Farmer Producer Organisation (FPO)

What is the news about?

The government's 10,000 Farmer Producer Organisation scheme has given a major thrust to the FPO movement from corporates to public service organisations.

What is an FPO?

- Farmers' Producer Organisation (FPO), also known as farmers' producer company (FPC), is an entity formed by primary producers including farmers, milk producers, fishermen, weavers, rural artisans, and craftsmen.
- An FPO can be a Producer Company, a Cooperative Society or any other legal form.
- FPOs are basically the hybrids of cooperatives and private companies.
- The participation, organisation 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.

Why are FPOs significant?

- Better income for producers
- Producers enjoy better bargaining power
- Better equipped to facilitate value-addition of the farm produce
- Doubling of export by 2022
- Facilitate small and marginal farmers with access to improved technology, credit, better input and more markets

What are the challenges faced by FPOs?

- **Liability of newness** – New ventures have high probability to fail since they have to battle multiple problems at a time.

· Lack of distinctiveness - With no novelty to offer, it is often challenging for FPOs to compete in the market.

· Audience diversity - FPOs need to derive support from different group of stakeholders (farmer, government, buyers, NGOs etc) which is crucial to understand their expectations.

· Lack of clarity on the market category - FPOs may fail to meet the demand of buyers in terms of quantity requirement leading to a weak inter-organisational relationship.

· FPOs, often in a hurry, would make unrealistic promises to members to increase their membership which could lead to mismatch in expectations.

· Multiple thresholds for success – Measuring the success of FPOs varies according to the stakeholder

· Farmer may be look at receiving timely credit from the FPO as the vital indicator for success while corporate buyer may look upon the quality of the product.

How can the issues be addressed?

· Collectives must do the requisite homework on issues such as modalities of the conduct of boards meetings, technical expertise for better procurement, identifying potential buyers, etc.

· Focus on multiple stakeholders including farmers , buyers and regulators can accommodate audience diversity.

· Need informational clarity regarding the process and market conditions.

· Collective effort of all stakeholders is crucial for the success of an FPO.

Source : The Hindu Businessline

Quick Facts

Formation and Promotion of 10,000 new FPOs Scheme

- Launched by Ministry of Agriculture & Farmers Welfare
- Central Sector Scheme with an outlay of Rs. 6865 crore
- Implementing Agencies – Nine agencies including NABARD, SFAC, NAFED, etc.
- Support will be provided to each FPO for a period of 5 years
- FPOs will be provided financial assistance upto Rs 18 lakh per FPO for a period of 3 years
- A credit guarantee facility upto Rs. 2 crore of project loan per FPO can be availed
- Training & skill development modules have been developed to further strengthen the FPOs
- At district level, a District Level Monitoring Committee (D-MC) is constituted for overall coordination & monitoring
- At National level, National Project Management Agency (NPMA) has been engaged for providing overall project guidance and coordination