



Farmers Producer Organisation

For Prelims: [Farmer Producer Organisations \(FPOs\)](#), [Small Farmers' Agribusiness Consortium \(SFAC\)](#), [Cooperatives](#), [e-NAM](#), [Agri-tech Startups](#),

For Mains: Status, concerns and way forward for farmer producer organisations (FPOs).

Source: [BL](#)

Why in News?

The development of [Farmer Producer Organizations \(FPOs\)](#) has been a critical step towards **empowering small farmers** in India. Despite the government's significant investment in FPOs, their progress has been **slower than anticipated**.

What is a Farmers Producer Organisation?

- **About:** An FPO is a type of **producer organisation (PO)** with **farmers** as its members, and its promotion is supported by the [Small Farmers' Agribusiness Consortium \(SFAC\)](#).
 - The **FPOs** came into existence in **2008**, inspired by economist **YK Alagh's** recommendation (2002) to amend the **Companies Act, 1956**.
 - FPOs can be registered under the **Companies Act, 2013**, the **Societies Registration Act, 1860**, or as **Public Trusts** under the **Indian Trusts Act, 1882**.
 - A **Producer Organisation** is a group of producers, **agricultural, non-farm, or artisan**, that can take **legal forms** like producer companies or [cooperatives](#), **sharing profits** among members.
- **Objectives & Need:** Indian agriculture is dominated by [small and marginal farmers](#) (87% owning less than 2 hectares), facing **weather and market risks**, and struggling to get fair prices.
 - FPOs help small farmers by facilitating **bulk input purchases**, improving **bargaining power**, and ensuring **better price realization** with reduced costs.
 - They also enhance **market access**, supporting the goal of **doubling incomes** and entering **global markets**.

FPO Objectives



- **Current Status:** **45,000 FPOs** are registered as companies, but only **16,000 are compliant** with regulatory filings.
 - Just **4,000 FPOs** have received working capital loans for procurement and **average net profit per FPO is Rs 3 lakh** (too low to significantly boost farmer incomes).

Success Story of FPOs

- **Indian Successful Story:**
 - **Kandhamal Apex Spices Association for Marketing (KASAM)** in **Odisha** promotes **Kandhamal turmeric** through 61 Spice Development Societies.
 - It collaborates with **Kisan Saathi**, helping **Gumapadar FPC Ltd.** export turmeric to **NedSpice Group** in the **Netherlands**, demonstrating FPOs' potential to reach **global markets**.
- **Global Success Stories:**
 - **Mexico (Ejido System):** **Ejidos** are **communal farming systems** where **land** is collectively owned and managed by **communities**, helping farmers access **international markets**, particularly for **crops** like **avocados** and **berries**.
 - **Thailand:** Programs like "One Tambon (Village) One Product" promote unique local agricultural products.
 - **China:** **Farmer Professional Cooperatives (FPCs)** in sectors like **tea**, **fruits**, and **aquaculture** have reached global markets, with platforms like **Alibaba** enabling direct sales to consumers.

What are the Key Challenges Faced by FPOs in Indian Agriculture?

- **No One Size Fits All Approach:** FPOs cannot single-handedly resolve deep-rooted issues like the **vulnerability of farmers to climate risks**, the **lack of robust rural infrastructure**, the **limited reach of Minimum Support Prices (MSP)** for many crops, the volatility of global agricultural prices, and the persistent social inequalities that marginalize certain farming communities.
- **Limited Impact in Market Linkages:** Despite **3,500 FPOs** being integrated with **e-NAM**,

the **traded value (Rs 3.19 lakh crore)** is only a **fraction** of the total **agricultural GVA (Rs 50 lakh crore at current prices)**.

- The disparity shows that **e-NAM is not fully reaching** the broader agricultural economy due to **low adoption, market fragmentation, infrastructure gaps, and regional disparities**.
- **Thin Margins:** Most FPOs operate on **thin margins in input/output marketing (3-6%)**, raising doubts about long-term viability.
 - With **limited profit margins**, FPOs may **struggle** to cover **operational costs, invest in growth, and sustain** their activities.
- **Challenge of Replacing Middlemen:** Farmers rely on middlemen for **trust, credit, and payments**. FPOs may not fully replace them, especially in regions with **feudal systems**, making complete elimination unrealistic.
- **Mere Outsourcing Channels:** Some FPOs act as **procurement agents or custom hiring centers**, diluting their original purpose of empowering farmers.
- **Lack of Social Capital:** FPOs need **social capital** and a **gestation period** to build **consensus and thrive**, as organizations based on social networks **can't take root overnight**.
 - Without social capital, FPOs may face **challenges** in **sustainability, governance, and growth**, delaying benefits to farmers and hindering expansion.

How can FPOs be Strengthened for Sustainable Agriculture?

- **Creating Iconic FPOs:** Identify and support **high-potential FPOs** with capable **leadership, active farmer participation, and viable business models**.
 - Partner with **Civil Society Organizations (CSOs), philanthropies, and agri-tech startups** to nurture these FPOs as **model institutions** for others to emulate.
- **Develop Knowledge Resources:** Create vernacular handbooks on FPO operations covering **business models** (input supply, marketing, value addition), **financial management** (profit-sharing, working capital), and **digital tools** (e-NAM, ONDC, agri-tech) for its smooth functioning.
- **Build Local FPO Professionals:** Train rural youth in FPO management through short-term courses at agricultural universities, and deploy them as **FPO Promoters**, self-employed professionals who **help establish and manage FPOs** for a fee.
- **Encourage Value Addition:** Support FPOs in **processing, branding, and certification** (e.g., organic, GI tags), **facilitate direct retail partnerships** (supermarkets, export markets), and promote **FPO-led agri-tourism**, farmer markets, and subscription-based models (e.g., weekly vegetable boxes).

Conclusion

FPOs hold significant potential to **empower small farmers** by improving **market access** and **bargaining power**. However, their success hinges on addressing challenges like **thin margins, scalability, and trust-based relationships**. Focusing on high-potential FPOs, leveraging **digital platforms**, and promoting **value addition** will be key to their long-term **sustainability**.

Drishti Mains Question:

Analyze the challenges faced by FPOs and suggest how they can be made economically viable.

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

Prelims

Q. With reference to 'Urban Cooperative Banks' in India, consider the following statements:

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)

Q. Consider the following statements: (2020)

1. In terms of short-term credit delivery to the agriculture sector, District Central Cooperative
2. Banks (DCCBs) deliver more credit in comparison to Scheduled Commercial Banks and Regional Rural Banks.
3. 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)

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)