Farmer Producer Organisations (FPOs) for promotion of non-chemical sustainable agriculture

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Consultation or consultants?

The year-long protests against the government’s new farm bills reflect a significant shift in policymaking in agriculture in India. The bills, even if well-intentioned, were rushed through without consultations in the Parliament, with state governments or farmers’ representatives. While the protests have evoked much discussion and debate, a less-discussed aspect is the dimension of how many supporters of the farm bills would often invoke the new opportunities provided to Farmer Producer Organizations (FPOs) through the farm bills. Between the extreme views of the ‘91 moment for reforms in agriculture’ supporting the farm bills and the corporate takeover of agriculture by the opponents, are there spaces for investments in newer, and more modern, institutions that could enable the large number of small and marginal farmers to better negotiate with markets to enhance or double their incomes?

The operational guidelines for the 10,000 FPO policy were also released in July 2020 and, unlike the farm bills, received less attention. A closer look at the mechanisms of policy, such as the FPO guidelines, unfolds the everydayness of policymaking in India today and the inability of the increasingly centralized state to augment its own capacity to meet the needs of farmers.

The FPO movement in India is a 21st-century phenomenon. With the opening up of Indian markets due to globalization and liberalization of the economy, the government was also exploring avenues to enable rural producers to be ‘equal partners’ in the new economy. A High-Powered Committee, under the leadership of Y.K. Alagh, was set up in 2000 for transforming cooperative businesses into companies. It included members from the National Dairy Development Board (NDBB) that explored creating new generation cooperatives. It was hoped that they would be more business focused and potentially free of the political and elite capture of Indian cooperatives. These institutions would market produce in a modern and professional manner and yet retain the cooperative ideals as found in many countries like Denmark, Zimbabwe, or even the United States.

The subsequent bill and changes in the Companies Act gradually led to the foundation of Farmer Producer Organizations (FPOs).

FARMING AS AN ENTERPRISE - TEN YEARS OF FPO MOVEMENT IN INDIA

Finance Minister, Nirmala Sitharaman, in her maiden Budget speech for the year 2019-20, mentioned the government’s intent to create 30,000 more Farmer Producer Organisations (FPOs) by 2022. While the Budget speech has little detail on the methodology or the proposed financial allocations, there have been several deliberations and discussions on the need for new policy guidelines on FPOs. An expert committee under the Ministry of Agriculture had earlier been constituted to review the policy guidelines, drafted in 2015, considering the rapid growth of FPOs. State governments of Karnataka, Odisha, Telangana have already announced or are in the process of drafting state-specific FPO policies. The Tamil Nadu government’s budget speech talks of 200 FPOs in the financial year 2019-20 with an allocation of INR 100.42 crores.

There are enough reasons to think that there is an FPO movement. From being an obscure word in a few conferences by civil society organisations a decade ago, FPOs have become a buzzword that means many things to many people. Two independent award functions have been held in 2019 to recognize FPOs. Even industry bodies and entrepreneurs like MS Kisan Stores have articulated the need for FPOs as part of a new deal for rural India and recommended the formation of entrepreneurship clusters. FPOs have been an integral part of discussions in several forums on agriculture and rural studies, rural areas, apart from initiatives at the national and state level to deliberate on appropriate policy and ecosystem support for FPOs.

These are reflective of the shift in understanding of farming or agriculture as a ‘value-added enterprise’, as articulated in the ‘Holding Farmers’ Income (HFI) report, whose last volume was released in early 2019. Accordingly, farmers are to be empowered with improved market linkages and FPOs seem integral to this strategy. There are over 280 references to FPOs in the 18-volume report. The FPOs are to become effective in reaching out to small and marginal farmers, building their presence across the sector. 

SOIL Report Dec 2019

Issues in Policy Implementation: Insights from an E-survey on Operational Guidelines for 10,000 FPOs

C Shambu Prasad, Deborah Dutta, and Vandana Ravichandran

FARMING FUTURES: AN ANNOTATED BIBLIOGRAPHY ON FARMER PRODUCER ORGANISATIONS IN INDIA

C. Shambu Prasad and Gautam Prateek

1st Prize

Dharani: Nurturing the earth, fostering farmers’ livelihoods

Joseph Satish V (University of Hyderabad, India) & C Shambu Prasad (Institute of Rural Management Anand, India)
32 Blogs on Collective enterprises
Conversations with CEOs

THE JOURNEY OF SUSTAINING LIVELIHOODS AND SECURING SEED SOVEREIGNTY
EXPERIENCES BY THE FOUNDER OF SAHAJA SEEDS

G Krishna Prasad, the founder and director of Sahaja Seeds, a farmers’ collective dedicated to saving and selling indigenous varieties of seeds. Krishna has been working for the past 25 years to preserve indigenous varieties of seeds. Through Sahaja, Krishna is creating a new market for organic farming in India by leveraging the knowledge and networks of existing farmers. He believes that the assured supply of quality organic seeds is the first step toward conserving traditional seed varieties and promoting organic farming.

