Farmer Producers Organisations - Small and Marginal Farmers

What is the issue?

- One of the reasons for agrarian distress is the declining average size of farm holdings.
- In this context, here is how farmer producer organisations (FPOs) could help deal with it.

How have farm holdings nature changed?

- The average farm size declined from 2.3 hectares (ha) in 1970-71 to 1.08 ha in 2015-16.
- The share of small and marginal farmers increased from 70% in 1980-81 to 86% in 2015-16.
- At the state level, the average size of farm holdings in 2015-16 ranged from 3.62 ha in Punjab, 2.73 in Rajasthan to 0.75 in Tamil Nadu, 0.73 in Uttar Pradesh, 0.39 in Bihar and 0.18 in Kerala.

What are FPOs?

- Small farmers face several challenges in getting access to inputs and marketing facilities.
- A group or collective is one of the main institutional mechanisms to help such marginal and small farmers.
- In the last decade, the Centre has encouraged farmer producer organisations (FPOs) to help farmers.
- The membership of an FPO ranges from 100 to over 1,000 farmers.
- Most of these farmers have small holdings.
- Aggregation helps them overcome the constraint of small size.
- Small farmers gain greater bargaining power through FPOs in relation to the purchase of inputs, obtaining credit and selling the produce.

What are the government measures in this regard?

- Since 2011, it has intensively promoted FPOs under the Small Farmers' Agri-Business Consortium (SFAC), NABARD, state governments and NGOs.
- The ongoing support for FPOs is mainly in the form of –

1. a grant of matching equity (cash infusion of up to Rs 10 lakh) to registered FPOs
2. a credit guarantee cover to lending institutions (maximum guarantee cover 85% of loans not exceeding Rs 100 lakh)

- India has 5,000 to 7,500 such entities as per different estimates.
- A majority of them are farmer producer companies.
- The budget for 2018-19 announced supporting measures for FPOs including a five-year tax exemption.
- The budget for 2019-20 talked of setting up 10,000 more FPOs in the next 5 years.

How have FPOs performed so far?

- Experience shows a mixed performance of FPOs in the last decade.
- Some estimates show that 30% of these are operating viably while 20% are struggling to survive.
- The remaining 50% are still in the initial phase of mobilisation and business planning.
- FPOs in Gujarat, Maharashtra, Madhya Pradesh, Rajasthan and some other states have shown encouraging results.
- They have been able to realise higher returns for their produce.

What are the concerns to be addressed?

- Studies of NABARD show that there are some important challenges for building sustainable FPOs.
- Some of these are -
  i. lack of technical skills
  ii. inadequate professional management
  iii. weak financials, inadequate access to credit
  iv. lack of risk mitigation mechanism
  v. inadequate access to market and infrastructure
- Some studies highlight the need for more than one lakh FPOs for a large country like India while currently there are less than 10,000.
- FPO seems to be an important institutional mechanism to organise small and marginal farmers.
- However, the fundamental problem of the small size of holdings giving only a limited income is not resolved.
- Incomes will rise because of the benefits flowing from FPOs.
- But they may not still be adequate to give a reasonable income to small and marginal farmers. That issue has to be handled separately.

What are the possible measures?

- The above issues such as working capital, marketing, infrastructure have to be addressed while scaling up FPOs.
- Getting credit is the biggest problem. Banks must thus have structured products for lending to FPOs.
- These organisations lack professional management and, therefore, need capacity building.
- Also, they have to be linked with input companies, technical service providers, marketing/processing companies, retailers etc.
- They need a lot of data on markets and prices and other information and competency in information technology.
- 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 can also be encouraged to group cultivate for getting better returns.
- FPOs can also encourage consolidation of holdings.

Source: The Indian Express

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