Effective Extension Strategies and Mobilisation of FPO's to Market

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Abstract- **Small holder farmers are have to suffer market uncertainties as most policies and institutional supports favours large and progressive farmers and smaller farmers are devoid of them increasing wider gap between producers and consumers. In such situation Farmer Produces Organization plays an important role in promoting and strengthening member based institution of farmers. This business form allows 10 or more producers to form an organisation as per its memorandum of association. FPO's can link smallholder's farmers to local, regional, national and international markets effectively if there is no political interference. FPOs which are formed as Farmer Producer Company (FPCs) allow its member to access financial and other input services. To surpass this effective and viable profit making FPCs needs to be competent with other companies and rivals in the market and has a huge potential to capture the future food retails not only in India but in the world.**

Keywords: **Agriculture, FPCs, market, strengthen, agriculture etc.**

FARMERS PRODUCER ORGANIZATIONS IN INDIA

Agriculture plays an important role in growth of developing countries like India where agriculture contributes around 15.4% Gross Domestic Products in the year 2017. Also, according to 2011 census of India, 54.6% of people are directly or indirectly working in agriculture sector. The small and marginal land holding if taken together it contributes around 86.21 % of total land holding in 2015-16. Small and marginal land holding means the farmers who are having land holding up to 2 ha. So because of this issue of small land holding of farmers the bargaining power of those farmers are very less while selling of their crops and also while purchasing inputs for cultivation of crops. To solve this issue and to minimize the gap between farmers and consumer, Govt. of India, on the recommendations of Y. K. Alagh Committee in 2001 has introduced certain amendments to Companies act, 1956 and introduced the concept of Farmer Producer Organizations. The concept of Farmer Producer Organizations can be seen as the mixture of two types of venture i.e. Private Companies and Cooperative Society. The basic concept of Farmer Producer Organizations is bulk buying of inputs used in farming like Fertilizers, Pesticides and seeds etc. and them distributing it to the member farmers to benefit them. Farmer Producer Organizations try to bring small and medium farmers together to reduce the cost of their supply chain so that farmers will be benefited for their producer.

Also to increase the bargaining power, the Farmer Producer Organizations work on ―economies of scale‖ concept. The Farmer Producer Organizations are run by farmers and owned by Farmer Members are they are the shareholder according to their contribution in share capital. Farmer Producer Organizations are financially supported by two main Govt. organizations in India, namely Small Farmers Agribusiness Consortium (SFAC) & National Bank for Agriculture and Rural Development (NABARD). Small Farmers Agri Business Consortium, New Delhi is the main Nodal Agency and link between the different states and single point of contact for all the technical advice and investment related requirements of Farmer Producer Organizations in India. NABARD has specially created Producer Organization Development Fund (PODF) to promote Farmer Producer Organizations (FPOs) which are outside the domain of SFAC, if any. As a part of major reforms for Farmer Producer Organizations, Government of India in 2018 has introduced cent percent tax holiday for all the FPOs below 100 crores up to five years so that they should emerge as a major step towards the Prime Ministers Doubling Farmers Income Scheme by 2022. And recently in this year's budget of 2020 Finance Minister of Government of India, has announced formation of 10,000 new FPOs in next five years. Advantages to member farmers of Farmer Producer Organization are as follow:-

1. Increasing bargaining power in buying inputs and marketing of produce by bringing farmers together
2. Capacity building of farmers through regular training programmes of farmers
3. Helping farmers in reducing post-harvest losses by storage and value addition
4. Assisting farmer for getting benefitted by different government schemes related to agriculture and horticulture
5. Fast dissemination of Good Agricultural Practices (GAP) among the farmer members and access to extension services
6. By the means of contract farming if possible in some area and for cash crops, distress sale can be avoided

Real meaning of farmer producer organizations:

Farmer Producer Organizations are the companies established under Companies Act of 1956 now 2013 (as amended in 2002). Members and shareholders of those companies are farmer and these companies are supported by Small Farmer Agribusiness Consortium. Producer Organization is specific name given to them as Producer of various agricultural commodities like agricultural farmers, milk producer for dairy based FPOs, fisherman, tea growing farmers and craftsman etc. are the members of these Farmer Producer Organizations.

Need of producer companies:

The most basic reason is that as we know 86% of farmers in India who are having land holding lesser than 2 ha during agricultural census 2015. So we have small producers who don't have huge volumes when it comes to production of crop. That's the main reason they are not getting a fair price for their produce and also due to that reason farmers are getting only a small portion of the total money paid by final consumer to their produce because in agricultural marketing large numbers of market intermediaries are working like village agents, commission agent, whole seller, retailer and finally consumers.

