

Farmer Producer Organizations: Implications for Agricultural Extension

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ABSTRACT

The Government of India recently announced \$34 million for setting up a “Producers Development and Upliftment Corpus (PRODUCE)” under the National Bank for Agricultural and Rural Development (NABARD). Marketing of agricultural produce is a complex process in India. Farmers do not have access to market, they are selling their produce to the intermediaries operate in the market because of this their profit margin is reduced and their farming business becomes a non-viable one. We can mobilize farmers in groups and build their associations called as Farmer Producer Organization (FPOs). 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. FPO offer small farmers to participate in the market more effectively and help to enhance agricultural production, productivity and profitability. This paper examines current mode of operation of FPO and effectiveness of the FPO with reference to the small farmers in India. This article studies the potential role of Farmer Producer Organisations (POs; and more generally, Producer Organisations) in the context of large prevalence of smallholder agriculture in India.

Keywords: Farmer producer organization, farmers, agricultural marketing, smallholder agriculture, NABARD, collective bargaining, economies of scale, sustainable agriculture.

INTRODUCTION:

Formations of FPOs for getting youth engaged in agriculture are seen as big hope. FPOs is to internalize extension services for its member and provide backward/forward linkage, extension strategies, public, private extension agencies and NGO involve in FPO to promote for mobilizing farmer because extension functionaries have skill for facilitation.(FAO, 2006). Farmers’ organizations should be promoted to combine the advantages of decentralized production and centralized services, post-harvest management, value addition and marketing (National Commission on Farmers (NCF), 2004.) Farmers’ Organizations (FOs) are essential institutions for the empowerment, poverty alleviation and advancement of farmers and the rural poor (Kadari, 2015). Farmer organization is a group of farmers with special interests and concerns with developed structure, formal membership, status and functions for its members and with a set of bye laws and rules. Mobilizing farmers into

groups of between 15-20 members at the village level (called Farmer Interest Groups or FIGs) and building up their associations to an appropriate federating point i.e. FPOs FPO is one of the important initiatives taken by the DAC of the MoA to mainstream the idea of promoting and strengthening member based institutions of farmers. As per the concept, farmers, who are the producers of agricultural products, can form groups and register themselves under the Indian Companies Act. (Amani, 2016)

These can be created both at State, cluster, and village levels. It is aimed at engaging the farmer companies to procure agricultural products sell of them. Supply of inputs such as seed, fertilizer and machinery, market linkages, training & networking and financial and technical advice are also among the major activities of FPO. The Small Farmers Agri Business Consortium (SFAC) has been nominated as a central procurement agency to undertake price support operations under MSP

for pulses and oilseeds through the FPO's (Bikkina, 2018).

Concept of FPOs:

FPOs is one type of PO where the members are farmers. SFAC is providing support for promotion of FPOs. PO is a generic name for an organization of producers of any produce, e.g., agricultural, non-farm products, artisan products, etc., (NABARD, 2015). FPOs are groups of rural producers coming together based on the principle of membership, to pursue specific common interests of their members and developing technical and economic activities that benefit their members and maintaining relations with partners operating in their economic and institutional environment.

Present status:

FPOs have emerged through the Companies (Amendment) Act, 2002 incorporating a new part IXA dealing with Producer Company in the Companies Act, 1956 based on the recommendations of the Y.K. Alagh Committee. The Amendment Act came into force w.e.f. 6 February, 2003 vide Notification no. 135(E) dated 5 February, 2003. The producer companies are incorporated with the Registrar of Company (RoC). DAC, MoA, GOI launched a pilot program for promoting member-based FPOs during 2011-12, in partnership with state governments, which was implemented through the SFAC. The pilot involved the mobilization of approximately 2.50 lakh farmers into 250 FPOs (each with an average membership of 1000 farmers) across the country, under two sub-schemes of the RKVY, namely National VIUC and Program for Pulses Development for 60,000 Rain fed Villages. FPO is a hope for small and marginal farmers which allows distressed farmer to have an optimistic approach toward life while making them strong enough and independent. It will help them to bargain for their produce in better ways along with simplifying the transaction process. FPO members gain better profit as compared to the cost incurred (Mukherjee, 2018)

