

Role of farmer producer organization in agriculture

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Farmer Producer Organizations (FPOs) play a crucial role in empowering small and marginal farmers by facilitating collective access to markets, financial resources, and technology. This study explores the concept, objectives, types, and current status of FPOs in India, with a specific focus on the North Eastern Region (NER). Government initiatives, including financial and policy support, have contributed to the expansion of FPOs, however several challenges persist, such as inadequate infrastructure, limited financial resources, and weak market linkages. This study highlights the impact of FPOs in improving farmers' incomes, promoting sustainable agricultural practices, and enhancing rural livelihoods. Key strategies for strengthening FPOs include improved financial assistance, infrastructure development, market integration, and capacity-building initiatives. These findings suggest that a collaborative approach involving government agencies, financial institutions, and private stakeholders is essential for ensuring the long-term sustainability of FPOs and fostering economic resilience among farmers.

Keywords: Agricultural cooperatives, Economic resilience, Farmer producer organization, Marginal farmers, Market linkage

A Producer Organisation (PO) is a legally recognized entity formed by primary producers, including farmers, milk producers, fishermen, weavers, rural artisans, and craftsmen. These organizations can adopt different legal structures such as producer companies, cooperative societies, and other frameworks designed to ensure equitable profit-sharing among members. In specific cases, institutions of primary producers can also become members of these organizations.

A Farmer Producer Organization (FPO) is a specialized type of PO exclusively comprising farmers. The Small Farmers' Agribusiness Consortium (SFAC) plays a pivotal role in promoting FPOs across India. Broadly, Producer Organizations (POs) can cater to a diverse range of goods, including agricultural products, non-farm items, and handicrafts.

Concept of FPO

The concept of Farmer FPOs was to enable farmers to collectively register as a company under the Indian Companies Act. The Department of Agriculture and Cooperation, under the Ministry of Agriculture, Government of India, has entrusted Small Farmers'

Agribusiness Consortium (SFAC) with the responsibility of facilitating FPO formation in coordination with state governments. The fundamental objectives of FPOs is to enhance farmers' competitiveness and enable them to leverage market opportunities more effectively. The key activities of FPOs include: 1) Provision of agricultural inputs such as seeds, fertilizers, and machinery, 2) Establishing market linkages, 3) Conducting training and capacity-building programmes, and 4) Offering financial and technical support.

Type of farmer producer organization

Producer Organizations (POs) serve the interests of producers by strengthening their ability to overcome production and marketing challenges. They can be formed around specific commodities (e.g. Maharashtra State Grapes Grower Association), activities like water management (e.g. Pani Panchayats), cooperatives (e.g. NDDB milk cooperatives), or producer companies (e.g. VANILCO). Farmer organizations take various forms, including interest groups, cooperatives, self-help groups, and federations, all bound by common interests, membership rules, and shared responsibilities.

Chamala (1990) classified them into two types: i) Community-based, resource-oriented organizations and ii) Commodity-based, market-oriented organizations.

Need for farmers producer organizations

Approximately 86% of Indian farmers belong to the small and marginal category, with an average landholding of less than 1.1 ha (Ministry of Agriculture and Farmers' Welfare 2021). These farmers, including landless ones, encounter multiple challenges such as: 1) Limited access to technology, quality seeds, fertilizers, and pesticides, 2) Insufficient financial resources, and 3) Difficulty in marketing agricultural produce due to low bargaining power.

FPOs help small, marginal, and landless farmers overcome these issues by promoting collective decision-making and resource-sharing, leading to improved technology adoption, enhanced market access, and better financial security.

Objectives of FPOs

The objectives of FPOs as per the Ministry of Agriculture and Farmers' Welfare, are as follows:

- Formation of 10,000 new FPOs to establish a sustainable agrarian support system.
- Enhancing productivity through efficient resource utilization and market expansion.
- Providing financial and technical support to new FPOs for up to five years.
- Building entrepreneurial capacity to ensure the long-term sustainability of FPOs.

Global status of FPOs

Worldwide, FPOs play a crucial role in improving smallholder farmers' access to markets, technology, and financial services. The global landscape of FPOs presents two broad models:

- **Developed economies:** Well-established cooperative models with strong financial backing, advanced infrastructure, and extensive market integration.
- **Developing economies:** Emerging FPO networks facing challenges such as financial literacy gaps, inadequate infrastructure, and weak institutional support.

