



# Farmer Producer Organizations: A Boon for Hill Farmers

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## Article History

**Received:**

**29<sup>th</sup> May 2021**

**Accepted:**

**14<sup>th</sup> June 2021**



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## ABSTRACT

Farming in hills is very difficult due to various reasons viz. small land holdings, lack of input availability, low productivity and production, shortage of labour, lack of post-harvest management, pitiable marketing linkages and networks as well as lack of entrepreneurship skills. These problems become more promising due to practice of one man farming, lack of support and difficult geographical conditions which hinders the profitability of their venture. Formation of farmers' producer organization can institutionalize those farmers to get benefit of group farming and get rid of their day to day problems related to farming. FPO has the capacity to generate a sense of social as well as financial security amongst the hill farmers.

**Key Words:** Farmers' producer organization (FPO), Group Farming, Hills, Market, Producer

Among the inhabitants of the Himalayan Region, a large percentage of the hill farming families sustain mainly on subsistence farming. Hill farming is mostly depended on rainfall, which has become more erratic and intense in last 10-15 years. Agriculture has been the main source of income of the inhabitants. Majority of the farmers in the Himalayan states are small landholders with landholdings of less than 0.5 ha followed by marginal farmers. Wheat, rice, maize, millets, barley and buckwheat, pulses and oilseeds are widely grown crops of the region. In addition, potatoes and a variety of off-season vegetables, spices and fruits are also grown by the hill farmers. Livestock comprises cow, buffalo, sheep, goat and mules. As the land holdings are small in hills, the livestock supplement the family income of farmers.

Hill agriculture has some intrinsic limitations of inaccessibility and remoteness, vulnerability in terms of climate, moisture stress and poor soil conditions. There are socio-economic restraints such as small land holdings, low productivity and production, shortage of labour, lack of post-harvest management, pitiable marketing linkages and networks as well as lack of entrepreneurship skills. Abysmally low agriculture productivity and lack of livelihood opportunities are the push factors for seasonal male migration from hill regions. To sustain the farming community in agriculture sector, group farming approach might be helpful. Primary producers' organizations or collectivities are being argued to be the only institutions which can protect small farmers from ill-effects of globalization or make them participate successfully in

modern competitive markets. Aggregating primary producers into collectives is a universally accepted concept and most effective means to reduce the risk in hill agriculture particularly. It improves access of small and marginal farmers to investments, new agriculture related technologies, markets etc. There are several farmers organizations formal and informal, registered under different statutes such as Cooperative Act, trusts, federations and Companies Act. Self Help Groups (SHGs), farmers clubs and Farmers Interest Groups (FIGs) already formed in hills can be promoted to Producers Organizations. Government of India has proposed to form and promote 10,000 new FPOs in the country.

## Farmer Producer Organization (FPO)

A Farmer Producer Organization (FPO) is a legal body created by primary producers, viz. farmers, milk producers, fishermen, weavers, rural artisans. An FPO can be a cooperative society, Producer Company or any other legal firm which offer for sharing of profits/benefits among the members. FPOs are voluntary organizations which are open to all persons who are willing to accept responsibilities of membership without gender, social and religious discrimination. They are democratic organizations controlled by firm members who have equal voting rights. Elected representatives are accountable for FPO activities. Members contribute and democratically control the capital of FPO through their representatives. Members are benefited in proportion to their transaction



with the FPO. The ownership of the FPO is with its members. The main aim of FPO is to ensure better income for the producers through an association of their own. Single or small producers do not have the quantity and capacity individually to get the benefit of their production. Through aggregation of produce by the farmers groups, the primary producers can get the benefit from market or economic activity. Being a group, they will also have better bargaining power vis-à-vis the bulk buyers of produce and bulk suppliers of inputs. FPOs are formed on the principle of cooperation so that all contribute towards strengthening FPO economically and socially.

