



Market Opportunities and Challenges of Farmer Producer Organizations in India

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Abstract: The government of India want doubling of farmer's income. Collectivizing farmers into Produce Organization (POs) has been considered as one of the way to identify opportunities and to overcome the challenges faced by the small and marginal farmers. This approach is demonstrating the potential to be more successful in breaking farmer's dependency on intermediaries and enabling them access better markets. Total 72 farmers and 20 market players were studied. As the FPOs move towards expanding their business operations under taken, business activities carried out and production of different crops etc. were identified. Further, this paper attempts to examine the issues like as lack of professional management, weak financials, Inadequate access to credit, lack of risk mitigation mechanism, inadequate access to market, inadequate access to infrastructure and lack of technical skills.

Index Terms - Component FPOs, Farmers, Challenges, SFSCs and NABARD

I. INTRODUCTION

Introduction to Farmer Producer Organisation

Producer's Organizations (FOs) refer to autonomous, non-governmental, membership-based rural organizations of part or fulltime self-employed smallholders and, pastoralists, artisanal fishers, women, small entrepreneurs, and indigenous peoples. They range from formal groups covered by national regulation, such as cooperatives and national farmers unions, to looser self-help groupings and relations (Turaga *et al.*, 2018). The year 2014 was being experiential as the "Year of Farmer Producer Organizations" by the Government of India. Bikkina *et al.* (2018) analysed that Farmer Producer Companies, or FPOs, are considered to be institutions that have all the significant features of private enterprise while incorporating principles of mutual assistance in their mandate, like cooperatives. However, they differ from cooperatives in several other respects.

It is one of the important initiatives taken by the Department of Agriculture and Cooperation of the Ministry of Agriculture to conventional the idea of promoting and strengthening member-based institutions of farmers. As per the concept, farmers, who are the producers of agricultural products, can form groups and register themselves under the Indian Companies Act. These can be created both at State, cluster, and village levels.

Supply of seed, fertilizer and machinery, market linkages, training & networking and financial and technical advice are also among the major activities of FPOs. The Small Farmers' Agribusiness Consortium has been nominated as a central procurement agency to undertake price support operations under Minimum Support Price (MSP) for pulses and oilseeds through the producer organization.

Concept of FPO

Farmer producer Organization is a Private entity which is run by farmers. Central government project with Small Farmers Agribusiness Consortium (SFAC) acting as a nodal agency on behalf of the Ministry of Agriculture, Government of India.

The Main motive is to provide sustainable business intelligence to the farmer and provide market linkages. All the government schemes for FPO are implemented only by SFAC. The shareholders of the company are produced by farmers in the FPO. Mukherjee *et al.* (2018) reported that, Producer Company which is basically micro-enterprise formed by hybridization between private companies and cooperative societies, has emerged as Farmers Based Startup in India. The participation, organization and membership pattern are quite similar to that of a cooperative while having the company's outlook allows it to have better professionalism and flexibility in their business activities. The primary objective of the model was to link the small and marginal farmers to the market.

Support for Promotion of FPOs

The formation and development of FPOs is actively encouraged and supported by the central and state governments and their agencies, using financial resources from various centrally-sponsored and state funded schemes in the agriculture sector agencies.

This goal achieved by creating a coalition of partners by the troubled promoter body, involving civil society institutions, research organizations, consultants, private sector players and any other entity which can contribute to the development of strong and viable producer owned FPOs.

Service Provided by the FPOs

There are different types of services provided by the Farmer Producer Organization like- Financial services, input supply, procurement & packaging and market linkages, insurance, technical support, and networking support.

According to Salokhe (2016) more than 50 agricultural groups and cooperative organization from around the world have joined hands to form the World Farmers Organizations (WFOs). The organization's purpose is to bring farmers and cooperatives together to exchange ideas and find solutions to global food security issues. WFO is expected to work closely with the Food and Agriculture Organization and its programs around the world.

The National Farmers Union (NFU) is one of the founding members of WFO. NFU President Roger Johnson says there is a need to ensure farming and ranching remain economically viable as the world population continues to grow, or else we will be facing severe food shortages in the near future. World food demand is expected to increase by 70 percent by 2050.

Indian Scenario of Farmer Producer Organizations

Producer Company form of cooperative entity has been introduced in the Indian economy by virtue of the Companies (Amendment) Act, 2002 which is effective from February 6, 2003. The roots of a producer company form of an entity can be traced to the recommendations of an expert committee led by a reputed economist, Mr. Yoginder K. Alagh. The committee was asked to frame legislation that would enable incorporation of cooperatives as companies and conversion of existing cooperatives into companies taking care to ensure that the proposed legislation accommodated the unique elements of cooperative business with a regulatory framework similar to that of companies.

