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Farmer Producer Organization (FPO): Need of an Hour

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ABSTRACT

It is one type of PO where the members are farmers. Small Farmers' Agribusiness Consortium (SFAC) is providing support for promotion of FPOs. PO is a generic name for an organization of producers of any produce, e.g., agricultural, non-farm products, artisan products, etc. Small and marginal farmers in India have been vulnerable to risks in agricultural production. Several organizational prototypes are emerging to integrate them into the value chain with the objectives of enhancing incomes and reduction in transaction costs. One such alternative is Farmer Producer Organizations (FPOs). the potential of FPOs as collective institutions suggests that FPOs have the potential to provide benefits through effective collective action. The main challenge, however, is to raise sufficient capital that can maximize these benefits.

INTRODUCTION

Farmer organization is a group of farmers with special interests and concerns with developed structure, formal membership, status and functions for its members and with a set of byelaws and rules. Mobilizing farmers into groups of between 15-20 members at the village level (called Farmer Interest Groups or FIGs and building up their associations to an appropriate federating point i.e. Farmer Producer Organizations (FPOs). Farmers Producer organizations are groups of rural producers coming together based on the principle of membership, to pursue specific common interests of their members and developing technical and economic activities that benefit their members and maintaining relations with partners operating in their economic and institutional environment.

Meaning of FPO

A producer company is basically a body corporate registered as Producer Company under Companies Act, 1956. It covers following points:

- Production, harvesting, processing, procurement, grading, pooling, handling, marketing, selling, export of primary produce of the Members or import of goods or services for their benefit
- Rendering technical services, consultancy services, training, education, research and development and all other activities for the promotion of the interests of its Members

- Generation, transmission and distribution of power, revitalization of land and water resources, their use, conservation and communications related to primary produce
- Promoting mutual assistance, welfare measures, financial services, insurance of producers

Background

Small holders had a mean farm size of 0.5 hectare and that too in 5 to 10 small plots. The small holding size will not produce enough food to support the family. Such small holders constitute the vast majority of farmers in the developing countries including India. Because they are scattered individuals, they have little or no bargaining power or political influence in securing loans from scheduled banks and very few smallholder farmers carry crop insurance against natural calamities, etc. In addition, smallholders are especially vulnerable to climate change-aggravated weather events, like untimely rains (especially at harvest times), severe droughts and floods, hailstorms and pest infestations, any of which can wipe out their crops.

They also continue to suffer from market uncertainties as most agricultural policies (and institutional support) tend to favor large farmers and agricultural or food corporations, e.g., industrial. Those FPOs which are set up as FPCs enable their members to access financial and other inputs and services, including appropriate technologies for farming. The FPCs also organize collection, processing, storage and marketing of their members' produce in high-value markets at an optimal price. These actions by the FPCs have thus reduced transaction costs and allowed the FPCs to enter into a partnership with private and public sector companies for purposes of supplying farm produce on more equal terms. It (FPO) is one of the important initiatives taken by the Department of Agriculture and Cooperation of the Ministry of Agriculture to mainstream the idea of promoting and strengthening member-based institutions of farmers. As per the concept, farmers, who are the producers of agricultural products, can form groups and register themselves under the Indian Companies Act. These can be created both at State, cluster, and village levels. It is aimed at engaging the farmer companies to procure agricultural products and sell them. Supply of inputs such as seed, fertilizer and machinery, market linkages, training & networking and financial and technical advice are also among the major activities of FPO. The Small Farmers' Agribusiness Consortium (SFAC) has been nominated as a central procurement agency to undertake price support operations under Minimum Support Price (MSP) for pulses and oilseeds through the FPO's.

Management

No. of Directors should be 5 to 15 □ Directors should be appointed within 90 days of incorporation. A full time CEO appointed with substantial power of management. Share capital consists only Equity shares. Voting: Single vote for every member (Individual producer) on basis of participation (institution producer)

Features of FPO

It is formed by a group of producers for either farm or non-farm activities. It is a registered body and a legal entity. Producers are shareholders in the organization. It deals with business activities related to the primary produce/product. Common interest, It works for the benefit of the

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member producer. Both long and short term objectives and plan of action. Enrolment through membership fee. Democracy through regular elections. Capacity of the organization should be strong to ensure its long term stability and sustainability. Linkages and network with other Farmer Producer Organizations. Committed leadership. A part of the profit is shared amongst the producers, rest of the surplus is added to its owned funds for business expansion

Need of FPO

The main aim of PO is to ensure better income for the producers through an organization of their own. Small producers do not have the volume individually (both inputs and produce) to get the benefit of economies of scale. Besides, in agricultural marketing, there is a long chain of intermediaries who very often work non-transparently leading to the situation where the producer receives only a small part of the value that the ultimate consumer pays. Through aggregation, the primary producers can avail the benefit of economies of scale. They will also have better bargaining power vis-à-vis the bulk buyers of produce and bulk suppliers of inputs.

Importance of FPO

- Collective inputs purchase
- Collective marketing
- Processing
- Increasing productivity through better inputs
- Increasing knowledge of farmers
- Ensuring quality
- Marketing assistance
- Technical services
- Saving and credit
- Local development

Steps in establishing FPO

- Understanding the village community
- Identifying potential leaders in the community
- Talking to the identified leaders and seeking cooperation from other agencies
- Helping local leaders to call community meetings
- Nominating core group leaders to develop the FPO
- Developing an organizational structure for the FPO & Developing the FPO's management through education and action learning
- Gearing up for action
- Implementing selected projects
- Monitoring and Evaluating the FPO's progress

Who provides support to FPO

There are many organization who supports FPO's. They supports FPO financially and technically for the promotion and handholding of FPO. NABARD, SFAC, Govt departments, Corporates, Domestic and international Aid agencies, NGOs. Services provided by FPO Financial services Input- supply services Marketing services Technical services Networking services

Types of FPO's

Community based, resource oriented farmer producer organization. Commodity based, market oriented farmer producer organization.

CONCLUSION

As majority of the marginal and small farmers are facing a great suppression by the middle men/ commission agents for remunerative price and profitable income, FPO could be an ultimate solution to the problem. More and more contribution from the promoting institutions is of utmost need for education, business planning and market linkage with various national and international companies. A support from the policy makers in running the FPO will be a great boon to the farming community. The farmers must encourage their children to involve more in agriculture to induce a loving spirit and passion for agriculture.

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