

Strategies for Promoting Farmer Producer Organisations (FPOs) in India

G. Jaya¹, S. B. Ramya Lakshmi², K. C. Gummagolmath³ and
R.S. Bhawar⁴

Abstract

The present study investigated different facets of FPOs promoted by NABARD and SFAC. Both primary and secondary data has been used for the analysis. The study revealed that NABARD has supported around 4000 FPOs across the country which cover 2157 are registered entities. On the other hand, SFAC has promoted around 897 FPOs of which more than 835 have already been registered as legal entities. The findings of the study revealed that the number of farmer members who became shareholders in FPOs are marginally higher in the case of NABARD (878157) compared to shareholders of FPOs promoted by SFAC (846039). Thus, it is revealed that NABARD has promoted more number of FPOs than SFAC. However, average number of members per FPO is higher in the case of SFAC (1013.22) than that of NABARD (407.11). An opinion survey was conducted among different stakeholders of FPOs promoted by both the agencies. About 70-90 per cent of the members opined that the payments from FPC were received regularly. About 15-20 per cent of the members opined that the price for the produce given by FPCs is higher than traditional market prices and improvement in the employment opportunities due to the intervention of FPOs. Thus, establishing basic business principles within farming communities through FPOs intervention would bring industry and agriculture closer together and boosts rural development.

Keywords: Agricultural Marketing, Agribusiness, Farmer Producer Organizations, Farmer Producer Companies, Farmer Cooperatives, India

¹ Deputy Director (HRD), National Institute of Agricultural Extension (MANAGE), Hyderabad -500030.
Corresponding Author Email : gjaya@manage.gov.in

² Consultant, National Institute of Agricultural Extension (MANAGE), Hyderabad.

³ Director, National Institute of Agricultural Extension (MANAGE), Hyderabad.

⁴ Consultant, National Institute of Agricultural Extension (MANAGE), Hyderabad.

Introduction

Agriculture has been an important component of India's economy and more so in rural areas for centuries and contributes around 13 per cent to the GDP. Acceleration of growth in the agricultural sector remains a key policy concern in India, since growth in agriculture is crucial to the livelihood of millions of rural poor. It is also pertinent to know that for achieving 8 per cent of growth in Indian economy, agriculture should grow at 4 per cent. Close to 86 per cent of farmers in our country are small and marginal farmers (Agricultural census, 2015-16). Any development strategy in consideration should be able to address the specific issues pertaining to these resource poor farmers.

Non- remunerative prices, low productivity, poor knowledge base towards production technology, access to credit, input, market and the under-par adoption behavior are the main issues that our farmers face. Due to small quantity available for marketing and resultant low bargaining power, most of our small and marginal farmers are in the clutches of market intermediaries. It reduces the producers' share in consumer's rupee and limits the price realized by the primary producers to the lowest possible in the supply chain (Venkattakumar and Sontakki, 2012). It is a much discussed topic that how to integrate the farmers, especially the small and marginal farmers, with the value chain so that we can ensure a reasonable return for their time, effort and capital.

One of the best instruments under the inclusive growth in promoting rural vibrancy in agriculture production is by aggregation of the small holders into FPOs to have a level playing field with large farms in terms of accessing land, water, inputs, credit, technology and markets. The group approach also reduces the transaction cost by inducing economy of scale. In the past, several attempts have been made for aggregating the small farmers in the form of cooperatives, SHGs, FICs, CIGs etc. However, the success achieved was limited and these institutions were dealing with only a part of supply chain.

In the recent past, the instrument of farmer producer organization, registered under Companies Act, is emerging as the most effective tool of aggregation. These producer companies are designed in such a manner that they are professionally managed and are able to take care of total supply chain. A producer company is basically a group of farmers registered as a producer company under Companies Act, 1956 (As amended in 2002). An amendment in Company's act 1956 was done during 2002 to add a corporate muscle to agricultural cooperatives so that it can bring effective management and good

governance. The same provisions have been retained for FPC after re-visiting the Companies Act, in 2013. (FPO policy and process guidelines, 2013).