Key trends in global FPO development

- Digital transformation, enabling farmers to access e-commerce, online banking, and precision farming.
- Emphasis on sustainability, focusing on organic farming and climate-resilient agricultural practices.
- Increased governmental and institutional support, ensuring FPO sustainability through policy reforms and financial aid.

Current status of FPOs in India

FPOs primarily consist of farmer collectives, with approximately 70–80% of their members being small or marginal farmers. Currently, India has around 7,000 FPOs (including FPCs), established over the past 8–10 years through various initiatives by the Indian

government, state governments, NABARD, and SFAC. Of these, about 4,800 FPOs are registered as Farmer Producer Companies (FPCs) under NABARD and SFAC, while the rest operate as cooperatives or societies. Karnataka, Maharashtra, Madhya Pradesh, Telangana, and Uttar Pradesh together account for 40% of all registered FPOs, while Odisha, Tamil Nadu, West Bengal, Andhra Pradesh, Bihar, Gujarat, Rajasthan, and Jharkhand make up another 40%. Studies indicate that around 60% of registered FPOs have approximately 500 farmer shareholders, while 10–15% have over 1,000 members. Nearly half of the FPOs have an authorized capital of about ₹1 lakh.

Table 1. State-wise number of FPOs registered through respective agencies

No.	State/UTs	Number of FPOs registered by respective agencies			
		Small Farmers' Agri-Business Consortium (SFAC)	NABARD	FPOs registered by IAs under CSS for the formation and Promotion of 10,000 FPOs	Total
1	Andaman and Nicobar	0	3	0	3
2	Andhra Pradesh	16	295	88	399
3	Arunachal Pradesh	6	10	12	28
4	Assam	18	72	95	185
5	Bihar	38	217	101	356
6	Chhattisgarh	26	57	61	144
7	Delhi	4	1	0	5
8	Goa	2	2	1	5
9	Gujarat	25	190	140	355
10	Haryana	23	85	93	201
11	Himachal Pradesh	8	99	67	174
12	Jammu and Kashmir	2	23	64	89
13	Jharkhand	10	150	96	256
14	Karnataka	125	287	166	578
15	Kerala	0	134	36	170
16	Ladakh	0	0	3	3
17	Madhya Pradesh	149	254	147	550
18	Maharashtra	105	291	173	569
19	Manipur	8	12	16	36
20	Meghalaya	3	12	10	25

21	Mizoram	1	19	14	34
22	Nagaland	2	5	16	23
23	Odisha	41	241	165	447
24	Punjab	7	93	22	122
25	Puducherry	0	0	2	2
26	Rajasthan	50	166	135	351
27	Sikkim	30	8	2	40
28	Tamil Nadu	13	264	133	410
29	Telangana	26	335	99	460
30	Tripura	7	1	23	31
31	Uttarakhand	7	90	57	154
32	Uttar Pradesh	57	183	210	450
33	West Bengal	89	305	10	404
Total	All States andUTs	898	3904	2257	7059

Source: Press Information Bureau 2022

FPOs in north eastern region of India

FPOs in the North Eastern Region (NER) have emerged as a significant model for agricultural empowerment. Government schemes like Rashtriya Krishi Vikas Yojana and Formation and Promotion of Farmer Producer Organizations Scheme provide essential support for FPO development. FPOs in the NER play a crucial role in empowering small and marginal farmers by improving access to markets, financial resources, and technology. However, the region faces unique challenges that hinder the growth and sustainability of FPOs (Advancing North East 2025).

The north eastern region (Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura) has a total of 402 registered FPOs, with 348 registered as Farmer Producer Companies (FPCs) with the Ministry of Corporate Affairs. Assam has the highest number of FPOs among the northeastern states.

State-wise status of FPOs in north eastern region of India

Assam: The highest number of FPOs in the NER region. Many are involved in tea, horticulture, and organic farming.

Arunachal Pradesh: Growing interest of FPOs, mainly in organic crops like large cardamom.

Manipur: FPOs focus on paddy, fishery, and handloom-based products.

Meghalaya: Several FPOs, especially in spices (ginger, turmeric, black pepper), dairy, and horticulture.

Mizoram: Agro-based FPOs involved in broom grass, fruits, and organic farming.

Nagaland: FPOs working on Naga chilli, bamboo,

and livestock.

