

Proceedings

Virtual Workshop on CSR for Agricultural Development: Farmer Producer Organizations Issues and Challenges

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About the Publication

This publication is the outcome of the Virtual Workshop of CSR for Agricultural Development: Farmer Producer Organizations Issues and Challenges conducted on 25.09.2020 by MANAGE and BIMTECH.

Inside Publication

This publication has summarized the key points of the panellists who have presented in the Workshop. It also highlighted the issues in the implementation of FPOs in India.

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Virtual Workshop on CSR for Agricultural Development: Farmer Producer Organizations Issues and Challenges



Background

Farmer Producer Organisations are becoming an effective nexus between the producers and procurement agencies. In India, several policies were framed to incentivise, create and develop FPOs to directly address the challenges of farmers in the production of crops and marketing. Every time, there is an opportunity to understand the importance of FPOs, issues and challenges to make FPOs even more viable and effective. In this background, a Virtual Workshop on “CSR for Agricultural Development: Farmer Producer Organizations Issues and Challenges” on 25.09.2020 was jointly organised by MANAGE and BIMTECH to learn from the stakeholders, policymakers and corporates about the ecosystem of FPOs, policy framework, successful FPO models. The outcome of the Workshop will help to understand the present scenario of FPOs and provide a pathway to better FPOs.



Speakers and presenters

Around nine panellists who have rich experiences in FPOs have presented in the workshop and provided an insight into the importance of Farmer Producer Organisations (FPOs), success factors and future need for sustainable FPOs.



Who has participated?

Around 425 participants in the Workshop belonging to category of Scientists, extension functionaries, research scholars and other officials working with FPOs have participated in the workshop.



Introduction

Professor N N Sharma with his introductory notes marked that Farmers producers Organisations (FPOs) are an important component to the transformation of rural India. The stakeholders of Agriculture right from Government feel that collectivisation of farmers is important to benefit the marginal and small farmers. Since the act of FPO (2002), FPOs have been established. However, there prevails a skewed distribution of FPOs in the country. At present, there are 7500 FPOs in India. However, the concentration of this FPOs is more in richer states, even within states, around 20% of the district account for 25% of FPOs. However, there are a few districts (32 districts) having a farmer population of more than 1 lakhs have fewer FPOs. Though around 43 lakhs farmers were covered by FPOs so far, more than 14 crores marginal and small farmers are yet to be covered. In this context, Professor N N Sharma has requested the panel experts to discuss the importance of FPOs, challenges and solutions for enlarging the benefit of FPOs to all farmers.



Moderator

The workshop was moderated by Nagendra Nath Sharma, Chairperson - Centre for Sustainability and CSR, BIMTECH.

The highlights of the presentation are as follows



K C Gummagolmath

Director, (Monitoring and Evaluation), MANAGE

'Present scenario of FPOs in India'



Highlights

Around 48% of the farmers are dependent on agriculture and more than 85% of them are small and marginal. Therefore, they are not able to reach the scale economy, coupled with lack of institutional mechanisms, less access to credit, technology and inputs are big challenges to them. There is also a less margin of price to farmers in the value chain. To bridge these gaps, farmer's aggregation is vital in agriculture such as in Dairy sectors.

The major focus is on marketing services and financial assistance. Going back to times, the cooperative moments were the successful initiative in the initial process of aggregating the farmers.

The entire chain of activities from production to export in the supply chain can be done by FPOs and it can enhance the welfare of the farmers.

Scenario of FPOs, in terms of distribution, the states such as Maharashtra (26%), Uttar Pradesh (10%), Tamil Nadu (7%) and Madhya Pradesh (6%) account for nearly 50% of the FPOs in the country. Even within the state of Maharashtra, the city like Pune, Ahmednagar and Nasik districts have more FPOs than other districts.

In India Only 14 % of Farmer Producer Companies have paid the capital of Rs. 10 lakh or more and 49% of producer Companies have paid 1 lakh or less capital.

Only 20% of Producer Companies (PCs) contributed around 50% of the share capital of paid capitals of the all Producer Companies. The skewed distribution is the biggest challenge for FPOs, also, there is a need for skilling the farmers in processing, value addition, climate change coping mechanism etc., through FPOs.



A C Srivastava

Chief General Manager (CGM), NABARD

‘Role of NABARD in the development of FPOs played a crucial role’



Highlights

National Bank for Agriculture and Rural Development is an apex development finance institution fully owned by Government of India. It aims at building an empowered and financially inclusive rural India through Financial, Developmental and Supervision.

