Draft National Policy on FPO

Why in news?

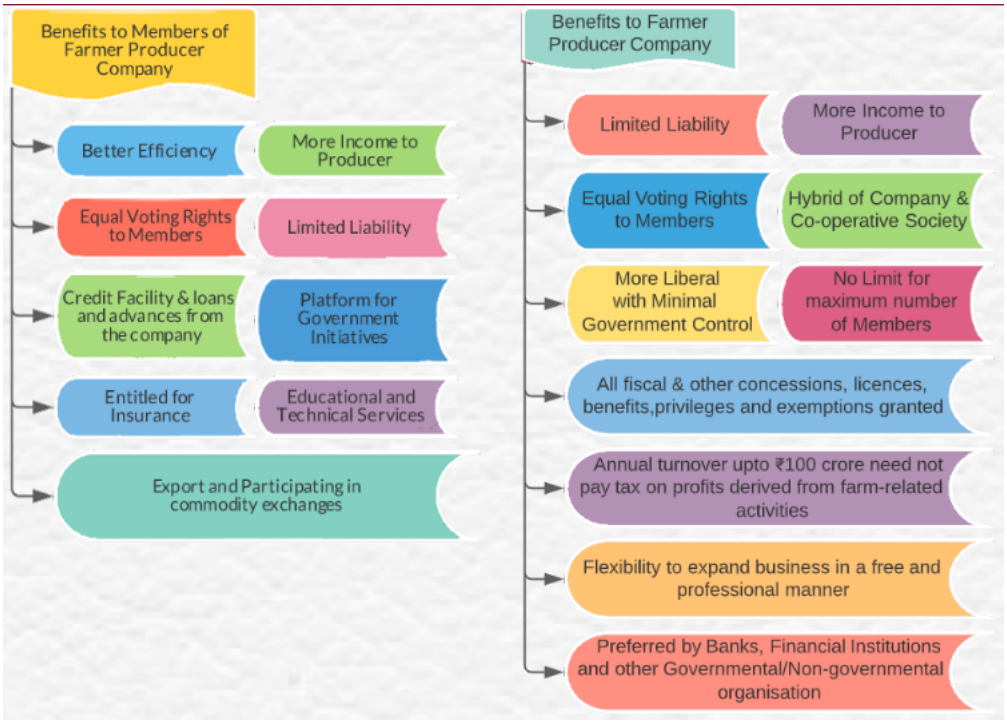
The Department of Agriculture & Farmers' Welfare (DAFW) has published a draft of a National Policy for Farmer Producer Organizations or FPOs.

What is Farmer Producer Organisation?

- **Farmer producer** – It means a person individually, with or without land ownership, engaged in agriculture or producing fisheries & animal husbandry and their products.
- **FPO** – Farmer Producer Organisation is a generic name of collective of farmer-producers, owned, managed and governed by themselves.
- They are incorporated /registered as legal entity under Companies Act, 2013 or Cooperative Societies Act or any other law for the time being in force permitted for their incorporation /registration.

> ***Y K Alagh committee*** *suggested amending the Companies Act of 1956 to allow formation of farmer producer companies (FPCs), which combine the ideals of cooperatives with the more business-friendly regulatory framework of company law.*

- FPOs allow farmers and producers to sell, trade, market and distribute their produce together, eliminating middlemen.
- **Characteristics** - It deals with the pre-production, production and post-production activities of agriculture and allied activities.
- It deals with multiple products and services that are required by farmers specifically small and marginal producers.
- Small Farmers' Agribusiness Consortium (SFAC) is providing support for promotion of FPOs.



Currently, the country has over 7,000 functional FPOs, with many being established in recent years under the Central scheme to promote and form 10,000 FPOs.

To know more about Farmer Producer Organisation, Click here

What is draft National policy on FPO?

- **Need** – For creating a facilitative ecosystem for *consolidation of existing potential FPOs* and formation of new FPOs to transform them into a functional and vibrant enterprise.
- **Vision** – To *build a prosperous and sustainable ecosystem* for development of agriculture and allied sector/activities.
- To enable farmer-producers and agrarian community to *enhance productivity and realize higher returns* through collective action facilitated by the government and fruitful collaboration with other stakeholders.
- **Mission** – To create an FPO ecosystem wherein a *minimum of 7-8 active primary level FPOs* in each block are formed /consolidated ***in next five years***, which may number roughly 50,000.
- **Guiding Values for sustaining FPOs** – *Voluntary mobilization* of farmer-members based on common socio-economic interest *without any discrimination*.
- **Significance** – It would *directly benefit 2.50 crore farmers* (17% operational holdings as per agriculture census, 2015-16)

What are the highlights of draft National Policy on FPO?

