

## The Growing Role of Farmer Producer Organizations in Indian Agribusiness

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### SUMMARY

Farmer Producer Organizations (FPOs) have emerged as transformative institutions within the Indian agribusiness ecosystem, offering small and marginal farmers a platform to collectively overcome longstanding challenges in input procurement, credit access, technology adoption, market linkages, and value addition. This article explores the evolution, structure, impact, and future potential of FPOs, emphasizing how they enable inclusive economic development and rural empowerment. It also analyzes the policy landscape, case studies of successful FPOs, institutional support mechanisms, and the challenges that continue to hinder the rapid expansion of these organizations.

### INTRODUCTION

India's agricultural sector is characterized by the dominance of small and marginal farmers, who constitute over 85% of the farming population. These farmers often struggle with low bargaining power, limited market access, high transaction costs, and inadequate access to capital and advanced technologies. Traditional agribusiness models have largely failed to integrate these farmers equitably into agricultural value chains. Farmer Producer Organizations (FPOs) have emerged as a viable solution to these structural inefficiencies. By aggregating individual producers into a formal, registered entity, FPOs enable collective bargaining, shared risk, cost-effective procurement, and better income opportunities. The Government of India, through initiatives such as the Formation and Promotion of 10,000 FPOs Scheme, has recognized FPOs as essential vehicles for doubling farmers' incomes, improving rural livelihoods, and modernizing Indian agribusiness.

### 1. Evolution and Structure of FPOs in India

FPOs are legally registered producer collectives formed under various acts such as:

- Companies Act (1956/2013) as Producer Companies,
- Cooperative Societies Act, or
- Societies Registration Act.

Unlike traditional cooperatives, FPOs are farmer-owned and farmer-governed commercial enterprises with an explicit focus on improving farmer incomes. The movement gained significant traction following the recommendations of the Y.K. Alagh Committee (2002), which led to the introduction of the Producer Company model. Since then, various implementing agencies—including NABARD, SFAC, and NCDC—have facilitated the formation of thousands of FPOs across diverse agro-climatic regions.

### 2. Role of FPOs in Aggregation and Market Linkages

One of the core functions of FPOs is to aggregate the produce of small farmers, enabling bulk marketing that increases price realization and reduces dependence on intermediaries. This collective strength improves negotiation capacity with traders, processors, and large institutional buyers.

#### Case Study: Sahyadri Farmers Producer Company (Maharashtra)

Sahyadri is one of India's most successful FPOs, with over 10,000 farmer-members. It exports grapes and other horticultural products globally and has invested in cold storage, processing units, and packaging facilities. Through direct contracts with retailers and global buyers, farmers have increased their earnings by 30–40%. Many FPOs also engage with eNAM (National Agricultural Market) and contract farming models, ensuring transparency and reducing price volatility.

### 3. Input Procurement and Cost Reduction

Through bulk procurement of agricultural inputs such as seeds, fertilizers, pesticides, and machinery, FPOs can offer **high-quality inputs at significantly reduced prices**. This reduces per-unit input costs and ensures timely availability.

**Example:**

In Madhya Pradesh, several FPOs have partnered with seed companies to procure certified seeds at wholesale rates, distributing them to members at below-market costs. This has led to improved seed quality, higher yields, and better farm management.

**4. Access to Credit and Financial Services**

FPOs act as aggregators for credit and insurance services, often serving as intermediaries between banks and individual farmers. Their collective creditworthiness increases their eligibility for institutional finance, including:

- **Kisan Credit Cards (KCCs)**
- **Working capital loans**
- **Credit-linked input financing**

Financial institutions are increasingly developing **customized credit products** for FPOs. Government-backed initiatives such as the **Credit Guarantee Fund Scheme for FPOs** and **Equity Grant & Credit Guarantee Scheme** by SFAC further reduce the risk for lenders.

**5. Technology Adoption and Extension Services**

FPOs serve as a conduit for the dissemination of modern agricultural technologies such as:

- Improved seeds and mechanized equipment
- Mobile-based agri-advisory services
- Weather forecasting and pest alerts
- Training in climate-smart agriculture

FPOs collaborate with **Krishi Vigyan Kendras (KVKs)**, research institutions, and private agri-tech companies to promote evidence-based, region-specific practices that enhance productivity.

**6. Value Addition and Processing**

Some progressive FPOs have moved up the value chain by establishing small-scale processing units for:

- Grading, sorting, and packaging
- Milling and oil extraction
- Food preservation and branding

This value addition increases shelf life, improves marketability, and fetches higher prices for the produce.

**Example:**

A women-led FPO in Odisha processes turmeric into powder and markets it under its own brand. Through government grants and self-help group participation, the FPO has established a strong regional brand, empowering rural women economically.

**7. Government Initiatives Supporting FPOs**

The **Formation and Promotion of 10,000 FPOs Scheme** launched by the Ministry of Agriculture and Farmers Welfare is a major initiative aimed at:

- Creating 10,000 FPOs by 2027
- Providing handholding support through CBBOs (Cluster-Based Business Organizations)
- Offering financial assistance (Equity Grant of up to ₹15 lakh)
- Facilitating market access, training, and professionalization

Other initiatives supporting FPOs include:

- **SFAC, NABARD, and NCDC** assistance programs
- State government schemes (e.g., Rythu Bandhu Pathakam in Telangana)
- Digital platforms for FPO registration and governance

**8. Challenges Faced by FPOs**

Despite their growing importance, FPOs face several operational and structural challenges:

- **Capacity Deficits:** Lack of trained leadership and business management skills among board members.
- **Limited Market Access:** Difficulty in establishing supply chain infrastructure and partnerships.
- **Credit Constraints:** Difficulty in obtaining working capital due to lack of collateral or credit history.

- **Regulatory and Compliance Burdens:** Complex registration and reporting requirements discourage grassroots participation.
- **Technology Gap:** Lack of digital literacy and poor internet connectivity in rural areas.

## 9. Opportunities and Future Outlook

To unlock the full potential of FPOs, several strategic actions are essential:

- **Professionalization:** Hiring of CEOs and agribusiness managers to run FPOs on commercial lines.
- **Digital Transformation:** Adoption of farm-to-fork traceability, e-commerce platforms, and blockchain for quality assurance.
- **Women and Youth Inclusion:** Promoting gender-inclusive and youth-led FPOs for long-term sustainability.
- **Climate-Resilient Models:** Integrating FPOs with climate-smart and organic farming practices.
- **Public-Private Partnerships:** Engaging with retail chains, agri-startups, and processors to build market linkages.

India's vision of **doubling farmer incomes**, ensuring **sustainable agriculture**, and achieving **food security** will require FPOs to play an increasingly central role in shaping rural economies.

## CONCLUSION

Farmer Producer Organizations are not just economic institutions—they are agents of social transformation, empowering India's small and marginal farmers to transition from subsistence agriculture to sustainable agribusiness. With the right policy support, financial investment, and technical capacity building, FPOs can help unlock a more equitable, resilient, and market-oriented future for Indian agriculture. Their growing prominence signals a fundamental shift towards collective action, inclusive growth, and rural entrepreneurship.

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