NABARD entered into the process and development of FPOs in the year 2011 at a time when SFAC, Departments, Civil Society Organisations etc., were involved in the promotion of FPOs. NABARD provides financial support for the promotion of FPOs.

NABARD was entrusted by the Government of India (GoI) to promote around 2000 FPOs in the country with the funding support of Government of India. At present, NABARD has facilitated the promotion of 2000 FPOs successfully across the country.

Other than the supportive fund of GoI, NABARD with its own fund has promoted 2500 FPOs. Hence, a total of 4500 were promoted by NABARD out of 7500 FPOs in India.

Major issues of FPOs are lack of sustainable business plan, less profit to the members. Also, most of the FPOs in the country are not able to sustain once the handholding support is withdrawn. Similarly, lack of adequate finance, legal complaints, etc., pose challenges to the sustainability of FPOs in the long run.

Though most of the organisations have actively been involved in the promotion of FPOs, the sustainability of the FPOs is still a big problem.

If all the farmers are aggregated and brought under the umbrella of FPOs, the objective of FPOs i.e. maximising the margin of profit (decreasing the input margin and maximising the output margin) can easily be attained.

As per new guidelines of Government of India on FPOs, three agencies were identified as implementing agencies of FPOs namely (i) Small Farmers Agri-business Consortium (SFAC), (ii) National Cooperative Development Corporation (NCDC) and (iii) National Bank for Agriculture and Rural Development (NABARD). The present guidelines are beneficial for those FPOs which are promoted under either the Company Act or Cooperative Societies Act, as of now.

SFAC can promote FPOs under Company Act, NCDC can promote FPOs under the Cooperative Societies Act and NABARD can promote FPOs under both Acts. The FPOs promoted by other organisations may not get financial supports under the new guidelines.

There is also State level Foundation Forum and District level Production Forum. These implementing agencies are entrusted to promote Cluster-Based Business Organizations (CBBOs) with the five domain experts in the field of (i) Crop husbandry, (ii) Agri marketing / Value addition and processing, (iii) Social mobilization, (iv) Law & Accounts and (v) IT/MIS. These CBBOs ensure the formation of FPOs and guide those organisations including NGOs which are involved in the promotion of FPOs.

The major benefit of the present guidelines on FPOs is that it can support FPOs with a five year handholding support. Also, each FPO promoted under this guidelines is eligible for receiving about 43 lakhs i.e. 25 for FPO ecosystem and 18 lakhs for management.



Ashish Mondal

Founder Director, Action for Social Advancement (ASA)

‘Ecosystem of FPOs’



Highlights

Ecosystem for FPOs is highly important for an FPO to succeed. Producer Company is the only initiative so far in India that has become successful with the less public investment.

The dairy cooperative ecosystem is relatively successful because of an adequate support system provided by the partnering institutes not just during the initial periods, but also continuously.

For Example, in the case of AMUL, National Dairy Development Board (NDDB) provides ecosystem support to AMUL, not just during its initial days of establishment, but also now.

Once the ecosystem is established, the ecosystem takes care of all the problems by itself. To date, NDDB is associated with AMUL. It has not exited to date. It is therefore, FPOs have to be promoted with the stronger ecosystem and continuous support of the partnering/promoting institutions.

Institutions which promote FPOs cannot provide umbrella or multi-dimensional support to FPOs. Moreover, financial assistance given by NABARD, SFAC etc., is relatively lower, therefore, it cannot sustain the growth and development of FPOs adequately and continuously.

In most of the cases, FPOs fail due to the non-readiness of several organisations/ Institutions. For example, the banks are not ready to support FPOs with the funds. Also, there is low-level marketing support to FPOs and marketing ecosystem is also not ready to work with FPOs. Likewise, training institutions are not ready to skill and improve the capacity of those who want to establish FPOs. Only when all the institutions are ready to support FPOs, it will sustain and continue to grow.



Yogesh Dwivedi

(Madhya Bharat Consortium of Farmer Producer Company Limited, Bhopal, Madhya Pradesh)

'Key issues in Farmers Producer Organisation'



Highlights

Non-availability of easy and low-interest rate of credit to FPOs are the major issues. Most of the FPOs are still dependent on Non-Banking Financial Company (NBFC), which is very costly, and most of the income generated by FPOs go as interest and not benefiting organisation.

Many a time, Public Sector Units (PSUs) are not well aware of FPOs and there prevails low preference among them to provide credit support to FPOs.

Lack of infrastructures such as storage, processing facilities and accredited warehousing are the biggest challenges to FPOs to fully utilise the potential.

Lack of institutional and human resources is still a major problem for FPOs to effectively work with rural farmers. Also, most of the B-school graduates are not willing to work with FPOs, because most of them are located in rural areas and low salary package.

