Present Status, Role and Challenges of Farmer Producer Organization

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ABSTRACT

Farmers can increase their income by increasing the productivity, decreasing the cost of cultivation in their field, ensuring the competitive price for their product with a transparent price discovery mechanisms, and also by integrating allied activities in farming, organizing the farmer producer organizations (FPOs) will be the best solution for attaining our target goal. Farmer Producer Organizations (FPO) consist of many collective Producers, especially small and marginal farmers to form an effective association to collectively address many challenges in agriculture practices, such as improved access to investment, technology, inputs, and markets availability. Farmer producer organization ensures better productivity and income for the member producers through an organization of their own. Its main purpose is to enhance the productivity of the farmer by providing linkage to the farmers, where the members will get more benefits. This review article throws light on the various dimension of the FPOs based on the review of available literature. As literature related to FPOs is scarce in the Indian situation, more reviews from global studies are included for a better understanding of various dimensions of FPOs.

Keywords: Farmer producer organization; small and marginal farmers; income; productivity.
1. INTRODUCTION

“Agriculture with its all allied sectors is the largest source of livelihood in India. Almost 70% of rural households still depend primarily on agriculture for their livelihood enhancement, with 82 percent of a farmer being small and marginal” [1]. “Small and marginal farmers constitute the largest group of cultivators in Indian agriculture, 85% of operated holdings are smaller than the two hectares and amongst these holdings, 66% are less than one hectare” [2] farmer produce organizations can play an important role by mobilizing and organizing them for better market access, higher bargaining powers, and getting a higher price for their produce, better information dissemination [3] farmer producer organization is one of the important types of producer organization or producer companies.

Producer Companies are also considered to be institutions that have all the significant characteristics of a private firm while also incorporating cooperative ideals within their mandate”[4]. “Producer Organizations are thus expected to be non-political organizations that provide business services to smallholder farmer members and are based on the principle of self-sufficiency” [5]. “A producer Organization (PO) is defined as a formal rural organization whose members have been involved together to improve farm income through improved production, marketing, and local processing activities” [6]. They provide sustainable supply chains that connect smallholder farmers to markets. many successes were found in producer companies, however, it totally depends on the farmer's commitment to the company. The integrity and quality of the leadership and its acceptance within the community, as well as the market environment, are the most important factor for a successful production company” [7].

“Farmers' and Rural Producers' Organizations (FPOs) refer to an independent, non-governmental and membership-based rural organizations of part or full-time self-employed smallholders and family farmers, pastoralists, artisanal fishers, landless people, women, small entrepreneurs, and indigenous peoples Food and Agriculture Organization” [1,8]. The concept of the Farmer Producer Organizations (FPOs) is the farmers, who are the producers of agricultural products, can form a group and register themselves under the Indian Companies Act. The year 2014 was designated as the “Year of Farmer Producer Organizations,” and the idea is slowly gaining traction. “Farmers' Producer Organizations and Producer Companies have proven to be highly valuable in improving the value chain of agricultural output and, as a result, in obtaining good prices for their produce. Voluntary member-owned, financed and controlled producer groups and farmer cooperatives have a central role to play in enabling their members, and the wider rural community, to take an active part in their own development” [9], “The basic purpose of the FPOs is to collectivize small farmers for backward linkages for inputs including seeds, fertilizers, credit, insurance, knowledge, and extension services; and forward linkages for processing, and market-led agriculture production such as collective marketing” [10].

This review article throws light on various dimensions of the farmer producer organization based on available review literature. As literature related to the FPOs is scarce in the Indian situation, more reviews from global studies are included for a better understanding of various dimensions of FPOs.

2. STATUS OF FARMER PRODUCER ORGANIZATIONS (FPOs)

“Based on the recommendations of the Y.K. Alagh Committee, the Department of Agriculture and Cooperation under the Ministry of Agriculture, Government of India has identified Farmer Producer Organizations as registered under the special provisions of the Companies Act, 1956 by incorporating part IXA] [10] as the most appropriate institutional form around the mobilization of farmers is to be made for building their capacity to collectively leverage their production and market strength.”