### Role of Government Institutions in Supporting FPOs

Department of Agriculture and Cooperation (DAC), Ministry of Agriculture, Govt. of India acts as a nodal agency for development and growth of FPOs. Small Farmers' Agribusiness Consortium (SFAC) acts as a single window for technical support, training, research, knowledge management and to create linkages with investment agencies and markets. DAC and its designated other agencies works with NABARD to cater working capital and infrastructure investment needs of FPOs. State government institutions make provision for easy issue of licenses to FPOs to trade inputs like seeds, fertilizer, farm machinery, pesticides etc. State government institutions make amendments in the APMC Act to allow direct sale of farm produce by FPO at the farm gate. FPOs can be used as implementing agencies for different development programme like NFSM, ATMA, RKVY etc. and can be benefited on preferential basis.

### Essential features of an FPO

- It is formed by a group of farmers for farm or allied activities.
- It is a registered body and a legal entity. It can be registered under Cooperative Societies Act/ Company act/Society Registration act
- Producers are shareholders in the organization.
- Minimum number of farmers required to form a FPO in case of plain areas is 300, while in hilly areas it will be 100. There is no limit for maximum number of members and it can be increased as per feasibility and need.
- It deals with business activities related to the farm produce/product.
- It works for the benefit of the member farmers.
- A part of the profit is shared amongst the member farmers.
- Rest of the surplus is added to its owned funds for business expansion.

### Members of FPO

FPO is an organization of the farm producers, specifically the primary producers. All primary producers residing in the relevant geography, and producing the same or similar produce, for which the FPO has been formed, can become member of the FPO. Membership is voluntary. The procedure for obtaining FPO membership depends on the bye-laws of the FPO. The founder-members are those who were there at the time of formation of the FPO. Other members join the FPO later. However, all members enjoy equal rights. A primary producer can become member of a FPO by submitting an application and a nominal membership fee. Some FPOs also charge annual membership renewal fee. Although primary producers obtain membership of FPO voluntarily, the promoting institution should make efforts to bring all producers into the FPO, especially the small producers.

**Table 1: Difference between Producer Cooperative and Producer Company**

Parameter	Producer Cooperative	Producer Company
Registration	Cooperative Society Act	Indian Companies Act
Area of operation	Restricted area, discretionary	Entire Union of India
Share	Non-tradable	Not tradable but transferable limited to members on per value
Profit sharing	Limited dividends on shares	Commensurate with volume of business
Voting rights	One member, one vote, but Government and Registrar of Cooperatives hold veto power	One member, one vote. Members not having transactions with the company cannot vote.
Government Control	Highly patronized to the extent of interference	Minimal, limited to statutory requirements.
Extent of Autonomy	Limited	Fully autonomous, self ruled within the provisions of Act
Reserves	Created if profit earned	Mandatory to create every year
Borrowing power	Restricted	More freedom and alternatives

Source: ASA, 2009, Mukherjee et al, 2018



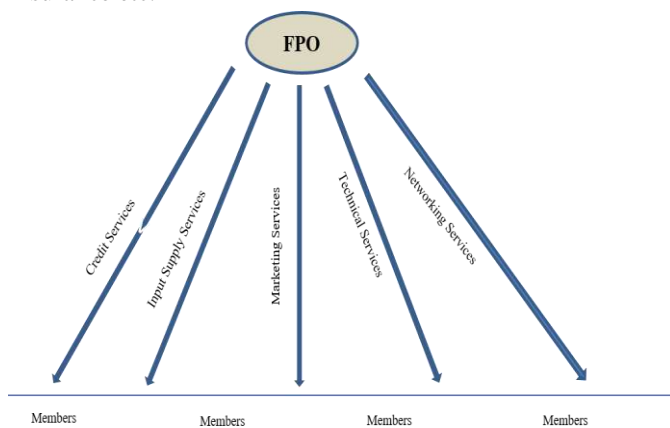
### Board of Members

Each FPO will have an elected Board of Management / Board of Directors as per the bye-laws. The Board can engage professionals to manage its affairs. In the initial years, professional and managerial assistance is usually extended by the Producer Organization Promoting Institution (POPI). As the leaders of the FPO gain experience, they should take over the affairs of the FPO completely.

