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An Exploration on Challenges and Opportunities in the formation of Emergence of Farmer's Producer Organization

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ABSTRACT

The Farmer Producer Organization (FPO) is a legal entity made up of farmers, with all of its members being farmers themselves. In other words, the FPO's farmers' group is primarily made up of 70/80 percent small and medium-sized farmers.The imperfect market conditions, inaccessibility to credit, suboptimal investment decisions, unskilled human resource base, inadequate access to extension services and poor technological know-how are some of the major problems confronting small and marginal farmers in this era of competitive and unstable environment.Incomplete market conditions, unaffordable credit, poor investment decisions, unskilled labor base, inability to access extension resources and poor technology are some of the major issues facing small and medium farmers in this competitive and unstable environment. The goal of this paper is to gain an understanding of the FPO's various issues, challenges, and opportunities as part of its ongoing development. The secondary data was used in the study. It was concluded that an attempt was made in this study to investigate the opportunities and challenges without developing future guidelines based on the examination and recommendations built by various researchers over time about the promotion and expansion of FPO's in the country.

Keywords: Farmer's Producer Organisation, farmers, Challenges, Opportunities, legal entity.

Introduction

Agriculture provides a living for more than half of India's population and is a major source of income. Agricultural growth is good in both the first phases of the 2020-21 fiscal year during the Covid-19 epidemic, but some sectors are showing poor growth. (2020, The Hindu).Most farmers rely on agricultural activities for a living and an income, but they frequently lack the resources they require to survive. In many areas, accessible productivity growth is limited unless appropriate facilities that help farmers access information, inputs, and services are strengthened, and collaborative action on natural resource management, marketing, and processing is encouraged. Farmers have committed suicide in recent years as a result of agribusiness failures or market crashes. Agricultural hazards affect farmers both directly and indirectly (Skees and Enkh, 2002).

Farmer’s Producer Organization

Farmers Producer Organizations (FPO) are a subset of Producer Organizations whose members are farmers. Small Farmers' Agribusiness Consortium (SFAC) is providing support for the promotion of FPOs during the 12th Plan period (2012-2017). (GOI, 2013). PO is a generic term for an organisation of producers of any type of produce, such as agricultural, non-farm products, artisanal products, and so on. The government hopes that this will increase technology penetration, productivity, access to inputs and services, and farmer income (Chander, 2019). Farmers' Organizations (FOs) are critical institutions for farmer and rural poor empowerment, poverty alleviation, and advancement (FAO, 2006). According to the National Commission on Farmers (NCF), "farmers' organisations should be encouraged to combine the benefits of decentralised production and centralised services,post-harvest management, value addition and marketing" A Producer Organization for non-farmers can also be formed if the producers produce a non-farm item (for example, handloom or handicraft), in which case the PO will be for non-farmers.

Objectives of the study

1. To learn about the challenges and opportunities of the Farm Producers' Association.
2. To learn the recommendation of how to overcome the challenges.

Research Methodology

The descriptive research method was used. Previous research studies, policy papers, and process guidelines on FPCs were studied using secondary data.

Challenges faced by FPO’s.

Some of the most critical challenges faced by FPO’s are indicated here:-

1. Difficult and delay in mobilization of farmers: - Each FPO has its own Service Center as well as its own advertising agency. Both are dealing with staff shortages, so they are having difficulty building FPOs, resulting in a reduction in the number of farmers enrolled in FPOs. Farmers' incentives for FPO allocations are lower than expected as a result of the decline in farmers' incentives, resulting in fewer financial problems.

2. Increasing the Board Director's and Chief Executive Officer's Capacity: - Farmer Producer Organizations are formed and managed entirely by farmers. As a result, their Board of Directors is democratically determined, and the CEO is appointed by the BODs. As a result, various training programmes must be developed in order to develop these skills. As a result, various training programmes must be developed in order to develop these skills.

3. Issues related to financing: - Because FPOs have nothing but their members' "equity" to spend on loans, it is extremely difficult for any banking system to lend them large sums of money. And, as a result of this banking system, it must be investigated how these FPOs can increase the amount of margin required to consolidate debt. Some alternative approaches to financing Farmer Producer Organizations should be tried because they do not have a lot of physical assets and only have tangible assets, and the prospects of Financial Institutions are increasing equity capital through farmer mobilisation and lack of tangible security and physical assets.

4. Grant of Equity:The current SFAC equity benefit programme provides FPOs with stock options. This means that a 1: 1 ratio is also less than the Rs. 1000 shareholder minimum allocation limit. And the maximum amount available is Rs. 15 Lac. He makes a contribution of Rs. at the farmer level. The 1000 is also a problem because there is only a small area for farmers. Furthermore, if someone is interested in becoming a shareholder, it is difficult for the Board of Directors to gain his or her trust and ensure that he or she will become a shareholder.

5. Policies related challenges: - Due to a lack of specific information flow channels, FPOs are unable to take advantage of the few programmes offered by SFAC and other related organisations. This is about amending the APMC country law, assisting FPOs with direct market licences, relaxing Mandi arrests, and making concessions in accordance with regulations, including those relating to the Registrar of Companies and Tax authorities. Punishment for late compliance is a burden, particularly for new FPOs.

6. Limited ability to invest independently in primary/secondary processing, storage, and custom hiring facilities: Due to limited access to equity or institutional funds at the outset, FPOs frequently face difficulties in establishing necessary infrastructure facilities to support their business activities. They also face difficulties in obtaining related assistance from various government schemes and departments.

