

MANAGE Agricultural Extension "Evening4Learning (E4L)" Webinar Series

Topic: "Role of Agricultural Extension in Sustainable Farmer Producer Organisations (FPOs): Learning from ICAR-IIMR Experiences"

Schedule:
23-11-2022, 20:00-20:30 PM

MANAGE - Center for Agricultural Extension Innovations, Reforms and Agripreneurship (MANAGE- CAEIRA)
National Institute of Agricultural Extension Management (MANAGE)
Rajendranagar, Hyderabad- 500 030, INDIA



About the Program

The MANAGE Agricultural Extension "Evening4Learning" Webinar Series is aimed at enhancing knowledge and professional engagement in the field of agricultural extension. The ftwelve-day series is structured with each day focusing on a distinct topic under a common theme, allowing participants to gain comprehensive insights into key areas of extension. The programme is intended for a diverse audience, including postgraduate and doctoral students, agricultural faculty, and industry professionals. It covers broad themes ranging from entrepreneurship and sustainability to emerging technologies in agriculture.





Speaker

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Dr. Sangappa

About the Speaker

Dr. Sangappa is currently working as Senior Scientist cum Head (Agricultural Extension) at ICAR-KVK, Kodagu, Karnataka. He holds a Ph.D. from ICAR–National Dairy Research Institute (NDRI), Karnal. His work focuses on the promotion of millets through innovative agricultural extension approaches, Farmer Producer Organisations (FPOs), agripreneurship development, capacity building, processing and value addition, and market linkages. He has contributed to the formation and incubation of millet FPOs across multiple states, established millet processing and custom hiring facilities, and organised training programmes, workshops and exposure visits for farmers and other stakeholders. His work emphasises strengthening farmer institutions, promoting millet-based enterprises and improving farmers' livelihoods through value chain development.

Introduction

Farmer Producer Organisations (FPOs) have emerged as an important institutional mechanism for addressing the challenges faced by small and marginal farmers in India. Individual farmers often encounter difficulties in accessing quality agricultural inputs, adopting improved technologies, obtaining timely advisory services, aggregating produce, accessing markets, and securing remunerative prices. FPOs can address these constraints through collective action, economies of scale, improved bargaining power, and stronger linkages with markets and other institutions.

However, the sustainability of an FPO extends beyond its registration, mobilisation of farmers, and receipt of financial assistance or handholding support from a Cluster-Based Business Organisation (CBBO). A sustainable FPO must develop a viable business model, generate adequate revenue to meet its operational expenses, pay its employees, maintain infrastructure, and deliver tangible benefits to its shareholder farmers even after external support is withdrawn.

In this context, agricultural extension functionaries have an important role in facilitating farmer mobilisation, strengthening institutional capacities, identifying local business opportunities, promoting value addition, developing market linkages, and converging government schemes and private-sector initiatives. Their role must extend beyond technology dissemination to include enterprise development, collective marketing, value-chain coordination, and institutional sustainability.

Sustainability Beyond FPO Formation

The success of an FPO should not be measured merely by its registration or the number of farmers mobilised. Its sustainability depends on its ability to generate business, maintain regular transactions with its shareholders, and meet recurring operational expenses through internally generated revenue.

Before initiating FPO formation, extension functionaries should assess the availability of local resources, production potential, market demand, business opportunities, and the willingness of farmers to participate in collective economic activities. The business model should be planned before registration and the commencement of operations.

The primary objectives of an FPO include reducing the cost of agricultural production, improving farmers' bargaining power, and increasing the share of value realised by farmers in the consumer's rupee. These objectives can be achieved through collective procurement of inputs, aggregation of produce, value addition, and direct market linkages.

FPOs as a Response to Agrarian Challenges

The potential of FPOs to address the agrarian crisis and improve the livelihoods of small and marginal farmers. Drawing comparisons with successful farmer-owned institutions such as Amul and IFFCO, the importance of collective institutions in improving farmers' access to services, markets, and economic opportunities.

Individual farmers frequently face several interconnected decisions: what to grow, when and how to cultivate it, whether to store the produce after harvest, where to sell it, and what price to accept. These decisions become particularly difficult when farmers operate independently and lack access to reliable market information, institutional support, and collective bargaining mechanisms.

FPOs provide a platform through which such challenges can be addressed collectively at the village or community level. They can facilitate access to agricultural inputs, extension services, credit, infrastructure, processing facilities, and organised markets.

