



## Assessing the Scope of PACS-FPO Integration

This editorial is based on [Catalysing cooperation between PACS and FPO](#) which was published in The BusinessLine on 17/07/2023. It talks about the challenges and opportunities of Primary Agriculture Cooperative Societies (PACS) and the Farmer Producer Organizations (FPOs).

**For Prelims:** [E-Commerce](#), [E-Learning](#), [E-Healthcare](#), [Organic Farming](#), [Agroforestry](#), [Renewable Energy](#), [Circular Economy](#), [Common Service Centres](#)

**For Mains:** Challenges and Opportunities of Integration of FPOs-PACS

India has a large and **diverse agricultural sector, with more than 13 crore farmers**, most of whom are small and marginal. To empower these farmers and improve their access to finance, markets, and services, the **government has launched various initiatives**, such as the computerisation of [Primary Agriculture Cooperative Societies](#) (PACS) and the formation of [Farmer Producer Organizations](#) (FPOs).

PACS-FPO integration is a **win-win proposition for both the entities and the farmers**. It can **create a model of cooperation and collaboration** that can inspire other sectors and regions.

These two entities can **play a vital role in transforming the rural economy and enhancing the income and livelihood of farmers**. However, to achieve their full potential, they need to work together in a synergistic and collaborative manner.

### What are PACS and FPOs?

#### ▪ Primary Agriculture Cooperative Societies:

- PACS are **cooperative societies that provide short-term credit** and other services to their members, who are mostly farmers.
- They are the **grassroots level institutions** of the cooperative credit structure in India.
- There are **about 90,000 PACS in the country, with a membership of 13 crore farmers**.
- PACS are being transformed by **computerisation, undertaking multiservice, distribution of electricity, water, medicines** and offering services as [Common Service Centres \(CSC\)](#).

#### ▪ Farmer Producer Organizations:

- FPOs are **legal entities formed by a group of farmers who share common interests and goals**.
- They are **registered under various legal forms**, such as cooperatives, companies, trusts, or societies.
- FPOs aim to **provide better access to finance and markets** to small and marginal

- farmers by aggregating their produce and bargaining power.
- They also **provide technical assistance, input supply, value addition, and quality assurance** to their members.
- There are **about 7,500 FPOs in the country**, registered by various agencies.

## How can be the PACS-FPO Integration Significant?

- **Strengthened Farmer Support:**
  - Integration can provide farmers with a **comprehensive support system that combines credit services, marketing opportunities, and technical assistance.**
  - This holistic approach can contribute to enhancing farmer incomes and improving their overall well-being.
- **Market Access and Value Addition:**
  - FPOs can benefit from the established market linkages and networks of PACS, expanding **their reach and enhancing their bargaining power.**
  - Integration **can enable FPOs to access better markets, negotiate favorable prices, and add value** to their agricultural produce.
- **Knowledge Sharing and Expertise:**
  - PACS, with their experience and expertise in rural finance, can share their knowledge and best practices with FPOs.
  - This collaboration can help FPOs in areas such as **financial management, risk assessment, and governance, strengthening their operational efficiency.**
- **Resource Pooling:**
  - Integration can lead to resource pooling, including **financial resources, infrastructure, and technical expertise.**
  - Sharing resources between PACS and FPOs can optimize costs, increase efficiency, and create synergies that benefit both entities.
- **Policy Support and Recognition:**
  - Integration of PACS and FPOs can draw attention to the importance of **collective action and farmer-centric initiatives.**
  - It can generate policy support and recognition, leading to **favorable policies, incentives, and schemes** to further promote and strengthen the integrated model.
  - For e.g., the FPO's primarily those dealing with **one district one product** (ODOP) and taking advantages of **World Bank sponsored SMART & Central Government schemes** have been performing comparatively well; even crossing the turnover of more than one crore.
- **Innovation and Technology Adoption:**
  - Integrating PACS and FPOs can facilitate the adoption of innovative practices and technologies.
  - This can lead to improved agricultural productivity, efficient supply chains, and enhanced market access, contributing to the overall growth and development of the agricultural sector.

## How can PACS and FPO Work Together?

- **Cooperation in Credit:**
  - PACS **can provide credit and other services to FPOs** and their members at concessional rates and flexible terms. This will **help FPOs to overcome their financial constraints** and scale up their operations.
- **Better Networking:**
  - FPOs **can leverage the existing network and infrastructure of PACS** to reach out to more farmers and markets. This will help FPOs to **reduce their transaction costs and increase their efficiency.**
- **Collective Marketing:**
  - PACS can benefit from the collective marketing and value addition activities of FPOs by getting **better prices and quality for their produce.** This will help PACS to improve their **profitability and sustainability.**
- **Leveraging Social Capital:**
  - FPOs can benefit from the **social capital and trust that PACS have among the**

**farmers** by involving them in their governance and decision making. This will help FPOs to enhance their legitimacy and accountability.

