

Making FPOs address challenges of Doubling Farmers' Income and Market Access

*Recommendations of NAFPO-NCDEX Joint Stakeholder Workshop,
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Budget 2018 has created a space for rapidly moving to build an ecosystem to support and launch large-scale farmer producer organizations (FPOs). The task force on Doubling Farmers' Income has made significant recommendations and some of these are reflected in the Budget 2018. One of the key strategies identified to help meet the goal of doubling farm incomes is to build robust FPOs. Measures like 5-year tax breaks, model APLM (Agriculture Produce and Livestock marketing) Act, Grameen Haats, trading on the electronic national agriculture market (eNAM) etc. are important policy moves in this direction.

Today over 2500 FPOs have been registered and perhaps double this number are under various stages of being organized. State level producer companies organized in Gujarat, Maharashtra and Madhya Pradesh, among other states, have yielded encouraging results. However, reliable access to markets on equitable and remunerative terms remains a formidable barrier. Successful examples, where producer companies have achieved high turnover through aggregation, show that these entities were largely reliant on the Government supported MSP programmes. Initiatives where producer companies could aggregate produce on their own, absorbing market risks on behalf of member farmers and profitably selling in forward markets, are few and far between.

It is in this background that NCDEX and NAFPO decided to jointly organize a workshop to identify constraints in building sustainable relationships between FPOs and the market and identify key building blocks of a supportive ecosystem to integrate FPOs with markets.

Key Recommendations

Access to Finance

1. **FPC to be treated for lending and subvention as applicable to individual farmers-** Access to short term working capital and term loan products for creation of assets continues to be extremely difficult. As FPCs comprise of small-marginal farmers, it can be treated at par with individual farmers. This can help Producer companies access interest subvention for WHR, e-NWHR, etc.
2. **NBFCs Lending to FPOs recognized as PSL (Priority Sector Lending):** Lending to FPOs to be considered as lending under PSL, this will help new age financing companies to lend to FPOs.
3. **Credit Guarantee Fund-** Expanded Credit Guarantee Fund for FPOs to enable lending from public sector banks on the lines of Credit Guarantee Scheme by SFAC and CGTSME by Ministry of Micro, Small & Medium Enterprises.
4. **FPO Specific Rating Tool-** Financial institutions can use a specific rating tool to identify the creditworthiness of FPOs. The tool administered by recognized credit rating agencies could look at institutional stability as well as business objectives of the FPOs.

Access to Markets

5. **FPO to FPO transaction through electronic market platforms-** This is to be facilitated for inter-FPC trade. It can be done on existing market platforms like eNAM, NeML (spot electronic exchange) and re-opening of exchange regulated forward trading platforms.
6. **FPCs for procurement under MSP-** FPCs to be formally recognized at all levels of Government for MSP related procurement rather than the traditional arrangement that only recognizes Co-operatives for such procurement initiatives.

Leadership/HR and Leveraging Technology

7. **Place professionals to work with FPOs-** A Flagship Fellowship funded and conceptualized in partnership with institutes such as IRMA, TISS can be organized to focus where graduating students are supported to work directly with FPCs across the country. This could be coupled with training in business management, operations research, logistics/supply chain and marketing to bring in much desired professionalism into the sector.
8. **National FPO data repository-** Build along the lines of India Stack, an Agri or FPO stack having data such as farmer and crop related information, aggregate demand and supply estimates of both inputs and outputs is a much desired public good.
9. **Capacity building of human resource-** Institutions such as BIRD-Lucknow, NIRD, Manage, NIAM should focus on sustained efforts to build capacities of board of directors and cadres. This strategy augmented with professional leadership from external actors can play an amplifying role in sustaining these institutions and growing internal capacities.

Policy Framework

10. **FPOs to be treated as Start-ups-** FPCs are enterprises by the farmers and collective entrepreneurship requires investment and tax breaks to be supported on the line of Start-up framework.
11. **FPOs to take lead in building proposed rural marketing infrastructure-** FPCs should become the key players in setting up of decentralized and village level market infrastructure. The strategy where FPCs are integrated into the plan to develop 22,000 Grameen Agricultural Markets can become a coherent plan to build resilient community institutions built around an integrated market ecosystem.

About the Organizers

National Association for Farmer Producer Organizations (NAFPO) is not-for-profit body working towards enhancing the profile of FPOs and promoting awareness among various stakeholders. NCDEX, the country's leading futures platform working to expand marketing opting for farmers and FPOs, partnered with NAFPO in this event. A collaborative effort by NAFPO and NCDEX attempts to bring forward the challenges faced by FPOs and bring ideas together with stakeholders. The workshop had speakers and participants from Niti Ayog, NABARD along with panel of experts and practitioners working on policy, market access, financial access and technology covering agripreneurs, financial institutions, regulators, logistics and warehousing service providers and farmer producer organizations.