The importance of addressing gaps in technological access, forward and backward linkages, and institutional convergence. By connecting farmers with ICAR institutes, Krishi Vigyan Kendras (KVKs), State Agricultural Universities (SAUs), government departments, financial institutions, and private-sector organisations, FPOs can strengthen the delivery of agricultural services and improve the flow of farmers' feedback to the research system.

Increasing Farmers' Share in the Consumer's Rupee

In the millet value chain, farmers may receive approximately ₹20–30 per kg for their produce, while processed products may reach consumers at substantially higher prices. Similarly, in vegetable value chains, farmers may receive only around 30% of the consumer's rupee, with the remaining share distributed across intermediaries and associated costs such as transportation, commission, handling, and wholesale margins.

These examples highlight the need to strengthen farmers' participation in activities beyond primary production. Limited aggregation, inadequate processing facilities, weak branding, and insufficient direct market access can prevent farmers from capturing a greater share of the final value.

The FPOs can improve farmers' returns by facilitating:

- Collective aggregation of agricultural produce at the farm gate.
- Cleaning, grading, destoning, sorting, and packaging.
- Processing and value addition at the community or FPO level.
- Branding and marketing of farmer-owned products.
- Direct linkages with processors, retailers, institutional buyers, and e-commerce platforms.
- Better price discovery and reduced dependence on multiple intermediaries.

Such interventions can help FPOs move from the sale of raw commodities towards value-chain-based business operations.

Role of Agricultural Extension Functionaries in Developing Sustainable FPOs

Identification of Suitable Communities and Local Resources

Extension functionaries should identify communities where collective action can address clearly defined production, resource-management, or marketing constraints. The process should begin with an assessment of local agricultural conditions, including soil and water resources, household assets, land-use patterns, cropping systems, production volumes, and existing market arrangements.

The selection of commodities should be guided by local production potential, resource availability, market demand, and opportunities for value addition. Promoting a single crop without assessing market demand may lead to excess supply and declining prices. Therefore, extension professionals should encourage appropriate crop diversification and production planning in accordance with market requirements.

Farmer Mobilisation and Social Capital Formation

Building trust among farmers is essential for the formation and sustainability of an FPO. Extension functionaries should create awareness about the purpose, benefits, responsibilities, and business orientation of FPOs before farmers are mobilised.

They should explain the roles of shareholders, the Board of Directors (BoD), the Chief Executive Officer (CEO), accountants, and other staff members. Farmers must understand that an FPO is not merely a beneficiary-oriented group but a collective business institution in which regular participation and mutual accountability are essential.

Effective communication, facilitation, persuasion, conflict management, and group dynamics are important competencies for extension professionals. These skills can help build consensus, address differences among members, and maintain a shared focus on the organisation's objectives.

Capacity Building of the Board of Directors and CEO

Managing of an FPO requires a combination of entrepreneurial, managerial, financial, and technical competencies. Farmers who serve as directors may possess considerable production knowledge but may require additional training in business planning, governance, financial management, marketing, and organisational leadership.

Extension functionaries can facilitate need-based training for the Board of Directors, CEO, accountant, and other employees. Capacity-building programmes should cover:

- Business planning and enterprise management.
- Bookkeeping, accounting, financial literacy, and statutory compliance.
- Procurement, aggregation, inventory, and supply-chain management.
- Market assessment, negotiation, pricing, and customer relations.
- Digital platforms, information and communication technologies, and e-commerce.
- Leadership, teamwork, conflict resolution, and shareholder participation.

Particular attention should be given to the CEO's ability to identify local business opportunities, manage day-to-day operations, establish commercial relationships, and generate revenue. Strengthening these competencies is essential for ensuring that the FPO can operate independently after the withdrawal of CBBO or funding-agency support.

Identification of Business Opportunities and Value Addition

Extension professionals should assess the commodities produced in a particular area and identify opportunities for aggregation, processing, value addition, and marketing. For example, communities producing jackfruit, millets, turmeric, pulses, or other locally important commodities may benefit from small-scale processing and product-development activities.

Depending on local demand and available resources, FPOs can establish or facilitate millet-processing units, oil extraction units, turmeric-processing facilities, and other decentralised enterprises. Such activities may be organised at the FPO level or through smaller groups of shareholders.

