



## Farmers Producer Organisation

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This article is based on **“The push small farmers need”** which was published in The Indian Express on 11/03/2021. It talks about the prospects of strengthening the Farmers Producer Organisation for addressing agriculture distress.

The government of India has envisaged doubling farmer’s income by 2022, but this target is likely to be missed. This is because the efficiency, productivity, and economic viability of Indian agriculture are affected by many factors.

Factors like poor supply chain management, lack of modernization, and the declining average size of farm holdings are some of the reasons for agrarian distress. Moreover, these factors affect the small farmers to a bigger magnitude.

Recognizing the problems of small and marginal farmers in India, the government is actively promoting **Farmers Producer Organisation (FPO)**. The aggregation of small, marginal, and landless farmers in FPOs has helped enhance the farmers’ economic strength and market linkages for improving their income.

### What are FPOs?

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- FPOs are voluntary organizations controlled by their farmer-members who actively participate in setting their policies and making decisions.
- They are open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
- FPOs operatives provide education and training for their farmer-members, elected representatives, managers, and employees so that they can contribute effectively to the development of their FPOs.
- FPOs in Gujarat, Maharashtra and Madhya Pradesh, Rajasthan and some other states have shown encouraging results and have been able to realise higher returns for their produce.

For example, tribal women in the Pali district of Rajasthan formed a producer company and they are getting higher prices for custard apples.

## Benefits Emanating From FPO

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- **Delining Average Land Holding Size:** The average farm size declined from 2.3 hectares (ha) in 1970-71 to 1.08 ha in 2015-16. The share of small and marginal farmers increased from 70 per cent in 1980-81 to 86 per cent in 2015-16.
  - FPOs can engage farmers in collective farming and address productivity issues emanating from small farm sizes.
  - Further, this may also result in additional employment generation due to the increased intensity of farming.
- **Negotiating With Corporates:** FPO can help farmers compete with large corporate enterprises in bargaining, as it allows members to negotiate as a group and can help small farmers in both input and output markets.
- **Economics of Aggregation:** The FPO can provide low-cost and quality inputs to member farmers. For example, loans for crops, purchase of machinery, input agri-inputs (fertilizers, pesticides, etc.) and direct marketing after procurement of agricultural produce.

This will enable members to save in terms of time, transaction costs, distress sales, price fluctuations, transportation, quality maintenance, etc.
- **Social Impact:** Social capital will develop in the form of FPOs, as it may lead to improved gender relations and decision-making of women farmers in FPOs.

This may reduce social conflicts and improved food and nutritional values in the community.

## Way Forward

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- **Adding More FPOs:** Some studies show that we need more than one lakh FPOs for a large country like India while we currently have less than 10,000.

In this context, the government has taken several steps to promote FPOs.
- **Addressing Structural Issues:** Many FPOs lack technical skills, inadequate professional management, weak financials, inadequate access to credit, lack of risk mitigation mechanism, and inadequate access to market and infrastructure.
  - The above issues such as working capital, marketing, infrastructure have to be addressed while scaling up FPOs.
  - Getting credit is the biggest problem. Banks must have structured products for lending to FPOs.
  - They have to be linked with input companies, technical service providers, marketing/processing companies, retailers, etc.
  - They need a lot of data on markets and prices and other information and competency in information technology.

## Government's Effort For Promotion of FPO

- Since 2011, it has intensively promoted FPOs under the Small Farmers' Agri-Business Consortium (SFAC), NABARD, state governments and NGOs.

- The ongoing support for FPOs is mainly in the form of, one, a grant of matching equity (cash infusion of up to Rs 10 lakh) to registered FPOs, and two, a credit guarantee cover to lending institutions (maximum guarantee cover 85 per cent of loans not exceeding Rs 100 lakh).
- The budget for 2018-19 announced supporting measures for FPOs including a five-year tax exemption while the budget for 2019-20 talked of setting up 10,000 more FPOs in the next five years.
- **One District One Product Cluster:** The Ministry of Agriculture and Farmers Welfare on Tuesday reiterated the importance of FPOs which are to be developed in production clusters, wherein agricultural and horticultural produces are grown/cultivated for leveraging economies of scale and improving market access for members.
 

“One District One Product” cluster will promote specialisation and better processing, marketing, branding and export.

**Collective Farming:** FPOs can be used to augment the size of the land by focusing on grouping contiguous tracts of land as far as possible.

More focus should be on creating a supply chain and find new markets. Women farmers will play a major role in collective farming.

## Conclusion

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In the last decade, the Centre has encouraged farmer producer organizations (FPOs) to help farmers. While incomes will rise because of the benefits flowing from FPOs, they may not still be adequate to give a reasonable income to small and marginal farmers.

### ***Drishti Mains Question***

Farmer producer organizations could be a solution to the agrarian distress if they are helped to access credit and markets. Discuss.



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[https://youtu.be/\\_ZGtBAfhdqY](https://youtu.be/_ZGtBAfhdqY)

This editorial is based on **“Fire wise: On safety training and technological fixes”** published in The Hindu on March 10<sup>th</sup>, 2020. Now watch this on our Youtube channel.