FPO and Circular Economy

Mains: *GS III- Marketing of agricultural produce and issues and related constraints, e-technology in the aid of farmers*

Why in News?

Recently, as climate change tightens its grip on Indian agriculture, Farmer Producer Organisations (FPOs) have become key to building resilient food systems by embracing circular economies rooted in local knowledge and regenerative practices.

What is Farmers' Producer Organisation (FPO)?

- **FPO –** A Farmers' Producer Organisation (FPO) is a ***legal entity*** formed *by primary producers* such as farmers, milk producers, fishermen, weavers, rural artisans, and craftsmen.
- It is also known as *a Farmers' Producer Company (FPC).*
- **Forms** – It can be a *producer company, a cooperative society* or any other legal form.
- It has combined feature of both co-operative and private companies.
- **Role –** It aims to help small landholder farmers achieve economies of scale and strengthening their bargaining power through collective action.
- **Working –** The participation, organisation and membership pattern of these companies are more or less similar to the cooperatives.
- Their daily operations and business models follow the approach of professionally managed private companies.

FPO's in India
• **Introduced –** The concept of FPOs launched in the early 2000s • **Measures –** The Government Launched a scheme to formation and promotion of 10,000 FPOs with allocating budget of 6865 crore. • 8,875 FPOs have been registered under this initiative. • **Regulation –** FPO incorporated/ registered under Part IXA of Companies Act or under Co-operative Societies Act of the concerned States.

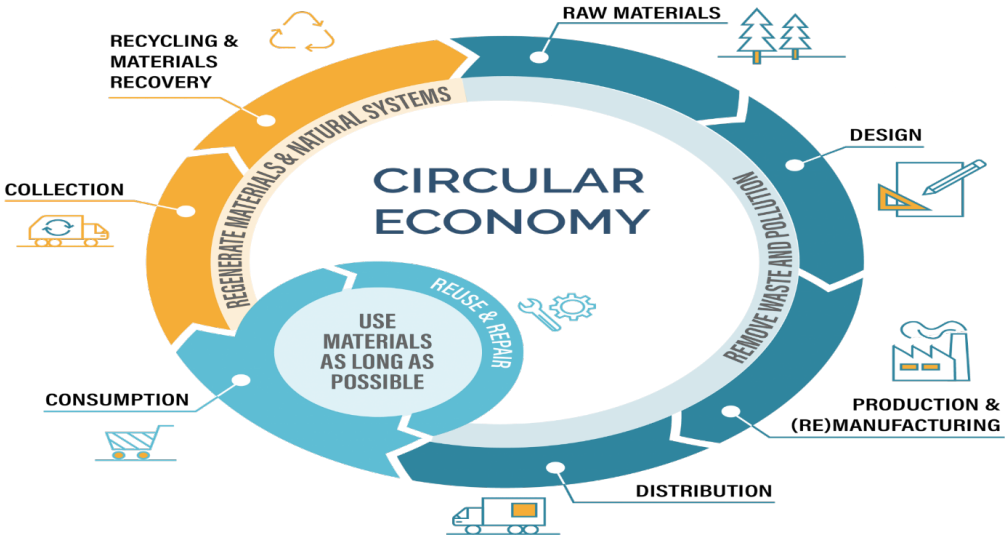
What are the issues with FPO?

- **Limited capacity –** Lack of Cold storage, and packaging facilities leads to rapid spoilage of produce, limits storage options, reduces profitability, and results in loss of potential value-added income.
- **Financial constraints – FPO's operate with limited budgets**
- **Lack of expertise – Limited expertise in branding, digital marketing, and consumer outreach.**

- **It making difficult for their products to compete with established brands—ultimately restricting sales and growth.**
- **Prioritising exports –** FPO focus on producing crops for distant urban or export markets rather than local consumption.
- It leads farmers become more prone to market instability and sudden price changes. Indigenous, sustainable crops are often overlooked in the process.
- **Policy issues –** FPOs are fixated on penetrating urban markets, attempting to sell their products far from their point of origin.
- This leads to challenges related to trust, branding, unfulfilled promises, poor marketing strategies and governance issues.

How circular economy can help FPO?

- **Circular economy –** *According to the World Economic Forum, a circular economy is "an industrial system that is restorative or regenerative by intention and design."*



- **Redefine FPOs –** It operates, balancing profitability with environmental stewardship and community well-being.
- **Promotes ecological health –** It emphasises production systems that cater to local consumption
- It reducing reliance on external inputs and markets, instead focusing on locally appropriate crops that conserve water, improve soil health and are resilient to climate variability
- **Reduce waste generation –** It promotes waste reduction and resource reuse in agriculture.
- Initiatives such as composting, resource-sharing among farmers and creating value-added products from surplus produce can greatly lower environmental impact.
- The promotion of indigenous crops can bolster biodiversity and strengthen resilience to climate change. Enabling policy measures such as the *Paramparagat Krishi Vikas Yojana* and the *National Mission for Natural Farming* are supporting these efforts.
- **Builds resilient business –** Local circular economies build viable and resilient enterprises.
- It significantly reduces the environmental footprint of food production, distribution and carbon emissions associated with long-distance food travel.

- **Focus on local markets** – It minimise the need for long-haul transport, thereby reducing emissions, packaging waste & spoilage.
- It leveraged to target local markets, shorten supply chains and promote direct farmer-consumer connections.
- It helps to reduces carbon footprints and regenerative agricultural practices.

The Paramparagat Krishi Vikas Yojana (PKVY), *launched in 2015 to supporting and promoting organic farming, in turn resulting in improvement of soil health.*

The National Mission on Natural Farming (NMNF) *launched as a shift to strengthen agriculture practices with scientifically backed approaches towards sustainability, climate resilience and safe food*

What lies ahead?

- FPOs can use circular economy practices by bringing together small farmers, helping reduce waste and improve efficiency through collective production.
- They could facilitate access to regional markets and promote recycling and reuse waste.
- FPOs may strengthen local economies and reduce reliance on global supply chains that are affected by climate change.
- They can also raise awareness among consumers about the importance of local and sustainable food.

Reference

Down to Earth | Farmers' Producer Organisation

Related News – Circular Economy | FPO Significant

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