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# Farmer Producers' Organisations

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**Why is in news?** Farmer Producers' Organisations: Engines of agri-innovation in UP

The government has sought to **fulfil its vision of enhancing farmers' income by adopting a multi-pronged strategy** — enhancing productivity, reducing costs, improving marketability, crop diversification, risk mitigation and adopting climate resilient technologies.

## FPO:

A Farmer Producers' Organisation (FPO) is a **collective of farmers** who have holdings or work in a geographical cluster.

It can be registered **under the Companies Act** or as a **cooperative under the Societies Registration Act**.

Farmer Producers' Organisation (FPOs) have demonstrated their potential to trigger cluster-based farming, bringing in economies of scale in input management facilitating agri-extension, enabling technology adoption, providing quality assurance and helping farmers market their produce.

It is also known as **farmers' producer company (FPC)**, is an entity formed by primary producers including farmers, milk producers, fishermen, weavers, rural artisans, and craftsmen.

FPOs are basically the hybrids of cooperatives and private companies.

The participation, organisation and membership pattern of these companies are more or less similar to the cooperatives.

But their day-to-day functioning and business models resemble those of the professionally-run private companies.

## Governments supporting FPOs in UP:

The Centre aims to form 10,000 FPOs. In Uttar Pradesh (UP), the goal is to establish one FPO in each of its 826 blocks every year for five years.

UP has a **dedicated FPO cell** to guide these organizations, ensuring scheme convergence and addressing compliance.

**FPO Shakti Portal** was launched in UP, it's a **platform for FPOs** offering grievance redressal and business partnership opportunities. As of July 15, 1,600 FPOs with a turnover of Rs 229 crore have registered.

The Agriculture Infrastructure Fund provides FPOs with a 3% interest subvention. UP adds another 3%, cutting loan interest to around 3%.

Both Central and state-sponsored schemes **offer capital subsidies**, encouraging post-harvest infrastructure development.

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## **How do FPOs in Uttar Pradesh (UP) help small farmers?**

FPOs are groups of farmers collaborating to **maximize collective resources and expertise**.

FPOs are **driving diversification**, with 1,316 involved in cereals, 378 in horticulture, and others focusing on different crops.

100 FPOs have set up **seed processing units**, with many selling seeds in the open market or partnering with seed corporations.

Over 480 FPOs have **created Farm Machinery Banks**, renting out equipment at reasonable rates.

**Innovative Farming techniques** like direct seeding of rice are introduced via FPOs. An FPO also promotes farming special rice in Siddharthnagar.

FPOs have facilitated deals, like the 200 MoUs between 68 FPOs and 37 companies, boosting market linkages for small farmers.

## **What innovations do FPOs bring?**

**Specialized Farming:** An FPO led the initiative to farm special **Kalanamak rice** in Siddharthnagar district.

FPOs are **enhancing local diets by developing the value chain of nutrient-rich agri-products** like millets, mushrooms, moringa, and fortified cereals.

In Rampur, an FPO collaborated with district administration for the “**Aahaar Se Upchar Tak**” campaign, supplying nutrition-rich products to anganwadi kendras, enhancing local nutrition.

FPOs have successfully registered local products **under Geographical Indications**, such as Adam Chini rice and Banarasi langda.

In the past two years, **Eastern UP has emerged as a hub of vegetable and fruit exports**. Progressive farmers have associated with FPOs of the region and become agents of change.

## **Implementing Agencies for FPOs:**

The following three implementing Agencies will form and promote Farmer Producer Organizations

Small Farmers Agri-business Consortium (SFAC)

National Cooperative Development Corporation (NCDC)

National Bank for Agriculture and Rural Development (NABARD)

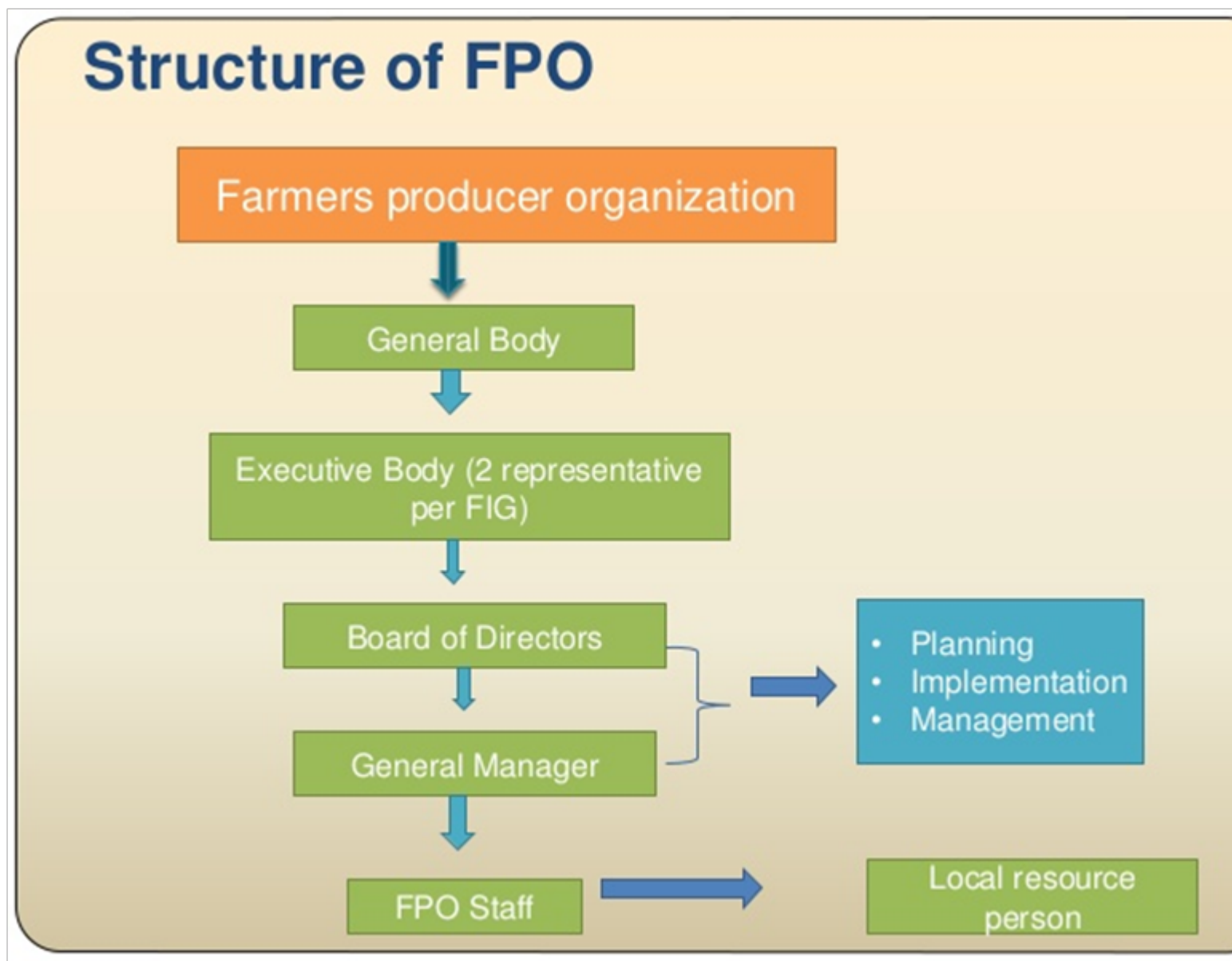
## **Need for and significance of FPOs:**