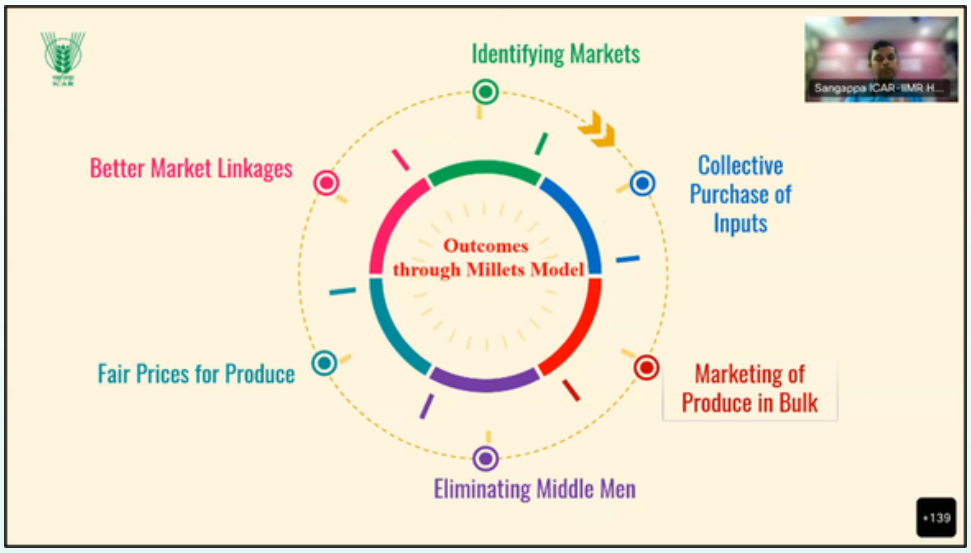
The business opportunities should be identified through a scientific assessment of local resources, farmer needs, processing possibilities, and market potential. Infrastructure investments should be based on a viable business case rather than being undertaken merely because financial assistance is available.

Collective Procurement of Agricultural Inputs

Collective procurement is an important strategy for reducing farmers' production costs. Individual farmers often purchase inputs from retailers in small quantities, which may limit their bargaining power. FPOs can aggregate input requirements and negotiate directly with manufacturers or authorised suppliers to obtain competitive prices and improve access to quality inputs.

Collective procurement may cover seeds, fertilisers, plant-protection products, small farm machinery, and other essential agricultural inputs. FPOs can also facilitate access to custom hiring services and technical advisory support.

The reducing production costs represents a direct economic benefit to shareholders. However, FPOs should ensure transparent procurement, quality assurance, compliance with applicable regulations, and timely delivery of inputs to maintain farmers' confidence.



Aggregation, Primary Processing, and Collective Marketing

Aggregation is a fundamental function of FPOs because it enables small quantities of produce from individual farmers to be assembled into commercially viable volumes. Extension functionaries can help FPOs establish systems for collecting produce at the farm gate, assessing quality, maintaining records, and coordinating transportation and storage.

The potential of primary processing using pulses and other grains. Cleaning, grading, destoning, and packing produce into standardised bags can improve its marketability and enable FPOs to approach larger buyers directly.

Collective marketing can improve price negotiation, reduce certain transaction costs, and create opportunities for selling larger volumes to processors, wholesalers, retailers, and institutional buyers. Where feasible, FPOs can also explore storage and warehousing to manage the timing of sales in accordance with market demand and available working capital.

Strengthening Patronage and Shareholder Participation

The important factor in FPO sustainability. Patronage refers to members' regular use of the FPO's services, including selling produce through the organisation and purchasing agricultural inputs from it.

An FPO cannot remain financially viable if its shareholders do not participate in its business activities. Extension functionaries should therefore help FPOs demonstrate tangible benefits through competitive input prices, fair and transparent produce payments, reliable services, and timely market information.

Regular transactions build trust and encourage members to continue using the organisation. Improved business performance can strengthen the FPO's financial position and, subject to profitability and applicable legal requirements, create opportunities for distributing dividends to shareholders.

Convergence with Government Schemes and Development Institutions

Institutional convergence is essential for strengthening FPO infrastructure, technical capacity, financial access, and market connections. Extension functionaries can facilitate linkages with relevant central and state government schemes, ICAR institutes, KVKs, SAUs, NABARD, the National Cooperative Development Corporation (NCDC), the Small Farmers' Agribusiness Consortium (SFAC), watershed development agencies, NGOs, and private-sector organisations.

Such convergence can support training, business incubation, credit access, infrastructure development, processing facilities, technical guidance, and market promotion.

Extension professionals should not limit their role to helping FPOs access financial assistance. They should also ensure that the support received is translated into productive assets, viable business activities, stronger institutions, and sustainable revenue generation.