The main aim of the formation of FPC is to establish basic business principles within farming communities, to bring industry and agriculture closer together, and to boost rural development (Kumar Sharma, 2008) by collectivization of the farmers especially small and marginal farmers to address the challenges faced by farming community (Alho, 2015; Valentinov, 2007; Kyriakopoulos et al., 2004). This concept allows farmers to obtain their independence and to improve their position of power within the production system and offers better scope for income enhancement through cost saving and efficient use of inputs, also facilitates the better crop planning, crop insurance and integrating them with knowledge sources. With these advantages, the formation of "Farmer Producer Companies" is gaining momentum in recent past in India.

Against this backdrop, an attempt has been made in the present study to analyze different facets of FPOs promoted by NABARD and SFAC and to elucidate the opinion of members, Board of Directors, functionaries and officials involved in the promotion of FPOs on different aspects.

Objectives of the Study

1. To have a comparative analysis of the schemes being implemented by SFAC and NABARD.
2. To understand the strengths and weaknesses of each model of implementation and to suggest measures to overcome the weaknesses.
3. To assess the impact of aggregation of farmers by different agencies on their Socio-economic aspects.
4. To suggest appropriate strategies for promoting farmers organization on a large scale throughout the country.

Methodology

The study was conducted using both primary and secondary data. The primary information has been collected from a total sample of 150 stakeholders using well-structured schedules and through personal interview method from five different states viz., Maharashtra, Assam,

Telangana, Madhya Pradesh, and Karnataka representing different regions of the country. These schedules were prepared by covering different aspects of implementation of FPOs and their impact on different stakeholders. The secondary information was collected through review of literature, interaction with the subject experts, focus group discussion, brainstorming and case analysis.

i. Sampling Design

A total of 150 different Stakeholders dealing with FPOs were covered, as mentioned in Table 1

Table 1: Sampling Method

Sl. No	Stakeholders	Maharashtra	Telangana	Madhya Pradesh	Karnataka	Assam	Total
1	SFAC						2
2	NABARD						2
3	Resource Institutions	1	1	1	1	2	6
4	Promoters of FPOs	2	2	2	2	2	10
5	No. of FPO Directors (9)	9	9	9	9	9	45
6	FPOs office bearers (1)	1	1	1	1	1	5
7	Members of FPOs	14	14	14	14	14	70
8	Legal advisers facilitating formulation/registration of FPOs	1	1	1	1	1	5
9	Experts in the field of FPOs	1	1	1	1	1	5
	Total Sample Size						150

the improved sericulture technologies. Nevertheless the study depicts that the farmers in the study area have not been utilizing the complete resources available with them and adoption of integrated pest management and integrated nutrient management is not Mattigatti R., Dolli S. and Lyengar M.N.S.(2001). 'Model Co-operative Marketing System for Sericulture : A Strategy for Development, Global Silk Scenario, published by Oxford and IBH Publishing Co. Pvt. Ltd., New Delhi, 1996, P. 178.

ii. Statistical Tools: The socio-economic profile of the members was analyzed by calculating mean and in order to study the impact of FPOs on farmer members simple percentages were worked out.

Results and Discussion

1. Status of FPO's Promoted by NABARD AND SFAC

The comparative analysis of the FPOs promoted by different agencies, revealed that NABARD, along with FPCs is promoting other forms of aggregation model such as farmers club, cooperatives, watershed groups and SHGs. On the other hand, SFAC is exclusively promoting FPCs since initiation of the scheme. Due to presence of country wide network, NABARD is able to promote more number of FPOs compared to SFAC (Table-2).

The number of farmer members who became shareholders in FPOs are marginally higher in the case of NABARD (878157) compared to shareholders of FPOs promoted by SFAC (846039). Thus, it reveals that NABARD has promoted more number of FPOs than SFAC. However, average number of members per FPO is higher in the case of SFAC (1013.22) than the NABARD (407.11). This may be due to diverse and small size model of aggregation followed by NABARD unlike SFAC (Table 2).

