Farmer Producer Organisation (FPO)

Why in news?

The role of Farmer Producer Organisation (FPO) as engines of agri innovation has made the Eastern Uttar Pradesh a hub of vegetable and fruit exports.

What is FPOs?

- An FPO is a legal entity that is *owned and managed by farmers*, including cultivators, dairy producers, fishers, plantation owners, and others engaged in primary production in the agriculture sector.
- FPO is a generic name, which includes farmer producers' organization incorporated for the purpose of *leveraging collectives through economies of scale* in production and marketing of agricultural and allied sector.
- They are incorporated/registered either under
    - Part IXA of Companies Act or
    - Co-operative Societies Act of the concerned States

Sahyadri Farms is India's largest farmer producer company with over 8,000 farmer shareholders.

Lokhit Bahuuddeshiya Krishi Producer Company is a women-led FPO that cultivates organic cotton and sells it to global brands.

Activities involved

- Supply *quality production inputs* like seed, fertilizer, pesticides and such other inputs at reasonably lower wholesale rates.
- Make available *need based machinery* on custom hiring basis for members to reduce the per unit production cost.
- Undertake *higher income generating activities* like seed production, bee keeping, mushroom cultivation etc.
- Undertake aggregation of smaller lots of farmer-members' produce; add value to make them more marketable.
- Facilitate *market information* about the produce for judicious decision in production and marketing.
- Facilitate *logistics services* such as storage, transportation, loading/un-loading etc. on shared cost basis.
- Market the aggregated produce with *better negotiation* strength to the buyers offering better and *remunerative prices.*

What are the advantages of FPO?

- **Economics of aggregation**- They can provide low-cost and quality inputs to member farmers.
- **Social capital**- They will increase women participation in agriculture and reduce social conflicts and improved food and nutritional values in the commodity.
- **Better price discovery**- They can increase the income of farmers by selling their produce collectively and negotiating better prices with buyers or government agencies.
- **Bargaining power**- FPOs can help farmers compete with large corporate enterprises in bargaining as it allows members to negotiate as a group.
- **Capacity building**- They can provide training and education to farmers on new technologies, best practices, and market opportunities.
- **Foster investment**- FPOs are also a type of Initial Public Offering, where a company offers its shares to the public for the first time.
- Investors may benefit from investing in FPOs because they are more familiar with the company, its performance, and its business practices.
- **Transparency**- It create a more transparent agri-market, and they need to be nurtured to their full potential.

What are the challenges faced by FPOs?

- **Fund deficit**- One of the biggest is raising the capital required to buy members' produce or for performing activities such as value addition.
- **Issue with cropping pattern**- If monoculture is the dominant practice, then it can take multiple procurement cycles to get more people to join the FPO.
- **Lack of skill**- It is difficult to attract and retain skilled professionals to take care of the administration other managerial responsibilities.
- **Non-profitable –** FPOs may become non-profitable due to poor inventory management, lack of skills for developing feasible business plans and managing the business.
- **Defunct FPOs**- There has been a sharp rise in the number of FPOs but a lot of them struggle to function, and many have gone defunct.
- **Governance-** Low capacity for governance is due to the low level of literacy among farmers, limited awareness on how to run an FPO, and lack of time.
- **Policy paralysis**- There are disparities regarding credit availability, the price at which fertilisers can be procured, and minimum support price (MSP) availability.

Steps taken by the Government to promote FPOs

• **Formation & promotion of new 10,000 FPOs** - It is a Central Sector Scheme launched in 2020 to provided financial assistance up to Rs 18 lakh per FPO for a period of 3 years
• **Honey FPO Programme**- Agriculture Ministry launched 5 FPOs for producing honey that would be set up with the help of National Agriculture Cooperative Marketing Federation of India (NAFED).
• **Agriculture Infrastructure Fund**- It will provide interest subvention of 3% for credit extended to develop post-harvest infrastructure to FPOs.
• **Deendayal Antyodaya Yojana- National Rural Livelihood Mission (DAY-NRLM)**- It promotes FPOs by mobilizing farmers, building market linkages through a value chain development approach for farm based livelihood is an important strategy being pursued.
• **Venture Capital Assistance program**- Launched by Small Farmer's Agri-Business Consortium (SFAC), it works for the betterment of farmer-entrepreneur to evolve their agri-based business.
• **Mission for Integrated Development of Horticulture (MIDH)-** It is a centrally sponsored scheme that aims to encourage the aggregation of farmers into groups such as FPOs to facilitate the economy of scale and scope.
• **FPO cell-** A dedicated FPO cell was launched by Ministry of Agriculture to meet the objectives of FPOs.
• **One Nation One District Product-** It is included in the "PM Formalisation of Micro food processing Enterprises (PMFME) Scheme" for providing financial, technical and business support for upgradation of existing micro food processing enterprises.

What lies ahead?

- FPOs can integrate resilient income and sustainable farming practices which will double the farmers income as recommended by *Ashok Dalwai committee.*
- FPOs need to scale capital and foster value addition which would improve agriculture, the lifeline of Indian economy.

References

1. Indian Express- FPO's are the agents of prosperity
2. PIB- Set up Farmer Producer Organisations

SHANKAR IAS PARLIAMENT
Information is Empowering