

Role of FPO In Enhancing Farmers Income : A Review

Dr.Manveer Singh

Teaching Assistant,
School of Business Studies, PAU

Abstract- A Farmer Producer Organisation (FPO) is a legal entity formed by primary producers, viz. farmers, milk producers, fishermen etc. Members are usually small farmers who are empowered by FPOs to trade in agricultural platforms. Benefits of FPOs are better farm income, provision of market, information, economies of scale, enable vertical integration, collective bargaining and ensure market access.

Keywords- Farmer Producer Organisation (FPO).

I. INTRODUCTION TO FPO

Agriculture as a primary sector in India is mostly production oriented. It plays an important role in Indian economy. However, due to small and scattered land holding, the small holding based agriculture has gradually become unviable. Fragmented and dispersed small producers face numerous challenges which cannot be tackled individually. In this context, a sustainable solution can be achieved through collectivisation of agricultural produce and creating commodity-specific agri value chains with participation of agri entrepreneurs and primary producers on the equitable terms.

A Farmer Producer Organisation (FPO) is a legal entity formed by primary producers, viz. farmers, milk producers, fishermen etc. Members are usually small farmers who are empowered by FPOs to trade in agricultural platforms. It is an organization of the producers, by the producers and for the producers. It is time to recognize the contributions of producer organizations and enhance their capacities to provide a much wider range of services to producers (Chander, 2013).

In the era of globalisation and free trade liberalisation, the need of the hour is to transform the mere producer of agricultural product to producer cum seller of the produce through developing rural entrepreneurship by applying the concept of collectivisation or group initiation through local level organisation. As a consequence of globalisation and climate change, an appropriate technology transfer mechanism is needed to enhance sustainable food production and marketing for income enhancement. Doubling farmers' income requires combined approach of improved

technology, practices, processing, marketing and entrepreneurship development. Agriculture has always been a lifeline of the Indian economy, providing livelihood to millions of farmers. The government intervention was required to create a policy environment that would ensure a mutually beneficial relationship between the farmers and organized sector (Mittal, 2007)

Farmer organizations can increase the access of small producers to new technology, market information and business services in rural areas that contributed to productivity, growth and intensification and commercialization of smallholder agriculture, thereby increasing their incomes (Shiferaw et al., 2016).

The farmers' producer organizations and producer companies were very much beneficial to improve the value chain of agricultural produce and thereby proved to be in getting good prices for their produce (Sawairam, 2014).

II. REVIEW

Iveta et al. (2020) aimed to study the milk producer organisations (MPOs) working in the Czech Republic for examining the economic benefits of counterfactual design for milk producer organisations members, to analyse the expectation level and satisfaction level of the farmers by the service which is provided by milk producer organisations. It was concluded that there are positive financial advantages for farmers expectation level and satisfaction level by the milk producer organisations activities. Results also show that milk producer organisations managers look for long term strategies by keeping in mind the consumers environment and concerns for health.

Soniya et al. (2020) aimed to do business analyses of Farmer Producer Organizations in Kurnool district, Andhra Pradesh. The results showed that business performance of Farmer Producer Organizations is just average. Under the APRIGP authority FPOs performance score was in the yellow zone which showed average performance of FPOs. It was also concluded that FPOs had average liquidity, solvency, performance and profitability. Performance of FPOs under

APRIGP showed yellow zonewhich means it has average performance and its score was two hundred fifteen.

Sanjay et.al. (2018) aimedfor empowerment and improvement in the collective bargaining power and quality of living of small farmer/marginal farmer/producer by Producer Company. It was concluded that collectivenessof farmershelps them in linking small entrepreneur with upgraded markets as its very much beneficial for the interface. Advantages of Producer's organisations is that it lowers down the transactional costs for seller and buyer, and it also provides technical knowhow for production and helps in making social capital.

