

Challenges faced by Farmer Producer Organisations (FPOs) - A Review

D. A. Nithya Shree¹ and P. Vaishnavi²

Abstract

Farmer Producer Organizations (FPOs) provide small farmers with end-to-end support and services, including technical assistance, marketing, processing, and cultivation inputs. Small Farmers' Agribusiness Consortium is the nodal agency in India which promotes FPOs. A Farmer Producer Organization plays an important role in promoting and strengthening member-based institutions of farmers. The major goal is to provide producers with a higher income by forming their own organization. FPOs which are formed as Farmer Producer Companies (FPCs) allow members to access financial and other input services. To compete with other companies and competitors in the market, FPCs must be competent with other companies and competitors in the market, and they have a tremendous potential to capture future food retails not only in India but throughout the world. In this connection around 5000 FPOs have started functioning throughout the country; among these some are functioning effectively and some are not. In this regard, there is a need to find out the constraints faced by the FPOs in effective functioning. Keeping this in view an attempt has been made in this review based paper to highlight various constraints related to the growth, performance and challenges of FPOs along with strategies to make them more effective in the present context. The major constraints found based on the review are lack of sufficient finance, lack of proper government price policy, lack of awareness of credit facilities, lack of connection with financial organizations and lack of proper market information.

Keywords: Agriculture, SFAC, FPCs, Market, Finance, Farmers

¹ Professor and Programme Officer, KCRS, UAS, Dharwad.

² Research Scholar, Department of Agricultural Extension Education, UAS, Dharwad
Corresponding Author E-mail:- nityashreeda@uasd.in

Introduction

Following the recommendations of the Alagh Committee (1999), which was set up with a mandate to frame a legislation that would 'accommodate the spirit of a cooperative with the operational flexibility of a private company,' Farmer Producer Companies (FPCs) have emerged as an alternative to state-sponsored or state-led cooperatives since 2003. Guidelines for the spread of FPOs were formulated in 2013 from a dynamic phase of a nationwide pilot through the Small Farmers' Agribusiness Consortium (SFAC) under the Ministry of Agriculture. Since 2014, through the NABARD managed Producers' Organisation Development and Upliftment Corpus (PRODUCE Fund of INR 200 crore), many FPOs have been promoted across the country. Another thrust came through other schemes and agencies such as the Rural Livelihood Mission (supported by World Bank) and state-specific policies as well as donor and CSR funds. FPO is an organization, where the members are farmers themselves. It gives small farmers end-to-end support and services, including technical assistance, marketing, processing, and other areas of cultivation inputs. The main objective of an FPO is to ensure better income for the producers through an organized system of their own. Farmers will benefit from the development of FPOs because they will be able to pool their resources for better access to quality input and technology. The farmers will also avail better credit and better marketing access through economies of scale for better realization of income.

Aim and Objectives

As perceived by Formation and Promotion of 10,000 FPOs Scheme Operational Guidelines:

1. To provide holistic and broad-based supportive ecosystem to form new 10,000 FPOs to facilitate development of vibrant and sustainable income oriented farming and for overall socio-economic development and wellbeing of agrarian communities.
2. To enhance productivity through efficient, cost-effective and sustainable resource use and realize higher returns through better

liquidity and market linkages for their produce and become sustainable through collective action.

3. To provide handholding and support to new FPOs up to 5 years from the year of creation, in all aspects of management of FPO, inputs, production, processing and value addition, market linkages, credit linkages and use of technology etc.
4. To provide effective capacity building to FPOs to develop agriculture entrepreneurship skills to become economically viable and self-sustaining beyond the period of support from the government.

The Government of India has approved and launched the Central Sector Scheme of "Formation and Promotion of 10,000 Farmer Producer Organizations (FPOs)", to form and promote 10,000 new FPOs till 2027-28 with a total budgetary outlay of Rs.6865 Cr. (Ministry of Agriculture and Farmers Welfare MAFW, 2021). Under the scheme, the formation and promotion of FPO are based on the Produce Cluster Area approach and specialized commodity-based approach. While adopting a cluster-based approach, the formation of FPOs will be focused on "One District One Product" for development of product specialization.