This discussion will be moderated by Prof Tara Nair. ‘Learning with LFI’ is an online conversation platform to discuss agrarian and sustainability issues.

TUESDAY, 1 FEB
4-5:00 PM
IRMA

TUESDAY, 22 MAR
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'SCAN WE KNOW BETTER?'
LEARNING WITH LFI SERIES

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THEME: WHAT DOES IT TAKE TO MANAGE AN FPO?
A CEO’S PERSPECTIVE

JASVANT CHAUHAN, CEO OF KRISHIDHAN FPC IN CONVERSATION WITH SACHIN OZA AND ASTAD PASTAKIA
Beyond Farm Bills: Is mere aggregation enough?

• Are there spaces beyond ‘1991 moment for reforms in agriculture’ and ‘corporate takeover of agriculture’....

• FPOs invoked in support DFI 285 references, ‘growth engine’

• FPOs as being more inclusive than older coops - NABARD 6000 FPOs (20-25% withdrawn/struck off), 81% small and marginal, 33-35% women
  • 3000 FPOs business plans, 2500 market linkages, 900 bank credit

• NCDEX commodity trading – 1 lakh tonnes
Doubling FPOs....farm incomes?

The FPO Puzzle: Ubiquitous but....
Are FPOs stillborn?

• Truly small - 79% paid up share capital less than Rs 1 lakh
• Potential to grow – 79% in Rs 5-25 lakhs range
• Credit to FPOs??
• CIIE study – only 5% accessed debts
• 2017-18, 320 FPOs financed, total disbursement ₹160 crores (NABKISAN 262 FPOs Rs 78.6 cr in 2020-21)
• Working capital, “ease of doing business”, “single window clearance” for FPOs...???
## Reimaging Producer Collectives: 15 case studies and compendium

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Building resilient institutions

• Can FPOs grow and scale without investments or incubation (NDDB type, like startups would need Rs 1 crore over 5-8 years)

• Strong local institutions are good public investments

• NAFED – MahaFPC Mahaonion (whither Gramin)

• Supportive state policies (Rajasthan, MP etc.) to build FPO assets, WB in horticulture (Bhangar FPO)
FPOs can grow but face challenges

1. FPOs more complex than SHGs - need time to experiment, innovate and build their business models
2. Built agency of small farmers - aided by support from the Government but beyond, farmer voices heard and negotiations with state and market
3. Governance and capacity building key... under invested
4. Few profitable from year 1, like startups they need investments, resilience to tide over a bad year
5. Danger of looking at FPO as a silver bullet
6. Withering of state capacity Government, sub-contracted policymaking to consultants
7. Democratic member-owned institutions cannot be built by decree through ODOP and targets...”first register and then think of business model”
Fluctuating Fortunes of FPOs

Revenue of FPOs < 2 crores

- Mahanadi
- Mahila Umanag
- KBS Coop
- Pandhana
- Kazhari
- Navyug
- Desi Seeds

- Krushidhan
- Jeevika
- Bhangar
- Ram Rahim
- Mahanadi
Fluctuating Fortunes of FPOs – Profitable but...
Environmental sustainability....

• FPOs important role in stabilising production too (not just markets) promotion of sustainable agriculture is the beginning, integration with market is key
• Creation of natural capital prereq for consolidating social capital (esply in hills and rainfed areas)
• Stability versus profits (Ram Rahim, Mahila Umang) greater consistency, slow but effective
• Village level institutions (SHGs, FIGs, Brundams) key for rooting sustainability
• FPOs promoted by CSOs more likely to include sustainability as a criteria
• Can be an important differentiator, exports too
• FPOs by themselves challenges to pursue ES and will need much stronger ecosystem support
• An imperative, not a hobby or fad anymore
THANKYOU

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