### Service model for FPO:

In hills, farmers have skill and expertise in growing their crops, but they need support for marketing of their produce. The FPO can bridge this gap by undertaking the following activities:

FPO offers variety of services to its members as illustrated in the figure. FPO keeps on adding new services as per emerging needs. FPO provides credit for agriculture related activities, like purchase of inputs, purchase of implements etc. It facilitates linkages of farmers with processors, traders and retailers. FPO provides low cost and quality inputs to its members in time. It also procures produce from its members, do storage, value addition and packaging. FPO also helps to provide various insurance, like crop insurance, life insurance etc.



Service model for Farmers' Producer Organization

In hill agriculture FPO are playing important role in livelihood wellbeing and empowerment of hill farmers (Mukherjee et al., 2020). Here two cases are depicted from hills of Uttarakhand.

### Farmers clubs transformed to Vivekananda Krishi Utapadan Swayatt Sahakarita

In order to showcase the model of socio-economic empowerment of farmers through multiple interventions, ICAR-Vivekananda Parvatiya Krishi Anusandhan Sansthan, Almora, Uttarakhand adopted

Bhagartola and Deengrigooth villages in 2005 under Horticulture Mission for North Eastern Himalayan States. Institute motivated farmers to use quality seeds, fertilizers, poly-houses, poly-tanks, improved soil health practices, improved farm implements through rigorous training on improved methods of vegetable cultivation, particularly. Vegetable production was chosen as a vehicle for earning higher income. Production of vegetable doubled with the introduction of these poly-houses in Bhagartola. For sustaining economic regularity, it is important to reduce local loan with high interest rate and disseminate improved vegetable production technology among farmers. Farmers were organized into farmer's groups. Two farmers' clubs, namely, Vivekananda Kisan Club, Bhagartola and Vivekananda Kisan Club, Deengrigooth were formed. These club members are collectively getting training and support on improved technologies from the institute and other agencies like state departments and banks. These farmers' club members facilitated transfer of technologies to other farmers from different districts of Uttarakhand and different states like Sikkim. Some farmers have been acknowledged by ICAR, State government and the Institute for adopting improved agricultural production technology in hill farming and their contribution in efficient transfer of technology to other farmers. Two farmers' clubs of this village viz. Vivekananda farmers Club, Bhagartola and Vivekananda farmers Club, Deengrigooth received State level best farmers club award by NABARD in 2010 and 2012, respectively. Formation of farmers' group has reduced the risk that individual farmer face during seasonal shocks. It provided space for members to discuss among themselves about credit worthiness, loan repayment, crop rotations to be followed, time of sowing, input availability and marketing of agriculture produce to the local markets.



Figure 1. Meetings with the FPO members

In year 2016, these farmers' club members along with other farmers of the nearby villages were organized to form a farmers' producer organization (FPO) named





*Vivekananda Krishi Utapandan Swayatt Sahakarita*. With the formation of FPO, all members are undertaking collective purchase of seeds, fertilizers, insecticides and marketing. Moreover, transportation charges are also reduced as vegetables are collectively transported to the local market. It started collective marketing of vegetables in local markets in 2017-18. Market exposure visits of farmers were organized to Haldwani mandi and Rudrapur for purchase of seeds, fertilizer and pesticides through FPO. During the year 2017-18, FPO has marketed vegetables, like tomato, cabbage, cauliflower, raddish, onion, brinjal, potato, ginger and cucumber with a turnover of more than Rupees Seven Lacs. Four members of FPO have undergone training on accounting, book keeping and promotion of FPO. During the year 2018-19, FPO carried out collective purchasing and selling of vegetables for more than four lakh rupees.



**Figure 2 Produce of FPO members ready for market**

### **Farmer Producer Organization Promoted by KVK Uttarkashi**

Krishi Vigyan Kendra, Uttarkashi working under the ICAR- Vivekananda Parvatiya Krishi Anusandhan Sansthan, Almora, besides providing demonstration and skill development trainings, also motivated farmers for creating a farmers organization. With the financial assistance from NABARD, KVK Uttarkashi initiated the formation of the FPO “*Bhagirathi Sabji Utpadak Swayyat Sehkarita, Badethi, Uttarkashi*” in Chinyalisaur block of Uttarkashi district. The FPO was registered under Uttarakhand Society cooperative Act 2003. Initially, only 10 farmers came to join the FPO but after regular interaction with farmers now the total strength has reached up to 222 members. A series of meetings were conducted with farmers to motivate them towards collective purchase of inputs and collective sale of farm produce.