“Indian Organic Farmers Producer Company Limited” is the first Farmers’ Producer Company incorporated in the year 2004.

FPOs are farmers' collectives, with membership mainly comprising small/marginal farmers (around 70 to 80%). Presently, around 5000 FPOs (including FPCs) are in existence in the country, which was formed under various initiatives of the Govt. of India (including), State Governments, NABARD, and other organizations over the last 8-10 years. Of these, around 3200 FPOs are registered as Producer Companies and the remaining as Cooperatives/ Societies, etc. Majority of these FPOs are in the nascent stage of their operations with shareholder membership ranging from 100 to over 1000 farmers and require not only technical handholding support but also adequate capital and infrastructure facilities. There are different organizations which are promoting FPOs are small farmers agribusiness consortium promoted FPOs, Non-Small farmers agribusiness consortium (NSFAC) promoted FPOs, e-NAM promoted FPOs, Producer organization promoting institutions (POPIs) including market linkages for sustaining their business operations.

II. RESEARCH METHODOLOGY

Research Design: The research approach was descriptive.

Source of Data

Both secondary and primary data was collected to accomplish the study. The secondary data was collected from published literature such as reports, journals, internets, government databases and action plan of SFAC (Small Farmers Agribusiness Consortium). Primary data was collected from the respondents [Farmers producer organisations (72) and (20) Market players] of the selected districts of Uttar Pradesh.

Area of Study, sampling unit and method

The study area were Agra and Kanpur districts of Uttar Pradesh. Farmers Producer Organisations and Market players took as the sample unit and data collected from them. Judgemental sampling used for selecting Farmers Producer Organisations and snowball sampling method used for selecting of Market players.

Sample size of respondents

A multistage sampling adopts for the study. The selection of *tehsils* from the Agra and Kanpur district of Uttar Pradesh is shown in table 1.

Table 1: Selection of *tehsils* from Agra and Kanpur district

Sampling Unit	Sample size	Selection criteria
District	2 (Agra and Kanpur) (Highest no of FPOs)	Judgmental sampling
<i>Tehsils</i>	3(Fatehabad, Kiraoli and Kheragarh from Agra) 3 (Akbarpur, Sikandra and Rasoolabad from Kanpur)	Randomly
Market players	20 (10 market players from each district)	Snowball sampling

Table 2: Selection of respondents in the study area

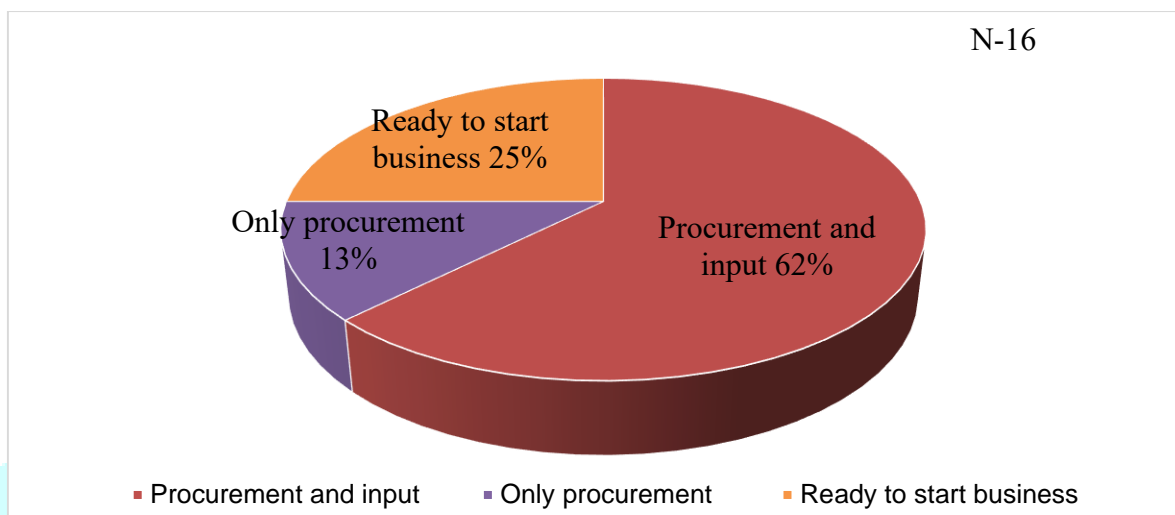
Sampling frame	Sample size	Selection criteria
Farmers Producer Organizations	72 (12 FPO from each <i>tehsils</i>)	Judgmental sampling
Market player	20 (10 market player from each district)	Snowball sampling

III.FINDING AND ANALYSIS

Functions of Farmer Producer Organization in Study Area

The FPOs classified based on operation undertaken by the FPOs. These operations include production, procurement, input supply, consultancy services, processing, and even export business.