Market Intelligence and Digital Market Linkages

Identifying appropriate markets is as important as organising production. Extension functionaries should help FPOs understand market demand, quality specifications, price trends, buyer requirements, and opportunities in domestic and export markets, wherever applicable.

Digital platforms, e-commerce channels, social media, and buyer–seller meetings can improve market visibility and facilitate connections with potential buyers. However, FPOs must be able to meet requirements related to product quality, packaging, grading, volume, logistics, payment terms, and consistency of supply.

The potential of e-commerce and organised retail channels for marketing both branded FPO products and bulk agricultural commodities. Digital market access should therefore be integrated with physical infrastructure, business planning, quality management, and reliable supply-chain arrangements.

Timely Advisory Services and Farmer Entrepreneurship

The role of extension functionaries extends beyond marketing to the overall development of farmers as entrepreneurs. They can facilitate timely, need-based advisory services, promote good agricultural practices, organise exposure visits, and strengthen farmers' access to relevant agricultural programmes and risk-management support.

Extension interventions should be designed to improve production efficiency, product quality, market readiness, and enterprise orientation. By connecting farmers with appropriate technologies, financial services, market information, and business opportunities, extension professionals can strengthen both individual livelihoods and the collective enterprise.

Institutional Experience: Development of Millet-Based FPOs

The institutional experiences of ICAR–Indian Institute of Millets Research (ICAR-IIMR), Hyderabad, in promoting millet-based FPOs and strengthening their market linkages.

ICAR-IIMR had supported the development of 33 FPOs across four states, with eight additional FPOs recently added in Telangana and Andhra Pradesh, taking the reported total to 41 FPOs. These organisations primarily focus on millets, while some also engage in other agricultural commodities. The FPOs collectively worked with more than 20,000 farmers across the four states.

The experience demonstrated that FPO development requires coordinated interventions in input supply, aggregation, infrastructure, processing, enterprise management, and marketing rather than isolated support for registration or training.



Key Interventions

The institutional experience highlighted the following interventions:

- **Input centres:** Facilitating access to agricultural inputs and services through collective arrangements.
- **Credit and financial linkages:** Exploring appropriate credit mechanisms and institutional support for FPO business operations.
- **Custom hiring centres:** Improving access to agricultural machinery and equipment.
- **Aggregation and storage:** Establishing systems for collecting millet produce and exploring warehousing facilities to support planned marketing.
- **Processing and value addition:** Promoting cleaning, grading, destoning, packaging, and the development of millet-based products.
- **Market linkage:** Connecting FPOs with processors, organised buyers, and digital marketing channels.
- **Capacity building**: Strengthening the managerial, technical, and commercial capabilities of FPO directors and employees.



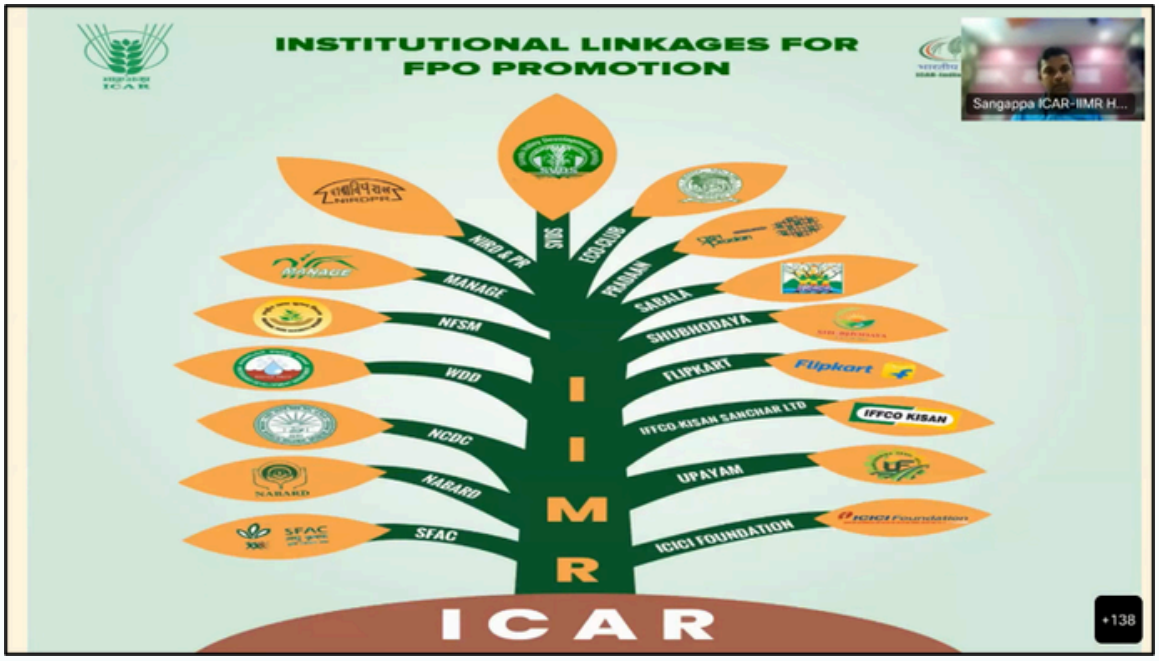
Where FPOs faced constraints in land, finance, or processing infrastructure, the FPOs used the facilities available with KVKs and other institutions to support processing and value-addition activities. Such shared infrastructure arrangements can help FPOs initiate business operations without immediately making substantial capital investments.

