

# FPO: A Way to Ensure Better Income to Farmers

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It is one type of PO (producer organization) where the members are farmers. PO is a generic name for an organization of producers of any produce, e.g., agricultural, non-farm products, artisan products, etc. A Farmer Producer Organization (FPO) is a group of farmers who come together to form a company or an organization, with the aim of increasing their bargaining power and improving their economic status. These FPOs serve as powerful catalysts for change, addressing longstanding challenges faced by farmers such as limited access to markets, lack of bargaining power, and inadequate infrastructure. It can work as a platform to facilitate better access to government services, like PDS, MNREGA, scholarships and pensions, etc. It can liaison with the Government Departments for convergence of programmes, like

drinking water, sanitation, health and hygiene. FPOs are typically formed to help small and marginal farmers, and they are regulated by the Indian Companies Act, 2013.

The government, meanwhile, has introduced various initiatives, such as the Formation & Promotion of 10,000 FPOs Scheme, PM-Kisan Scheme, and e-NAM to support farmers and increase their income. Small Farmers' Agribusiness Consortium (SFAC) is providing support for

promotion of FPOs.

## Functions of FPO

- To provide quality production inputs like seed, fertilizer, pesticides, and other inputs at wholesale rates.
- To make available the production and post-production machinery and equipment, such as cultivators, tillers, sprinkler sets, combine harvesters, and others, on a custom hiring basis to members to reduce per-unit costs of production.
- Offer value-added services such as cleaning, assaying, sorting, grading, packing, and farm-level processing facilities at affordable user charges. Additionally, storage and transportation facilities may be provided.

- Engage in higher income-generating activities like seed production, beekeeping, mushroom cultivation, and more
- Facilitates aggregation of smaller lots of farmer-members' produce and add value to make them more marketable
- Provide market information about the produce to facilitate judicious decision-making in production and marketing
- Offer logistics services like storage, transportation, loading/unloading, etc., on a shared cost basis
- Market the aggregated produce with better negotiation strength to buyers and in marketing channels that offer better and more remunerative prices.

### Types of FPOs based on their functions:

#### Production Businesses

The main functions of these types of FPOs are production, procurement or manufacture of any primary produce for its members (for further sale) and to others.

#### Marketing Businesses

These businesses are involved in the marketing or promotion of primary produce or provision of educational services to members and others.

#### Technical Service Businesses

These types of FPOs are offering technical assistance to producers, providing training and educational services or conducting research and development in the related area.

#### Financing Businesses

These mainly deals with financing producer activities, be it in the production, marketing or development domain.

#### Infrastructure Businesses

Businesses involved in providing infrastructure to producers, whether in the form of electricity, water resources, irrigation techniques, land utilization, or consultation with regard to the same, may constitute themselves as a producer company.

### Optimal size and parameters

- It is desirable to have a Farmer Producer Organization (FPO) for farmers having their lands in contiguous micro-watersheds to address the issues relating to sustainability.
- The productive land under an FPO may be around 4000 ha.
- The PO may cover generally one or two contiguous Gram Panchayats for ease of management.
- The number of farmer producers that need to be covered may be around 700 to 1000.
- The cost of managing a Producer Organization of the above nature may be around Rs. 2 lakh per month or Rs. 24 lakh per annum.
- The total value of the produce of the farmers/non-farmers handled by the Producer Organization may be around Rs. 2.5 crore, assuming that approximately 10% of the total turnover of the PO may be reasonably spent towards cost of management.
- Further, the markets selected for the Producer Organization for selling their produce may be within 200 KM to make their marketing activities viable.

### FPO Registration Process

Farmer producer company registration process takes anywhere around 32-35 business days (subject to government authorization). A minimum of five directors must apply for a digital signature

registration online, which is necessary to file the producer company registration documents. For this, you will only need to provide a few scanned documents and details; our representatives will fill the form and submit it online. As soon as we apply for the DSC, we will prepare the SPICe i.e. INC-32 documents. These documents will take around a week to prepare, and will include the name for your company, the Memorandum of Association (MoA) and Articles of Association (AoA). Once these documents are prepared satisfactorily, they will be submitted to the RoC.

Depending on the workload of the RoC, the documents will be approved in 10 to 15 days. Once approved, the Certificate of Incorporation will be mailed to your registered office address. With this document, you can apply for a Permanent Account Number (PAN) and Tax Account Number (TAN), both of which are necessary for opening a bank account in the name of the business.

### **Central Sector Scheme for formation and promotion of 10,000 FPOs**

Realizing the need to form and promote FPOs across the country, Government formulated a dedicated Central Sector Scheme "Formation &

Promotion of 10,000 Farmer Producer Organizations (FPOs) and the same was launched by Hon'ble Prime Minister on 29.02.2020 at Chitrakoot (UP) for implementation.

The FPOs to be eligible under the scheme for financial benefit and technical handholding are required to be registered either under Companies Act, 2013 or States' Co-operative Societies Act with minimum number of 300 farmers in plain areas and 100 farmers in hilly and NER. Under the scheme, there is provision for financial support of maximum Rs.18.00 lakh per FPO for 3 years as management cost to make them sustainable and economically viable. To strengthen the financial base of FPOs and entail them to avail collateral free loan, there is also provision for matching equity grant of maximum Rs. 2000/- per member with ceiling of Rs, 15 lakh /FPO and Credit Guarantee facility up to bankable project loan of Rs. 2.00 crore respectively.

Under this scheme there are 3599 targeted FPOs, 2298 registered FPOs and 1871 are under process of registration. Uttar Pradesh state has the highest number of FPOs under this scheme (1762) followed by Madhya Pradesh (709) and Bihar (612). (SFAC 2023).

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