Sudip et.al. (2022) aimed to analyse the stability and itsfactors of Farmer Producer Organizations (FPOs) in West Bengal. It was concluded that the stability of FPOs lies on parameters of trust, role of clarity among the members, level of contribution of members in team work, satisfaction level among group members, feeling of attachment and ownership. There was significant difference among the meanscores of stability index of high and low performing FPOs. Member's attitude and cooperation forFarmer Producer Organizations were main contributorsfor development in group stability amongst thegood performing Farmer Producer Organizations .

Vedasri et.al. (2022) aimed to determinesocio economic characteristics impact among group members of Farmer Producer Organisations.It was concluded that Farmer Producer Organisations working pattern showed that the members involvement is increasing every yearand the produce procurement was increasing every which resulted in the increaseof turnover of the FPOs. Importantfactors which influences the working of FPOs were level of education, type of experience and yearly income.

Manaswi et. al. (2020) aimed to study the organic chilli production of farmer producer organizationn in Telangana, India.It was concluded that shifting to the organic chilli production has leded to decrease of input use by nine percentand yield has also decreased by twenty three percent. Gross returns of organic chilli farming were thirteen percent higher. The results from DEA analysis showed that there is forty eight percent of higher proportion of the member farmers, technical knowhow is abovesixty percentby comparing with the non-members whose technical knowhow is just eighteen percent.

Shivam et.al. (2021) aim to do analysis and evaluation of financialperformance of farmer producer organisation India. It was concluded that liquidity position of

farmer producer organisation was at good satisfactory level. Farmer producer organisation solvency positionsweregetting improvedbecausethey were moving from debt financing to equity financing. Farmer producer organisationsefficiencies and profits were below par. One-third of the farmer producer organisation were loss-making units in 2018–2019.

Nandiniet. al. (2022) aimed to do financial performance evaluation of the Farmer Producer Organizations in Eastern Dry Zone of Karnataka. Results from financial ratio analysis showed that Anekal Horticulture Farmer Producer Company Ltd. (AHFPCL) was annual profits of Rs four lac thirty six thousand seven hundred eighty and Rajaghatta Horticulture Farmer Producer Company Ltd. (RHFPCL) annual profit was Rs three lac fourteen thousand three hundred forty seven . The Current ratio ofFarmer Producer Organizations greater than one which indicated that they are financially good and are capable to handle short-term obligations. Net Capital ratio of Sri Venugopaldaswamy Horticulture Farmer Producer Company Ltd. (SVHFPCL) had high ratio i.e. forty three point seven five and net Capital ratio of Tubagere Horticulture Farmer Producer Company Ltd. (TFPCL) was very low ratio i.e. one point three seven. Anekal Horticulture Farmer Producer Company Ltd. (AHFPCL) earnings per share was Rupees four hundred thirty six andearnings per share of Rajaghatta Horticulture Farmer Producer Company Ltd. (RHFPCL) was Rupees three hundred fourteen.

Shalini et.al. (2022)aimed to analyse the farmers perception about farmer producer organisation. It was concluded that farmer producer organisation require technical support, sufficient funds and infrastructural facility which includes market linkages for maintaining their businesses. Farmer producer organisation hadgood impact on farmers as it helps farmers to reduce the input costs, good price for products, reduction in transportation cost.

Gurpreet. al. (2018) aimed to study the efficiency, operational dynamics and sustainability of farmer producer organisation modelin Gujarat and Punjab. It was concluded that linking farmers with the organised value networks by farmer producer organisation seems inefficient. Under the farmer producer organisation, agricultural marketing had been given new dimensions of success. The sustainability of farmer producer organisation is institutional support that provides new market linkages, adoption of modern practices of doing agriculture and enhancing the management skills of the farmers.

Darshan et.al. (2019) aimed to study availability of market facilities which are present for members and non-

members of farmer producer organisation in Bidar and Kalaburagi districts of Karnataka. It was concluded that members of Farmer Producer Organizations (FPOs) gets good facilities of information, procurement, processing, transportation, insurance, and storage facilities otherwise which is not available for its non-members. Requirements of the members of FPOs by establishing backward and forward linkages.

