Rise of “Farmer Producer Organisations”

What is the issue?

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- Farmer producer companies are growing by the day.
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- They can prove a vital interface between the farmers and markets and might help in reducing the dependence on MSP.
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Why FPCs?

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- Effective price realisation has eluded India’s farmers for long, despite increasing production levels and massive outputs (275 million tonnes in 2017).
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- This indicates that the fault might lies not in our production output, but our market ecosystem, which is highly regulated.
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- The recent re-jig for doubling farmers’ income has thrown light on the importance of sound market institutions for agriculture.
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- **Institutionalisation -** In this context, Farmer Producer Companies (FPC), a relatively new institutional architecture is gaining traction.
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- These are institutions that are both farmer-led and farmer owned and is fast becoming an effective interface between farmers and markets.
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- Many FPCs have been created under the Companies Act of 2002, and this has led to the mobilisation of over 2 million farmers under the umbrella.
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- Presently, over 3,000 FPCs have been registered and are supported by agencies like NABARD, Small Farmers Agribusiness Consortium (SFAC).
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- Many other resource institutions also support the initiatives to organise farmers arrange themselves into this new co-operative order.
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What is the modus operandi of FPCs?

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- The foremost requirement to set up a FPC is having a compelling business model, a process that is organically driven by local leadership from farmers.
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- FPCs are 'for-profit' enterprises fully owned by farmers, and they have successfully experimented with institutional and market led innovations.
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- They've also demonstrated a positive impact on price realisation, cost saving, and local employment and are of great support to small farmers.
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- Such institutions will help in facilitating farmers to own, greater parts of the agricultural value chain rather than just their farm produce.
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- These organisations are hence a crossover between market and a social function, and the collective is ultimately fairly independent of the state.
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- However, challenges in tackling forward markets and access to credit have been serious challenges for budding FPCs.
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- Nonetheless, many FPCs have been trading measurable quantities for hedging, which are contributing to 15-20% higher prices owing to lesser uncertainty.
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What are the key structural aspects of FPCs?

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- Despite its effectiveness FPCs are not an alternative to APMC due to their limited reach and scale.
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- Clearly, these institutions demand a specific kind of incubation support that facilitates collective businesses.
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- The nature of state support for viable FPCs is being deliberated on multiple forum — access to capital, organisational governance, and technical training.
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- While support from public corpuses is enough for starting an FPC, their long-term competitiveness depends on their ability to raise capital from markets.
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- Provisions for limited shares (up to 24%) to private entities will give FPCs access to private capital without compromising on collective ownership.
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- Further, these firms can integrate into the post-harvest segments of the value chain, and gain favourable economies of scale.
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- While the start-up culture is presently an urban phenomenon, through FPCs start-ups will move rural and help the village level entrepreneurial landscape.
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How does the future look?

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- FPCs as decentralised ventures can nucleate creation of new jobs at the intersection of agriculture and industry.
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- Such connectors for 'agro-industrialisation' counter the problem of local unemployment, at least in part.
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- Policy discourses around FPCs need to move away from being mere sub-sets of the existing Cooperative Societies and take up more comprehensive forms.
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Source: Business Line

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