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Development Of Economic Condition Of Investors Through FPO

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Abstract

Farmer Producer Organizations (FPOs) have emerged as causal agent for improving the economic stability of their stakeholders, primarily small and marginal farmers. FPOs facilitate collective action, enabling farmers to access markets more effectively, negotiate better prices, and reduce exploitation by intermediaries. By leveraging economies of scale, FPOs optimize input procurement and production, thereby reducing costs and enhancing the income of their members.

These organizations also play a crucial role in value addition and market linkages, encouraging the processing and packaging of agricultural products, along with the essential training and capacity-building programs, which leads to increased returns for farmers. FPOs enable access to financial services and credit, reducing credit risks for individual farmers.

FPOs further empower their stakeholders by advocating for their interests in policy formulation and decision-making processes, ensuring favorable policies for economic development. Through initiatives like risk mitigation, reduction in post-harvest losses, and the promotion of sustainable farming practices, FPOs contribute to the overall economic stability of farmers, fostering resilience and sustainability in agriculture. In this article, it is narrated about the role of FPOs in enhancing the economic stability of their stakeholders, primarily farmers, by providing collective strength, improving market access, offering financial services, and promoting sustainable and efficient agricultural practices. This, in turn, can lead to increased income and economic resilience for their members.

Key Words: Aggregation of Produce, Grant and Subsidy Access, Hub and Spoke Model, Information Exchange

1. Introduction

A Farmers Producer Organization (FPO) is a collective entity formed by farmers with the primary objective of enhancing their agricultural productivity, income, and socio-economic status. FPOs are designed to address various challenges faced by individual farmers by facilitating collective action and pooled resources. FPOs were developed in India in the early 2000s to help small farmers gain economies of scale and improve their market standing by negotiating collectively. They can be a registered company (farmer producer company or FPC) or a cooperative, among others.

The economic stability of stakeholders in a Farmers Producer Organization (FPO) is a linchpin for agricultural sustainability and rural development. FPOs, as collective entities formed by farmers, traders, and other stakeholders, aim to enhance economic prosperity. Ensuring the stability of these stakeholders involves fostering fair market access, offering financial literacy, and providing resources for skill development. Through collective bargaining power and shared resources, FPOs bolster the economic well-being of smallholder farmers, promoting stability in income, access to markets, and overall livelihoods. Sustaining these entities' stability is vital for fostering a robust agricultural ecosystem and the overall economic health of the community.

1.I Formation and Structure:

Collective Formation: Farmers voluntarily come together to form an FPO. These organizations can be registered under various laws and regulations governing cooperatives or producer companies.

Membership: Membership typically comprises small and marginal farmers, landless laborers, and individuals engaged in allied agricultural activities. Each member usually holds a stake in the FPO.

Organizational Structure: FPOs have a democratic structure, often led by a board or committee elected from among the members. Decision-making involves the participation of all members, promoting a participatory approach.

1.ii Functions and Activities:

Aggregation of Produce: FPOs aggregate the produce of their members, which enables economies of scale in purchasing inputs and selling the produce. This often results in better bargaining power in the market.

Access to Resources: FPOs assist members in accessing agricultural inputs like seeds, fertilizers, machinery, and credit facilities. Collective purchasing often allows for cost savings.

Market Linkages: FPOs help in establishing direct market linkages for the sale of agricultural produce. This can include negotiating with buyers, processors, or retailers, ensuring fair prices for the farmers' produce.

Capacity Building: FPOs conduct training and capacity-building programs to enhance the skills and knowledge of their members. This might include training on modern agricultural techniques, financial literacy, and entrepreneurship.

Technology Adoption: FPOs facilitate the adoption of modern technologies, machinery, and best practices in farming. This can improve productivity and crop quality.

1.iii Financial Operations:

Fund Generation: FPOs might pool funds from various sources, including membership fees, grants, government schemes, equity from members, loans, or investments.

Financial Management: FPOs manage the funds transparently, investing in activities that benefit the members and ensuring accountability.

1.iv Government Support and Policies:

Government Support: Governments often provide support in the form of subsidies, grants, and schemes specifically designed for FPOs. These can include financial aid, technical assistance, or infrastructural development.