“Department of Agriculture and Cooperation under Ministry of Agriculture, Govt. of India has identified Farmer Producer Organizations registered under the special provisions of the Companies Act, 1956 by incorporating part IX-A, based on the recommendations of the Y.K. Alagh Committee [10], is the most appropriate Institutional form around which the mobilization of farmers is to be made for building their capacity to collectively leverage their production and market strength.” Now the government is supporting the developing FPOs as a viable alternative for providing primary producers with producer firms that operate similarly to corporations [11]. The Small Farmers Agribusiness Consortium (SFAC) was established by the Department of Agriculture and
Cooperation as a designated agency for organizing FPOs through various schemes and programs. These projects share a broad goal of mobilizing farmers into Farmer Interest Groups (FIGs), building Farmer Producer Organizations (FPOs), and strengthening farmers’ ability through agricultural best practices training for long-term crop production improvement. The first producer company in India was promoted and supported by the Madhya Pradesh government under the World Bank (WB) poverty reduction project in 2005. It provides a one-time grant of Rs. 25 lakh rs. to each producer company as a fixed deposit revolving fund for obtaining a bank loan against it (Badatya et al; 2018). 6471 FPCs were formed, in which around 80 percent i.e. 5145 FPCs were promoted by Small Farmers Agri-business Consortium (SFAC) and National Bank for Agriculture and Rural Development (NABARD), 1263 FPCs were promoted, by the various state government and other agencies, and 63 from all of them were self-promoted. The total number of farmers mobilized through FPCs by SFAC and NABARD was highest in the state of Madhya Pradesh with 183517 farmer members, followed by Karnataka state with 176732 farmer members (Nathan T.S et.al; 2021). More than 50 percent of the FPCs were set up in Maharashtra, Madhya Pradesh, Uttarakhand, West Bengal, Karnataka, Odisha, and Telangana. SFAC promoted a large number of FPCs in Madhya Pradesh (149 FPCs) and NABARD has promoted a large number of FPCs in Uttarakhand state (362).

“Up to a limit of Rs. 2 lakh interest subsidy was provided on any term loan it is taken by any PC and a grant of up to 75% of the cost up to a maximum of Rs. 2 lakh was given for any certification expenses like Food Products Order (FPO), Global Good Agricultural Practices (Globalgap) etc.” However, in spite of the widespread evolution of FPOs, their success across the world had shown mixed results [12]. A similar situation is also observed in India. Therefore, it is necessary to analyze the dynamics of FPOs, factors influencing the performance of FPOs, and the policy requirements to overcome the weaknesses of FPOs at the grass root level.

It is clear from the table number 2 that, highest number of FPOs which is registered in a Madhya Pradesh state with 149 numbers of FPOs, followed by Karnataka state (125 FPOs) and Maharashtra state (62 FPOs).

**Table 1. The number of FPOs promoters**

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Promoting agency</th>
<th>Number of FPOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Small Farmers Agribusiness Consortium. SFAC</td>
<td>902</td>
</tr>
<tr>
<td>2.</td>
<td>National Bank for Agriculture and Rural Development. NABARD</td>
<td>2086</td>
</tr>
<tr>
<td>3.</td>
<td>State Government (Funded by leveraging RKVY or the world bank funds)</td>
<td>510</td>
</tr>
<tr>
<td>4.</td>
<td>NRLM Programme. MORD</td>
<td>131</td>
</tr>
<tr>
<td>5.</td>
<td>Other Organizations/ Trust/ Foundations</td>
<td>1371</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>5000</strong></td>
</tr>
</tbody>
</table>

*(source: NABARD website) [13]*

**Table 2. State-wise summary of registered and process of registration FPOs promoted by Small Farmers Agribusiness Consortium SAFC**