Table 2: State-wise Registered FPOs by NABARD (August 2019), SFAC (February, 2020) and Other Agencies

Sl. No	State	No. of Districts	NABARD		SFAC		NON-SFAC (Co-operatives)	NRLM	Self Promoted
			No. of FPOs	No. of Share holders	No. of FPOs	No. of Share holders	No. of FPOs	No. of FPOs	No. of FPOs
1	Andaman and Nicobar	2	3	314	0	0	0	0	0
2	Andhra Pradesh	13	95	45098	8	8715	6	1	1
3	Arunachal Pradesh	1	1	103	2	2050	0	0	0
4	Assam	17	40	13636	12	9331	25	0	0
5	Bihar	32	117	37511	29	36306	0	5	2
6	Delhi	0	0	0	4	3535	0	0	0
7	Chhattisgarh	15	57	24210	26	29616	0	7	1
8	Goa	1	2	104	2	1810	0	0	0
9	Gujarat	22	118	36295	20	20875	14	2	6
10	Haryana	17	50	24984	23	14049	1	0	0
11	Himachal Pradesh	9	51	10194	6	6528	0	0	0
12	Jammu and Kashmir	10	13	1548	2	6814	0	0	0
13	Jharkhand	22	127	41848	10	12009	0	11	0
14	Karnataka	27	161	74932	120	122907	0	3	3
15	Kerala	14	131	51637	0	0	0	4	2
16	Lakshadweep	1	1	50	0	0	0	0	0
16	Madhya Pradesh	36	160	74675	144	138118	0	44	1
17	Maharashtra	20	119	38879	100	100845	0	11	20
18	Manipur	5	8	3116	7	5671	00	0	1
19	Meghalaya	6	9	1409	3	2990	0	0	0
20	Mizoram	7	16	3266	1	1700	0	0	0
21	Nagaland	1	5	1094	2	1750	0	0	0
22	Odisha	28	100	47570	41	38622	0	25	0

23	Punjab	20	70	8450	7	6288	0	0	0
24	Rajasthan	28	143	51814	50	58670	0	12	0
25	Sikkim	1	4	856	30	16279	0	0	0
26	Tamil Nadu	31	170	122032	13	14657	52	0	21
27	Telangana	19	68	22884	21	29225	34	8	1
28	Tripura	1	1	80	4	2874		0	0
29	Uttar Pradesh	43	116	43076	55	55936	178	0	3
30	Uttarakhand	13	52	17550	7	6004	38	0	1
31	West Bengal	18	150	79022	86	91865	0	2	0
	Total	479	2157	878157	835	846039	348	135	63

Farmer Producer Companies (FPCs) promoted by SFAC & NABARD

FPOs in India are mainly promoted by the Government of India through two apex agencies viz., SFAC and NABARD. There are some basic differences in their approach followed for implementation of FPOs by each organization.

Farmer Producer Companies (FPCs) promoted by the NABARD

NABARD as a nodal agency provides technical, managerial and financial support for hand-holding, capacity building and market intervention to the Producer Organizations. Such support is available in the form of grant, loans, or a combination of the two based on the needs of FPOs and is available only to those POs which avail credit from NABARD. NABARD also provides support to the POs to access markets for their produce through credit and/or grant support for setting up of marketing infrastructure facilities. For promotion of FPOs, NABARD identifies the experienced Resource Institutes and Producers Organizations Promoting Institutions (POPIs) and supports these institutions in delivering the designated responsibilities for formation and effective implementation of the FPOs.

NABARD also provides incentives for the POPI for taking care of the PO within the overall ceiling of 20 per cent grant support to the FPOs. Apart from these, NABARD provides cash incentives i.e., 5 per cent of loan amount for POs up to 5 years old and 2.5 per cent of loan amount for FPOs more than 5 years old. This incentive is given in a phased manner i.e., 10 per cent of the total incentive amount in advance, 70 per cent linked to timely repayment of instalments and rest 20 per cent at the end subject to satisfactory repayment of loans by FPOs.