Policy Advocacy: FPOs may engage in policy advocacy and represent their members' interests to government authorities or policy-making bodies to address concerns or facilitate favorable policies.

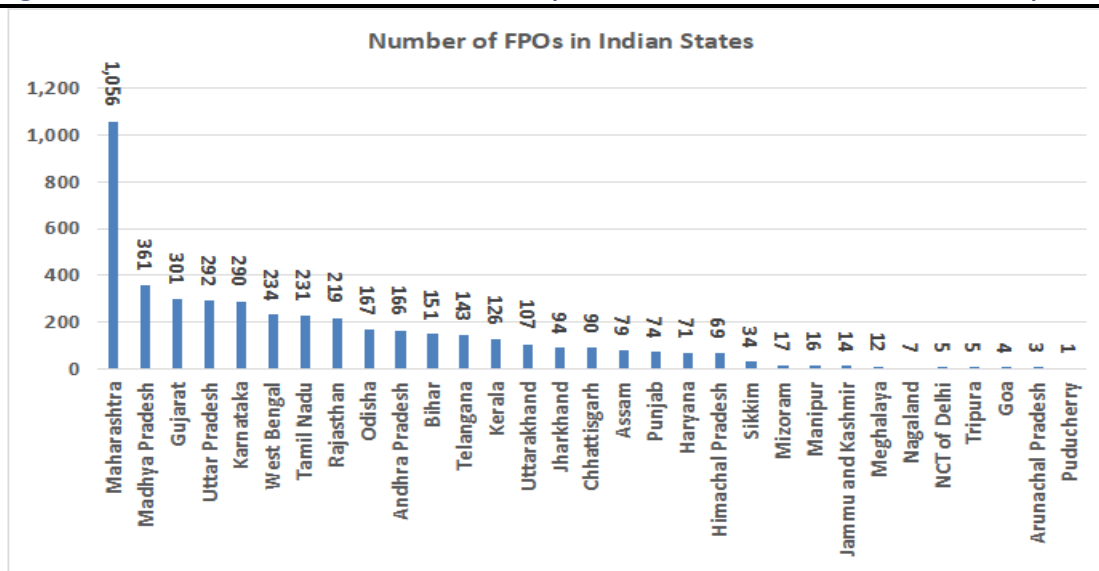


Image 1 Status of FPO in India

Maharashtra is an important agricultural state with a wide variety of diversified crop production. It is a national leader in crops like pigeon pea, cotton, and jaggery. This differs from the majority of other states, which predominantly grow staple crops, such as rice and wheat. While staple crops are fairly streamlined and do not need many market linkages, crops like pigeon pea, sorghum, cotton, and jaggery are more specialized and need additional marketing strategies and input applications. FPOs can help fill in this space and provide farmers with better market linkages, reduced transaction costs, and better access to inputs like fertilizer, pesticides, and farm machinery.

2. Strategy of Fund flow for successful business of Farmers Producer Organization

Creating a successful fund flow strategy for a Farmers Producer Organization (FPO) involves a different approach compared to conventional business entities. FPOs are formed by farmers to collectively enhance their income, agricultural productivity, and bargaining power. Here are strategies for effective fund flow within an FPO:

2.i Grant and Subsidy Access:

Government Schemes and Grants: FPOs can benefit from various government schemes and grants that are aimed at improving agricultural practices. Understanding and effectively utilizing these schemes can provide an initial injection of funds.

Subsidies: Accessing subsidies on agricultural inputs, equipment, and technology can help the FPOs optimize their resources and reduce operational costs.

2.ii Membership Contributions and Equity:

Membership Fee: Encourage active participation and financial contributions from members. Setting reasonable membership fees can contribute to the initial fund pool.

Equity from Members: Farmers' equity contributions can strengthen the financial base of the FPO. It can be in the form of cash, land, or resources, fostering a sense of ownership among the members.

2.iii Investment Diversification:

Business Diversification: Explore avenues beyond traditional farming. Diversification into activities such as agro-processing, value addition, or setting up farmer-owned retail outlets can generate additional revenue streams.

