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Farmer Producer Organizations (FPOs)

Empowering Smallholders through Collective Action and Market Integration

Harjeet Singh[1], *Dr. Manoj Kumar[2], Akansha Tyagi[3], Mansi[4]

Introduction:

Agriculture continues to be the primary source of livelihood for nearly half of India's population. Despite remarkable progress in agricultural production, most Indian farmers cultivate small and fragmented landholdings, making it difficult to achieve economies of scale, adopt modern technologies, or secure remunerative prices for their produce. According to the Agriculture Census (2015–16), over 86 percent of operational holdings in India belong to small and marginal farmers, with an average farm size of only 1.08 hectares. Such fragmented farming often results in higher production costs, weak bargaining power, limited access to quality inputs, institutional credit, storage facilities, and organized markets. Recognizing these challenges, the Government of India has promoted Farmer Producer Organizations (FPOs) as an institutional mechanism to organize farmers into professionally managed collective enterprises. By pooling their resources, produce, and market opportunities, farmers can function as a larger business entity while retaining ownership and democratic control. Today, FPOs have become one of the most significant policy initiatives for strengthening smallholder agriculture and improving rural livelihoods.

What is a Farmer Producer Organization?

A Farmer Producer Organization (FPO) is a legally registered organization formed and managed by primary producers, including farmers, livestock rearers, fishers, and other rural producers. According to the Small Farmers' Agribusiness Consortium (SFAC), an FPO is established to enable farmers to collectively undertake production, procurement, processing, marketing, and other business activities for improving their economic well-being.

*Harjeet Singh[1], *Dr. Manoj Kumar[2], Akansha Tyagi[3], Mansi[4]*
[1]Ph.D. Scholar, Department of Agricultural Extension Education, Sardar Vallabhbhai Patel University of Agriculture and Technology
[2]Assistant Professor, Department of Agricultural Extension, IANS, DDU Gorakhpur University Gorakhpur Uttar Pradesh
[3]Ph.D. Scholar, Department of Soil Science, Sardar Vallabhbhai Patel University of Agriculture and Technology
[4]M.Sc. Scholar, Department of Genetics and Plant Breeding, Sardar Vallabhbhai Patel University of Agriculture and Technology

Most FPOs are registered as Farmer Producer Companies (FPCs) under the provisions of the Companies Act, while some operate under cooperative legislation. Unlike traditional cooperatives, Producer Companies combine the democratic principles of cooperatives with the flexibility and professional management of corporate enterprises. Every member has an equal voting right, and the benefits generated by the organization are distributed among members based on their participation in business activities.

Evolution of FPOs in India

The concept of collective farming is not new to India. Cooperative societies have existed since the early twentieth century; however, many suffered from excessive government intervention, weak governance, and limited commercial orientation. To overcome these shortcomings, the Government of India constituted the Y. K. Alagh Committee, which recommended a new institutional model combining cooperative values with corporate efficiency.

These recommendations led to the Companies (Amendment) Act, 2002, introducing the concept of the Producer Company. Subsequently, organizations such as SFAC, NABARD, and NCDC began promoting FPOs across the country.

A major milestone was achieved in 2020 with the launch of the Central Sector Scheme for Formation and Promotion of 10,000 Farmer Producer Organizations, supported by a financial outlay of ₹6,865 crore. The scheme aims to strengthen collective farming, improve market access, promote value addition, and increase farmers' incomes through professionally managed producer organizations.