With a target of mobilization of 2.50 Lacs farmers all across the country into 250 FPOs having approximate 1000 farmers each, Ministry of Agriculture, Government of India launched a pilot programme during 2011-12 with partnership with Small Farmers' Agribusiness Consortium, New Delhi, under two sub schemes Vegetable Initiative for Urban Clusters and the Programme for Pulses Development, which are part of Rashtriya Krishi Vikas Yojana (RKVY).

Different ways in which FPOs are helping farmers:

I. **Input Supply Services: -** Farmer Producer Organization provides basic agricultural inputs to the member farmers on lesser rates as compared to market rates like fertilizers, pesticides, seeds sprayers.

II. **Procurement and Packaging Services: -** Procurement of agriculture produce after harvesting from fields is done and as and when required FPOs will process it for value addition such as raw turmeric, to make turmeric powder and then after packaging it will be sold in market.

III. **Marketing Services: -** Due to aggregation and bulkiness of produce FPOs farmers will better price and also because by this act they have bypassed large no. of intermediaries present in the agricultural value chain.

IV. Custom Hiring Service Centre: - FPOs provides agricultural implements like tractors, cultivators, tillers, harvester and other equipment on rental basis. Farmers with small land holdings it's useful because for them it is difficult to buy those agricultural implements by their own.

V. Insurance Services: - Insurance services related to crop and livestock and other agricultural machineries like crop insurance, Livestock insurance of milking animals like cow and buffalo are provided by FPOs to the farmer members.

VI. Technical & Networking Services: FPOs are made by farmer and farmers are the member so it's their responsibility to provide latest information on new techniques of farming to the member farmers and to updates their knowledge skill and attitude towards farming. Also FPOs are working for connecting farmer and providing them network linkage with financial institution, traders and consumers.

VII. e-NAM & NCDEX Services: - Due to National Agricultural Market they are getting more no of buyer so getting a competitive price. And, NCDEX helps them by providing them hedging and leveraging against price fall during harvesting time.

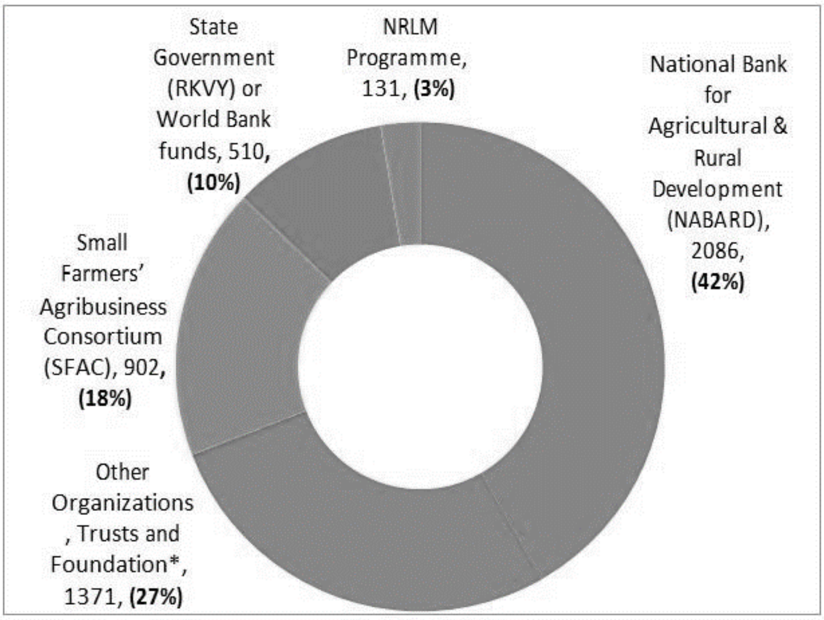
Current status of FPOs in our country:

Small Farmers' Agribusiness Consortium is the nodal agency in India promotes Farmer Producer Organization in India as appointed by Department of Agriculture, Cooperation & Farmers' Welfare, and Ministry of Agriculture & Farmers' Welfare. Since 2011, when government has introduced the concept of Farmer Producer Companies, they are being promoted in country under various schemes of central and state government. As off now, In India 5000 Farmer Producer Organizations are promoted. All these FPOs are established under different central and state government schemes and are formed under various initiatives of Centre Government, State Government, NABARD, and under Corporate Social Responsibility programs of different private companies.

Different Promoting agency and percentage of FPOs promoted by them till 2019

From this exploded doughnut, it is simplified that NABARD is having highest percentage share in total FPOs promoted with 42% followed by other organization and trusts and foundation with 27%, SFAC is 3rd highest with 18% contribution and State Governments have a share of 10% and at 4th place and at last with 3% we have National Rural Livelihood Mission supported by Ministry of RuralDevelopment.