There is limited support at the state level to form a formal committee for the continual support of FPOs right from formation to sustainability. This is coupled with lack of a comprehensive state level government policy on FPOs, in contrast to central government.

FPOs are also facing challenges such as no quota or preferences for selling inputs like fertilisers on the one hand and the other hand, FPOs have limited linkage with the government for output marketing.



Anish Kumar

Co-Lead, Transform Rural India Foundation (TRIF)

'Impacts of COVID-19 on FPOs'



Highlights

By analysing the present rural and agricultural situations, FPOs would face enormous challenges in the Post COVID-19 periods.

About 50% of the rural households' income comes from daily wage earnings as casual labourers. Also, a vast number of farmers get an average income of Rs. 5,000 to 6,000 per month. In this context, farmers are willing to migrate to cities for better jobs and livelihood options.

In the post-COVID-19, most of the input companies would face a loss of production and their market capital would reduce due to disrupted economy including agriculture.

There have also been substantial disruptions in agriculture because of COVID-19. Therefore, the farm sector is expected to decline up until 2023.

However, the output of cash crops would slightly perform better in the post-COVID-19 period. Many of the FPOs are interested in high value crops. This will affect the FPOs in the post-COVID-19 period.

Reverse migration will exert enormous pressure on the creation of jobs in rural sector. To minimise the impacts of COVID-19 on FPOs, it needs to work with private firms to foster new opportunities in the post-COVID-19 as agriculture has severely been affected.



Ashwini Saxana

CEO Private sectors and international organisations

'FPOs – Community spirit for sustainable FPOs'



Highlights

There exists a disconnect between producer and market. Therefore, there is a need for investment in the value chain of agriculture.

In the supply chain of agricultural commodity, a lot of produce is wasted, it is, therefore, FPOs need to involve in minimising the food wastage and maximise the profit.

FPOs can be successful, only when, they focus on increasing the trust of members of FPOs.

Promotion of FPOs must be based at farmers. It must encourage farmers to understand their roles and specificity in FPOs and the benefits thereof. This community spirit will encourage farmers to route them automatically to the membership of FPOs.



Amitanshu Choudhary

Programme Manager, Tata Trusts

'Best practices of FPOs'



Highlights

FPOs are the fulcrum of agricultural development. Though FPOs have to abide by the set rules and principals of legal laws issued by the government, FPOs are sustaining relatively better.

If the FPOs follow best practices, they will sustain longer. Ownership and community participation are vital for FPOs. Evidence shows that FPOs have created better access to inputs and credit for the members.

There are nine broad good practices that the FPO needs to include in their function namely (i) democratic functioning, (ii) transparency (iii) social and gender justice, (iv) maintaining confidentiality, (v) allowing diversity, (vi) collective responsibility for decision, (vii) continuous learning and improvement, (viii) accountability and (ix) balancing business and social objectives.

Also, the indicators such as voice out opinions freely, equal opportunities, having standard operating procedure, timely disclosure of materials, financial as well as non financial situation, performance, risks and opportunities, minimising the diversity and collective responsibility can lead to best practices of FPOs and will sustain the functioning of FPOs.

The Board of Directors needs to know what information should be disclosed and to whom it should be disclosed. Also, they need to have a consensus and should accept success and failure collectively.

The diversity of membership needs to be encouraged while promoting FPOs, this will ensure various skill sets to respond to the various challenges e.g. marketing.

FPOs need to focus on social objectives while not compromising the business orientation, so as to work towards marginal and small farmers, landless, backward areas, disadvantaged groups etc. This will pave a way to resolve several social issues in the country.



Ashutosh Deshpande

Head (Value Chain), Reliance Foundation

'Nurturing Farmer Producer Organisation – Experience of Reliance Foundation'



Highlights

Reliance Foundation has been working with rural communities with a holistic approach, through which it seeks to enhance the income, nutrition security, water security, market linkages, ecological security, digital outreach etc. It focuses more on FPOs to achieve better social and economic measures.

Around 26 FPOs have been promoted by Reliance Foundation in 12 states of the country since 2010. The FPOs of Reliance Foundation has 43,000 shareholders, achieved Rs. 68 crores turnover during 2018-19. It has collective share equity of around 3.83 crores and focusing on 38 agricultural commodities.

Market linkage is the critical component of FPOs, and the stable market linkage has been established with IFFCO Kisan, Olam, NCDEX, Samunnati, Mahindra etc., to continuously support the farmers in terms of input supply and output marketing.