▪ **Other Economic Cooperation:**

- PACS and FPO can jointly undertake high income generating activities like **beekeeping, mushroom cultivation, non agri sector like handloom, handicrafts, travel, media, education and health.**

## What are the Challenges to the PACS-FPO Integration?

▪ **Organizational and Cultural Differences:**

- PACS and FPOs have **different organizational structures, governance systems, and operational processes.**
- Integrating the two entities would require **addressing these differences and establishing a cohesive framework** that accommodates both.

▪ **Trust and Cooperation:**

- Building trust and fostering cooperation between PACS and FPOs is crucial for successful integration.
- PACS often have long-standing relationships with farmers, and **FPOs need to establish themselves as reliable partners.** Overcoming any **initial scepticism or resistance** would be vital for collaboration to flourish.

▪ **Reforming Regulatory and Legal Frameworks:**

- Aligning the **regulatory and legal frameworks governing PACS and FPOs** can be challenging.
- Addressing any discrepancies, **ensuring compliance with applicable laws,** and creating a supportive regulatory environment for integrated operations may require legislative amendments or policy changes.

▪ **Financial Integration:**

- Integrating financial services and ensuring **seamless access to credit, savings, and other financial products** for FPOs within the existing PACS infrastructure would require careful coordination and planning.

## What are the New Business Models that can Emerge from PACS-FPO Integration?

▪ **Platform Cooperatives:**

- These cooperatives **use digital platforms to connect producers with consumers** can offer services such as **e-commerce, e-learning, e-healthcare,** etc., using the data generated by their members.

▪ **Sustainable Cooperatives:**

- These are cooperatives that adopt sustainable practices such as **organic farming, agroforestry, renewable energy, waste management,** etc., to reduce their environmental impact and enhance their social impact.

▪ **Circular Economy:**

- PACS and FPOs can adopt **circular economy** principles by using biodegradable packaging, composting organic waste, recovering nutrients, etc.

▪ **Regenerative Agriculture:**

- PACS and FPOs can practice **regenerative agriculture** by using techniques such as **no-till, cover crops, crop rotation, mulching, etc.**

▪ **Custom Hiring Centres:**

- These centres **provide rental farm machinery and equipment** (drones, sensors, irrigation systems etc.) **to farmers** who cannot afford to buy or maintain them.

## What Steps can be taken to Integrate PACS and FPOs?

▪ **Role that Govt and Other Agencies can Play:**

- **Enabling Policy Environment:** Provide conducive policies and regulations to support the integration of PACS and FPOs.
- **Capacity Building and Mentoring Support:** Provide training, guidance, and

handholding to the PACS and FPOs on various aspects of integration.

- **Participatory Learning Platforms and Incubation Centres:** Create platforms and centres where PACS and FPOs can learn from each other's experiences, share best practices, and access innovation support.
- **Role of PACS and FPOs:**
  - **Collaborations with Various Stakeholders:** Forge partnerships and collaborations with other actors such as NGOs, private sector, research institutions, media, etc. to enhance their capacities and outreach.
  - **Innovations and Entrepreneurship among Farmers:** Encourage and support the farmers to develop new ideas, products, services, and enterprises that can add value to their produce and income.

**Drishti Mains Question:**

The integration of Primary Agricultural Credit Societies (PACS) and Farmer Producer Organizations (FPOs) can create a hybrid model that leverages the strengths of both institutions and provides a holistic solution for the farmers. Critically analyze.

## UPSC Civil Services Examination Previous Year's Question (PYQs)

### **Prelims:**

#### **Q1. Consider the following statements: (2020)**

1. In terms of short-term credit delivery to the agriculture sector, District Central Cooperative Banks (DCCBs) deliver more credit in comparison to Scheduled Commercial Banks and Regional Rural Banks.
2. One of the most important functions of DCCBs is to provide funds to the Primary Agricultural Credit Societies.

**Which of the statements given above is/are correct?**

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

**Ans: (b)**

#### **Q2. With reference to 'Urban Cooperative Banks' in India, consider the following statements: (2021)**

1. They are supervised and regulated by local boards set up by the State Governments.
2. They can issue equity shares and preference shares.
3. They were brought under the purview of the Banking Regulation Act, 1949 through an Amendment in 1966.

**Which of the statements given above is/are correct?**

- (a) 1 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

**Ans: (b)**

## **Mains**

**Q.** In the villages itself no form of credit organisation will be suitable except the cooperative society." – All India Rural Credit Survey. Discuss this statement in the background of agricultural finance in India. What constraints and challenges do financial institutions supplying agricultural finance face? How can technology be used to better reach and serve rural clients? **(2014)**

PDF Refernece URL: <https://www.drishtias.com/printpdf/assessing-the-scope-of-pacs-fpo-integration>