Farmer Producer Companies (FPCs) promoted by SFAC

SFAC provides all-round support to State Governments and other entities engaged in promotion and development of FPOs. SFAC has empaneled qualified and experienced Resource Institutions (RIs) which includes NGOs and State govt. agencies. The main objectives of these RIs include cluster identification, perform diagnostic study, feasibility analysis, baseline assessment, business planning, mobilization of the farmers, organizing and formalizing groups, training of the members in resource mobilization, management system development, business operations and assessment and auditing of FPOs. In addition to RIs, SFAC has empaneled the consultants at state level and are mandated to extend support at various levels for the formation of the FPOs. As of now, about 3-4 RIs in each state are identified and empaneled in 28 states. RIs and Consultants are the connecting points to the FPOs and other stakeholders. The financial benefits, technology support, capacity building supports is extended to FPOs from SFAC which are routed through RIs and Consultants placed at state level.

Comparative Analysis of Modalities of SFAC & NABARD for Formation of FPOs

The promoting agencies viz., SFAC & NABARD are playing important role in promotion of the FPOs for the wellbeing of the farming community. There are some basic differences in the approach followed for implementation of FPOs by each organization. NABARD is utilizing its own funds available under Producer Organization Development Fund (PODF), while, SFAC has to facilitate the process of development of organizing farmers on the request of states utilizing funds available under schemes like Rashtriya Krishi Vikas Yojana (RKVY), funds provided by MOA&FW under NFSM. NABARD has the advantage of having state level and regional level offices and experience of working with farmers. On the other hand, SFAC has advantage of following a comprehensive system of developing farmer companies well supported by other schemes like equity funds and credit guarantee. The quantum of funds per FPOs is also relatively higher for organizations being promoted by SFAC. However, lack of presence at state level has been expressed as a major limiting factors in approaching SFAC. There are various other differences related to institutional framework, ground level coordination, model funds availability, and the same are presented in the Table 3

Table 3. A Comparative Statements of both the Models

Sl. No.	Particular	SFAC	NABARD
1	Approach	Bottom-up, based on the priorities of the government	Top down approach, based on its own plans
2	Scheme/Fund	Farmer Producer Organization Schemes	Producers Organization Development Fund
3	Funds availability	don't have its own funds & depends o funds and grants	Own funds
4	Mobilisation	15-20 group of FIG at village level and federated at central level	700-1000 member farmers /group
5	Focus	Agriculture and allied activities	Agriculture, allied sectors & off farm sector
6	Support for	Technical support, training, research, knowledge management, linkages for investment, technology, market and extension	Credit support, capacity building & market Intervention, technical, managerial and financial support
7	Presences	Head office in Delhi and no regional office	Network of regional offices with Head office in Mumbai
8	Ground level coordination	By networking with resource institutes in the state	Through regional offices and district officers
9	Experience	No direct experience of organising farmers	Having experience of organising farmers at grass root through institutions like CIG, SFG, etc

Sl. No.	Particular	SFAC	NABARD
10	Model	Two-tier approach, farmers group like commodity interest group become members of producer company	Individual farmer-producer may become the members of farmer organisation
11	Total funds per FPO	Rs 35.26 lakhs (excluding RI funding)	Rs 21.60 lakhs (including RI funding)
12	Funds exclusively for FPO Development	Rs 20.08 lakhs	Rs 7.80 lakhs
13	Support period	3 years	3 years
14	Mode of support	<ul style="list-style-type: none"> * Support to Resource Institutes (RIs) * Matching grants * Credit guarantee 	<ul style="list-style-type: none"> * Loans (Soft Loans) * Grants (Equity Grants and Credit Guarantee Funds)