Need for FPOs

The main aim of the Farmer Producer Organization is to ensure a better income for the producers through an organization of their own. Small producers do not have the volume individually to get the benefit of economies of scale. In agricultural marketing, there is a chain of intermediaries, who often work non-transparently leading to the situation, where the producer receives only a small part of the value, which the ultimate consumer pays. This will be eliminated through accumulation as the primary producers can avail the benefit of the economies of scale. Farmer Producers have better bargaining power in the form of bulk buyers of produce and bulk suppliers of inputs (Kanika M, 2021).

Methodology

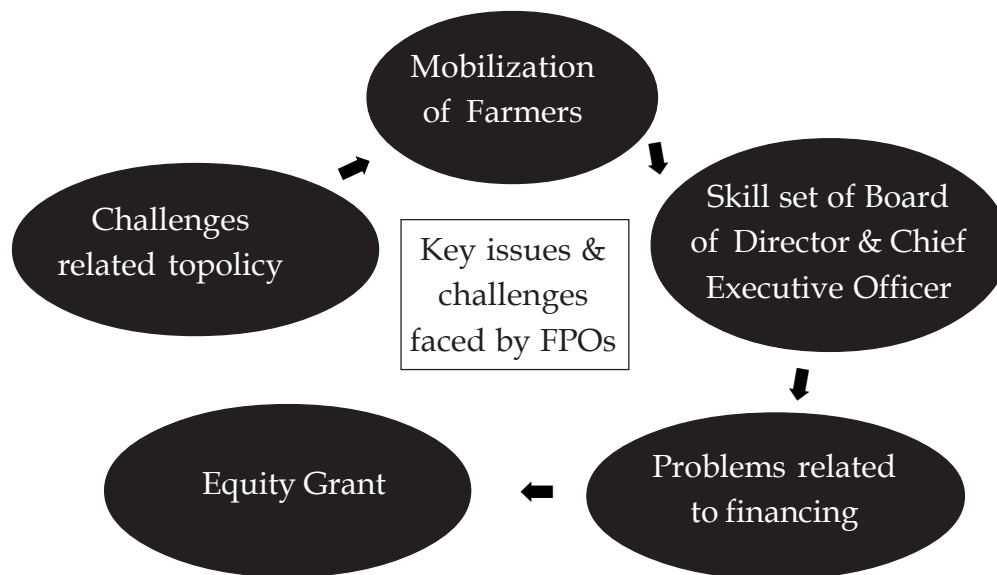
The paper is based on a review of research articles published in peer-reviewed journals and reports of organizations involved in establishing FPOs. From the internet, 20 articles related to FPOs were found, and from those, finally eight articles that discussed about constraints faced by FPOs in their functioning were considered for the study. The majority of the articles considered for this study were based on the primary data collected by the members of FPOs. After reviewing these eight articles the major findings from those articles were analysed and conclusions were drawn.

Review of Articles

Verma et al (2021) conducted a study on Constraints perceived by the members and non-members towards the functioning of FPO-AKPCL in Kannauj District of Uttar Pradesh. A total of 20 members and 40 non-member farmers were randomly sampled in the functional area of FPO-AKPCL to delineate the constraints faced by them. The results revealed that inadequate storage facilities, shortage of transportation facilities, lack of grading and packaging skills, rivalry among members to achieve key positions in the organization, and challenging each other for key positions in the group were the significant constraints faced by the member farmers.

According to Chauhan et al (2021), the constraints associated with the functioning of Farmer Producer Organisations (FPOs) were undeveloped storage facilities, undeveloped processing facilities, lack of computer knowledge due to which they are unable to derive benefits of the available ICT tools, lack of awareness about packaging, lack of labour available during harvesting, lack of sufficient finance, lack of skilled labour in harvesting, processing, fluctuation of price every year, lack of proper market information, involvement of middlemen and lack of proper infrastructure. The study was conducted in Cooch Bihar district of West Bengal by collecting primary data from 100 FPO members.