Features of Farmer Producer Organizations:

FPO is a registered body and a legal entity formed by a group of primary producers who claim chief shareholders in the organization. It deals with business activities related to the primary produce/product/ related inputs and it works for the benefit of the member producers. Portions of profit are shared amongst the producers and the

balance goes to the share capital or reserves. It has minimum shareholding members numbering 50 at the time of registration. However, the shareholding membership will have to be increased over a period of 3 years to a sustainable level.

Importance:

FPOs influence policies and demand for required services. Farmers can participate in the decision making process of the developmental activities through FPOs. Service system becomes more effective and accountable when they get better access to latest markets and technology. More over FPOs can involve in Farmer and market led extension activities which support the broad based extension activities of public extension system.

Services provided by FPOs:

- **Financial Services:** The FPO provide loans for crops, purchase of tractors, pump sets, construction of wells, laying of pipelines.
- **Input Supply Services:** The FPO provide low cost and quality inputs to member farmers. It will supply fertilizers, pesticides, seeds, sprayers, pump sets, accessories, pipelines
- **Technical Services:** FPO promote best practices of farming, maintain marketing information system, diversifying and raising levels of knowledge and skills in agricultural production and post-harvest processing that adds value to products.
- **Marketing Services:** The FPO will do the direct marketing after procurement of agricultural produce. This will enable members to save in terms of time, transaction costs, weight loss, distress sales, price fluctuations, transportation, quality maintenance etc.
- **Procurement and Packaging Services:** The FPO procure agriculture produce from its member farmers; will do the storage, value addition and packaging.
- **Insurance Services:** The FPO provide various insurance like Crop Insurance, Electric Motors Insurance and Life Insurance.
- **Training Services:** FPOs explore various experts and training institutions and provide training and capacity building for its members and other farmers.
- **Networking Services:** Making channels of information (e.g. about product specifications, market prices) and other

business services accessible to rural producers; facilitating linkages with financial institutions, building linkages of producers, processors, traders and consumers, facilitating linkages with government programs.

FPOs: Pathways to link farmer to the Value Chain:

The conceptual framework of agricultural value chains includes a sequence of value adding activities, from production to consumption, through processing and marketing. Each segment of a chain has one or more backward and forward linkages. A value chain in agriculture identifies the set of actors and activities that bring a basic agricultural product from production in the field to final consumption, where at each stage value is added to the product (Kumar and Sharma, 2016).

FPOs make business sense clearly which promote collective farming. Value addition is the enhancement of the quality of the produce that can be exported. Technology is for enhance production which paves way for branding of credibility and recognition of product. It also boosts up financial inclusion and saves farmers from distress sale.

Support schemes from Government and Other agencies for FPO:

1. Small Farmers Agribusiness Consortium (SFAC) : gives Credit Guarantee Fund to mitigate credit risks. It also grants matching equity up to Rs. 10 lakh.
2. NABARD : has kept aside FPOs Development Fund-PRODUCE Fund Rs. 200 crores along with Contribution towards share capital on matching basis, up to 2lakh per PO with a cap of Rs 25,000 per member. It gives Credit support for business operations and Support for capacity building program.
3. NGOs and Self supported Farmers' Organizations also enhance the credibility and transparency of the FPOs.
4. Government of India assures Storage and other agricultural marketing infrastructure under the Integrated Scheme for Agricultural Marketing, FPOs are eligible to get higher subsidies. Ministry of Rural Development also operates schemes through which support for some activities can be obtained by the FPO. Training institutions supported by the Ministry of Rural Development, Government of India

5. State govt. allots separate fund for development of FPOs and for their outreach.
6. SFAC (Small Farmers Agri business Consortium): It is now focused on creating wider linkages for FPOs to reduce their transaction costs, improve access to technology and services and ultimately link them to better market opportunities for higher returns. One of the initiatives in this regard is the launch of Krishidoot, an ICT backed platform which will electronically network all the FPOs in the country and leverage their collective bargaining power. Rolled out on 1st June, 2013, Krishidoot will offer FPOs a gateway to a wide range of services through the simple medium of the mobile phone.