Source: Compiled by MANAGE, GOI 2019

Sources of Funds and Funding Pattern

FPOs promoted by NABARD and SFAC are governed by two set of separate schemes. NABARD is promoting FPOs through its 'Producers Organization Development Fund (PODF)' and dedicated fund "PRODUCE" of Rs. 200 crore provided by Government of India for supporting financial/ non-financial component to Producers' Organizations mainly to facilitate improved access to credit, ensure adequate capacity building, market linkages and need based handholding services. NABARD has made a provision of grants of Rs. 21.6 lakh per group irrespective of models. This assistance is spread over a period of five years. In addition to this, NABARD has created subsidiary called NABKISAN Finance Ltd. for meeting the credit requirements of FPOs envisaging flexible norms and, provides promotional support towards capacity building, market linkages and other incubation

services to FPOs. Besides, it is also providing the need based grant assistance through refinancing to the banks to extend finance to the FPOs. It has also created a digital platform for on-line submission of loan applications.

In the case of SFAC, funds are provided by Ministry of Agriculture and Farmers Welfare under RKVY programme. SFAC has made a provision of Rs.35.26 lakh per group for the formation and development of the FPOs. In addition to that, SFAC has taken initiative to provide support to the equity base of FPCs by providing matching equity grants and Credit Guarantee Support for facilitating collateral free lending to FPCs to enhance viability, sustainability and increasing credit worthiness and also to enhance the shareholding of members to increase their ownership and participation in their FPC. SFAC provides maximum equity grant support of Rs. 10.00 lakh on condition of minimum shareholder membership of 50 farmers.

Socio-economic Profile of Sample Respondents in the Selected FPOs

Table 4 reveals that the members of the farmers organizations considered under the study are middle aged in both the cases. Farmer-members are having an average education of 8 - 9 years. Main occupation of the members is agriculture and the subsidiary occupation is dairy, fertilizer, input shops and flower business. In the case of farmers organizations supported by SFAC, majority of the members are small and marginal farmers having landholding less than 3 acres, whereas, in the case of NABARD promoted FPOs farmers with large landholdings are in higher proportion which may be due to promotion of FPO in a cluster of villages.

The average income of farmer-members considered under the study is in the range of 2.00 lakhs with members of NABARD promoted farmers organizations doing relatively better than SFAC promoted organizations. This may be due to the relatively larger size of landholdings of the farmers included in the NABARD promoted Farmers Organizations. The farmer's organizations are rendering services mainly confined to input distribution, advice on technology, capacity building and marketing of the produce (Table 4). The components like value addition and transportation facilities to integrate the produce with better markets have been adopted only by a few organizations.

Table 4. Profile of the Member Farmers Associated with the FPOs Promoted by NABARD and SFAC

Sl. No.	Particular	NABARD	SFAC
1	Average. Age	43.39	42.57
2	Avg. Education in Yrs.	8.32	9.71
3	Avg. Landholding size (in acers)	6.9	2.90
4	Average Annual income (in lakhs)	2.19	1.71
	Cropping pattern		
1	Kharif	Cotton, Tur, Paddy, Maize, Tomato, Green peas	Soybean, Paddy, Red gram Maize, Vegetables, Sugar cane, Grapes and Sapota, Cotton
2	Rabi	Wheat, black gram	
3	Summer	Vegetables	

Impact of Holding Membership in the FPOs on the Profile of the Farmers

Impact of FPOs membership on the profile of farmers-members is presented in Table 5. Member farmers opined that the yield performance increased considerably in the range of 10-20 per cent in SFAC promoted FPOs. Whereas, some members of farmers organizations promoted by NABARD also suggested an enhancement of yield to the tune of 50 per cent. Majority of the member farmers opined that FPOs promoted by both the agencies are rendering services in input trading, technical advice, capacity building and marketing the agricultural produce. Whereas services such as transportation of the produce, access to credit, value chain management have not been paid sufficient attention.