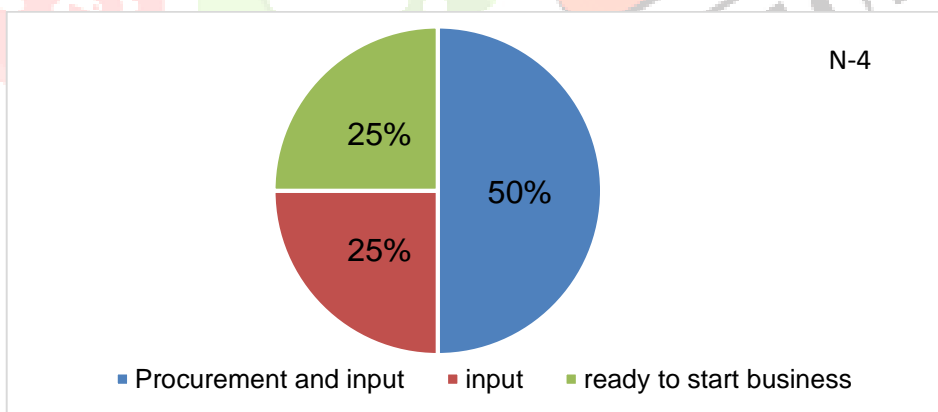
Figure 1: Business activity carried out by the FPOs in Kanpur District



Source: Primary data

Figure 1 show that the business activities of all active FPOs in the Kanpur district, about 25 percent of the FPOs are ready to start their business followed by 62 percent of FPOs are doing business in both the procurement and input and 13 percent of FPOs are doing business only in procurement in Kanpur district.

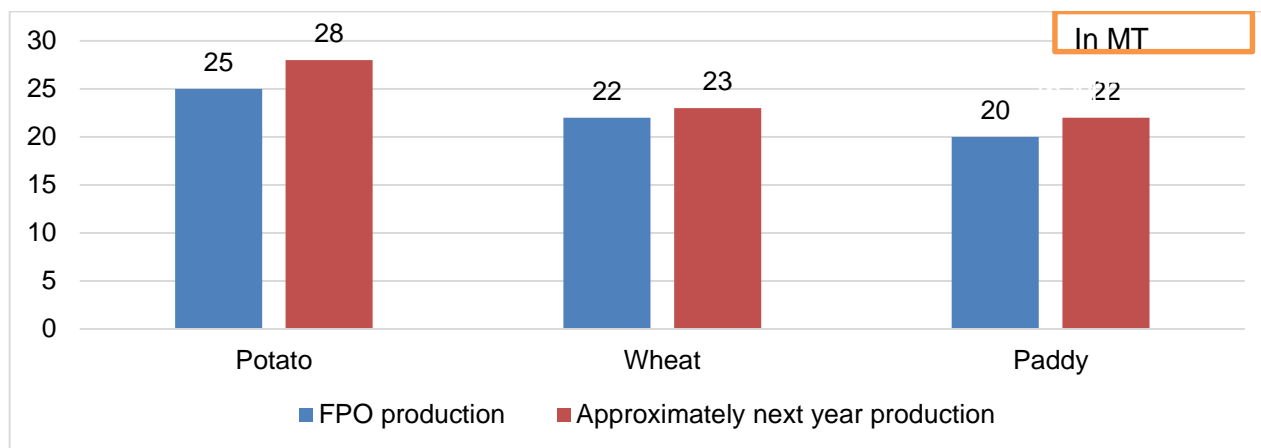
Figure 2: Business activity carried out by the FPOs in Agra district



Source: Primary data

Figure 10 shows that the business activities of all the active FPOs in the Agra district, around 25 percent of the FPOs are ready to start their business followed by 50 percent of FPOs are doing business in both the procurement and input and 25 percent of FPOs are doing business only in procurement in Agra district.

