



Formation & Promotion of 10,000 FPOs

For Prelims: Farmer Producer Organization, Cluster Based Business Organizations, Central Sector Scheme

For Mains: Government Policies & Interventions, Agricultural Marketing, Agricultural Pricing, Significance of Scheme of Formation and Promotion of FPOs

Why in News?

Recently, the Ministry of Agriculture & Farmers Welfare has organized the **National Conference of Cluster Based Business Organization's (CBBOs)**, under the [Central Sector Scheme of Formation and Promotion of 10,000 FPOs \(Farmer Producer Organization\)](#).

What is the Scheme of Formation & Promotion of 10,000 FPOs?

- **Launch:**
 - In **February 2020**, at Chitrakoot (Uttar Pradesh) with a budgetary provision of Rs. 6865 crores.
- **About:**
 - More than 2200 FPOs produce clusters have been allocated for the formation of FPOs in 2020-21.
 - Implementing Agencies (IAs) are engaging **Cluster-Based Business Organizations (CBBOs)** to aggregate, register & provide professional handholding support to each [FPO](#) for a period of 5 years.
 - CBBOs will be the platform for end-to-end knowledge for all issues related to FPO promotion.
- **Financial Assistance:**
 - Up to Rs. 18.00 lakh per FPO for a **period of 3 years**.
 - Provision has also been made for **matching equity grants up to Rs. 2,000 per farmer member of FPO with a limit of Rs. 15.00 lakh per FPO**.
 - Provision of a **credit guarantee facility up to Rs. 2 crores** of project loan per FPO from the eligible lending institution to ensure institutional credit accessibility to FPOs.
- **Significance:**
 - **Increase Farmers' Income:**
 - It will **promote the selling of farmers' produce** from the farm gate of farmers thereby enhancing farmers' income.
 - This will **shorten the supply chain** and accordingly marketing costs will get reduced resulting in better income for farmers.
 - **Create Employment:**
 - It will **accelerate more investment in marketing and value addition infrastructure** near to farm gates creating more employment opportunities for rural youth.
 - **Making Farming Viable:**
 - It will make farming more viable by aggregating land.

- **Progress:**
 - More than **5.87 lakh farmers have been mobilized under the Scheme.**
 - About **3 lakh farmers have been registered as shareholders** of the FPOs.
 - Equity contribution by farmer members amounts to INR 36.82 crores.
 - The **total equity base of the FPOs, including the Equity Grant released, amounts to INR 50 crores.**

What are the Other Initiatives for Farmers?

- [National Mission for Sustainable Agriculture.](#)
- [Pradhan Mantri Krishi Sinchayee Yojana.](#)
- [Rashtriya Krishi Vikas Yojana \(RKVY\).](#)
- [Nutrient Based Subsidy \(NBS\) Programme.](#)
- [Rashtriya Gokul Mission.](#)
- [Pradhan Mantri Fasal Bima Yojana.](#)
- [Paramparagat Krishi Vikas Yojana.](#)

What are FPOs?

- FPOs are **voluntary organizations controlled by their farmer-members** who actively participate in setting their policies and making decisions.
- They are open to **all people 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 realize 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.
- 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 [National Bank for Agriculture and Rural Development \(NABARD\)](#) to promote and nurture FPOs.

Way Forward

- The role of **CBBOs should be to strengthen FPOs** so that farmers seek them out.
- FPO is not merely a company, it is a collective for the benefit of farmers. **More and more farmers should be part of FPOs.**
- Indian agriculture is dominated by small and marginal farmers with average land holdings size of less than 1.1 ha.
- These small and marginal farmers constituting more than 86 % of the total land holdings are **facing tremendous challenges both in production and post-production scenarios.**
- **Collectivization of farmer producers** through formation of FPOs is very **important to address such challenges and enhance their incomes.**

[Source: PIB](#)

