

## Opportunities and Challenges in Forming Farmer-Producer Organizations

Praveen Kote<sup>1\*</sup>, Vijaylaxmi B.S.<sup>2</sup>, Sidramayya<sup>1</sup> and Ashokkumar B.<sup>3</sup>

<sup>1</sup>Assistant Professor, Department of Agricultural Extension SOAS,  
Malla Reddy University, Hyderabad (Telangana)

<sup>2</sup>Ph.D. Scholar, Department of Agricultural Extension Education UAS, Raichur (Karnataka) India.

<sup>3</sup>Assistant Professor, Department of Agricultural Extension, M.S. Swaminathan School of Agriculture, Centurion University of Technology and Management, Parlakmundi, (Odisha), India.

(Corresponding author: Praveen Kote\*)

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**ABSTRACT:** Small and marginal farmers' plays an important role in improvement of Indian agriculture. Several organized strategies are developed in India to connect small and marginal farmers with the market and improve their production and marketing skills. These strategies are helping farmers to improve their livelihood but it is not reaching to all the farmers. Among all the strategies producer's organizations are the most widely used model. These are registered organization under national legislation for collective action whose members are farmers, fishermen, weavers, milk producers, rural artisans, craftsmen *etc.* The objective of PO's is sustainable development of rural farmers through collective action assisted by the government and partnerships with academic institutions, research organizations and the commercial sector. FPOs are democratic, voluntary organizations that offer their services to all societal members. It is right platforms for collective action and empowerment of farming community including rural women empowerment, improved technology, provision of extension and consulting services that help farmers, processors, traders, and retailers connect with one another so they can manage supply and demand and access essential business growth resources including market data, input supplies, and transportation services. Despite of many advantages and opportunities the concept of FPO has not taken penetration among farmers though it helps in increasing the economy of farmers it had not achieved the expected success. Further it has inadequate experience with marketing and value addition, insufficient business strategies which were needed for obtaining finance as well.

**Keywords:** Producer organization, volunteer, government agency, opportunities, advantages and challenges.

### INTRODUCTION

In order to promote Farmer Producer Organizations (FPOs), the Department of Agriculture, Cooperation & Farmers' Welfare (DAC&FW), Ministry of Agriculture, Government of India, initiated a pilot program in 2011–12. This was carried out through the Small Farmers' Agribusiness Consortium (SFAC) in collaboration with state governments. The purpose of the programme was to development of small and marginal farmers by providing them improved technology, improvement in productivity, good agricultural practices and helping them in accessing with improved varieties fertilizer, pesticide, credit facility with direct marketing facility for improvement in farmers income. In India the size of land holding is inadequate it has nearly 21% of the world's small holdings the second largest after China (Oksana, 2005). Due to the fast growing population the amount of land accessible per person is only 0.10 hectares. This is far less than the global average. More than 75% of the holding is smaller than one hectare (Anon., 2019). In actuality, small farms are unable to generate enough revenue to cover the expenses of agricultural material possession irrigation facility, better

seeds, organic and inorganic fertilizers, weedicide, insecticides and pesticides. For effective solution of farm related problems many organized models are trying in the country. The most often used model is that of producer's organizations, which aids in the collective organization of farmers in order to support rural development and sustainable rural livelihood.

### PRODUCER ORGANIZATION

A producer organization (PO) is registered organization to help its members who are rural dwellers and make their living from agriculture, such as farmers, fisherman, weavers, milk producers and other handicrafts. In order to empower farmers and the rural poor to reduce poverty, Farmers' Organizations (FOs) are plays a crucial role.

### POLICIES FOR THE PROMOTION OF FPO

Vision: To support the sustainable development of rural farmers, the government will work in concert with academia, research agencies, civil society, and the private sector to promote and support member-owned producer organizations. These organizations will help farmers increase productivity by implementing cost-

effective and sustainable resource-use strategies, which will result in higher prices for their produce.