Kujur et. al. (2019) aimed to study the performance of farmer producer organizations. It was concluded that backward and forward linkage of small producers gets better by farmer producer organizations. Results also showed that in Chhattisgarh forty three percent of farmer producer organizations were promoted by National Bank for Agriculture and Rural Development (NABARD), Directorate of Horticulture and Farm Forestry promote thirty six percent of farmer producer organizations and Small Farmers Agri-business Consortium (SFAC) promotes twenty percent of farmer producer organizations.

Sanjay et. al. (2018) aimed to empower and enhance the collective bargaining power and quality of life of small and marginal farmers/producers by farmer producer organisation. It was concluded that collectiveness of farmers plays important role towards linking smallholders to upgraded markets. Results also showed that farmer producers organisations helped farmers in buying and selling products nicely, it also lowered down the transactional costs for sellers and buyers, it also helps in providing technical knowhow in production and creates social capital.

Jitendra et. al. (2021) aimed towards the identification of the problems of Farmers Producers Organisation. It was concluded that the problems identified were lack of technical knowledge for working of FPOs, technical labour and financial problems, marketing problems and organisational set up problems.

Dilip et. al. (2022) aimed to study the concept of farmer producer organisation. It was concluded that farmer producer organisations improves the living standard of farmers, upliftment in their status status, good income and more profits for farmers. It also helps members by providing the technical knowledge, helps them to connect them to modern markets, collective bargaining power increases etc.

Bagde et. al. (2022) aimed to study the constraints of Farmer Producer Organisations. It was concluded major constraints faced by FPOs were very less contribution by the members, low economy and shortage of funds, shortage of

transportation, marketability of products, warehouse facility and poor access for office buildings.

Manjinder et. al. (2022) aimed to study the behavioural factors that affect the functioning of farmer producer organisations. It was concluded that the functioning of farmer producer organisations had huge risk bearing capacity, large economical scales and good innovation FPOs. Farmer producer organisations were more social, economical and well managed compared to non-functional Farmer producer organisations. Business skills and managerial skills of the functional farmer producer organisations were better than non-functional farmer producer organisations.

Ereneus et. al. (2019) aimed to reduce the gap between the farmers and consumers by forming farmer producer organisations. It was concluded that farmer producer organisations can enhance the skills, increase revenues and collective bargaining power small farmers in their produce and marketability of their produce. Farmer producer organisations helps to spread technical knowledge, improvement in production efficiencies, reduction in the transactional cost, marketing of the end product and capacity building.

Shridevi et. al. (2019) aimed to study on the farmer producer organisations. It was concluded that FPOs are the backbone for the development of the small farmers. Farmers Producers Organisations helps in narrowing down the between produce and market. Farmers Producers Organisations members get technical and financial support from the state and central governments. This approach is very helpful to small and marginal farmers to develop themselves in the global agricultural and to take control over market effectively. FPOs face problems of good management skills, very less initial capital, shortage of technical man power, not efficient capacity building training programmes.

Runumi (2019) aimed to study the motivational factors for farmers to form farmer producer organisation. It was concluded that small farmers motivational factors to join farmer producer organisation were enhancement in their income, to provide technical knowhow, collective bargaining power, reduction in transportation cost, reducing the gap between production and market, upliftment in terms of finances.

Subash et. al. (2019) aimed to study trends and performance of Farmer's Producer organisation in India. It was concluded that farmer producer organisations is a modern form of company whose main focus is for the upliftment of farmer income. Results also showed heterogeneity in terms of

production, function ability, workability, problems solving issues and mechanism for FPCs. There is a need for promotions of business operations among farmer producer organisation and policies of government should focus on development of FPOs.

Srikar e. al. (2021) aimed to identify the problems faced by members of farmer producer organisation in Seethampeta block of Srikakulam district, Andhra Pradesh. It was concluded that major constraints were related to economics, marketability, organizational set up, technical knowhow and socio-cultural problems.

Anees et. al. (2018) aimed to enhance farmers income by farmer producer organisation. It was concluded that farmers faced issues of poor access to credit and markets and modern technology adaptation. Farmers income could be increased by increase of production, by reduction in the cost of cultivation, fixing prices of their produce. Organizing regular Farmer Producer Organisations meetings to solve problems and planning for expansion of business.