*Other Organisations includes- Bill & Melinda Gates Foundation, Reliance Foundation, Ambuja Cement Foundation, HDFC Foundation, C&A Foundation, HSBC CSR, Axis Bank Foundation, Jindal Steel & Power Limited, Syngenta Foundation and TATA Trust.



Source: Strategy Paper for promotion of 10,000 Farmer Producer Organisations (FPOs), 2019

Key issues & challenges faced by FPOs:-

At current time around 1000 FPOs are facing problems for even survival even. FPOs are facing so many problems related to skills of CEOs and BODs, related with farmers, also related to document process and because it's a long list some of the key issue faced by FPOs are mentioned here:-

I. Mobilization of farmers: - Every FPO is having their respective Resource Institution and one promoting agency. Both of them are facing issue with manpower attrition, so they are facing problem in formation of FPOs that leads to less no. of farmer mobilization into FPOs. Due to less farmers are being mobilized share capital of FPOs are less than as expected and that leads to several other financial problems.

II. Skill set of Board of Director & Chief Executive Officer: - As Farmer Producer Organization are formed and run by farmers only. So they democratically decide their Board of Directors & CEO is appointed by BODs. BODs and CEO are having very less managerial skills and limited exposure to entrepreneurship and business development. So various training programmes should be organized time to time to enhance these skills.

III. Problems related to financing: - As Farmer Producer Organizations are not having anything other than farmer member's equity to leverage borrowings, its' very difficult for any banking system to provide them capital in huge amounts. And because of this banking system has to analyse that how these FPOs are able to raise the margin money required to mobilize the loans. Some alternative approaches should be tried on how to finance Farmer Producer Organizations as they do not have a lot of physical assets and have only tangible assets. Two main challenges in financing FPOs from the prospective of Financial Institutions are increasing equity capital through mobilization of farmers and lack of tangible security and physical assets.

IV. Equity Grant: - Current SFAC scheme of equity grants provides equal equity share to FPOs. This means in a ratio of 1:1 that too subjected to a minimum share limit of Rs.
1000 per share holders. And maximum amount that can be availed is Rs. 15 Lacs. At farmer level contributing an amount of Rs. 1000 is also an issue because of small land holding of the farmers. And also if someone is interested to become a shareholder its' tough for the Board of Directors to gain his trust and convince him to be a shareholder.

V. Challenges related to policy: - FPOs are unable to take benefits of several schemes launched by SFAC and other related organization because they of lack of particular direction of flow of information. This is in terms of reforming the state APMC act, facilitating direct market license to FPOs, relaxation in Mandi cess, relaxation in filing statutory compliances including those related to the Registrar of Companies as well as tax authorities. Penalty of delayed compliance is a burden, particularly on FPOs in their infancy.

STRATEGIES TO OVERCOME & ROAD MAP

- For mobilization of farmers and to improve the skills of skills of Board of Directors and other staff related to Farmer Producer Organization, there is need of time to time training and development programmes. In India, we have different institute supported by Government of India who provides training and development programmes related to entrepreneurship development. Some of them are National Institute of Agricultural Marketing Jaipur, National Institute of Agricultural Extension Management (MANAGE), National Academy of Agricultural Research Management (NAARM) in Hyderabad, Entrepreneurship Development Institute of India in Ahmedabad, Gujrat, Kerala Institute for Entrepreneurship Development–KIED, National Institute for Entrepreneurship and Small Business Development Noida, Vaikunth Mehta National Institute of Cooperative Management (VAMNICOM) Pune etc.
- To overcome the problem of finance, FPOs has to develop such system that they should earn round the year by different method. In starting what they can do it they should is as they can take dealership with public and private companies working in fertilizer sector, pesticide industry and seed selling company a so that by supplying these three inputs should be supplied to farmers and this way farmer are also benefitted with company. And by taking very less margin as compared to retailers and wholesaler present in market they can improve their finance as FPOs are having number of farmers attached with them. And in both the ways i.e. backward and forward linkage they can save money which works as working capital for the FPO.