Bishnoi et al (2020) in their study on Challenges faced by FPOs & strategies to overcome revealed the constraints faced by FPO's as shown in this figure:



Chopade et al (2019) conducted a study on constraints faced by the members of Farmer Producer Company. The study was conducted in Osmanabad district of Maharashtra state. A total of 120 farmers were selected for this study. The results showed that 72.86 per cent of the respondents reported non-inclusion of local leaders in FPCs, 69.28 per cent of respondents reported lack of coordination for different group activities, 55.00 per cent reported lack of support from the government department after the establishment of FPCs. Forty per cent reported political affiliation of members, 30.71 per cent reported that banks are not very familiar with the concept of FPCs, these companies have limited access to banks, 21.43 per cent reported inadequate profit to individual members and 10.71 per cent of the respondents reported that village-level workers were not providing enough information about all schemes related to FPCs.

SFAC (2019) has reported in their Strategy Paper for promotion of 10,000 Farmer Producer Organisations (FPOs), that the challenges faced in the promotion of FPOs are, difficulty and delay in the mobilisation of farmers, limited organisational and management capacity of FPOs, need for incubation and handholding support to FPOs, membership base of an FPO,

policy level challenges, limited capability to autonomously invest in primary/ secondary processing, storage and custom hiring facilities, and inability of FPOs to access institutional credit sans collateral.

Prishila Kujur et al (2019) examined the different socio-economic impacts on members of FPO in the plains region of Chhattisgarh state, with 240 farmers. The study adopted a multistage sampling procedure. Poor professional management, shortage of working capital, inability to access loans from financial institutions, unawareness of producer-members, insufficient directions and vision from the Board of Directors and poor infrastructure facilities were major hurdles for better performance of Producer Organizations.

A study conducted by Navaneetham et al (2019) on Analysis of constraints for performance improvement of FPCs in Tamil Nadu revealed that capturing the market for selling the produce was the biggest constraint with a value of 0.93 followed by not able to raise funds from farmers with a value of 0.82. The third major constraint was the cumbersome process of registration by FPCs that ranked third (0.77) followed by no waiving of license fee and problem with obtaining bank loan with values 0.73 and 0.60 respectively.

Prabhakar et al (2012), in their study on Farmer Producer Company - An Innovative Farmers' Institution, revealed the challenges in financing producer company. These are need for a margin money contribution by the PC which they can not provide due to the unavailability of resources, problem to provide collateral security to loan; initially, PCs do not have any credentials for doing successful business which makes financial institutions uncomfortable for financing; government and other agencies are not treating PC on par with producer cooperatives: concessions, tax exemptions, subsidies and other benefits available to cooperatives, societies formed by the agri rural communities are not being extended to producer companies and hesitation from donors to deal with a for-profit entity.

Major Findings

Table 1. Overall Constraints faced by FPOs

S. No.	Statements	1	2	3	4	5	6	7	Total
1	Poor Professional Management	✓	✓	✓	✓	✓	✓	✓	7
2	Lack of sufficient finance	✓	✓	✓	✓	✓	✓	✓	7
3	Mobilization of farmers	✓	✓	✓	✓	✓	✓	✓	7
4	Lack of proper government price policy	✓	✓	✓	✓	✓		✓	6
5	Lack of awareness of credit facilities	✓		✓	✓		✓	✓	5
6	Lack of proper market information	✓	✓	✓			✓		4
7	Lack of connection with financial organizations		✓		✓		✓	✓	4
8	Lack of timely, cheap and good quality inputs	✓						✓	2
9	Lack of Computer knowledge which makes them unable to derive benefits of the available ICT tools	✓			✓				2
10	Lack of skilled labourers in harvesting & processing	✓			✓				2
11	Lack of proper crop insurance facilities	✓	✓						2
12	Lack of proper infrastructure (implements, irrigation facilities, power and electricity)	✓					✓		2
13	Low price of produce	✓		✓					2
14	Involvement of middle men	✓		✓					2
15	Nature of products (perishability)	✓		✓					2
16	Undeveloped storage facilities	✓							1
17	Undeveloped processing facilities	✓							1
18	Lack of proper practices	✓							1
19	Lack of awareness about packaging	✓							1

The major constraints indicated in a majority of the research reviews as given in Table 1 are poor professional management, lack of sufficient finance, lack of proper government price policy, mobilization of farmers, lack of awareness of credit facilities, lack of connection with financial organizations, and lack of proper market information. The other constraints listed are lack of timely, cheap and good quality inputs, lack of proper infrastructure (implements, irrigation facilities, power and electricity), lack of computer knowledge which makes them unable to derive benefits of the available ICT tools, lack of skilled labour in harvesting & processing, lack of proper crop insurance facilities, low price of produce, involvement of middle men and nature of products (perishability).