Though Reliance Foundation has not invested capital for promoting FPOs, it provides handholding support and mentoring by the professional at the doorstep for advisory services; building skills through training and capacity building on legal approaches, GST filing etc; provides a comprehensive tool on planning on working capital, HRD, etc; establishes linkages (assured buyers and market agencies through strong agreement); provides new technologies and concept for the entire value chain of agriculture etc.

Because of the established and assured marketing supports, the FPOs supported by Reliance Foundation has capitalised on the COVID-19 lockdown crisis. For example, 8,400 farmers were supported and the FPOs have registered around Rs. 22,000 crores turnover in the initial two months of lockdown. About 55,96,200 kgs of agri produce were marketed; 6,68,700 kgs of agri inputs were sold to farmers; 40 FPOs were facilitated to link with digital marketing platforms and 1,04,700 kgs of daily foods sold to villagers.

Further, in future, the following plans such as increasing the self-reliance (operation reliance, regulatory self-reliance, raising finance and market linkages), promoting continuous linkages with other corporates, digitisation of a database of members of FPOs including marketing of agri produce, mechanisation and precision farming, consolidating FPOs at clusters with the same commodity for joint marketing etc., are underway. These future plans will sustain the FPOs of Reliance foundation effectively.



Amit Kumar Singh

Country Representative, Tanager

'Factors required for designing sustainable FPOs'



Highlights

Is FPO ready for markets or Are the farmers ready to join FPOs? Are the farmers able to produce a commodity that can fetch remunerative prices?

FPOs have to see the demand of the market and the specifications. It is in this background, Tanager believes four Ms i.e. Market, Money, Membership and Management can be the four major components of FPOs. These 4 Ms coupled with strengthening the value chain of FPOs will sustain the ecosystem of FPOs. As 89 % of the farmers are marginal and small, collectivisation is also very important to access the markets.

When it comes to management, the members of FPOs are shareholders, they must know their roles and also should have an awareness on how to contribute.

Some of the FPOs fail because as most of them are adopting target-based approach rather than need based approach. FPOs need to start with market and commodity and the link between these two. It should also focus on both input supply and output marketing. For example, Tanager has grouped farmers into collectives and encouraged them to grow mint and sell through sale points. Also, FPOs are entrusted to sell the inputs for mint production to their members at a nominal cost.

Design of FPOs needs to be an effective business plan. FPOs have to identify the market and procurement agencies with an agreement denoting how they will collect the produce, effective Board of Directors and foster vertical integration of value chain right from processing, grading, packaging and diversification of commodity. This will improve the sustainability of FPOs in terms of business/profit and human resource development.

Recommendations emerged from the workshop

- There is a need for promoting the FPOs across the country to benefit all the farmers by breaking the skewed distribution of FPOs in a few states.
- The policymakers have to ensure the readiness of every organisation right from banks to training institutes in support of Ecosystem of FPOs. For example, banks should be ready to support FPOs with finance and the training institutes have to support FPOs with adequate capacity training programmes.
- FPOs have to be developed with the supportive infrastructure such as storage, processing facilities and accredited warehousing to tackle the production and marketing issues and to achieve the scale. There is a need for enhanced linkages between government and private firms and corporates for developing sustainable FPOs in particular to overcome the challenges of COVID-19 at present and in future.
- Community of spirit must be encouraged among farmers to automatically join the FPOs. The focus of FPOs must increase the trust of farmers in FPOs and their specific roles in FPOs and benefits there of.
- The FPOs should not only focus on economic activities, but also need to emphasis on social objectives such as improving the livelihood status of marginal and small farmers, landless farmers, backward areas, disadvantage groups etc. Also, the promoters of FPOs have to adopt the good practices that can sustain FPOs.
- Handholding support and continuous mentoring are vital for the promotion and sustainability of FPOs. This should include capacity building, linkages, provision of new technologies, legal procedures, etc.
- The design of FPOs must focus on an effective business plan, which should ensure in identification of right input service providers, effective Board of Directors, foster vertical integration of value chain right from processing, grading, packaging and diversification of commodity, market, etc.

Conclusion

The outcome of the presentation elucidates that there exist several challenges for FPOs to sustain and grow effectively due to legal complaints, certain rules, marketing fluctuations, supply and demand variation etc. Despite this, concerted efforts have been taken by the Government to promote FPOs to help marginal and small farmers to effectively grow and market the farm produce. Also, some of the FPOs supported by corporates show that FPOs can be vital for farmers to realise a better economy of scale even during the crisis time like COVID-19. Therefore, emulating the success factors and criteria enlisted by the panellists will certainly help in strengthening the FPOs and benefit farming community.



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