Table 5: Impact of Holding Membership in the FPOs on the Profile of the Farmers

Sl. No.	Crop Performance Indicator		
	Particulars	NABARD	SFAC
1	Yield increased by (in %)	5-50	10-20
	Services rendered (in %)		
1	Input trading	100	100
2	Technical Advice	100	95.23
3	Capacity building	92.85	85.71
4	Value chain management	17.85	19.04
5	Marketing of the agri produce	78.57	90.47
6	Transportation of the produce	25	61.90
7	Access to credit	39.28	19.04
	Inputs prices at FPC lower (in %)		
1	Seed	-6.25	
2	Fertilizers	-14.25	-8.57

It was also observed that, in the case of NABARD promoted FPOs, the farmers procured the inputs like seeds and fertilizers at a price lower by 6.25 per cent and 14.25 per cent respectively than the market price. Whereas, the farmer members in SFAC promoted FPOs purchased fertilizers at a lower price of 8.57 per cent than the market price. However, it is a welcome note that FPOs promoted by both the agencies are able to reduce the cost of inputs, unlike conventional sourcing of inputs.

Qualitative Impact of FPOs Promoted by Different Agencies on Socio-economic Status of Farmer members

From the Table 6, it can be observed that the member-farmers have opined that vertical integration of farmers under different farmer-organizations have helped in improving the quality of produce at least in terms of quality parameters specified by the organizations for

better market integration. Payments were made regularly as opined by 70 - 90 percent members. Farmer-members also opined that aggregation has helped them in having access to assured markets, helped improve quality of their produce and improve bargaining power. It also emerged from primary survey that prices given by organizations for sale of agri-produce is higher than traditional markets price. Marketing cost has declined for farmer-members of the selected FPOs and in some cases dividends are being disbursed to the farmer members.

Member-farmers also felt that the initiative has helped them in improving their living standard, purchasing power, and nutrient intake after becoming member in FPC. About 75 and 33 per cent members of FPOs promoted by NABARD and SFAC respectively were aware about business plans/strategies planned for their organization. Some of the members also reported that the construction of infrastructure like storage structures and grading equipment from the business profits of the FPOs. Members were also convinced that introduction of the concept of FPOs has helped in improving the employment opportunities and establishing backward and forward linkages for better supply of inputs and marketing the produce (Table-6).

Table 6: Qualitative Impact of FPOs Promoted by Different Agencies on Socio-economic Status of Farmer Members (%)

Sl. No.	Particulars	NABARD	SFAC
1	Field visits by the FPC officials	Fortnightly/ monthly	Monthly
2	Company specifies quality parameters for trading the commodity at FPC	21.41	33.33
3	If the produce is not in conformity, the company rejects the produce	20.14	28.45
4	Payments from FPC received regularly	75	95
5	Quality improvement of the produce	85	96
6	Price given for your product by FPC is higher than traditional markets (in %)	2-15	5-20

7	Improvement in living standard	100	100
8	Improvement in purchasing power of commodities	100	100
9	Dividends are disbursed to the member farmers	25	19
10	Assured markets for their produce	82	85
11	Reduction in production and marketing cost	21.42	23.80
12	Nutrition status of the member family increased after becoming member in FPC	100	100
13	Awareness about business plan/strategies adopted by FPC	75	33
14	Aware of legal compliances	85	89
15	Social capital built from the business profits	7.14	9.5
16	Bargaining power of the member farmers increased	96	98
17	Improvement in backward and forward linkages for marketing of the Produce	17.85	19.04
18	Additional employment generated	21.42	28.57

Opinion survey of Directors and CEOs of FPOs

As per the field level observations, it was found that the job role of directors is not clearly defined and the contribution of the BOD to the FPCs is not to the expected level. The directors lack proper vision and expressed their inability to provide desired direction to the company due to lack of awareness on their roles and responsibilities. Yet, the contribution of directors in the case of organization promoted by SFAC was found to be relatively better, which may be due to presence of comprehensive structure under the provisions of Companies Act., 2013. The convergence with the other institutions and government schemes was found to be good in the case of farmers organizations promoted by NABARD. This may be due to presence of NABARD offices at grass root level. Majority of the directors opined that the handholding support is not extended to the expected level.