Conclusion

As the major constraint indicated by all the studies on the functioning of FPOs is poor professional management there is a dire need to train the people involved in the management of FPOs or prescribe some qualifications for the office bearers of the FPOs. This will help in effective management of the FPOs. An appropriate capacity building method should be adopted, to make FPO members and office bearers capable of making appropriate and timely decisions. Appropriate linkage with the financial institutions and FPO should be strengthened, to promote the establishment of agri-enterprises on a large scale. Adequate skill embedded knowledge related to processing, value addition, storage of agricultural products and application of Information and Communication Technology in marketing of produce should be provided. Adequate market intelligence, market infrastructure and supply chain should be promoted for getting optimum price for the produce. A Policy should be developed to establish the FPO as the grassroot organisation for extension delivery for scaling out the agricultural and agri-entrepreneurial knowledge to the farmers.

References

- Bishnoi, R. K., and Kumari, S. (2020). Challenges faced by FPOs & strategies to overcome: A Review. *International Journal of Advances in Agricultural Science and Technology*, 7(6): 25-33.
- Chauhan, J. K., Adhikary, A., and Pradhan, K. (2021). Identification of Constraints Associated with Farmers' Producer Organisations (FPOs). *International Journal of Current Microbiology and Applied Sciences*, 10(01): 1859-1864.
- Chopade, S. L., Kapse, P. S., and Dhulgand V. G. (2019). Constraints faced by the members of Farmer Producer Company, *International Journal of Current Microbiology and Applied Sciences*, 8(8): 2358-2361.
- Darshan, N. P., Samuel, G., Rao, I. S., Vidyasagar, G. E. CH., and Srinivasa Chary, D. (2019). Constraints and suggestions as perceived by the red gram farmers in Karnataka state of India, *The J. Res. PJTSAU*, 47(1): 32-34
- Department of Agriculture, Cooperation and Farmers Welfare (2020). Formation & Promotion of 10,000 FPOs Scheme Operational Guidelines. Ministry of Agriculture and Farmers Welfare Government of India.
- Kanika, M. (2021). *Krishijagran.com*, <https://krishijagran.com/agripedia/what-is-fpo-and-how-it-is-helpful-to-farmers/>
- Navaneetham, B., Mahendran, K., and Sivakumar, S. D. (2019). Analysis of constraints for performance improvement of FPCs in Tamil Nadu. *International Journal of Farm Sciences*, 9(2): 12-18.
- Prabhakar, I., Manjunatha, B. L., Nithyashree, M. L., and Hajong, D. (2012). Farmers Producer Company - An Innovative Farmers' Institution. *Environment and Ecology*, 30(2): 427-430.
- Prishila Kujur, Gauraha, A. K., and Netam, O. K. (2019). The socio economic impact of farmer producer organizations in Chhattisgarh plains. *Journal of Entomology and Zoology Studies*, 7(6): 1104-1106.
- Rani, N., Shruthi, G., and Akhilesh, N. (2017). Formation of Farmer Producer Organisations and Its Impact on the Development of Sustainable Crop Production in Karnataka. *International Journal of Agriculture Sciences*, 9(4): 3735-3738.

- SFAC (2019). Strategy Paper for promotion of 10,000 Farmer Producer Organisations (FPOs). New Delhi SFAC.
- Verma, A.K., Singh, V. K., Asha, K., Dubey, S. K., and Verma, A. P. (2021). Constraints Perceived by the Members and Non-members towards Functioning of FPO-AKPCL in Kannauj District of Uttar Pradesh. *Economic Affairs*, 66(2): 335-341.