#### **Mission**

— To support Farmer Producer Organizations (FPOs) which are democratic, self-governing, and economically viable.

— To offer the necessary support and resources, such as inputs, financial resources, technical expertise, policy action, and infrastructure, to fortify these FPOs.

— To support resource institutions with expertise and qualifications in promoting such FPOs.

#### **PRINCIPLES FOR DEVELOPMENT**

These are the guidelines by which FPOs will put their values into practice.

— Open and Voluntary Membership: FPOs are volunteer organizations, and everyone in the community who is prepared to take on the obligations of membership is welcome to use them. There is no discrimination based on social, political, educational, economic, or gender background.

— Democratic Farmer Member Control: Farmers' Protection Organizations (FPOs) are democratic organizations run by farmers, both male and female, who serve as elected representatives and actively engage in decision-making.

— Farmer-Member Economic Participation: Farmer-members contribute equitable capital of their FPO. The surpluses are allocated for the different purposes: over all development of FPO, assisting other member-approved initiatives and providing benefits to members in proportion to their FPO transactions.

— FPOs possess autonomy and independence, as they are self-governing entities under the direction of their farmer members. They preserve the sovereignty of their FPO and guarantee that the capital raised from various sources is democratically controlled by their farmer members.

— Education, Training, and Information: To enable their farmer-members, elected officials, managers, and staff to effectively contribute to the growth of their FPOs, FPOs offer education and training to these groups of people. They educate the broader public on the characteristics and advantages of FPOs, with a focus on youth and opinion leaders.

— Collaboration amongst FPOs: By cooperating through regional, governmental, and global channels, FPO members fortify the movement.

— Concern for the Community: Through member-approved welfare programs and policies, FPOs demonstrate their concern for the long-term well-being of their members.

India is home to several cooperative institutions across a wide range of business sectors. These cooperatives are registered in cooperative societies. Most of the cooperatives are promoted by state and their focus is on welfare of the farmer members rather than improving their economic condition by doing business on commercial lines. In the recent years, the focus of the Indian government, state governments and the various agencies has been towards producer companies.

Based in part on the suggestions of the Alagh (2000) Committee, which was established for this purpose, the Government of India (GoI) adopted the Producer Companies Act in 1956 by adding a new section IX-A to the Indian Companies Act. The goal was to ensure that the distinctive aspects of the cooperative business were preserved in the new legislation while incorporating new cooperatives as companies and converting already-existing cooperatives into companies.

Members of the organization contribute equity to form a Producers Cooperatives (PC). It is anticipated that outside professionals engaged to handle day-to-day operations will report to the Board of Directors (BoD), which is chosen by the cooperatives' general body and elected to a set term.

An appropriate framework for producers to own the company themselves is provided by the fact that farmers or producers hold the stock of the producer company. The primary goal of the PC is to organize farmers for forward linkages such as post-harvest linkage, market-led agriculture production, collective marketing, and processing, as well as backward linkages such as seeds, fertilizers, credit, insurance, and extension services. Gaining small farmers' and producers' collective negotiating power is the main goal of this endeavor.

#### **ROLE OF FARMER PRODUCER ORGANIZATIONS IN RURAL DEVELOPMENT**

The number of Rural Producers Organizations (RPOs) on advisory committees and boards of directors of national organizations dedicated to Agricultural Research & Development (AR&D) is on the rise. As a result, RPO representatives focus AR & D initiatives on the needs of their members and are able to identify institutional and policy frameworks that either support or inhibit innovation. Agro-ecological or crop- or animal-specific multi-stakeholder committees at the district and provincial levels are staffed by RPOs to oversee AR&D initiatives. These committees are in charge of establishing priorities, organizing and allocating resources for research and extension (both applied and adaptive), and evaluating the outcomes.