Nearly **75% of farmers are small and marginal** with average land holdings in the country being less than 1 hectares.

These small, marginal and landless farmers **face tremendous challenges** during agriculture production phase such as for access to technology, quality seed, fertilizers and pesticides including requisite finances.

They also face tremendous challenges in marketing their produce due to **lack of economic strength**.

FPOs **help in the collectivization of such small, marginal and landless farmers** in order to give them the collective strength to deal with such issues.



### Features of FPO:

The FPOs are **voluntary organizations controlled by farmer-members** who actively participate in making decisions and setting policies.

The FPOs are **open to persons who are willing to accept the responsibilities of membership** without social, gender, political, racial, or religious discrimination.

The FPOs **provide training and education for their farmer-members**, managers, elected representatives, and employees to contribute to the FPOs development effectively.

The FPOs are **promoted and formed through the Cluster-Based Business Organisations (CBBO)** and engaged at the cluster or state level by implementing the agencies.

The FPOs are **promoted under the 'One District One Product'** to encourage better branding and specialisation, processing, marketing, and exports by the FPO.

The FPOs **provide hand-holding, adequate training**, and the CBBOs give the initial training.

**Priority is given for the FPO formation in aspirational districts**, with a minimum of one FPO in every block of the aspirational districts.

### **Benefits to farmers:**

As a cohesive group, farmers as members of the FPO will have **better bargaining power** which can be leveraged to buy or sell commodities at competitive prices.

**Aggregation of agricultural produce** for better marketing opportunities. Trading in bulk saves farmers on associated expenditures like processing, storage, transportation etc.

FPOs **may take up activities for value addition** like sorting/grading, packaging, basic processing etc. which fetch a higher price for the farmers' produce.

FPO formation **facilitates utilization of pre and post harvest infrastructure** like green houses, mechanized farming, cold storage, agri-processing etc.

FPO can **expand its business activities** by opening input stores, custom centres etc. through which its member farmers can get subsidised inputs and services.

### **Challenges faced by FPOs:**

**Liability of newness** – New ventures have high probability to fail since they have to battle multiple problems at a time.

**Lack of distinctiveness** - With no novelty to offer, it is often challenging for FPOs to compete in the market.

FPOs need to **derive support from different group of stakeholders** (farmer, government, buyers, NGOs etc) which is crucial to understand their expectations.

**Lack of clarity on the market category** - FPOs may fail to meet the demand of buyers in terms of quantity requirement leading to a weak inter-organisational relationship.

FPOs, often in a hurry, would make unrealistic promises to members to increase their membership which could lead to mismatch in expectations.

**Multiple thresholds for success** – Measuring the success of FPOs varies according to the stakeholder

Farmer may look at receiving timely credit from the FPO as the vital indicator for success while corporate buyer may look upon the quality of the product.

### **Way Forward:**

Issues such as working capital, marketing, infrastructure have to be addressed while scaling up FPOs.

**Getting credit is the biggest problem.** Banks must have structured products for lending to FPOs. These organizations lack professional management and, therefore, need capacity building.

They have to be linked with input companies, technical service providers, marketing/processing companies, retailers

They **need a lot of data on markets and prices and other information and competency** in information technology.

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FPOs can be used to **augment the size of the land by focusing on grouping contiguous tracts of land** as far as possible — they should not be a mere grouping of individuals.

**Women farmers also can be encouraged** to group cultivate for getting better returns. FPOs can also encourage consolidation of holdings.

In order to build a sustainable FPO, favorable ecosystem is needed besides certain policy reforms particularly in the agricultural marketing systems.

### **Conclusion:**

To conclude, FPO seems to be an important institutional mechanism to organize small and marginal farmers. Aggregation can overcome the constraint of small size.

The real hope is in farmer producer organizations (FPOs) that allow members to negotiate as a group and can help small farmers in both input and output markets.

The FPOs have to be encouraged by policy makers and other stakeholders apart from scaling up throughout the country to benefit particularly the small holders.