

Significance of Farmers' Producers Organisation in Rural Development

Salome M. Marak¹ and Toko Jumi²

¹PG Student, ²Assistant Professor, Department of Extension Education & Communication Management (EECM), College of Community Science, Tura, Central Agricultural University, Imphal, Manipur

SUMMARY

This article emphasises on the Farmers' Producer Organizations (FPOs) as they play a crucial role in strengthening rural economies by empowering small and marginal farmers. With over 86% of Indian farmers owning less than one hectare of land, they face challenges such as limited market access, lack of infrastructure, and exploitation by intermediaries. FPOs address these issues by enabling collective bargaining, providing quality inputs, facilitating value addition, and integrating farmers into more profitable supply chains. They also offer financial and technical support, helping farmers improve productivity and profitability. By enhancing access to markets, reducing transaction costs, and increasing income, FPOs serve as a catalyst for sustainable rural development.

INTRODUCTION

Agriculture has been an important component of India's economy and more so in rural areas for centuries and contributes around 13 per cent to the GDP. Acceleration of growth in the agricultural sector remains a key policy concern in India, since growth in agriculture is crucial to the livelihood of millions of rural poor (Jaya et al, 2020). About 54.6 of the total workforce is engaged in agriculture and allied sector activities and 86 percent of the farmers of the country are small and marginal farmers, who have less than one hectare of land (GoI, Agricultural census, 2015-16). These small farmers lack the requisite volume (both inputs and outputs) to profit from economies of scale (Kumar et al, 2022). Furthermore, there is a long chain of intermediaries in agricultural marketing that frequently work in a non-transparent manner, resulting in a situation where the producer receives only a small portion of the value that the ultimate customer pays (Nikam et al, 2019). They have small marketable surplus which force them to sell their crop produce through middlemen or traditional marketing channels (Gangwar et al, 2022). They are at receiving end in market as they have hardly any money to invest; uses conventional production techniques; depend on family labour; and production resources to participate in global value chains.

As a result, Farmers Producer Organizations (FPOs) have emerged as one class of institutions that hold tremendous promise in fulfilling this role. It was introduced in 2002 as new part IX A into the Companies Act 1956 under the chairmanship of renowned economist, Y. K. Alagh (Mukherjee et al., 2020) with the objective of ensuring better income realization to FPO members (who are producers) through aggregation and, if feasible, value addition. Farmer Producer Organizations is one type of producer, organization (legal entity formed by primary producers viz. farmers, fishermen, weavers etc.) where the members are farmers. It is a producer company, a cooperative society or any other legal form which provides for sharing of profits /benefits among the members. NABARD has been supporting promotion and nurturing of FPOs since 2011-12 through its various funds. Since then Indian farmers especially those who are small and marginal farmers got a new opportunity towards the development of rural farmers through FPO.

Functions of FPOs

Some of the functions are as listed below –

- Provide quality production inputs such as seeds, fertilizer, pesticides, and similar products at reasonable wholesale prices.
- 36 Members can reserve need-based production and post-production equipment such as cultivator, tiller, sprinkler set, combine harvester, and other machinery and equipment for custom hiring on a reservation basis to reduce the per unit production cost.
- Make available value addition like cleaning, assaying, sorting, grading, packaging, as well as farm level processing on a reasonable cost.
- Participate in higher income-producing activities such as seed production, beekeeping, mushroom cultivation, etc.

- Ability to aggregate smaller lots of farmer-members' produce, adding value to these aggregated lot and integrating with market for better price realization.
- Provide logistics services, including storage, transportation, loading and unloading on cost-sharing basis.
- Integration of aggregated and value added product at the appropriate level in the supply chain can help in improving ability of the farmer members to negotiate for better price.

Importance of Farmers' Producers Organization

In case of developing countries like India, where agriculture is dominated by small and marginal farmers with limited resource base (Nikam et al, 2019), FPOs plays a crucial role in the upliftment of rural economies. Small farmers especially from rural areas face a major constraints in agriculture sector in rural areas such as lack of infrastructural facilities such as intermediate collection centers, godowns, transport, farm implements, affordable quality inputs, technology, quality extension, investment on natural resources, credit facilities, secondary agriculture activities and marketing (Prabhakar et al, 2012). Individual farmers often struggle to sell their products at a reasonable because of the involvement of middlemen. Moreover, primary producers receive only a small percentage of the final price paid by consumers due to presence of large number of middlemen in agri marketing channels (Basker et al, 2022) thereby, making agriculture an unprofitable business. Therefore, creating their own organization i.e., Farmers' Producers Organization (FPO) will help farmers to tackle these challenges and by aggregating, primary producers will be able to avail benefits of economies of scale and integrate efficiently in the marketing channels more towards consumers leading to better producer's share in consumer's rupee. This increases their income by reducing the exploitation that many small and marginal farmers face. Rajur and Patil (2015) studied the Price spread, marketing costs and margins of chilli in Raichur, Bijapur and Gulbarga districts of Karnataka. The marketing cost was highest in Raichur district because of high commission quoted by commission agents and middlemen, than Bijapur and Gulbarga.