Smriti et. al. (2019) aimed to analyse farmers performances by joining farmer producer organizations. It was concluded that being member of farmer producer organizations influence the outcome variables positively. Major challenges faced by FPOs were shortage of funds and non-availability of updated monitoring and evaluation mechanism.

Fanny et. al. (2021) aimed to explore upgraded possibility of value chain system of farmer producer organisations in Indonesia so as to have linkage of small farmers to modern retail markets. It was concluded that FPOs remain upgraded by making linkage of small farmers with the upgraded retail market. By making collaboration among FPO members and buyers upgraded network structures were achieved.

Sanjana et. al. (2022) aimed in enhancing the production of farmers by farmer producer organisations. It was concluded that linking farmers to modern markets by FPOs could enhance their income and productivity, reduced the input cost of cultivation in the farms, guaranteed the assured price for its products. By making farmer producer organizations (FPOs) is best solution for attaining target goal. Farmer Producer Organizations (FPO) reduces the helps farmers by providing good assurance for investments, upgraded technologies and latest market.

Bagde et. al. (2022) aimed to ensure good income to producers through Farmer Producer Organisations organizations. Results showed that challenges faced by FPOs

were low contribution by existed members which leads to low scales of economy and inadequacy of finances, shortage of transportation, distances from the market, shortage of storage facilities and poor access to offices.

Gokul et. al. (2019) aims to identify challenges millets producing farmer producer organisations. It was concluded that farmers are not doing processing of produced products. Major challenges faced millet FPOs were failure of monsoons, undistributed rainfall and shortage of the good seeds.

III. CONCLUSION

3 (a) Benefits of FPOs :

- **Better farm income:** By first determining demand and then purchasing in bulk, an FPO can ensure a higher farm income for its producer members. Furthermore, by transporting in bulk, transportation costs can be controlled, lowering the overall cost of production. Similarly, the FPO may pool all members' produce and sell it in bulk, resulting in a higher price per unit of produce.
- **Provision of market information:** Information about the market the FPO can also provide market information to producers, allowing them to keep their produce until market prices improve. All of these interventions will increase primary producers' income.
- **Economies of scale:** Organisations with a large membership base can also benefit from collective ordering and purchasing, allowing them to provide certain common items to their members at a lower cost. Ordering costs, transportation costs, and economies in large-scale purchases of agricultural inputs such as seed, fertilizers, pesticides, agricultural equipment, and so on behalf of their members are all part of the cost savings because of the scale of economies.
- **Enable vertical integration:** Producer-owned organisations were good examples of vertical integration based on horizontal coordination of farmers as initiators because they demonstrated that by cooperating, farmers in the upper part of the food chain could significantly improve their countervailing power and establish ownership if they could secure strict quality requirements, solid financing, loyalty, and trust in their organisations [10].

- **Ensure market access:**Market access is ensured through the purchase of members' produce, and transportation is equivalent to the manufacturing organisation's inbound logistics activity. The purchasing activity also includes quality control and pricing of raw materials. The FPO's typical value-adding operations are covered by consolidation and processing. While consolidation is concerned with bulking and storing the produce in order to sell it at a later date for a profit, processing is concerned with increasing the value of a

3 (b) Constraints of FPO

- The first constraint associated with organizational constraints faced by the FPO members and/or office bearers is lack of proper infrastructure.
- The second constraint associated with organizational constraints faced by the FPO members and/or office bearers is lack of connection with financial organizations.
- Lack of proper decision making ability, is also a major constraint for the FPO members and/or office bearers.
- Constraints were related to economics, marketability, organizational set up, technical knowhow and socio-cultural problems.
- Farmers faced issues of poor access to credit and markets and modern technology adaptation
- Challenges faced by FPOs were shortage of funds and non-availability of updated monitoring and evaluation mechanism.
- Challenges faced by FPOs were low contribution by existed members which leads to low scales of economy and inadequacy of finances, shortage of transportation, distances from the market, shortage of storage facilities and poor access to offices.

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