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Farmer Producer Bodies Need Help

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(This editorial is based on the article “Farmer Producer Bodies Need Help” which appeared in BusinessLine on 10th January 2019.)

Agriculture provides livelihoods to millions of small landholders in India. But, suffers from so many problems. A few government initiatives to support farmers — such as increased MSP, interest subsidies, free electricity, and loan waivers — reach a limited percentage of farmers and, hence, have a limited impact.

The Telangana Government’s decision to provide direct cash transfer to farmers based on their landholding addresses only a part of the issue. A long-term solution to address farmers’ distress is the need of the hour. Organizing farmers into **farmer producer organizations (FPOs) could be one feasible option.**

A few States have formulated specific policy to promote FPOs in a significant manner. However, there are a few areas that require attention to make FPOs operationally successful.

What are FPOs?

- A **Producer Organisation (PO) is a legal entity formed by primary producers, viz. farmers,** milk producers, fishermen, weavers, rural artisans, craftsmen. PO is a generic name for an organization of producers of any produce, e.g., agricultural, non-farm products, artisan products, etc.
- A PO can be a **production company, a cooperative society or any other legal form which provides for sharing of profits/benefits among the members.** In some forms like producer companies, institutions of primary producers can also become a member of PO.
- **The concept of 'Farmer Producer Organizations, (FPO)' consists of collectivization of producers especially small and marginal farmers** so as to form an effective alliance to collectively address many challenges of agriculture such as improved access to investment, technology, inputs, and markets. FPO is one type of

PO where the members are farmers.

- **The FPOs are generally mobilized by promoting institutions/resource agencies (RAs).** Small Farmers' Agribusiness Consortium (SFAC) is providing support for the promotion of FPOs.
- The resource agencies leverage the support available from governments and agencies like NABARD to promote and nurture FPOs, but attempting an assembly line for mass production of FPOs has not given the desired results.

Status of FPOs

- **FPOs started taking shape in the country in the recent decade, where 80-90 percent of the members are farmers with small landholding.**
- **According to a 2017 NABARD publication, around 5,000 FPOs are operating in the country,** which was formed under various initiatives of the Central Government (including Small Farmers Agribusiness Consortium), State governments, NABARD, and other organizations.
- **Of these, around 3,200 FPOs are registered as farmer producer companies and the remaining as cooperatives/societies, etc.**
- However, the beginnings of FPOs have been rather modest and membership is at five lakh only.

Importance of FPOs

- Well-organized FPOs engage in providing a range of **assistance to farmers like imparting better farm practices, collectivization of input purchases, transportation, linkage with markets, and better price realization** as they do away with the intermediaries.
- **A direct selling arrangement provided by FPOs can reduce the cost of marketing by linking farmers** more closely to the supply chain and consumers.
- **A few FPOs like SFPCL, Savitribai Phule Goat Farming Producer Company and Vasundhara Agri-Horti Producer Company have made notable achievements** in crop production and allied farm activities; improving quality of production through best farm practices; tapping the unexplored markets; cutting down the intermediaries in the agri value chain, and enhancing farmers income.
- **Some of the best practices followed by the FPOs include maintaining crop maturity indices, documenting plant protection chemicals used, geo-tagging the land under cultivation, and maintaining the traceability of the crop output from the farm until it reaches the final market for sale.**

Issues

- While resource agencies (RAs) normally have social mobilization skills, **they lack**

business development and marketing skills, which are critical for the success of FPOs as a business entity.

- Focus on management capabilities in the **supply chain operations, nuances of market dynamics and linkages, business planning according to market intelligence and market development is clearly missing in the majority of the training programmes associated with FPOs.**
- The present system suffers from distortions like multiple intermediaries and levies, lack of vertical integration (is the combination in one firm of two or more stages of production normally operated by separate firms), poor infrastructure, restrictions on the movement of agricultural commodities, and so on.
- **Thus, the limited market choices and lack of transparency have been the major barriers in better price realization for the farmers.**
- Finding the right markets bypassing the present maze of intermediaries is critical. Many FPOs lack the capacity to manage the supply-chain operations and store the unsold produce, besides faltering in procurement, logistics and price negotiations.

Way Ahead

- **Mere formation of FPOs doesn't serve the purpose of helping farmers**, as there are many dysfunctional ones due to lack of clear strategies, inadequate capacity, lack of funding support, and poor professional management.
- FPOs should be promoted only after ascertaining the need, absorption capacity, potential membership, and a strong business case in the given socio-economic context. In order to be successful, FPOs should be run by trained professionals.
- **RAs should also have a clear exit plan once the internal systems for appropriate management, governance, and marketing systems are established in the FPO.** [The role of RAs in this should be limited to helping an FPO setup itself, after which the RAs should move on to helping set up the next FPO.]
- **FPOs require long term capacity investments, providing hands-on experience in business planning, execution, negotiation skills, monitoring, statutory compliance, etc.**, inter-spaced with simulation, field demonstrations, internships, and institutional attachments.
- E-retailing and e-marketing are viable possibilities for FPOs. FPOs must ensure their ascendancy up the value chain as they gain expertise in marketing.
- **ICT tools and blockchain technology for agriculture are the need of the hour.**
- Blockchain tech, using hyper ledger in the Agri space, enables tracking inefficiencies and improving transparency in the value chain operations.
- This would also help to identify better markets for the produce, improve banker's comfort to finance such agri-supply chains managed by farmers.
- It is time for funding agencies to focus on financing a few pilots in such agri blockchain technology to facilitate this transformation. Currently, only a few FPOs have developed mobile phone-based extension guidance to help reduce the cost of cultivation and

access information about market prices of commodities.

- **It is also time that a new cadre of grassroots level institutional leadership and professionals are nurtured with these kinds of course inputs.**
- **The success of farmer organizations is critical for ensuring the success of smallholder agriculture and FPOs will remain an aggregator of aspirations for the millions of farmers in the country.**

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