Types of Farmer Producer Organizations

Farmer Producer Organizations can be classified according to their activities and the commodities they handle. Commodity-based FPOs focus on specific crops such as fruits,

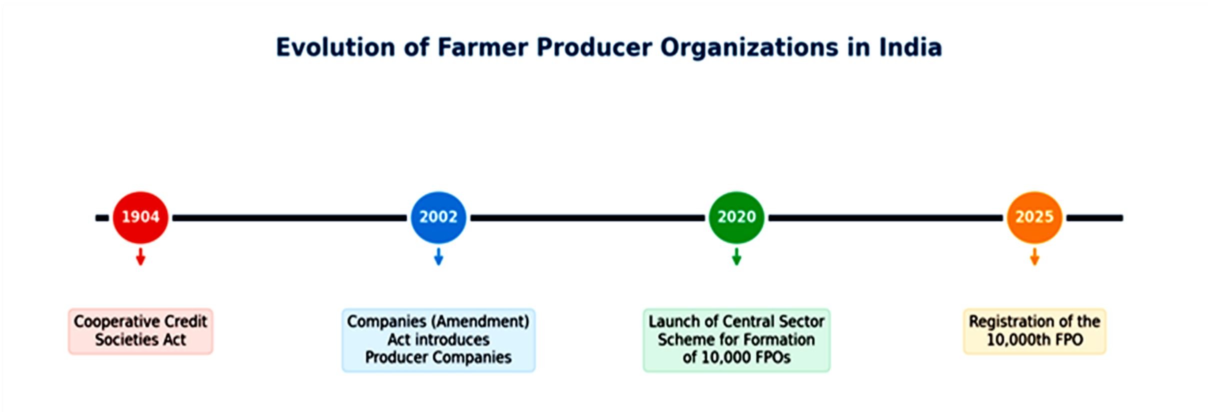

Figure 1. Evolution of Farmer Producer Organizations in India

vegetables, cotton, spices, cereals, or millets. Input Supply FPOs procure seeds, fertilizers, pesticides, and farm machinery collectively to reduce production costs for their members. Marketing FPOs aggregate, grade, package, and market agricultural produce, enabling farmers to obtain better prices.

Some FPOs undertake processing and value addition, converting raw agricultural produce into branded products that generate higher returns. Others specialize in dairy, fisheries, poultry, beekeeping, or organic farming, depending on local production systems. Increasing attention is also being given to women-led FPOs and tribal FPOs, which promote inclusive rural development by empowering marginalized communities.

Figure 3. Working Mechanism of an FPO

Figure 2. Types of Farmer Producer Organizations

How Does an FPO Work?

An FPO functions as a farmer-owned business enterprise where individual farmers become shareholders. The organization is governed by a General Body, which elects a Board of Directors responsible for policy decisions. A Chief Executive Officer (CEO) manages day-to-day operations with the support of technical, financial, marketing, and procurement teams.

The working process begins with farmers supplying their produce to the FPO, where it is aggregated, graded, sorted, and stored. Depending on available infrastructure, produce may also undergo processing, packaging, and branding before being marketed to wholesalers, retailers, processors, exporters, or digital marketing platforms. The income generated is distributed among members based on their participation, while additional profits may be shared as patronage bonuses.

Current Status of FPOs in India

Farmer Producer Organizations have witnessed remarkable growth over the past decade. Under the Government of India's flagship programme, the target of establishing 10,000 FPOs was successfully achieved in February 2025. According to official government reports, more than 56 lakh farmers have been mobilized under the scheme, including approximately 22 lakh women farmers. Furthermore, 1,175 women-only FPOs have been established, representing an important step toward women's empowerment in agriculture.

States such as Karnataka, Madhya Pradesh, Tamil Nadu, and West Bengal have emerged as leading contributors to the FPO movement due to strong institutional support and effective implementation mechanisms. The focus has now shifted from creating new FPOs to strengthening existing organizations through improved governance, financial sustainability, digital integration, and market competitiveness.

