly covered under the existing crop/livestock/other insurance schemes, there is no provision to cover business risks of FPOs.
- c. **Inadequate Access to Infrastructure** – The producer collectives have inadequate access to basic infrastructure required for aggregation like transport facilities, storage, value addition and processing, brand building and marketing.

Beside these some issues and challenges like managerial issues, financial issues, Legal issues, operational issues, Human rights, mechanical & technical issues, natural hazard issue etc would be act as barriers in FPOs.

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