Farmer Producer Organisation (FPO)

What is the news about?

The government's 10,000 Farmer Producer Organisation scheme has given a major thrust to the FPO movement from corporates to public service organisations.

What is an FPO?

- Farmers' Producer Organisation (FPO), also known as farmers' producer company (FPC), is an entity formed by primary producers including farmers, milk producers, fishermen, weavers, rural artisans, and craftsmen.
- An FPO can be a Producer Company, a Cooperative Society or any other legal form.
- 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.
- The **Companies Act** was amended by incorporating Section-IX A in it to allow creation and registration of FPOs under it.

Why are FPOs significant?

- Better income for producers
- Producers enjoy better bargaining power
- Better equipped to facilitate value-addition of the farm produce
- Doubling of export by 2022
- Facilitate small and marginal farmers with access to improved technology, credit, better input and more markets

What are the 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.**

· **Audience diversity - 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 be 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.**

How can the issues be addressed?

· **Collectives must do the requisite homework on issues such as modalities of the conduct of boards meetings, technical expertise for better procurement, identifying potential buyers, etc.**

· **Focus on multiple stakeholders including farmers , buyers and regulators can accommodate audience diversity.**

· **Need informational clarity regarding the process and market conditions.**

· **Collective effort of all stakeholders is crucial for the success of an FPO.**

Source : The Hindu Businessline

Quick Facts

Formation and Promotion of 10,000 new FPOs Scheme

- Launched by Ministry of Agriculture & Farmers Welfare
- Central Sector Scheme with an outlay of Rs. 6865 crore
- Implementing Agencies – Nine agencies including NABARD, SFAC, NAFED, etc.
- Support will be provided to each FPO for a period of 5 years
- FPOs will be provided financial assistance upto Rs 18 lakh per FPO for a period of 3 years
- A credit guarantee facility upto Rs. 2 crore of project loan per FPO can be availed
- Training & skill development modules have been developed to further strengthen the FPOs
- At district level, a District Level Monitoring Committee (D-MC) is constituted for overall coordination & monitoring
- At National level, National Project Management Agency (NPMA) has been engaged for providing overall project guidance and coordination