This practice attracted the buyers on their field. Buyer seller meet were also organized by KVK to create an agreement between the FPO members and the local vegetable sellers. Simultaneously, KVK provided space to FPO for collection and sale of their produce in the KVK premises. Now, farmers collectively purchase the seeds and other inputs in bulk which minimizes their input costs and sell their produce through FPO which fetches good remuneration. Apart from this, FPO farmer members got the benefit of Farm Machinery Bank Scheme launched for the farmers groups by the department of agriculture. Farmer members are using these implements on custom hiring basis and doing their works more effectively.



**Figure 3 Capacity Building of FPO members**

The “*Bhagirathi Sabji Utpadak Swayyat Sehkarita Badethi, Uttarkashi*” due to its futuristic approach mobilized more than 200 farmers under one umbrella of FPO. The FPO has a plan to achieve the membership to 500 farmers in a year and 1000 in coming three years. With more membership and agri produce in bulk, FPO will approach for better market linkages. This FPO has become very instrumental in providing government benefits to its members and established good linkages with research institutes, KVK and training institutes for capacity building. For expansion of economic activities, FPO is approaching to the banks for loans and other banking related facilities. The FPO has planned to setup a post harvest processing unit for making tomato sauce, *chutnies*, pickle, etc.

In this way, FPO has made a positive impact in the lives of FPO members directly and indirectly. As a result other farmers of the region are also approaching joining the FPO. The “*Bhagirathi Sabji Utpadak Swayyat Sehkarita Badethi, Uttarkashi*” has started taking the benefits of group farming from government departments, markets as well as from their own community.



**Figure 4** Collection centre provided to FPO by KVK Uttarkashi

#### Possible impacts of formation of FPOs in Hills:

- Reduction in marketing cost: various markets related services are provided to the members at lower rates.
- Increased bargaining power of farmers: collective marketing of produce increase bargaining power of farmers as they are not forced to accept whatever price is offered by the middlemen or wholesalers in market.
- Infrastructural facilities: these cooperatives or producer companies have their own storage and warehousing facilities which prevent produce from damage and thus ensure better price.
- Market intelligence: these collectives obtain data on market prices, demand and supply of produce on regular basis which help them to assess market trends and demand pattern.
- Reach to distant markets: through farmers' collectives, the agriculture produce can be sold collectively in distant market at higher prices for the benefit of the farmers.
- Provision of finances at lower interest rates: these farmers' collectives also provide finance to the members at lower interest rates for input purchase and other farm related activities.
- Availability of agri-inputs at reasonable rates: these collectives also arrange for the supply of agri-inputs like fertilizers, insecticides, pesticides and improved seeds at reasonable rates in adequate quantity, even on credit.
- Profit sharing: the profit earned by the farmers' collectives is distributed among all the members of the society on the basis of the share they own, therefore, everybody takes interest in promoting the group.

- Capacity building of members: these collectives also arrange various capacity building programmes for the member to upgrade them about the latest agriculture technologies, agri-marketing practices in consultation with experts or scientists.
- Reverse Migration: FPO will provide ample livelihood opportunities for hill farmers and can check migration from hills. As a result of pandemics, thousands of migrants have returned to hills of Uttarakhand. FPOs can provide a platform for improving the economic prospects of migrants by using their acquired skills.
- Enhance women decision making: FPO may increase access of women to marketing and other institutions. This will eventually increase the decision making power of the female farmers who are the backbone of hill farming.

Farmers of the hilly regions are very hard working, but due to practice of one man farming, lack of support and difficult geographical conditions, they could not get out of their conditions. Formation of farmers' producer organization can institutionalize those farmers to get benefit of group farming and get rid of their problems pertaining to their primary occupation that is farming. FPO has the capacity to generate a sense of social as well as financial security amongst the hill farmers.

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