#### **INFORMATION ROLE**

Indigenous technical knowledge and experience among farmers has long been a source of innovation, disseminated through unofficial networks. However, the private sector is positively becoming more significant in many cases by offering pertinent technical advice and timely information. Non-Governmental Organizations (NGOs) are also engaged in offering technical assistance on particular subjects. In reality, farmers are able to evaluate these various information sources and select the one that best suits their needs. Farmers and RPOs benefit from the growing diversity of knowledge and information sources, including as social media and mass media, on a wide range of subjects, from markets to technologies.

## INNOVATION ROLE

The innovation modifies current technology, which varies depending on institutional contexts and the RPOs' initial configuration. Innovation frequently has a stronger technological focus and is governed by the private sector and specialist AR&D companies in certain areas and schemes. Innovation is frequently ingrained in participatory approaches to problem solving in the case of general issue-oriented, multi-tiered RPOs and institutions that concentrate on farmer-led technology development, which places an emphasis on organizing local groups and networking between groups and with service providers. Agricultural innovation refers to farming innovations that are motivated by the needs and concerns of farmers, focusing on common issues that are faced by the majority of farm households.

## EMPOWERMENT ROLE

Farmer producer organization is right platforms for collective action and empowerment of farming community including rural women empowerment. Farmers run a community-based business entirely, with producers participating at every point along the value chain. Their primary goal has been and still is to raise the financial standing of farmers. They are and have always been an independent, self-governing farmers association.

## EXTENSION AND ADVISORY ROLE

Extension and advisory service delivery are the activities that FPOs undertake. To those who belong, they offer a variety of books and publications in the form of periodicals, booklets, folders, etc. for free or at a minimal cost. At the societal level, crop management approaches are frequently demonstrated through audio-visual aids, field demonstrations, trainings, and extension camps.

## SERVICE ROLE

The FPOs provide its members with a range of services. In order to coordinate supply and demand and to gain access to essential business development services like market intelligence, input supplies, and transportation services, the FPO helps farmers, processors, merchants, and retailers establish connections. Periodically, the FPO will continue to offer additional services based on the demands that continue to emerge.

**Financial, business, and welfare services are included in the set of offerings. Here is a sample list of services:**

**Financial Services:** The FPO will offer financial assistance for crops, purchase of tractors, pump sets, construction of wells and sheds, irrigation facilities etc.

**Input Supply Services:** Member farmers will receive high-quality, reasonably priced inputs from the FPO. It will provide accessories, pump sets, seeds, fertilizers, insecticides, and sprayers.

**Procurement and Packaging Services:** The FPO will purchase agricultural products from its participating farmers and handle the packaging, value-adding, and storage of those products.

**Marketing Services:** Following the purchase of agricultural products, the FPO will handle direct marketing. Members will be able to save money on time, transaction fees, weighment errors, distressed sales, price swings, shipping, and quality control, among other things.

**Insurance Services:** The FPO will offer a range of insurance services, including life, electric motor, and crop insurance.

**Technical Services:** FPO will support farming with best practices, uphold marketing information systems, diversify and enhance agricultural knowledge and expertise levels.

**Networking services** include providing rural producers with access to information channels (such as those regarding product specifications and market prices) and other business services; facilitating connections with financial institutions; creating connections between producers, processors, traders, and consumers; and facilitating connections with government initiatives.

## OPPORTUNITIES IN ESTABLISHING FPO

1. Collecting and selling agricultural products cultivated by small and marginal farmers
2. Production and distribution of certified and foundation level seeds grown under contract farming of seed production with public and private organizations
3. Provision of financial and logistical services with agricultural inputs and instruments (like storage, transport, fertilizers, improved implements *etc.*).
4. Price discovery via mechanisms of spot exchange.
5. Better price realization for produce, with efficient extension services resulting in higher **farm output and decreased cultivation expenses**.
6. Provision of cash dividends and other services, including finance, warehousing, access to agricultural tools, a crop grading facility, *etc.*

## CHALLENGES IN ESTABLISHING FPO

1. Despite of many advantages the concept of FPO has not taken penetration among farmers though it helps in increasing the economy of farmers it had not achieved the expected success.
2. Inadequate experience with marketing and value addition, insufficient business strategies which were needed for obtaining finance as well.
3. To popularize the FPO concept, stakeholders from the State and Central governments, authorities, bankers, financial institutions, private sector companies, civil society organizations, elected members, and others must coordinate.
4. To regulate their operations, groups typically need a set of bylaws or rules and regulations. It is often difficult to get total commitment of all the members for the agreed rules and enforcing complete compliance with them is often wanting.

