

Farmer Producer Organizations: An Overview

Peddi Naga Harsha Vardhan

Research Scholar, Department of Agricultural Extension, Uttar Banga Krishi Viswavidyalaya, Pundibari, West Bengal

SUMMARY

Indian agriculture supports the livelihood of more than 50 per cent of the population and mostly in rural areas people depend on agriculture in the country. Mostly Indian farmers belong to small and marginal categories. Small holder farmers are facing market uncertainties as most policies favours large and progressive farmers and smaller farmers are devoid of them increasing wider gap between producers and consumers. In these situations Farmer Producer Organization plays vital role in promoting and strengthening member based institution of farmers. In order to bring more and more small and marginal farmers on a bigger platform as a joint entity Government of India launched FPOs through the Small Farmers' Agribusiness Consortium (SFAC) under the Ministry of Agriculture. These organizations aim at enhancing farmers' competitiveness and their relative position in the context of emerging market opportunities.

INTRODUCTION

Agriculture plays an important role in developing economies. Indian Agricultural sector has long been distressed. In Indian Agriculture Low incomes, fragmenting holdings, declining productivity crop failures are common. The small holding character of Indian agriculture is much more prominent today and is a cause of worry. Agriculture, with its allied sectors, is the largest source of livelihoods in India. 70 percent of its rural households still depend primarily on agriculture for their livelihood, with 82 percent of farmers being small and marginal (Anonymous, 2021). Marginal and small farmers have also been hit the hardest with high incidence of indebtedness and suicides. Whereas, on the one hand, rising costs of cultivation have eroded farmers' incomes, they also have suffered depressed prices in seasons of glut in the market. There are nearly 140 million landholdings in India with an average size of just above 1 ha (1.15 ha) (Avinash kishore et al., 2019).

The genesis of promoting and strengthening producer organizations lies in the felt needs to address the challenges faced by the marginal and small farmers in accessing markets, realizing the right price for their produce, procuring quality inputs at affordable prices and accessing technology (Sathish verma., 2020). The concept of farmer producer organization (FPO) was introduced in the early 2000s as an effective means of improving incomes of the farmers by providing improved access to quality inputs, efficient technologies, credit and market besides raising their bargaining power and building viable scale to participate directly in the value chain. The concept of Farmer Producer Organizations can be seen as the mixture of two types of venture i.e. Private Companies and Cooperative Society. (Rajesh and Shivani., 2020).

Cooperatives in India

The previous experiences of cooperatives in India raised the need for more freedom to cooperatives to operate as business entities in competitive markets. Hence, a new form of cooperatives called 'Producer Companies' came into existence with the amendment of Section 581 of the Companies Act, 1956, in 2003. A producer company can be registered under the provisions of part IX-A, chapter one of the Companies Act, 1956. In India, the Department of Agriculture Cooperation and Farmers Welfare (DAC&FW) is the nodal agency for the development and growth of FPOs. In turn, it has nominated various central government institutions for supporting FPOs such as Small Farmers Agribusiness Consortium (SFAC), National Cooperative Development Corporation (NCDC), National Cooperative Agricultural Marketing Federation (NAFED), Food Corporation of India (FCI), National Bank for Agriculture and Rural Development (NABARD), Ministry of Corporate Affairs and other stakeholders. Producer Organization Development Fund (PODF) has been created by NABARD to specially promote the FPOs (Farmer Producer organizations) which lies outside the ambit of SFAC. As a major reform, GOI has announced cent percent tax holiday for all the FPOs below 100 crores up to five years. Producer organizations can evolve as a major step toward doubling the farmers' income. As a major reform, GOI has announced cent percent tax holiday for all the FPOs below 100 crores up to five years. Producer organizations can evolve as a major step toward doubling the farmers' income.