<table>
<thead>
<tr>
<th>S. No</th>
<th>State</th>
<th>SFAC Promoted FPOs</th>
<th>Non SFAC Promoted FPOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Assam</td>
<td>16</td>
<td>06</td>
</tr>
<tr>
<td>2.</td>
<td>Bihar</td>
<td>06</td>
<td>-</td>
</tr>
<tr>
<td>3.</td>
<td>Chhattisgarh</td>
<td>4</td>
<td>Andhra Pradesh</td>
</tr>
<tr>
<td>5.</td>
<td>Jharkhand</td>
<td>25</td>
<td>14</td>
</tr>
<tr>
<td>6.</td>
<td>Himachal Pradesh</td>
<td>08</td>
<td>-</td>
</tr>
<tr>
<td>7.</td>
<td>Jammu &amp; Kashmir</td>
<td>02</td>
<td>-</td>
</tr>
<tr>
<td>11.</td>
<td>Haryana</td>
<td>23</td>
<td>01</td>
</tr>
<tr>
<td>12.</td>
<td>Odisha</td>
<td>04</td>
<td>01</td>
</tr>
<tr>
<td>13.</td>
<td>Rajasthan</td>
<td>02</td>
<td>-</td>
</tr>
<tr>
<td>14.</td>
<td>Telangana</td>
<td>10</td>
<td>-</td>
</tr>
</tbody>
</table>

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3. ROLE OF FARMER PRODUCER ORGANIZATION

In the past era of declining public extension system, FPOs can contribute to rural advisory services through the plurality of advisory services [14]. FPOs plays important role in rural advisory services viz. enhancing the capacity of human resources; linking with stakeholders from other villages; establishing legal organizations with a right to deliver services; providing forums for communication, etc [15]. Farmer Producer Organization play an important role in generating additional income for the farmers, FPO has some important benefits for the farmers which is mainly as below-

3.1 Farmer Producer Organization Improves Value Chain

“The Farmer Producer Organizations and Producer Companies both are very much beneficial for improving the value chain of agricultural produce and thereby it proved to be useful to get good prices for their produce. Many voluntary member-owned groups, financed and controlled producer groups, and farmer cooperatives play a central role in enabling their members and the wider rural community to take an active part in their own development” [9]. “Every producer company monitors and supervises the entire chain very closely and efficiently, which estimates the daily demand of a particular vegetable and can increase/decrease its supply within 2 to 3 days. All of this makes the whole process very dynamic, effective, and responsive to the need of the end-consumers.” [11]. The Farmers Producer Organizations and Producer Companies are very much effective to improve the value chain of agricultural produce and thereby it proved to be useful in getting good prices for their produce.

3.2 Linking Small Farmers to Markets

“Producer companies actually had many advantages since they allow professionals to take part in governance as directors which helps to bridge the information asymmetry between the producer, directors, and professional managers” [16]. “The success of producer companies however totally depends on the farmers' commitment to the company. The integrity and quality of leadership, acceptance within the community, and as well as the market environment are the most crucial factors for a successful production company” [7]. “Small-scale farmers can have easy access to many market information, credit, and input details for their production, processing, and marketing activities by joining Farmer Based organizations” [2,17] highlighted the benefit for the participating farmers with producer company its provide facilities to excess their product in a market their excess product as the company was providing appropriate knowledge to generate excess production from within the community in order to maintain linkages to the target markets. Linkages of FPOs can be direct or indirect depending upon the context [18] observe that the most significant and successful institutional linkages tend to be formalized and established through direct bilateral contractual linkages or involve a third partner which is frequently a development project.
3.3 Enable Vertical Integration

“Producer-owned organizations are a good example of the vertical integration based on the horizontal coordination of farmers as initiators as they proved that with cooperation there was an opportunity to positively improve their countervailing power and to establish ownership for farmers in the upper part of the food chain if they can secure strict quality requirements, solid financing, loyalty, and trust in their organizations” [18]. Input and information benefits are achieved through collective procurement of inputs which helps members in getting inputs at a lower price with better negotiation [19,20]. Extension and Advisory Services (EAS) provided by FPOs fulfill the information need of the farmers, reducing their transaction costs and fulfilling information needs (Williamsons; 1985, Herck; 2014 and GFRAS; 2015).