Purpose of establishing FPO:

The purpose of establishing FPOs is to internalize extension services for its members and to provide Backward linkage (input, credit and technology) and Forward linkage (production facilities, market and value addition). The FPOs provide an effective channel for both dissemination of technology to large number of small and marginal farmers and feedback to research and extension. FPOs will generate interest of rural youth in agriculture where ARYA can be achieved that provide remunerative incomes.

Roles of FPO are in Food Security:

Food security can be realized through several pathways. One of the first pathway is to enhance agricultural production through strengthening agriculture production system and by encouraging formation of FPO's for getting youth engaged in agriculture FPO's are seen as agriculture sector's big hope in allowing farmers to get major share of consumer rupee. Only through FPO's, agriculture can be revived and strengthened to provide adequate supply of food grains to achieve food and nutrition security. Starting & strengthening FPO's can be seen as the first step to realize the goals of food security.

Challenges in FPO promotion:

Support of States is vital which not all is on board. Marketing challenges like hurdles in the way of direct marketing efforts by FPOs and APMC restrictions make process tedious. Lack of access to capital due to reluctant banks to lend to FPOs. Lack warehousing capacity; post-harvest infrastructure weak are structural constraints for

efficient working of FPOs. Adequate trained managerial cadre is need of the hour to alleviate human resources challenge.

Future strategy:

- Linking FPO to market opportunities through kisan mandi with different cities of country
- Financial support to FPOs through equity grant scheme
- Credit guarantee cover for loans from bank to FPOs through CGS
- State level producer company formation to leverage collective bargaining power of FPOs(registered in different state)
- State govt. will be providing financial assistance for establishment of kisan mandi
- Promotion of new emerging FPOs

Implications:

Agricultural extension services and farm advisory services have all along have been advocating package of practices to farmers for increasing their crop production. Increasing agricultural production was the sole goal of extension education and advisory services. Agricultural extension functionaries were providing services only up to Farm Gate and not beyond. Beyond the farm gate, farmers were left to fend for themselves bracing and braving the market forces, aberrant market prices depending on the arrivals in the markets. Sometimes due to a glut in the markets, farmers were not even able to get returns matching their costs incurred. Sometimes the demand is so high that they get more than expected returns. Usually the middlemen, whole sale traders and retail sellers get better margins just by hoarding and selling intelligently. Thus farmers have been facing the uncertainties involved in the market place. On the other side, the customers and urban consumers face inflationary forces and had to shell out more rupees for the fruits, vegetables and other food items. With increased incomes, urban middle class are rather more willing to spend more on processed foods and other costly foods and beverages (including fruit drinks, squashes and juices) thereby creating a demand for such processed food, fruit and dairy products.

Thus to bridge this wide gap between consumers' spending and farmers' incomes and to enable farmers obtain a major share of consumer rupee, a new window has opened in the form of Farmer Producer Companies. This seminar attempts to

address the aspects of what constitutes a Farmer Producer Organization (FPO), what are its features, why it is relevant today, how it is formed, cases of successful FPOs, reasons for their success, conclusions and implications.

CONCLUSION

Sustainable organizations are must for overall development. Hence, Extension strategies should involve Public, Private extension agencies and NGOs to promote and operationalize FPOs. Government departments should play a supporting role in formation and management of FPOs. Extension functionaries should have skills of facilitation for FPOs that would help enhance profitability in agriculture by helping farmers get major share of consumer rupee. Therefore, FPOs need to be encouraged in agriculture sector to make agriculture remunerative and profitable which will attract and retain rural youth in agriculture and thus help ensure food security and help realize food and nutrition security too.

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