



## Strengthening FPOs

This article is based on [“Reimagining FPOs to transform lives of marginal farmers”](#) which was published in The Hindu Business Line on 06/07/2021. It talks about the advantages, challenges pertaining to the establishment of Farmer Producer Organisations (FPOs).

Indian Agriculture is facing many challenges like increasing input costs, changing pattern of southwest monsoon, poor economies of scale, etc

Possible solutions to these challenges include increasing the price the farmer receives, improved practices to reduce inputs, value addition at farm gate, insurance, and credit models that are farmer-friendly.

However, there is one issue that underlies all these solutions and that is of reach. The establishment of Farmer Producer Organisations (FPOs) can help immensely in this regard. An FPO helps grow the farmer base, provide inputs, buy output, give them advice on crops, give them credit and insurance, facilitate post processing, etc.

Despite [many government schemes supporting FPOs](#), over 7,500 FPOs have been registered so far, only 15 percent of these are active.

### Advantages of FPOs

- **Advantage Of Economies of Scale:** Cost of production can be reduced by procuring all necessary inputs in bulk at wholesale rates.
  - Aggregation of produce and bulk transport reduces marketing cost, thus, enhancing net income of the producer.
  - Access to modern technologies, facilitation of capacity building, extension and training on production technologies and ensuring traceability of agriculture produce.
- **Reduced Losses:** Post-harvest losses can be minimized through value addition and efficient management of the value chain.
  - Regular supply of produce and quality control is possible through proper planning and management.
- **Easy Access to Finance:** Access to financial resources against the stock, without collaterals.
- **Improved Bargaining Power:** Collectivisation through FPOs also gives them more ‘bargaining’ power as a group and helps in social capital building.

### Associated Challenges

- **Lack of Professional Management:** FPOs are required to be efficiently managed by experienced, trained and professionally qualified CEO and other personnel for supervision and control.
  - However, such trained manpower is presently not available in the rural space to manage

FPO business professionally.

- **Weak Finances:** FPOs are mostly represented by small and marginal farmers with poor resource base and hence, initially they are not financially strong enough to deliver vibrant products and services to their members and build confidence.
- **Inadequate Access to Credit:** Lack of access to affordable credit for want of collaterals and credit history is one of the major constraints the FPOs are facing today.
- **Lack of Risk Mitigation Mechanism:** Presently, while the risks related to production at farmers' level are partly covered under the existing crop/livestock/other insurance schemes, there is no provision to cover business risks of FPOs.
- **Inadequate Access to Infrastructure:** The producers' collectives have inadequate access to basic infrastructure required for aggregation like transport facilities, storage, value addition and processing, brand building and marketing.

## Way Forward

- **Division of Work:** An alternative model is to have the FPO focus solely on farmer engagement and an FPO Support Unit (FPOSU) set up to help with non-farming activities.
  - The FPOSU will be set up to work with numerous FPOs and can aggregate demand from millions of farmers to get larger discounts, negotiate with large buyers, source appropriate advisory, credit, insurance and other products and services.
- **Enabling Marketing:** Marketing of produce at remunerative prices is the most critical requirement for the success of FPOs.
  - The linkage with Industry/other market players, large retailers, etc. is necessary for long term sustainability of FPOs.
  - Also, there is a need to treat the FPO as a place of Gramin Agri Market (GRAM) and build up the required marketing infrastructure to be owned and managed by the FPO.
- **UBER/OLA Model:** Convergence of resources for creation of farm level infrastructure at FPO level for cleaning, grading, sorting, assaying, processing, branding & transportation.
  - This can be done by establishment of custom hiring centres based on the UBER/OLA model for the benefit of shareholder members.
- **Nudging the Strengthening of FPOs:** The concerned Ministries/departments may be mandated to implement all "Farmercentric Schemes" through the FPOs for efficient delivery of services and improved outcomes.
  - Further, there can be an appropriate provision in the Food Grain Procurement policy of the Government of India requiring procurement of agricultural commodities directly through FPOs under MSP scheme.
- **Education Related to FPOs:** Private Institutions/ Agricultural Universities may introduce special courses on FPO promotion and agribusiness management, with focus on rural youths including women so as to create large pool of professionals in rural areas for managing FPO activities

## Conclusion

Since the FPO has been considered to be the way forward for enhancing farmers' income and boosting agricultural growth, future strategies for scaling up of FPO promotion by various stakeholders should focus on mass awareness building, institution development, forging linkages with the ecosystem, and digital monitoring.

### ***Drishti Mains Question***

Farmer Producer Organisations has been considered to be the way forward for enhancing farmers' income and boosting agricultural growth. Discuss.