3.4 Enhance Income and Productivity

“An FPO will support the member of the organization for getting more income, by aggregating the demand of inputs, the FPO can buy input in bulk quantity, thus its procures at a cheaper price compared to individual purchase. Besides, by transporting in bulk, the cost of transportation is reduced. Thus reducing the overall cost of production. Similarly, the FPO may aggregate the produce of all members and market it in bulk, thus, fetching a better price per unit of produce [21] find in there”. “study on the impact of the formation of FPOs on the Development of Sustainable Crop Production in Karnataka and concluded the benefits after forming an FPOs were per hectare of production improved by 10 percent by the end of the study. Minimum 20 percent net income rise of the FPO farmers, it observed that farmer organization create for small and marginal farmers to participate more effectively in markets” [22].

3.5 Ensure Market Access

“Smallholder farmers would be able to substantially increase their income from agriculture and allied sectors if farmers participate in markets. The FPO also provide market information to the producers to help them hold on to their produce till the market price become favorable. as a result, the focus of development has shifted from enhancement of production to market connectivity” [23] “The benefits of farmer organizations (FOs) for market access were more evident in the vegetable sector, characterized by high transaction costs. There was less incentive for farmers who are producing an undifferentiated commodity such as maize to organize as the transaction costs associated with market access were relatively low. Although farmer organizations do not provide clear benefits in accessing undifferentiated commodity markets, they can still contribute to members’ welfare by offering them other services” [24].

3.6 Marketing Information

Even though India is the leading producer of fruits, vegetables, and milk production in the world, farmers lack off-farm competitiveness [25] and the inability to meet food safety standards restricts the export competitiveness (Royand and Thorat; 2008). To tap the potential of smallholder agriculture by overcoming its constraints, different forms of farmers’ collectives evolved across the world. Farmers’ collectives in the form of FPOs are assumed to provide the small farmers, with better information on modern agriculture technologies, investments, inputs, markets, and government policies and the collective effort is expected to reduce the problems associated with smallholdings. in a longer-term perspective, FPOs is an essential institution for the empowerment, poverty alleviation and advancement of farmers and poor from rural areas (FAO; 2007) Provide extension services.

3.7 Extension Services Provider

Extension services provide by the 120FPOs have an advantage over public and private extension services in many ways. “FPOs enable cost-effective delivery of extension services to the members” [26]. “FPOs can be effective alternatives where private and public provisions of agricultural services have failed” (FAO; 2007), however, there cannot be a complete separation of extension services provided by FPOs and public extension systems. as most FPOs suggest that their members received more training from agricultural extension agents (AEA) [27].

3.8 Develop Market and Buyer Relations

“Strong and longer-term relationships with different buyers are needed to become a reliable market partner. It also requires strong contractual arrangements and agreements with all the partners. Market intelligence is important for making commercial decisions in FPO, as well as
to transfer market signals to the member to influence their decisions on production and to define the conditions of supplying to the FPOs. Group of small producers in producer organization were capable of making strategic investments to gain access to agro-industrial markets, where their produce was more profitable by establishing more complex contractual arrangements with potential purchasers [28].

4. CHALLENGES AND SUGGESTIONS FOR BUILDING ROBUST FPOS

“The size of the operational land holdings in India is continuously declining with every successive generation, the situation has raised serious questions on the survivability of these smallholders in India” (Pandey et. al; 2010) “some important issues in building robust FPOs which include a lower scale of operation area, lack of information, poor communication linkages with the wider markets and consequent exploitation by intermediaries in procuring inputs and marketing fresh produce, access to and cost of credit” [29] however, there are challenges and policy gaps in the ecosystem. The important challenges and confronting issues in building sustainable FPOs are also related to the organizational and leadership aspect of the FPO, viz. divergent interest, low involvement, little rotation of leadership, lack of professional managers, lack of training, poor accounting system, poor internal communication and also some socio-economic problems like poverty, low literacy rate, lack of access to resources, etc. are the major weaknesses of the FPOs (Chirwa et al. 2005, Jere 2005), because of poor financial situation for the farmers, many farmers are not able to pay a membership fee (Abokyi 2013 and Jere 2005). Collectivising thousand of farmers in diverse socioeconomic and political settings of rural areas is indeed a herculean task and (Sawairam, 2014) also “concluded in their study that small and marginal farmers faced several constraints during farming which included the inability to create a scale of economies, low bargaining power because of low quantities of marketable surplus, scarcity of capital, lack of market access, lack of knowledge and information, market imperfections, and poor infrastructure and communications. For the removing the following constraints, farmer organizations provided a wide range of services to their member farmers related to marketing, finance, technology, production, and welfare.”