The role of extension vary with the role of the FPOs, the sectors in which the organization operates, the services offered, and the organizational form used (Chamala, 1995)

- (1) Empowerment Role
- (2) Community- Organizing Role
- (3) Human Resource Development Role

(4) Problem- Solving Education Role

### 1. THE ROLE OF EMPOWERMENT

The extensionists' job is to support farmers and rural communities in organizing and taking ownership (empowerment) of their own development. Instead of primarily transferring power from the haves to the have-nots, the objective here is to release the latent energy concealed in the community and establish collective actions for the common good.

### 2. THE ROLE OF COMMUNITY ORGANIZER

Extension personnel need to become proficient in group management techniques and community organizing concepts. Planning, carrying out, and overseeing programs will be made easier for extension workers if they are aware of the community's structure.

### 3. ROLE OF HUMAN RESOURCE DEVELOPMENT

Members' technical skill development must be integrated with their managerial skill. The goal is to help rural communities become more aware of their individual and collective self-management approaches.

### 4. THE PROBLEM-SOLVING ROLE IN EDUCATION

Technical solutions are prescribed in order to enable FPOs to resolve issues on their own. Education role is training farmers on learning by doing approach.

#### ROLE OF CENTRAL GOVERNMENT

(a) Department of Agriculture and Cooperation (DAC) act as the nodal agency.

(b) Small Farmers' Agribusiness Consortium (SFAC) act as a one stop shop for development.

(c) The mandate of National Agricultural Cooperative Marketing Federation of India Ltd (NAFED) and National Cooperative Development Corporation (NCDC) will be broadened to include FPOs among the institutions that qualify.

(d) To urge the State Governments and Food Corporation of India (FCI) with the collaboration of DAC to include FPOs as procurement agency.

(e) To direct short- and medium-term loans for working cash and infrastructure investment needs of FPOs, DAC and its approved agencies shall collaborate with NABARD and other financial institutions.

#### ROLE OF STATE GOVERNMENT

(a) Granting FPOs licenses to sell inputs with ease

(b) Providing production and marketing subsidies on par to those provided to cooperatives.

(c) Permit FPOs to sell farm products directly to consumers at the farm gate via FPO-owned procurement and marketing facilities.

(d) By designating FPO as procurement agents for MSP activities involving a range of crops.

(e) By putting FPOs in touch with financial institutions like cooperative banks, state financial enterprises, and

others to obtain operating capital, infrastructure for processing and storage, and other investments.

### CONCLUSIONS

There is a great deal of potential for the Producer Company model to benefit its stakeholders. In the current situation, rural residents have comparatively low levels of understanding of its concept and advantages. Producer Companies will need significant financing support from banking institutions as they establish deeper roots. In order to support their growth, the financial institutions would have to evaluate their financial capacity using novel methods and provide loans.

### FUTURE SCOPE

The study has focused on opportunities and challenges faced by FPOs. Additionally, it decreases the cost of inputs by procuring in bulk; FPOs are able to offer better liquidity for the members of organization. For example, fertilizer and seeds are less expensive when purchased in large quantities. Getting access to markets is another important factor. FPOs will contribute to strengthening the value chain and help in job creation for the members of its organisation. Farmers receive assistance from FPOs if their produce is sold at market prices, there is a scope in help with primary processing and providing some financial assistance for their upcoming harvest.

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