# FPO Guidelines

## Why in news?

The Centre has come up with guidelines to handhold Farmer-Producer Organisations (FPOs).

## What is the status of FPOs in India?

- There are over 7,000 of FPOs already in existence.
- The growth of FPOs so far has been uneven in terms of size and regional concentration.
- 50% of the FPOs are located in just four States, including Maharashtra.
- Besides, only 14% of the FPOs have a paid-up capital of ₹10 lakh or more.
- 49% of the FPOs have a paid-up capital of ₹1 lakh or less.
- The FPOs are being visualised as an improvement over cooperatives.
- The cooperatives are riddled by misuse of funds and concentration of power in the hands of a few members.
- Not surprisingly, Maharashtra, as a leader in cooperatives, is an FPO leader as well.

## What are the Centre's guidelines?

- The Centre's guidelines came after the 2019-20 Budget's announcement to set up 10,000 new FPOs over five years.
- These guidelines emphasize on creating 'cluster-based business organisations', or a pool of managerial expertise for FPOs.
- As per the guidelines, an FPO should have at least 300 farmers as members, with at least half comprising of small and marginal farmers.
- The Centre has earmarked a credit requirement of ₹18 lakh and an equity grant of ₹15 lakh for each genuine FPO.
- The guidelines allow for a manager and accountant with a salary.
- By allowing this, the Centre has enabled the FPOs to draw up proposals that banks and formal entities require.
- This facility will boost the FPOs' negotiating power, save them from red-tapism and allow them access to bank credit.
- Now, FPOs are entirely dependent on Non-Banking Financial Companies (NBFCs), with their higher cost of capital.

## What would be the implications of shift to FPOs?

- The push for FPOs would **enhance the bargaining ability** of small and marginal farmers in both input and output markets.
- [Small and marginal farmers account for 86% of all farmers.]
- There would be political economy implications of a shift to FPO-driven farming.
- These implications would be immense, in regions with many small farmers, a sector where intermediaries control prices and credit.
- It could lead to better **realisation of output prices**.
- It could also lead to **control over input costs**.

## What is the way forward?

- Banks should offer short-term loans with rollover provisions, particularly in a time of economic downturn.
- A trained pool of local talent should be created to manage these FPOs on professional lines.
- There is huge scope for reaching capital and skills to the bottom of the FPO pyramid.
- However, those in positions of advantage should not usurp the funds.

**Source: Business Line**

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