Farmers' organizations can serve as a possible cause for agricultural and rural development. Farmers' organizations, which can maintain the pennon of growth well ahead of the local level and support the rest of society, are acting as 'engines of progress.' There is a deep rooted interrelationship with Farmers organization and progress. The progress in enhancing people's capability to access resources in a sustainable manner through empowering the people (Mukherjee et al., 2020). The FPO provides loans for crops, livestock, machines, purchase of tractors, pump sets, construction of wells, laying of pipelines, sheds etc and it also provides low cost and quality inputs such as fertilizers, pesticides, dairy equipments, seeds, sprayers, pumpsets, accessories, pipelines etc. to the member farmers (Khan et al., 2020). These benefits help the small farmers from rural community to have easy access to the necessary resources that they require for farming. Jaya et al., (2020) stated that one of the best instruments under the inclusive growth in promoting rural vibrancy in agriculture production is by aggregation of the small holders into FPOs to have a level playing field with large farms in terms of accessing land, water, inputs, credit, technology and markets.

Farmer producer organisations (FPOs) are considered as a strategy to improve the livelihoods of small farmers through economies of scale by providing collective strength to farmers for improved access to production technology, value-addition services, high-quality inputs and marketing services for improving their incomes. Gurung et al., (2023) in his study found that FPO membership has a positive and significant impact on net returns, return on investment and profit margin. Also, heterogeneity analysis indicates that FPO membership has larger positive impact on relatively bigger farmers and female-headed households. Experts also opined that FPCs have the potential to give higher income by reducing cost of production and higher price realization to farmer producers through better market access (Likhi, 2020). For example, in one of the study it is found that under PODF, 6 The Nachalur Farmers' Producer Company was formed by a group of 100 farmers from 30 villages in Tamil Nadu in June 2012. Within six months' time, they were able to sell 300 tonnes of fertiliser at prices higher than before (Tagat and Tagat, 2016)

In case of financial and technical support, NABARD, SFAC, Government Departments, Corporates and Domestic & International Aid Agencies provides financial and/or technical support to the Producer Organisation Promoting Institution (POPI) for promotion and hand-holding of the Producers Organization (PO). Each agency has its own criteria for selecting the project/promoting institution to support (NABARD, 2015). Since banks and financial institutions were willing to provide loans to FPOs than individual farmers as FPOs are considered more reliable. Singh et al (2017) studied the indebtedness among farmers in Punjab. The study found that 85.9% of the households were under debt. The average amount of loan obtained per farmer and agriculture labourer was found to be Rs 5,52,064.16 and Rs 68,329.88 respectively.

The FPO also provide market information to the producers to enable them hold on to their produce till the market price become favourable. All these interventions will result in more income to the primary producers. Many FPOs provide information to their members in a variety of forms — from workshops and conferences, to field days and focus group sessions. Printed materials like newsletters, brochures, and websites also provide valuable information (Ajmal and Mathur, 2018). Moreover, it develops market and buyer relations. Strong and longer-term relationships with different buyers are needed to become a reliable market partner. It also require strong contractual arrangements and agreements with them. Market intelligence is important for making commercial decisions as FPO, as well as to transfer market signals to the members to influence their decisions on production and to define the conditions of supplying to the FPOs. Group of small producers through producer organizations were capable of making strategic investments to gain access to agro industrial markets where their produce was more profitable by establishing more complex contractual arrangements with potential purchasers (Ajmal and Mathur, 2018).

CONCLUSION

By improving market access, decreasing reliance on intermediaries, and raising their income, Farmers Producer Organisations (FPOs) are essential to the empowerment of small and marginal farmers. They promote rural development by offering greater resources, more bargaining power, and collective strength. FPOs can boost rural livelihoods and promote sustainable agricultural growth, increasing farming's resilience and profitability, with the help of robust policy support, financial aid, and capacity-building initiatives.

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