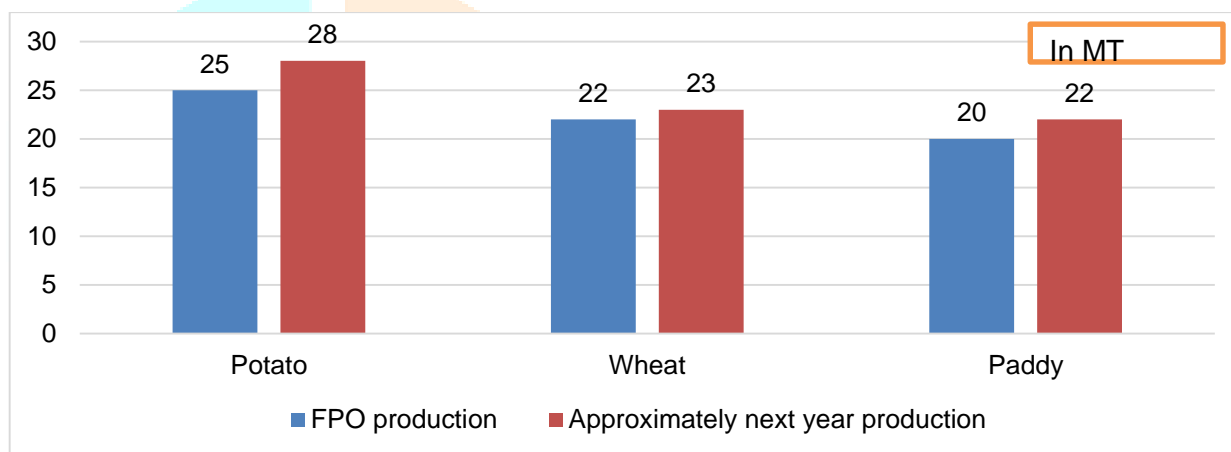
Figure 3: Production of FPOs in Kanpur district



Source: Primary data

Figure 11 shows the production of Red gram, Paddy and Wheat, FPOs production and percentage share of FPOs production in the total of district production. The number of FPOs involved in the production of Red gram crop was 8 FPOs followed by paddy crop 10 FPOs and cotton crop 15 FPOs.

Figure 4: Production of FPOs in Agra district



Source: Primary data

Figure 4 shows the production of the Potato, Paddy and Wheat, FPOs production and percentage of FPOs production in the total of district production. The number of FPOs involved in the production of Potato crop was 4 FPOs followed by paddy crop is 3 FPOs and Wheat crop were 4 FPOs.

Major Constraints of Farmer Producer Organization in study Area

Various developmental agencies / NGOs have been involved in promoting FPOs. There are several incentives being given by the Government as well. However, sustainability of these FPOs is a challenge and recognizing this, the promoting agencies are performing the function of providing technical services and inputs to farmers or pooling produce for collective marketing.

Table 3: Major constraints of FPOs in study area

Parameters	RBQ Mean	Rank
Lack of professional management	94.73	1
Weak financials	90.93	2
Inadequate access to credit	87	3
Lack of risk mitigation mechanism	84.76	4
Inadequate access to market	73.96	5
Inadequate access to infrastructure	73.44	6
Lack of technical skills	68	7

Source: Primary data

Table 3 shows the major constraints and challenges of Farmer Producer Organization in study area. The ranking is carried out through Rank Based Quotient (RBQ) in which various constraints faced by agencies were ranked according to response. According to the figure lack of professional management and weak financials were the major constraints to agencies, followed by inadequate access to credit, lack of risk mitigation mechanism, inadequate access to market, inadequate access to infrastructure and lack of technical skills.

IV.CONCLUSION

Around 62 per cent FPOs are running Business activities like-procurement and input, 25 per cent FPOs are ready to start business and 13 per cent FPOs are in procurement sector. The business activities of all the active FPOs in the Agra district, around 25 percent of the FPOs are ready to start their business followed by 50 percent of FPOs are doing business in both the procurement and input and 25 percent of FPOs are doing business only in procurement in Agra district. The production of Red gram, Paddy and Wheat, FPOs production and percentage share of FPOs production in the total of district production. The number of FPOs involved in the production of Red gram crop was 8 FPOs followed by paddy crop 10 FPOs and cotton crop 15 FPOs in Kanpur district while the production of the Potato, Paddy and Wheat, FPOs production and percentage of FPOs production in the total of Agra district's production. The number of FPOs involved in the production of Potato crop was 4 FPOs followed by paddy crop is 3 FPOs and Wheat crop were 4 FPOs. Major constraints and challenges of Farmer Producer Organization were lack of professional management, weak financials, inadequate access to credit, lack of risk mitigation mechanism, inadequate access to market, inadequate access to infrastructure and lack of technical skills.

V.ACKNOWLEDGMENT

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