Joint Ventures and Partnerships: Collaborate with agri-business companies, retailers, or other stakeholders for joint ventures, accessing additional funds and expertise.

2.iv Financial Instruments and Services:

Access to Credit and Microfinance: Facilitate members' access to credit and microfinance institutions. This enables farmers to invest in their farms, technology, and education, fostering better yields and productivity.

Insurance Services: FPOs can explore insurance options for crop, livestock, and health, safeguarding against unforeseen circumstances and protecting the members' livelihoods.

2.v Marketing and Value Addition:

Market Linkages: Create direct market linkages to eliminate intermediaries and obtain better prices for the produce. This helps in maximizing the revenue and reducing wastage.

Value Addition: Explore opportunities for value addition by processing agricultural produce. This can add value and increase the revenue generated from farm products.

2.vi Efficient Fund Utilization and Monitoring:

Transparent Financial Management: Establish robust financial management practices, ensuring transparency and accountability in fund utilization. This builds trust among members and potential investors.

Regular Audits and Reports: Conduct regular audits and generate reports to monitor and communicate the impact of the funds. This helps in maintaining trust and attracting future investments.

FPOs need to focus on collective development, sustainable agricultural practices, and holistic growth. Their success depends not only on financial strategies but also on the empowerment and improvement of the lives of the farming community.

3. Hub and Spoke Model for chili production under farmers' producer company

The "hub and spoke" model is a distribution or operational framework where a central hub serves as the main point that connects with smaller, satellite locations (the spokes). This model is often used in various industries and can be adapted for chili production under a Farmers' Producer Company (FPC) to streamline operations and enhance efficiency. Here's how this model might be applied to chili production:

3.i Hub (Central Processing Unit):

Centralized Processing Facility: The hub serves as the primary processing center for chilies. This facility could include sorting, grading, and processing units for chilies.

Quality Control and Standardization: The hub ensures that all chilies meet quality standards. It might also conduct tests, certifications, and quality control measures to maintain uniformity in the produce.

Storage and Packaging: The central hub could have adequate storage facilities for processed chilies. Packaging, labeling, and branding activities may also take place here.

Market Linkages: The hub is responsible for establishing connections with potential buyers, marketplaces, or export avenues for the chilies produced by the FPC. As marketing costs remain high, yet digital marketing provides an opportunity to cut costs, increase visibility, improve customer relationships, offer enhanced market sensing, and increase customer convenience.

Hub and Spoke Model

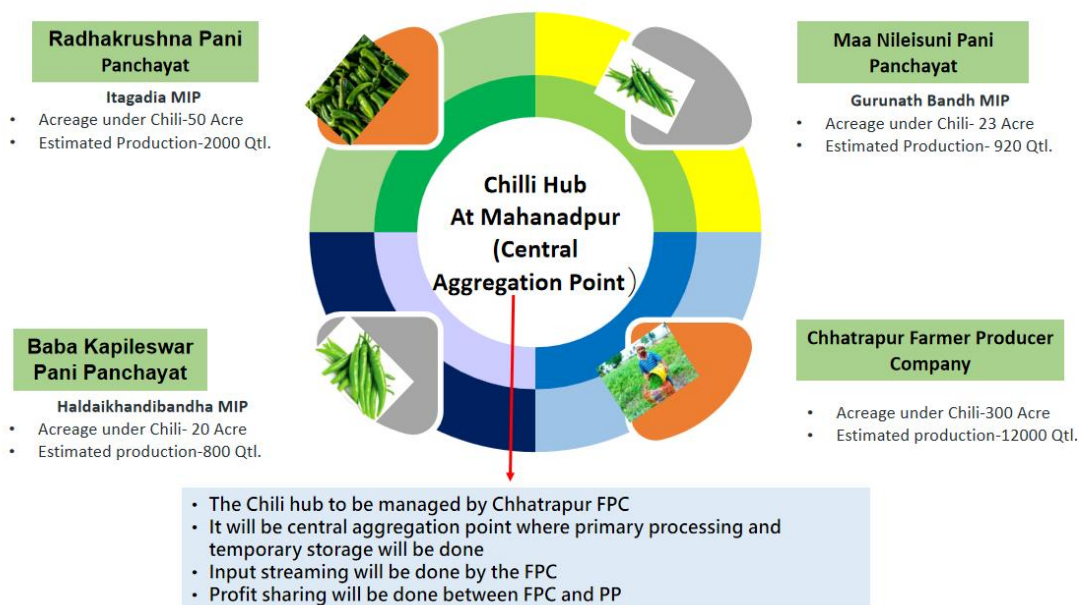


Image 2 Panipanchayat integration with FPO in MIP Ayacut

3.ii Spokes (Production Units):