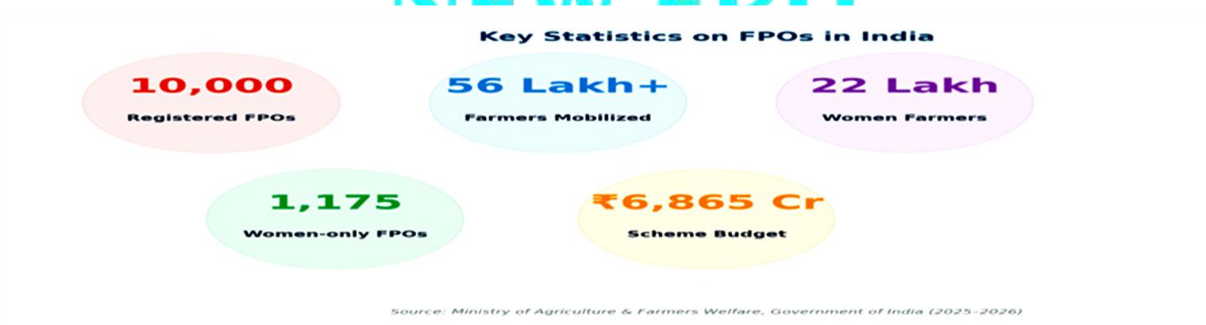

Figure 4. Key Statistics on FPOs in India

Table 1. Key Statistics on FPOs in India	
Indicator	**Latest Official Status**
Registered FPOs	10,000
Farmers Mobilized	Over 56 lakh
Women Farmers	About 22 lakh
Women-only FPOs	1,175
Scheme Budget	₹6,865 crore

Source: Ministry of Agriculture & Farmers Welfare, Government of India (2025–2026)

Government Support for FPOs

The Government of India has introduced several initiatives to strengthen Farmer Producer Organizations. The Central Sector Scheme provides financial assistance for management costs, professional handholding, capacity building, and institutional development. Additional support includes the Equity Grant Scheme, Credit Guarantee Fund, and long-term mentoring through Cluster-Based Business Organizations (CBBOs).

Organizations such as SFAC, NABARD, and NCDC play a crucial role in promoting and supporting FPOs by providing financial assistance, training, technical guidance, and credit linkages. These efforts enable FPOs to improve business management, adopt new technologies, and establish sustainable market connections.

Benefits and Challenges

Farmer Producer Organizations have significantly improved farmers' bargaining power by enabling collective purchase of agricultural inputs and collective marketing of produce. They reduce transaction costs, facilitate institutional credit, encourage value addition, strengthen market linkages, and create opportunities for rural entrepreneurship. FPOs also serve as effective platforms for agricultural extension, enabling rapid dissemination of improved technologies, climate-smart farming practices, and digital advisory services.

However, several challenges continue to limit their effectiveness. Many FPOs face shortages of working capital, inadequate managerial expertise, limited storage and processing facilities, weak market intelligence, and insufficient digital literacy. Governance issues and inconsistent participation by members also affect long-term sustainability. Addressing these challenges requires continuous capacity building, professional management, improved infrastructure, and stronger collaboration among government agencies, financial institutions, research organizations, and private-sector partners.

Future Prospects

The future of Farmer Producer Organizations lies in integrating traditional collective action with emerging digital technologies. Artificial Intelligence (AI), Internet of Things (IoT), drones, blockchain, precision agriculture, digital marketplaces, and real-time advisory systems are expected to transform the way FPOs operate. Digital record management, traceability, e-commerce, climate-smart agriculture, and carbon-credit initiatives offer new opportunities for increasing profitability and ensuring long-term sustainability.

Equally important is the role of agricultural extension professionals in strengthening FPOs through continuous training, entrepreneurship development, technology transfer, financial literacy, and market facilitation. As FPOs evolve into professionally managed agribusiness enterprises, they can become catalysts for rural employment, women empowerment, and youth participation in agriculture.

Conclusion

Farmer Producer Organizations have emerged as one of the most promising institutional innovations for transforming Indian agriculture. By enabling small and marginal farmers to work collectively, FPOs improve access to quality inputs, modern technologies, institutional finance, value addition, and organized markets. Beyond economic gains, they strengthen social capital, promote inclusive development, and enhance the effectiveness of agricultural extension services.

The successful formation of 10,000 FPOs marks an important milestone; however, the next phase should focus on making these organizations financially viable, professionally managed, and digitally empowered. With sustained policy support, effective extension services, and active participation of farmers, FPOs can play a decisive role in achieving sustainable agriculture, doubling farmers' income, and building a resilient rural economy.

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