7. Lack of/Inadequate Professional Management: Farmers' Organizations must be efficiently managed by experienced, trained, and professionally qualified CEOs and other personnel who report to democratically elected Boards of Directors. However, such trained personnel are currently unavailable in rural areas to manage FPO business professionally.

8. Lack of technical skills/awareness: There is a lack of awareness among farmers about the potential benefits of collectivization, as well as the absence of a competent agency to provide handholding support. Furthermore, there is a lack of legal and technical knowledge about various Acts and Regulations pertaining to the formation of FPOs and subsequent statutory compliances.

9. Inadequate credit availability: One of the major constraints that FPOs face today is a lack of access to affordable credit due to a lack of collateral and credit history. Furthermore, the credit guarantee cover provided by SFAC for collateral-free lending is only available to Producer Companies (other types of FPOs are not covered) with a minimum shareholder membership of 500. As a result, a large number of FPOs, particularly those registered under other legal statutes, as well as small-sized FPOs, are unable to benefit from the credit guarantee scheme.

10. Inadequate Market Access: The most important requirement for the success of FPOs is the marketing of produce at remunerative prices. Corporate producers set the majority of input prices. The cultivators suffer as a result of the complex range of market processes affecting input and output prices. There are more market opportunities if FPOs can identify local market needs of consumers and form partnerships for the sale of their products. The connection with industry/other market players, large retailers, and so on is required for the long-term sustainability of FPOs.

11.Inadequate Infrastructure Access: Producers' collectives lack access to basic infrastructure needed for aggregation, such as transportation, storage, value addition (cleaning, grading, sorting, etc.), and processing, as well as brand building and marketing. Furthermore, primary producers are generally excluded from the value chain in the majority of commercial farming models.

Opportunities for the advancement of FPO's

Farmer Producer Organizations have a choice of selecting

1. Farmer Producer Organizations can choose an appropriate legal entity for their producer organisation based on their needs.
2. Of course, FPOs can assist in bridging the large price disparity between retail and producer prices. Furthermore, they help to reduce transportation costs, wastage, and other transaction costs of the farming community while also increasing the shelf life of the produce.
3. FPOs will increase their competitiveness and advantage in emerging market opportunities due to economies of scale and operational efficiency.
4. State governments should use FPOs to implement various government programmes such as the RashtriyaKrishiVikasYojna (RKVY) and the National Food Security Mission (NFSM) through collaboration with the Agricultural Technology Management Agency (ATMA). They should also be assisted in evolving as nodal agencies for procurement, produce pooling, technology transmission, input supply, and credit to leverage better prices.
5. As a result, they can carry out operations such as input procurement, market linkages/tie-ups with exporters, networking, facilitating finance, processing and quality control, trainings and technical advice at a lower cost of cultivation, transaction costs, and access to new markets.
6. Value addition in agriculture can be considered a priority sector by FPOs by obtaining subsidised bank financing. Banks must also change their lending priorities at the same time.
7. Seed production presents a significant marketing opportunity; based on their competitive advantages, FPOs can undertake seed production on their own rather than relying on others. There is the possibility of developing their own brand names and beginning to export beyond their borders.
8. The formation of an umbrella marketing organisation could be a viable option with proper coordination among FPOs. Through such an organisation, it would be easier to negotiate food laws for building their brand and packaging requirements. If only one FPO is used, the risks may be increased.
9. As part of leveraging their collective voice and bargaining power, FPOs should make concerted efforts to establish an effective coordination and consultative mechanism at the regional and national levels.
10. The government should also consider transferring input subsidies directly to farmers via FPO.

Recommendation by the Researchers

i) Periodic training and development programmes are required to motivate farmers and develop the skills of the Farm Producers' Organization's Board of Directors and other staff. In India, we have a number of institutions that are supported by the government of India and offer business development training and development programmes. Among them are the National Institute of Agricultural Marketing in Jaipur, the National Institute of Agricultural Extension Management (MANAGE), the National Academy of Agricultural Research Management (NAARM) in Hyderabad, the Entrepreneurship Development Institute of India in Ahmadabad, Gujarat, the Kerala Institute for Entrepreneurship Development- KIED, the Institute National Business Entrepreneurship and Small Business Development Noida, and the Vaikunth Mehta National Institute of Cooperative Management.

iii) To overcome the financial crisis, FPOs must create a system that benefits people all year long in a variety of ways. Initially, because they could not trade with public and private companies in the fertiliser

sector, pesticide industry, and seed company, they should provide these three products to farmers, benefiting the company as well as the farmers. And, because FPOs have a large number of affiliated farmers, they can improve their finances by taking a very small margin compared to existing retailers and retailers in the market. In both cases, there is a back-and-forth connection that can save money and functions as an operating FPO.
iv) FPOs should be funded based on their requirements. FPOs should start out with a diverse and hands-on approach to their business. During this time, support can be provided in the form of seed training and support. After a few years, when FPOs begin to conduct normal business, funds can be provided to them in the form of financing equity or business capitalism.
v) FPOs can be given long-term loans during business maturity because they perform well in business 6-7 years after company registration and start-up. Appropriate amendments to the APMC Act to treat the country as a single, unified market for agri produce with no restrictions on commodity movement, as well as to allow FPOs to market their produce directly to consumers/bulk buyers without paying a mandi fee.
vi) Buyers may be encouraged to establish collection points near farmers' fields/production centres. The amended Act may also include provisions for providing direct market access to FPOs, treating the FPO as a GraminAgri Market (GRAM), and constructing necessary marketing infrastructure to be owned and managed by the FPO under the Govt. scheme.

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