



Making India's FPOs Global

For Prelims: [Farmer Producer Organisations](#), [Indian Council for Research on International Economic Relations](#), [Small Farmers' Agribusiness Consortium](#), [Cooperative Society](#), [Small and Marginal Farmers](#), [FSSAI](#), [BIS](#), [APEDA](#), [Spices Board](#), [ONDC](#), [eNAM](#), [Kandhamal Turmeric](#), [Sanitary and Phytosanitary Measures](#).

For Mains: Challenges and Opportunities in farmer producer organisations (FPOs).

[Source: FE](#)

Why in News?

Recently, [Indian Council for Research on International Economic Relations \(ICRIER\)](#) analyzed **issues** plaguing India's [farmer producer organisations \(FPOs\)](#) and suggested **reforms**.

- ICRIER (1981) is a prominent Indian policy research **think tank** specialising in **Agriculture**, **Climate Change**, Digital Economy, Economic Growth among others.

What is a Farmers Producer Organisation?

- **About:** FPO is a type of **producer organisation (PO)** where the members are **farmers**.
 - [Small Farmers' Agribusiness Consortium \(SFAC\)](#) supports promotion of FPOs.
 - PO is a **generic name** for an organisation of producers of any produce, e.g., **agricultural, non-farm products, artisan products**, etc.
 - A PO can be a **producer company**, a [cooperative society](#) or any other legal form which provides for sharing of profits/benefits among the members.
- **Need for FPO:** To help [small and marginal farmers](#) achieve [economies of scale](#), increase their bargaining power by negotiating collectively, double their income, and reach the global markets.
 - In India, small and marginal farmers represent **86% of farmers**.
- **Ownership:** The ownership of the FPO is with its members. It is an organization **of the producers, by the producers and for the producers**.
- **Legal Forms of FPO:** FPOs can be registered under:
 - Companies Act, 1956 and Companies Act, 2013.
 - **Societies registered under Society Registration Act, 1860**
 - Public Trusts registered under Indian Trusts Act, 1882
- **Differences between PO and Cooperative Societies:**

Parameter	Cooperative Society	Producer Organisation
Objectives	Single object	Multi-object
Membership	Individuals and cooperatives	Any individual, group, association, producer of goods or services
Government control	Highly patronized to the	Minimal, limited to statutory

	extent of interference	requirements
Reserves	Created if there are profits	Mandatory to create every year

What Problems are Plaguing India's FPOs?

- **Limited Market Linkages:** Around **80% FPOs** are unable to **identify and reach buyers**, manufacturers, processors, and exporters.
- **Lack of Product Information:** Although over **8,000 FPOs** are registered on the website of the ministry of agriculture and farmers welfare, there is **no information on which products they cater to**.
 - **Companies and foreign agents** prefer sourcing through **traders and traditional mandis** due to the lack of information.
- **Complex Regulations:**
 - **Multiplicity of Standards:** Different agencies like **FSSAI, BIS, APEDA, and Spices Board** provide varying standards that **confuse FPOs** about compliance and **market access**.
 - **Information Deficit:** About **72% of FPOs** find the domestic standard-setting process too **complex and lack adequate knowledge** of export standards and requirements.
- **Non-Acceptance by Importing Countries:** Very few countries have **mutual recognition agreements for standards** with India.
 - Although our **standards are good**, they are **rarely accepted** by importing countries.
- **Traceability Issues:** Global buyers want **product traceability**, and many FPOs do not know how to implement it.
 - Product traceability tracks products through the **supply chain** by logging and monitoring **manufacturing data at each step**.
- **Limited E-commerce Adoption:** Despite government initiatives like **ONDC and eNAM**, FPOs have limited awareness and capability to leverage e-commerce platforms effectively.
 - E.g., as of November, 2024, **no turmeric FPOs are listed on ONDC**.

Success Story of FPOs in India

- **Kandhamal Apex Spices Association for Marketing (KASAM) in Odisha** has been set up for promoting **Kandhamal turmeric**. It is a collaboration of **61 Spice Development Societies** under the government of Odisha.
 - It signed a memorandum of understanding with **Kisan Saathi**, under which the former has been working with **two KASAM FPOs—Gumapadar FPC Ltd. and Sastri FPC Ltd.**—to help them to reach global markets.
 - **Gumapadar FPC Ltd.** is exporting Kandhamal turmeric to **NedSpice Group from the Netherlands**.
- This demonstrates that with **strategic partnerships** and coordinated efforts, FPOs can overcome market barriers and go global.

Global Success Stories

- **Mexico (Ejido System):** Ejidos are **communal farming systems** where land is collectively owned and **managed** by communities.
 - It helped farmers access international markets, particularly in crops like **avocados and berries**.
- **Thailand:** Thailand has a strong network of **agricultural cooperatives**, especially in rice production.
 - 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 successfully penetrated global markets.
 - Platforms like **Alibaba** have enabled cooperatives to **sell directly to consumers**.

Way Forward

- **Database of FPOs:** Develop a **detailed, product-specific database** of FPOs to enable global companies to locate and engage with relevant FPOs.
 - Enhance **visibility and foster partnerships** for better price realization and address barriers like lack of product traceability.
- **E-commerce Platforms:** There is a need for increased support to **onboard the FPOs** on e-commerce platforms, along with **educating farmers** on using government platforms like the eNAM to help them expand market reach.
- **Global Compliance Standards:** Knowledge transfer on **global compliance standards** like **sanitary and phytosanitary measures**, **maximum residue levels**, and **technical barriers** to trade is crucial to avoid rejection of India's agricultural products.
- **Product-Specific Training:** There is a need for **product-specific training and guidelines** related to compliance standards and regulations for key markets.
- **Scaling Up Best Practices:** Identify successful case studies like **Kandhamal turmeric FPOs** and replicate these models through structured knowledge-sharing mechanisms.

Drishti Mains Question:

Examine the key challenges faced by FPOs in India and suggest reforms to make them more effective in enhancing farmers' market access.

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 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)

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.drishtiias.com/printpdf/making-india-s-fpos-global>