Most of the CEOs suggested that the scope of organizations are confined only to few activities. On marketing front, FPOs are trying to link farmers with buyers. The price realized by the farmers of FPOs are better compared to the prices prevailing in traditional markets. Legal compliance was another challenge expressed by the CEOs. The CEOs are found to be aware of the legal compliances such as filing of Income Tax returns, auditing reports, proceedings of meeting conducted, GST and other trade related compliances. However, they expressed their limitation in understanding operational part of the same compelling them to take services from external agencies. It emerged from the discussion that legal compliance has become complex and expensive affair for FPOs to follow. The major factors curtailing the performance of farmer's organizations as expressed by the CEOs of the FPOs covered under the study are lack of funds and human resources and poor access to the credit. Better access to capacity building and higher participation of the farmers coupled with dynamic leadership may help to achieve the goal of sustainable and financially viable farmer's organization in long-run.

SWOT Analysis of FPOs Promoted by NABARD

Strengths	Weaknesses
<ul style="list-style-type: none"> ● NABARD has the merit of existence of grass root level network and regional offices. ● Multi model approach for promotion of FPOs and thus able to promote more number of FPOs ● Dedicated subsidiary - NABKISAN for credit support. 	<ul style="list-style-type: none"> ● NABARD has the merit of existence of grass root level network and regional offices. ● Multi model approach for promotion of FPOs and thus able to promote more number of FPOs ● Dedicated subsidiary - NABKISAN for credit support.

Opportunities	Threats
<ul style="list-style-type: none"> ● The concept has emerged and initiated by NABARD till recently ● Capacity building of stakeholders including CEOs of FPOS can be carried out by using its institutional mechanism. ● It can make use of part of its reserve fund for supporting FPOs and thus has flexibility to support FPOs for many activities 	<ul style="list-style-type: none"> ● Minimum attention on Promotion of FPOs due to other mandates ● Lack of awareness among member about the NABARD scheme ● Absence of specific guidelines for extending credit support to FPOs.

SWOT Analysis of FPOs Promoted by SFAC

Strengths	Weaknesses
<ul style="list-style-type: none"> ● Higher limits for Equity guarantee and Credit guarantee fund and collateral free/ loans ● Provision for Project Development Facility fund and Venture Capital Assistance (VCA) ● Priority is given for the formation of the homogenous groups of FPOs 	<ul style="list-style-type: none"> ● Absence of Institutional mechanism at grass root level ● Lack of own funds and reserves for promotion of FPOs ● Support confined only to FPOs registered under Producer Companies Act

Opportunities	Threats
<ul style="list-style-type: none"> ● Strong funding support system with collateral free loan ● Development of relationship with ground level agencies ● Integration with other components like equity match grant and credit guarantee 	<ul style="list-style-type: none"> ● Cap on benefits of Equity Grant & Credit Guarantee Fund schemes availed by FPOs having a membership of 500 or more ● Complete dependence on the empaneled consultants/ RIs at regional level ● Cumbersome procedure to avail benefits & support by FPOs

Recommendations and Conclusion

Some of the recommendations based on the findings of the study to successfully implement the concept of aggregation of farmers to take advantage of scale are presented in this section.

- **Simple aggregation Model** – Simple model consisting of 100-300 farmers preferably in the cluster of villages may be promoted on the lines of FIGs. The model should have simple registration process involving minimum legal compliance. Tenant farmers to be organised through models like Joint Liability Groups (JLG) to extend benefits of different scheme to them as well
- **Promoters** – The concept need to be promoted not only by government agencies like SFAC and NABARD but also by private players like bulk buyers, processing, input suppliers, organized retailers and big corporate houses. ATMA platform may be leveraged for scaling –up of formation of FPOs due to its presence in all the districts and its linkage with all the line departments.
- **Uniform funding** – The pattern of funding followed by SFAC and NABARD is different in terms of support available to producer company and Resource Institutes. These anomalies in funding will lead to learning of promoting agencies towards source of higher funding. Hence, there is a need for uniform funding pattern among all the agencies.