Some of the suggestions for the Farmer Producer Organization’s betterment will help FPO for better performance and sustenance-enabling policies, ethics, professionalism, and linkages. As FPOs don’t have proper structure and hierarchy, ethics can glue together all actors in FPO. Linkages with private firms, markets, government institutes, research, and extension organizations will help FPOs to remain dynamic and competitive. This demands good leadership at the FPO level. A leader, who can secure the trust of members, bring ethics to an organization, be capable of creating linkages, motivate them to direct energy for quality production, act within the ambit of the legal framework, will help in the success and sustenance of the FPO. Government and many extension organizations can play important role in leadership development through quality training programs in Farmer producer organizations [30].

5. DISCUSSION

Farmer Producer Organization (FPO) has been seen as an effective pathway to empower the small and marginal farmers in India, and it is promoted under several programs and schemes of the State government, Central government, and many more agencies. One of the national level agency which is the National Project Management Agency (NPMA), which acts as a professional organization that is involved in providing overall project guidance, coordination, a compilation of information associated with FPO, maintenance of MIS, and vigilance purpose. There are many well-defined training structures and the institutions like Laxman Rao Inamdar National Academy Co-operative Research and Development (LINAC.), Gurugram, and Bankers Institute of Rural Development (BIRD.). Luck now have been chosen as lead training institutes for capacity building and training of all FPOs. Formation and promotion of FPOs is the first step for converting Krishi into Atmanirbhar Krishi all over the globe. This will enhance production and higher net incomes realization for the members of the FPO, which will also increase the rural economy and job opportunities for rural youths in India.

Producer Companies Act of 2002, had given a provision for marginal and small farmer’s aggregation in a company, where farmers can jointly access farm machinery, input, and credit, and they can also sell their products together in the markets. These FPOs can manage the
contracting and adherences difficulties during contract farming with small and marginal farm holders. Although the initial uptakes have been very slow, government schemes and corporate, NGO, and private foundation interests have led to a rapid FPO formation. Only 445 FPOs were registered in 2013, but since 2016, that increased, over 5,881 have been registered [Johann; 2002 and Kherallah; 2002], “The quality and integrity of the leadership, it acceptance within the farming community, as well as the market environment are the most crucial factors for a fruitful production company”.

6. CONCLUSION

Farmer Producer Organizations (FPOs) play a crucial role in the development of inclusive and sustainable supply chains. FPOs serve as a link between small farmers and the rest of the world, providing them with forward and backward linkages, as well as the necessary voice, market access, bargaining power, economies of scale, and better prices. As the majority of the farmer’s community is facing great suppression by the commission agents/ middlemen for remunerative price and profitable income for the agro produce, FPO could be a solution to the problem. FPOs have better opportunities for direct marketing which is a need of the hour for the people of villages; direct marketing provides farmers to lessen transportation costs and permits them to progress price realization. While cooperatives provide benefits to farmers through government action, FPOs are seen as empowering farmers through collective bargaining and injecting an entrepreneurial quality to farming, which would otherwise be a matter of sustenance for small and marginal farmers. Organizational weaknesses can be overcome by permitting policy, ethics, professionalism, and linkage creation for FPO’s success and sustainability. 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. Farmer Producer Organizations (FPOs) build farmers’ capacity by providing training on agricultural standard practices for increasing crop productivity over time, ensuring access to and use of high-quality inputs and services, and facilitating access to fair and remunerative markets for marketing crop production and value-added products, where possible. The relevant state government and the Agricultural Produce Marketing Committee (APMC) should amend the current APMC Act to include FPOs as well.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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