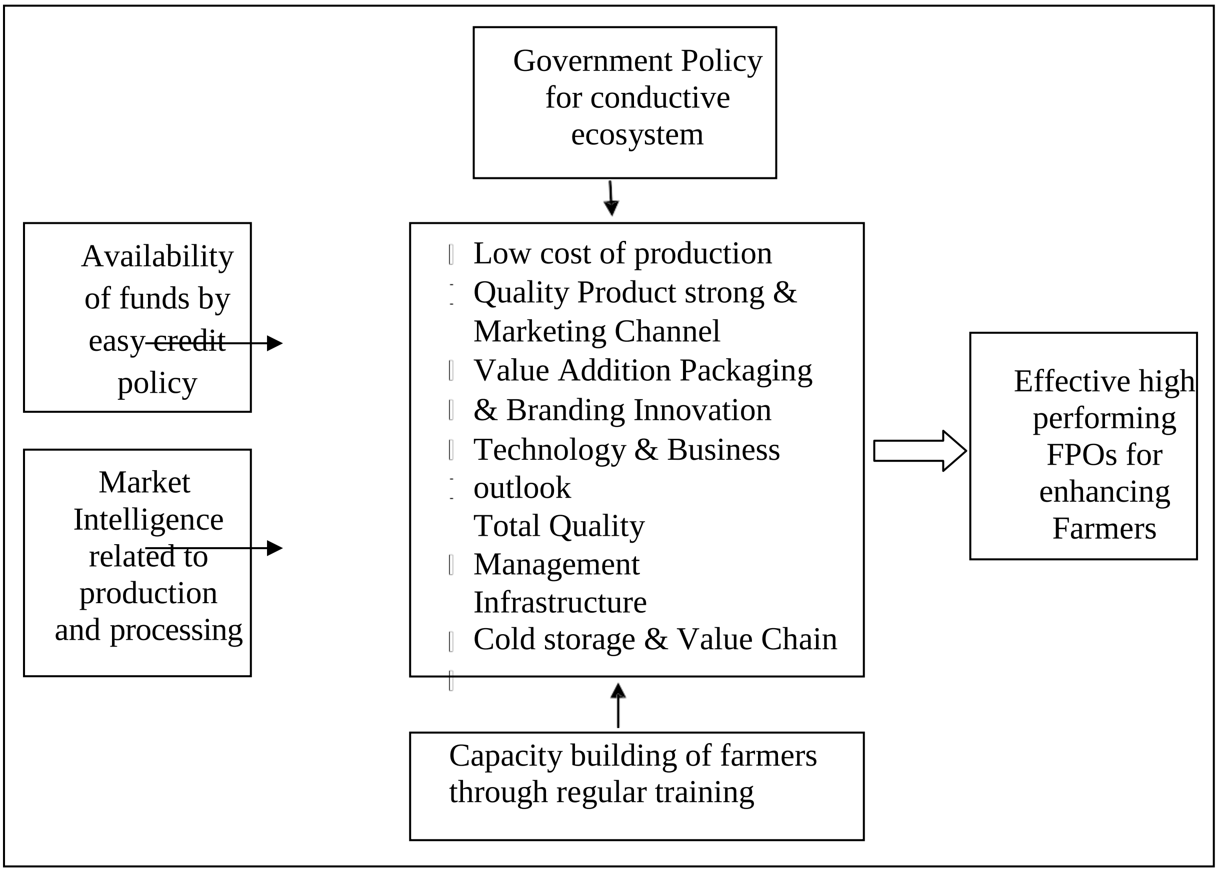
FPOs should be financed according to their need. During initial time FPOs should be supported by different incubation and hand holding of their business. Training and seed funding are the types of funding can be given during this time. After some years when FPOs will set start doing their business normally for their growth, funds can be given to them in form of equity financing or by venture capitalists. During the maturity stage of the business, FPOs can be given term loan as they are doing well business around 6-7 years after registration of company and commencement of business.

Some of the strategies as given by SFAC are:-

I. Equity share per farmer will be increased to Rs. 2000 which is before Rs. 1000 per farmer member. But his equity grant ratio will be same as before that will be in 1:1 and subjected to an upper limit of Rs. 15 Lacs.

II. On priority basis FPOs should have APMC license and dealerships. And as much as possible all the government schemes related to farmer should be implemented via FPOs. Also, Reforms in APMC Act

STRATEGIES FOR EFFECTIVE FARMER PRODUCER ORGANIZATIONS



Source: - Modified by author based on Mukherjee et al (2018)

CONCLUSION

Farmer Producer Organizations are having enough potential to help small and medium farmers' of India, either they are registered as FPCs or Co-operatives, they are helping farmers. But they do have certain limitations related to finance and managerial skills like negotiation and leadership, so necessary steps should be taken by NBFC and by entrepreneurship development institute to overcome both the issues respectively. Other than this Board of Directors of FPOs should also be trained in how to prepare a business plan. That's the most basic step. Promoting Institutes should involve themselves more and more with FPOs so that they can help them in networking the business. Still, a large portion of farmers who belong to the small and marginal land holding category are facing problems due to market intermediaries, FPOs should find some permanent solution of this problem like registration with APMC and eNAM. By using different extension techniques if FPOs can taught to their farmers about Good Agricultural Practices (GAP) and time to time update them with latest technologies and researches related to agriculture and allied sciences this can help them producing crops in efficient and effective way. At the end, if we really talks about ground reality, Government of India does not actively promoted these FPOs and leaves their setup to resource institution like NGOs present in that area. So, help from Policy making institute like SFAC will be advantage to farming community especially to small farmers.

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