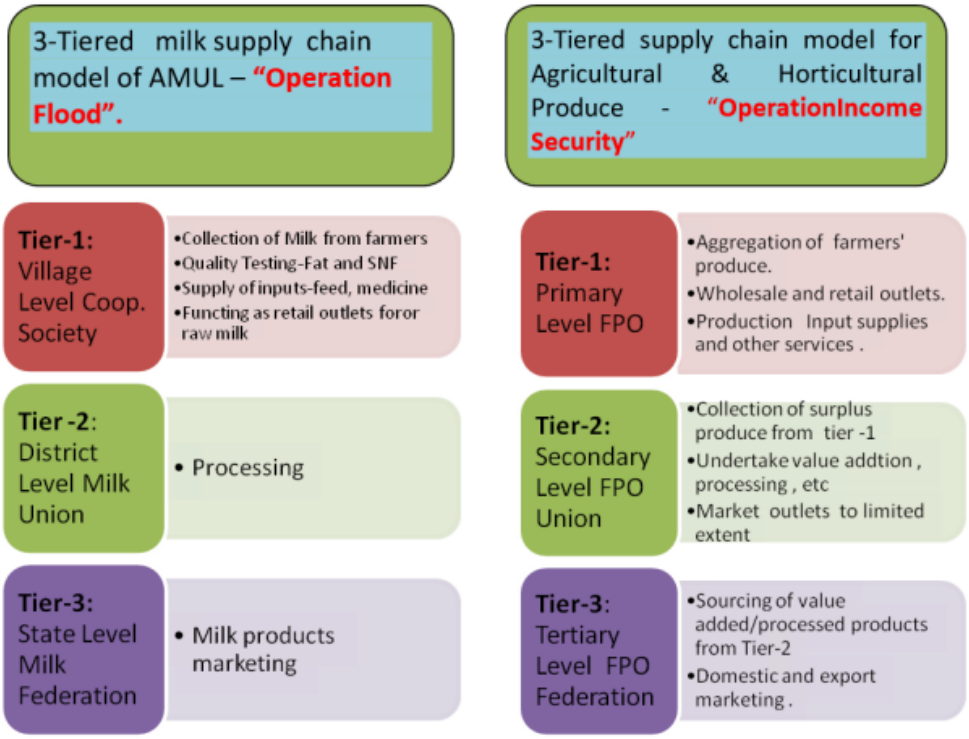
- **State-level FPO policies** – It suggests that states should have their own FPO policy.
- It calls to formulate such policies in states where they are not already in place, in line

with the national policy.

- **Inter-ministerial collaboration** – It calls for the agriculture ministry to engage with ministries and departments concerned to simplify the incorporation process of FPOs.

Ministry of Agriculture and farmers Welfare is the central nodal department (CND) for all FPOs.

- **Access to cheaper loans** - The policy urges the farm ministry to collaborate with the finance ministry to provide cheaper institutional loans.
- It advocates a special sub-set within primary sector lending norms of banks to make lending to FPOs easier.
- **Three-tier Amul-like model** - It advocates for a three-tier Amul-like model for Farmer Producer Organisations (FPOs).



- **Establishment target for FPOs** - The target is to establish *50,000 FPOs over the next few years*.
- **Assessment of FPO schemes** - There is a call for an assessment of all schemes to promote FPOs, including one focused on setting up 10,000 FPOs.
- **Procurement** – Enabling FPOs to undertake procurement at Minimum Support Price (MSP) and be exempt from stock limits.
- **Authority and integration of FPO mandis** - Enable FPO mandis to grant trading licenses and integrate with eNAM and ONDC platforms.
- **Attracting top talent to FPOs** - Develop a scheme to attract and retain highly qualified CEOs and managers in FPOs.
- **Increase in farm productivity** - Studies indicate an 18.75 to 31.75% increase in farm productivity among member farmers associated with FPOs.

References

1. Business Standard| New policy for FPO consolidation
2. Ministry of Agriculture| National Policy on FPO