Geographically Distributed Farms: The spokes represent the farms or fields where chilies are cultivated. These could be owned or operated by different members of the FPC.

Agricultural Activities: Each spoke location focuses on actual chili cultivation, using best practices recommended by the FPC for higher yield and quality.

Logistics and Collection Points: The spokes function as collection points for harvested chilies. They manage initial processing and then transfer the produce to the central hub.

Technology and Knowledge Transfer: The hub disseminates information, best practices, and technological advancements to the spokes, ensuring that the farmers are updated with the latest techniques and knowledge in cultivation. Internet, mobile phones, and related technologies that facilitate the collection, storage, analysis and sharing of data and information are changing many aspects of life among a large and growing share of the world's population.

3.iii Workflow and Coordination:

Supply Chain Management: The hub coordinates the logistics and manages the supply chain between the spokes and the processing center. This involves transportation, scheduling, and inventory management.

Information Exchange: Regular communication between the hub and spokes is crucial. The hub provides guidelines, updates, and market demands, while the spokes report their progress, challenges, and production status.

Training and Support: The hub may organize training sessions, workshops, or visits to the spokes to provide hands-on support and guidance to farmers.

3.iv Benefits:

Economies of Scale: Centralized processing allows for efficiency and cost savings in operations.

Standardization: Uniform processing and quality control measures lead to consistent quality of the product.

Market Access: The centralized hub can negotiate better market prices and access wider markets, benefiting all farmers associated with the FPC.

Knowledge Sharing: Spokes benefit from shared knowledge, best practices, and technology transfer from the central hub, enhancing overall productivity.

The hub and spoke model, if implemented effectively, can streamline chili production within the FPC, maximizing efficiency, quality, and market access for the farmers involved.

3.v Anticipated Benefit of PP integration with FPOs

For equal distribution of water in the command area, there are various water users association under the reservoirs. They are named as Panipanchayatas. As the current practices are limited to only water distribution and maintenance of canal system. Now there is an another up-scaling the scope of water users for the Farmers producer company or organization with the following benefits.

- i. Ensure Economies of Scale through bulk collection/aggregation by FPOs from the Panipanchayatas farmers.
- ii. Bulk transportation brings freight economies, better handling, faster farm-to-market linkage and attract more buyers from far-off markets.
- iii. Big traders from distant Mandis and institutional buyers will buy only in bulk, which is possible through aggregation by Farmer Producer Organization (FPO).
- iv. FPOs will pay instant partial payment to the member farmers from their reserve/working capital during the collection of produce from them.
- v. PP farmers can avail infrastructures from OIIPCRA and other schemes that can be used by FPOs for commodity handling and storage.
- vi. Hub-and-spoke model in PP-FPO integration ensures produce aggregation in close proximity to the farm, but sales in diversified markets (to avoid oversupply situation leading to depressed prices)
- vii. Farmers Interest Groups (FIGs) can also be build up in the command area of any project, where the farmers are able to grow their cultivation from the technical, financial and marketing as well as input support from the FPO.

4. Conclusion :

The stakeholders or the investors of the FPO are getting a collective benefit from FPO by the way of enhancing their production , negotiating for a better price, collective input procurement,value addition practices, collective processing and packing under a single brand,training and capacity building, risk mitigation, reduction and post harvesting losses and promotion of sustainable farming practices. This model requires dissemination at all levels. The link between farmers and FPO can enhance the economic standard of the farmers. The current procedure of production and marketing can be upgraded to digital marketing at each level, thereby improving the economic standard of the stakeholders.

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