Partnerships and Market Linkages

The importance of collaboration with development institutions, private companies, processors, and digital platforms. The presentation referred to linkages involving NABARD, NCDC, watershed development agencies, SFAC, MANAGE, NIRDPR, NGOs, and private-sector organisations.

The institutional engagement with Flipkart for exploring two marketing possibilities: selling branded FPO products through an e-commerce platform and supplying graded, cleaned, and processed commodities in bulk to organised retail or grocery supply chains.

In addition, connections with millet processors and organisations involved in agricultural inputs and advisory services were highlighted as opportunities to establish more direct commercial relationships between FPOs and buyers.



Virtual millet buyer–seller meetings were cited as another approach for bringing producers and potential purchasers together. These activities can help FPOs identify demand, understand buyer requirements, and reduce uncertainty in marketing their produce.

The broader lesson from these experiences was that extension functionaries can act as facilitators of institutional convergence and market partnerships, helping FPOs access resources and commercial opportunities that would be difficult for individual farmers to obtain independently.

Advantages of Farmer Producer Organisations (FPOs)

The FPOs provide several advantages to farmers by strengthening backward and forward linkages and promoting collective action. Through collective procurement, aggregation, and marketing, FPOs can improve farmers' access to agricultural inputs, services, and markets while enhancing their economic returns.

Backward linkages help farmers access agricultural inputs, advisory services, and modern technologies. Bulk procurement of inputs reduces the cost of cultivation, while aggregation of produce creates economies of scale, reduces marketing costs, and attracts traders and institutional buyers.

Forward linkages enable FPOs to improve market access, strengthen bargaining power, and obtain better prices through collective marketing, contract farming, and Memoranda of Understanding (MoUs) with buyers. Access to storage facilities can minimise post-harvest losses and improve the availability of produce for marketing. FPOs can also facilitate access to financial services against stored stocks, subject to applicable lending conditions.

Overall, FPOs strengthen farmers' social capital, improve their bargaining power, facilitate access to technology and financial services, and create opportunities for better price realisation. By integrating backward and forward linkages, FPOs can reduce production and marketing costs, minimise post-harvest losses, and improve farmers' incomes, thereby contributing to the long-term sustainability of farmer-owned institutions.

Key Highlights

- **Sustainability Beyond Formation:** The sustainability of FPOs depends on viable business models, internally generated revenue, effective management, and continued shareholder participation beyond registration and external handholding support.
- **Role of Agricultural Extension Functionaries:** Extension professionals play a crucial role in farmer mobilisation, social capital formation, capacity building, business planning, institutional convergence, and strengthening backward and forward market linkages.
- **Collective Action and Value Addition:** Collective procurement, aggregation, grading, processing, packaging, branding, and collective marketing can reduce production and transaction costs, strengthen farmers' bargaining power, and increase their share in the consumer's rupee.
- **Strengthening Governance and Shareholder Participation:** Capacity building of the Board of Directors, CEO, and staff in financial management, business operations, marketing, and governance, along with regular shareholder patronage, is essential for FPO viability.
- **Institutional Convergence and Market Linkages:** Collaboration with ICAR institutes, KVKs, SAUs, NABARD, SFAC, NCDC, government departments, private enterprises, and digital platforms can facilitate access to technology, finance, infrastructure, processing facilities, and organised markets.
- **Learning from ICAR-IIMR Experiences:** The experience of developing millet-based FPOs demonstrated the importance of integrating input services, custom hiring, aggregation, processing, shared infrastructure, capacity building, and buyer–seller linkages to promote sustainable, farmer-owned enterprises.

YouTube link: https://youtu.be/JYhSGBpzOfs?t=4339

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