- **Sources of Funds** – SFAC may be provided with sufficient funds for formation of farmer-organization. Besides, on the lines of NABARD, SFAC may be supported to have its network at the regional level. For this purpose, there is a need to restructure organizational set up of SFAC by providing adequate manpower and funds to have its network at least at state level.
- **State Level Agency** – There is need for a state level agency to cater to different requirements of FPO Program. The agency will collaborate with different state departments and funding and implementing agencies. The state will be the single window for interaction of the different stakeholders with the government agencies and other knowledge institutions. State Agricultural and Management and Training Institutes (SAMETIs) may be used as a nodal agency for this purpose.
- **Focus on quality production** - Though the concept FPO envisages solutions for problems in marketing of agriculture produce, yet in the process, these agencies should not lose the focus on production aspects. Hence, at the farmers level, emphasis should be given for quality production, optimum use of technology and resources and to have a proper mix of farm and non –farm activities to provide sustainability. Crop planning at FPOs level should be as per the market demand, buyer’s requirements and should have traceability elements to cater to international trade also.
- **Platform for delivery of inputs and extension services** - FPOs can be used effectively for establishing backward linkages for effective delivery of services like inputs supply, information dissemination, bank linkages and delivery of extension services. FPOs on account of their structure may help member-farmers perform different activities more efficiently for these purposes. Taking up input and extension based activities will not only help farmers in producing more efficiently but also help the organizations earn margins and profits mainly in initial years. Gradually, the farmer organizations may start taking up marketing related activities and may be connected on to business entities. FPOs have the potential to develop themselves in to professional agencies by performing all the activities envisaged in the policies for formation of FPOs.



A comprehensive coverage of farmers organization model with linkages with both market and extension services

- ***Access to credit*** – Access to credit will play a crucial role for investments in creation of infrastructures required for production, post-harvest management, processing, value addition and marketing. Once the FPOs attain maturity stage in their business, an appropriate credit policy for creation of required infrastructures assumes significance. Hence government, may come up with FPOs specific loan products and credit support policies for this purpose.
- ***Evaluation*** – FPOs need to have a comprehensive evaluation system consisting of their financial health and impact on member-farmers in term of income, diversification, market integration, access to extensions services, etc. This approach will also help in using this as a platform to take various benefits like credit, insurance, inputs, etc to the farmers which otherwise are not available to many farmers like land-less tenants.
- ***Continuous support*** – The financial support available under different schemes need to be made uniform over a longer period of time. This support may be based on the review of the performance of the organizations.
- ***Appropriate model for farmer’s aggregation*** – The aggregation of illiterate and resource poor farmers under a complex system having legal and tax implication may need attention. There is need for simple model on the lines of FIG or cooperatives with limited responsibility and legal compliance to help farmers come together and have better access to inputs, extension services and linkage with market and bulk buyers.
- ***Capacity Building*** – A comprehensive strategy for capacity building of all stakeholders at different level needs to be in place. Institutes like MANAGE and NIAM at national level and SAMETIs at state level may be roped in for capacity building at Training of Trainers (TOT) level.

- **Leveraging farmers organization for extension services delivery** - The farmer organization may be linked with different agencies for efficient delivery of technology and extension services, backward linkages coupled with market-led extension services

Conclusion

The study concludes that to some extent farmers organizations have helped in overcoming many challenges faced by small holders. However, there exists huge potential to reap benefits from FPOs in long run. Hence, there is a need for comprehensive strategy for capacity building at all levels so that each stakeholders can clearly understand their role and responsibilities. Observations have also suggested the need for having a proper provision to facilitate participation of large number of small and marginal farmers. The structure should also help in having focus not only on forward linkages with the market but also on quality of primary production. Therefore, there is need to establish linkages of farmers organizations with knowledge centers to help them diversify their activities towards marketing, value addition etc. Poor access to resources and services like extension, credit, etc has also emerged as an important factor limiting progress of farmer's organizations. These organizations, operating at a small scale mainly during the initial years and being managed by limited human resources have found to be facing legal compliance which are complex and expensive in nature. Hence, there is need to revisit the policies and programs designed for promotion and implementation of FPOs across the country. A harmonized, well laid organizational structure with efficient management of different activities in the total supply chain is required to make the concept successful and sustainable.

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