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FARMER PRODUCER ORGANIZATION

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Introduction:

FPO stands for Farmers Producers Organisation. It is an organisation of farmer-producers that provide support to small farmers with end-to-end services covering almost all aspects of cultivation from inputs, technical services to processing and marketing. Farmers Producer Organizations (FPO) are groups of farmers coming together on the basis of principle of membership, to pursue specific common goal and developing farming as economic activities that benefit their members and maintaining relations with partners working with them. A Producer Organisation (PO) is a legal entity formed by primary producers that are farmers, milk producers, fishermen, weavers, rural artisans, craftsmen, etc. PO is a generic name for an organization of producers of any produce, e.g., agricultural, non-farm products, artisan products, etc. A Producer Organisation can be a producer company, a cooperative society or any other legal form which provides for sharing of profits or benefits among the members. In some forms of producer companies, institutions of primary producers can also become members of PO. These are basically the hybrids of cooperatives and private companies. The participation, organization and membership pattern of these companies are more or less similar to the cooperatives. But their day-to-day functioning and business models resemble those of the professionally-run private companies. The Companies Act was amended by incorporating Section-IX A in it to allow creation and registration of FPOs under it.

Aim of Farmer Producers Organisation:

- The main aim of FPO is to ensure better income for the producers through an organization of their own.
- Small producers do not have the volume individually (both inputs and produce) to get the benefit of economies of scale.
- Besides, in agricultural marketing, there is a long chain of intermediaries who very often work non-transparently leading to the situation where the producer receives only a small part of the value that the ultimate

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consumer pays. This will be eliminated.

- Through aggregation, the primary producers can avail the benefit of economies of scale.
- Farmers Producers will also have better bargaining power in the form of the bulk buyers of produce and bulk suppliers of inputs.

Types of FPO:

1. Grover Association: Many commodity oriented grower societies (fruits, vegetables, sugarcane, banana, etc.) are functional in India, which help farmers in getting the latest information and technology.

2. User Association: User groups are very common in the area of participatory irrigation management, watershed management and community forest management.

3. Farmer Interest Groups: Farmer Interest Group (FIG) is a self- managed, independent group of farmers with a shared goal and interest.

4. Farmer Club: NABARD has assisted in formation of farmers' clubs across the country. These clubs are organised by rural branches of banks with the support and financial assistance of NABARD for the mutual benefit of the banks concerned and the village farming community/rural people. The club members are expected to utilize this amount to meet routine expenses for formation, maintenance, and organising awareness meets.

5. Farmer Cooperatives: It is a form of organization where persons voluntarily associate together on the basis of equity for the promotion of their own social and economic interests

Ownership of FPO:

The FPO's members are its true owners. It is an organization of the farmers, by the farmers and for the farmers. The FPO may have been sponsored by one or more institutions, people, or organisations through aiding in mobilization, registration, business strategy, and operations. However, management is done through the member representatives, and ownership control is always with the members.

Important activity of FPO:

1. Procurement of inputs. **2.** Disseminating market information. **3.** Dissemination of technology and new idea. **4.** Facilitating funding for inputs. 5. Aggregation and storage of produce. **6.** Drying, cleaning and grading. **7.** Brand building, Packaging, Labeling and Standardization. **8.** Quality control. **9.** Marketing to institutional buyers. **10.** Involvement in commodity exchanges. **11.** Export.

Policy of FPO:

- The Union Budget, 2014- 15 proposed to supplement NABARD’s PODF with a sum of INR 200 crore which will be utilized for building 2,000 FPOs across the country.

- NABARD launched its INR 2,000 crore Food Processing Fund in November 2014 where FPOs will be one of the key recipients.
- SFAC launched the Equity Grant and Credit Guarantee Fund Scheme (EGCGFS) for FPOs enabling the FPOs to access a grant up to INR 15.00 lakh to double members' equity and seek collateral-free loan up to INR 1.00 crore from banks, which in turn can seek 85 per cent cover from the Credit Guarantee Fund (CGF).
- SFAC has been designated as a central procurement agency to undertake price support operations under the Minimum Support Price (MSP) programmes for pulses and oilseeds and it will operate only through FPOs at the farm gate.
- All major centrally sponsored schemes of the Department of Agriculture and Cooperation (DAC) have incorporated special provisions for promotion and development of FPOs during the 12th Plan.
- Many state governments have come up with their own schemes and policies to support formation and nurturing of FPOs in their state.

Steps in Establishing FPO:

1. Understanding the village community **2.** Identifying potential leaders in the society**. 3.** Talking to the identified leaders and seeking cooperation from other agencies **4.** Helping community leaders to call society meetings **5.** Nominating middle group leaders to develop the FPO **6.** Developing an organizational structure and management for the FPO **7.** Motivating groups for action **8.** Implementing selected programmes **9.** Regular follow up through monitoring and evaluating the progress of FPO.

Advantages of FPO:

FPO will support the members in getting more income by undertaking any/many/all of the activities listed above. By aggregating the demand for inputs, the FPO can buy in bulk, thus procuring at cheaper price compared to individual purchase. Besides, by transporting in bulk, cost of transportation is reduced. Thus, reducing the overall cost of production. Similarly, the FPO may aggregate the produce of all members and market in bulk, thus, fetching better price per unit of produce. The FPO can also provide market information to the producers to enable them hold on to their produce till the market price become favourable. All these interventions will result in more income to the farmers.

Benefit to the member of FPO:

1. Better efficiency **2.** Equal voting rights to members **3.** Credit facility & loans and advances from the company **4.** Entitled for insurance **5.** Export and participating in commodity exchange

Government's Support to Farmers Producers Organisation:

The government has launched a new dedicated Central Sector Scheme titled "Formation and Promotion of Farmer Producer Organizations (FPOs)" with a clear strategy and committed resources to form and promote 10,000 new FPOs to ensure economies of scale for farmers over the next five years. Support for each FPO is continued for 5 years from its year of inception. The Government of India has approved formation of ten thousand new FPOs during 2019-20 to 2023-24 and granted Rs.5000crores for promoting these organizations. These FPOs will be registered under Indian Company Act. FPOs working in plain areas should have at least 300 farmers as member to get benefit of above mentioned granted funds. Similarly, FPOs in hilly areas should have at least 100 members for realizing this benefit.

Initially, there will be three implementing Agencies to form and promote FPOs, namely

1. Small Farmers Agri-business Consortium (SFAC)
2. National Cooperative Development Corporation (NCDC)
3. National Bank for Agriculture and Rural Development (NABARD)
4. States may also if so desire, nominate their Implementing Agency in consultation with DAC&FW.