FPOs
USHERING THE CHANGE

The major constraint of Indian agriculture is diminishing size of land holding. As per the 2015 census, the proportion of small and marginal farmers is more than 85 per cent of total land holdings in the agricultural economy of India.

Being smallholders, these farmers suffer from some inherent problems such as absence of economies of scale, lack of access to credit, input, technology information and their inability to participate in the price discovery mechanism. Thus, given the situation of the smallholders, their problems are of prime concern for the sector. In order to overcome the challenges faced by them, the only way is to aggregate these small farmers through an appropriate model.

Efforts to Aggregate Smallholders

Various interventions by the government or NGOs have tried to aggregate smallholders. One such pioneering attempt was promotion of cooperatives which were meant for performing various activities in agriculture including input supply. By and large, the experiences of cooperatives has been poor with an exception of co-operative sugar factories in Maharashtra and dairy cooperatives in some Indian States.

Apart from these cooperatives, Amalsad cooperative Society for sapota and farming co-operative (Gambhira) in Gujarat, MAHAGRAPES in Maharashtra, HOPCOMS and CAMPCO in Karnataka, Mulkanoor women cooperative groups in combined Andhra Pradesh etc., have performed well. There are also a few examples of successful SHG women's farming groups in Andhra Pradesh. These successful models could not be emulated in other regions of the country.

GOI initiated a new policy towards creation of a new aggregation model which can take care of various agricultural activities such as inputs, production, technology, credit and marketing. FPOs in many parts of the country have proved to be successful in fetching the remunerative prices to its farmer members by establishing a direct market linkages for their produce.

Many Milestones

The role played by FPOs in marketing helped its members in minimizing the post-harvest losses through value addition and efficient management of value chain. Few FPOs were involved in exporting the farmer member produce to various countries and thus helped in stabilizing the price fluctuations. In addition to these, the FPOs are also involved in integration with APMCs, e-NAM, exporters and linkage with various agencies involved in agricultural marketing.

In India, some of the successful FPOs are Sahyadri farms, Maharashtra, Visaka Dairy Producer Company Ltd. in Andhra Pradesh, Savithribai Phule Goat Farming Producer Company, Maharashtra, Shree Chhatrapati Shahu Milk and Dairy & Agro Producer Co. Maharashtra, Begoti Tea Producer Co. ltd. Assam and Palakkad Coconut Producer Co.

As on 01.03.2021, about 18,500 producer organizations were promoted in India and this number is expected to be more than double over the next few years, bringing the total coverage to about 10% of all agricultural households. In order to achieve this target, during 2020-21, Government of India has launched Central Sector Scheme "Formation and Promotion of 10,000 new Farmer Producer Organizations (FPOs)" with an outlay of Rs. 6865 crore.

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> **Formation and promotion of FPOs is the first step for converting Krishi into Atmanirbhar Krishi. This will enhance cost effective production and productivity, and higher net incomes to the members**

As it was emphasized by GOI, formation and promotion of FPOs is the first step for converting Krishi into Atmanirbhar Krishi. This will enhance cost effective production and productivity and higher net incomes to the member of the FPO. Also improve rural economy and create job opportunities for rural youths in villages itself. This was the major step towards improving farmers' income substantially.

Formation Not Uniform Across Country

Over a period of time, it is found that the formation of FPOs across the country is not uniform. Moreover, the studies have indicated that only around 25% of the FPOs are running successfully in a sustainable manner. Several studies have revealed that around 50% of FPCs are in just 4 states and 25% of FPCs are in just 20 districts. The Pune district in Maharashtra alone has 185 FPCs, the highest in India and 32 districts have more than 1 lakh farmers but no PCs. Nearly 79% of FPCs are in formative stage and aged 3 years or less. Ironically only 14% of FPCs have paid-up capital of ₹10 Lakh or more and 49% of FPCs have paid-up capital of ₹1 lakh or less (Azim Premji University Report 2020).

Gradual growth inducing sustainability in functioning growth of the FPOs/FPCs should be the approach of the promoters rather than expecting the quick results. Capacity Building of any form of farmer organization assumes greater importance to enhance the efficiency and bring peer group pressure among members of the group for effective functioning. Credit support and linking these FPCs to government schemes are very crucial for attaining the sustainability.

Challenges Faced

The experience so far reveals that there are certain regulatory issues being faced by the Farmer Producer Companies in India. These include compliance of legal issues relating to submission of audit report, AGM report, quarterly reports, minutes of the meetings etc. Due to lack of awareness among the BODs and members, the FPCs are inviting hefty fines for non-compliances of these legal issues as provided in the Companies Act. These regulations can be modified either by amending company regulations to allow exemptions for FPCs from certain requirements and/or by creating FPC specific rules. Ministry of Corporate Affairs (MCA) should explore the possibilities of differential compliance requirements for FPCs.

Hence, there is a need for "Ease of Doing Business" guidelines for FPCs and mentoring the FPCs to follow the same.