Meaning:

FPO stands for Farmers Producers Organisation. FPO is a legal entity formed by group of farmers or primary producers, viz: agriculture farmers, milk producers, fisherman, small Tea growers, weavers, craftsman etc.). Farmer Producer Organisations are typically defined as membership-based organisations or federations of organisations with elected leaders accountable to their constituents” with an objective to develop and deploy the aggregation mechanism of farmers, wherein farmers/producers with common interest agree to pool their resources together to form a group, jointly deal with various issues of farming; be it credit, input sourcing, deployment of farm technology and good agricultural practices, post-harvest handling or onward sale of agricultural produce (Anonymous, 2019). A FPO can be a producer company, a cooperative society or any other legal form which provides for sharing of profits /benefits among the members (Marbaniang et al, 2019). These organizations offer “small farmers to participate in the market more effectively and collectively; they are in a better position to reduce transaction costs of accessing inputs and outputs; obtaining the necessary market information; securing access to new technologies; and to tap into high value markets, allowing them to compete with larger farmers and agri business. FPOs have been playing a major role in integrating both forward and backward linkages in the agricultural sector with the main objective of enhancing farmers' income and their livelihoods through reduced cultivation and transaction costs (Ramappa and Yashashwini, 2018). It is an organisation of farmer-producers that provide support to small farmers with end-to-end services covering almost all aspects of cultivation from inputs, technical services to processing and marketing.

Advantages:

- Cost of production or cultivation may be reduced by procuring all necessary inputs in bulk at wholesale rates, as well as use of custom hiring services of farm equipment.
- Aggregation of produce and bulk transport reduce marketing cost.
- Post-harvest losses can be minimised by joint storage and value addition facilities.
- Access to institutional credit against stock, without collateral by virtue of joint liability implicit in the FPO framework.
- Greater bargaining power to farmers and greater quality orientation in production and processing activities.

Key issues faced by FPOs:-

Key issues faced by FPOs are mentioned here:-

Mobilization of farmers:

Every FPO is having their respective Resource Institution and one promoting agency. Both of them are facing issue with manpower attrition, so they are facing problem in formation of FPOs that leads to less no. of farmer mobilization into FPOs. Due to less farmers are being mobilized share capital of FPOs are less than as expected and that leads to several other financial problems.

Skill set of Board of Director & Chief Executive Officer:

As Farmer Producer Organization are formed and running by farmers they democratically decide their Board of Directors & CEO is appointed by BODs. BODs and CEO are having very less managerial skills and limited exposure to entrepreneurship and business development.

Problems related to financing:

As Farmer Producer Organizations are not having anything other than farmer member's equity to leverage borrowings, its' very difficult for any banking system to provide them capital in huge amounts.

Challenges related to policy:

FPOs are unable to take benefits of several schemes launched by SFAC and other organizations due to lack of particular direction of flow of information. This is in terms of reforming the state APMC act, facilitating direct market license to FPOs, relaxation in Mandi cess, relaxation in filing statutory compliances including those related to the Registrar of Companies as well as tax authorities.

CONCLUSION

Farmer Producer Organizations have enough potential to help small and medium farmers' of India, FPOs will bring about significant changes in the lives of small and marginal farmers, particularly in their income. With the help of different extension techniques if FPOs can be taught to farmers about Good Agricultural Practices and time to time update them with latest technologies and researches related to agriculture and allied sciences this can help them producing crops in efficient and effective way.

REFERENCES

- Anonymous. (2019). Strategy Paper for promotion of 10,000 Farmer Producer Organisations (FPOs). Small Farmers' Agribusiness Consortium (SFAC). P.1-32.
- Anonymous, 2021. India at a glance. Food and Agriculture organization. <https://www.fao.org/india/fao-in-india/india-at-a-glance>
- Marbaniang, E.K., Chauhan, J.K. and Kharumnuid, P. (2019). Farmer Producer Organization (FPO): the need of the hour. *AGRICULTURE & FOOD: e- Newsletter*: 1(12): 292- 297.
- Rajesh, K. B., Shivani, K. (2020). Challenges faced by FPOs & strategies to overcome: a Review. *International Journal of Advances in Agricultural Science and Technology*: 7(6): 25-33.
- Ramappa, K.B. and Yashashwini, M.A. (2018). Evolution of Farmer Producer Organizations: Challenges and Opportunities. *Research Journal of Agricultural Sciences*: 9(4): 709-715.
- Sathish verma. (2020). Farmer producer organizations & agri -marketing: experiences in selected states, relevance and their performance in Punjab. Centre for Research in Rural and Industrial Development Sector 19-A, Madhya Marg, Chandigarh. P.1-126.
- Avinash Kishore., Sunipa, D., Promod, K.J. (2019). Why private rural extension fails? Lessons from Hariyali experiment. *Agricultural Extension Reforms in south Asia*. Academic Press. p. 235-252. : (<https://www.sciencedirect.com/science/article/pii/B9780128187524000126>)