Sikkim: The organic farming hub of India, with FPOs playing a key role in marketing organic products.

Tripura: Focus on rubber, pineapple, and fisheries.

Government initiatives for FPOs in the north eastern region

Central government schemes:

- **Formation and Promotion of 10,000 FPOs:** This central sector scheme aims to set up and strengthen 10,000 FPOs by 2023–24, with support extended till 2027–28.
- **NABARD's FPO Support Programme** provides financial and technical assistance.
- **Small Farmers Agribusiness Consortium (SFAC)** helps in market linkages, financial grants, and business development.
- **Rashtriya Krishi Vikas Yojana (RKVY)** focuses on value chain development.
- **Operation Greens** supports FPOs in developing value chains for tomato, onion, and potato.
- **Pradhan Mantri Formalization of Micro Food Processing Enterprises (PMFME)** encourages processing and branding for FPOs.

State-Specific initiatives:

- **Meghalaya:** Has Mission Organic Meghalaya, supporting FPOs involved in organic farming.
- **Nagaland:** Runs a dedicated FPO Promotion Programme under the state's Agri and Allied Sector.
- **Sikkim:** Recognized as the first 100% organic state, Sikkim promotes FPOs for organic production and marketing.
- **Tripura:** Supports FPOs involved in rubber-based industries and horticulture.
- **Assam:** Assam Agribusiness and Rural Transformation Project (APART) works on FPO strengthening.

Key challenges faced by FPOs in north eastern region of India

Financial and institutional challenges:

- **Low paid-up capital:** Many FPOs lack sufficient funds, making them ineligible for government grants.
- **Limited credit access:** Banks are hesitant to lend to FPOs due to weak business models.

Market linkage issues:

- **Poor infrastructure:** Lack of storage, processing, and transport facilities increases post-harvest losses.
- **Limited market access:** FPOs struggle to connect with national and international buyers.

Organizational and operational challenges:

- **Weak business planning:** Many FPOs lack expertise in financial management and business strategy.
- **Limited participation:** Farmers often lack awareness and trust in FPOs.

Geographic and logistic issues:

- **Difficult terrain:** Hilly and remote areas increase logistics costs.
- **Lack of connectivity:** Transporting goods to markets is costly and time-consuming.

Impact of FPOs in the north eastern region

- **Better price realization:** Farmers in FPOs get 15–30% higher prices compared to individual selling.
- **Market expansion:** FPOs have started linking with online platforms like e-NAM.
- **Women empowerment:** Women-led FPOs are growing, especially in Manipur and Meghalaya.
- **Organic farming promotion:** States like Sikkim and Meghalaya have benefited from organic FPO models.
- **Value addition and processing:** Some FPOs are moving towards processing ginger, turmeric, and tea.

Strategies for strengthening FPOs in north eastern region

Enhance financial support:

- Provide higher equity grants for Northeast-based FPOs.
- Set up dedicated credit schemes for FPOs in hilly regions.

Strengthen market linkages:

- Connect FPOs with e-commerce platforms for direct sales.
- Promote contract farming with corporate buyers.

Develop infrastructure:

- Invest in cold storage, processing centers, and transportation facilities.
- Encourage public-private partnerships (PPP) for agri-logistics.

Capacity building:

- Conduct training on business planning and governance.
- Create a state-level support body for FPO handholding.

Leverage technology:

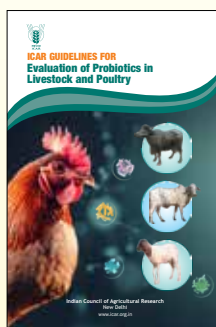
- Use digital platforms for market intelligence and farm advisory.
- Explore block chain for traceability of organic products.

SUMMARY

FPOs have the potential to revolutionize Indian agriculture, especially for smallholder farmers in north eastern region of India. By addressing challenges such as limited market access, infrastructure gaps, and financial literacy, FPOs can enhance rural livelihoods and strengthen the agrarian economy. For north eastern region of India, well suited policies, skill development initiatives, and region-specific interventions are crucial for unlocking the full potential of FPOs. Government support, financial inclusion, and modern technological integration can transform FPOs into sustainable economic drivers. A collaborative approach involving government agencies, financial institutions, and private sector stakeholders will ensure the long-term success of FPOs, fostering resilience and self-sufficiency among farmers in the region.

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